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Asian Studies



The Businesses of the Chinese Army

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A. Introduction:

This paper is a follow-up to the lecture I gave during the traveling seminar, which we had in August 2017. The lecture was delivered while we drove in a bus near the People's Liberation Army ("PLA") satellites launching base of Jiuquan (酒泉卫星发射中心), which is used for launching military satellites, testing missiles and launching space missions. However, it is also used for launching civilian satellites.¹ The Jiuquan PLA base is but one example for the involvement of the PLA in business activity, but it is quite a natural involvement, because it is related to the core missions of the army (e.g. ballistic missiles, and military satellites). Yet, the PLA was, and to certain extent still is, engaged in other businesses that are less natural, such as operating hotels and KTVs, producing pharmaceuticals, bikes and televisions, and operating brokerage firms, and international trade companies. This is where it becomes interesting.

There are other reasons that I think the involvement of the PLA in business activity is very interesting. First, the PLA is one of the main pillars of the regime in China (together with the Party and the Government). As such, Mao saw it as a political and ideological vanguard, which should be imitated by the people. Moreover, the Chinese Communist Party ("CPC") always saw the PLA as the main tool to gain and maintain control. Thus, Mao Zedong used the famous proverb "Political power grows out of the barrel of a gun".² This later concept seems to be adopted by the current leadership headed by President Xi Jinping, who reorganize and re-shuffle the PLA in a radical and unprecedented way.³

Second, the PLA is currently the largest army in the world with 2,300K permanent soldiers, around 500k reserve and 660k in the People's Armed Police Force (PAPF 武警).⁴ In addition, the Central Military Commission ("CMC") is formally controlling other semi-military forces, including the Chinese Coast Guard with 100k personnel,⁵ the Primary Militia with a huge size of 8,000k personnel⁶, the Ordinary Militia (which is even larger but no reliable numbers exist), the Maritime Militia, the Cyber Warfare Militia⁷, and the XPCC,⁸ which is also known as *bingtuan*, with 2,700k⁹. However, in practice, various PLA units train, coordinate and/or manage the activities of the Militias, the Coast Guard and the *bingtuan*.¹⁰ With such a giant apparatus and a huge budget, it is only natural that the PLA and its

¹ For example see: <https://www.space.com/20909-china-rocket-launch-four-satellites.html>

² The phrase was used by Mao on 6 Nov' 1938 during the speech about "Problems on War and Strategy" given to the Central Committee's sixth Plenary session. See: [Selected Works, Vol. II, p. 224].

³ The policies of Mr. Xi attach high importance to the PLA and he implemented significant reforms and personnel changes in the PLA; including the recent down-sizing of the Central Military Commission ("CMC") to 7 people, promoting friendly generals and purging less loyal / corrupt generals, modernization and down-sizing the Army, changes to the commanding structure, etc. See; Adam Ni, [The Death of Zhang Yang and China Military Purge](#), The Diplomat (December 2nd 2017). It is also demonstrated by speeches of Mr. Xi and state media articles that demand absolute loyalty of the PLA to the party and to Mr. Xi. These demands were [published](#) as guidelines by the CMC.

⁴ Anthony H. Cordesman, [Chinese Strategy and Military Modernization in 2016](#), (CSIS, 2016) p. 34. The 2,300K number is before the reduction of 300k which is announced in 2015. Further cuts which were announced recently. According to a recent South-China Morning Post the PAPF number is 1.5 Million. See [China brings People's Armed Police under Control of Top military Chiefs](#)

⁵ Ibid, Cordesman, p. 214

⁶ Ibid, p. 220

⁷ The exact number of the cyber and maritime Militias is not clear, but CSIS paper detailed their activity. Ibid, p. 154, 157, 206, 220,

⁸ It is open to debate whether the XPCC (Xinjiang Production-Construction Corps), is currently a military or civil organization. See [Infra Note 118, in Chapter E of this paper.](#)

⁹ See: Alexa Olesen, *China's Vast, Strange, and Powerful Farming Militia Turns 60*, Foreign Policy Journal (October 8th, 2014)

¹⁰ See Cordesman, Supra Note 4, p. 157, 206, 220 and also [Infra Note 118, in Chapter E of this paper](#)

affiliates will have many interfaces with the business sector and major impact on the economy. Thus, at its pick, it was defined as “the most important business conglomerate in China”.¹¹

The third reason I took interest with the PLA economic activity is because our traveling seminar took place in the periphery and minority regions of China, where the involvement of the PLA, the Militias and especially the *bingtuan* is much more significant (today and in past periods). In these regions the PLA and the *bingtuan* took many economic and civil functions, which may seem odd to us. Yet, as I will elaborate later on, such involvement of the PLA and the *bingtuan* in “civilian” roles has its own logic, based on security, political, social, economic and historical reasons.

In this paper I shall provide a wide overview of the army involvement in business activity, including the historical background and the political and philosophical context. I will also try to shed some light on the civil-military relations in the periphery and frontiers. With such wide spectrum it is impossible to dive deeply into any specific topic, and thus I beg your pardon (after all it’s not even a seminar).

B. The History of PLA’s Involvement in Business and the Economy.¹²

According to Dr. Thomas Bickford, the PLA’s economic role changed along its 90 years of history and it can be divided into four periods: In the first period, during the years of 1927-1949, the PLA had to self-sustain its isolated units, which could not rely on external military and economic aid. Moreover, as the “Army of the People” and in accordance to the CPC agenda, the PLA could not demand from the peasants to provide its logistic needs. To the contrary, the PLA wanted to assist the peasants in their economic needs (e.g. infrastructure development, assist in planting and harvesting, production of clothing, etc.), in order to nurture the “friendship” between the party and the people.¹³ Already in 1928 the PLA begun farming a 200 Mu plot, and in 1931, at the Jinagxi Soviet, the PLA established its first factory, for munitions.¹⁴ Bickford explains us that:

*“By the time the CPC had consolidated its base in Yan’an PLA production had become well established as essential part of the PLA mission and organization. Agriculture remained the most common form of production but the PLA also had extensive factory system producing everything from soap to munitions.”*¹⁵

*“PLA economic Activity served as a wedge to get the Party into village life and helped the party to implement its new social and economic policies and become an essential component of Mao’s political thinking”*¹⁶

¹¹ See for example: Jim Mann, *Is China Army Going Out of Business*, Los-Angeles Times (February 21, 2001)

¹² For the sake of efficiency I will refer to the PLA or Army, as a term that includes the Militias, unless otherwise stated.

¹³ Thomas J. Bickford, *The People’s Liberation Army and its Changing Economic Roles*, in Nan Li, ed., *Chinese Civil-Military Relations: The Transformation of the People’s Liberation Army* (New York: Routledge, 2006), p. 162 See also: Swaran Singh, *Rise and Fall of the PLA’s Business Empire: Implications for China’s Civil-Military Relations* *Strategic Analysis*, 23:2, p. 227-239,

¹⁴ Bickford, *The People’s Liberation Army and its Changing Economic Roles*, p. 162-163

¹⁵ *Ibid.* p. 163

¹⁶ *Ibid.* p. 163

During this harsh period, commercial creativity (or necessity if you like), begun to sprout. Dr. James Mulvenon, one of the experts in this field, even cites evidence that with the covert approval of Mao, the PLA grew and sold opium for profit, while a military unit called the Daguang Soap Factory served as a front for the opium trade.¹⁷

According to Bickford, the second period, took place after the establishment of the PRC, between the years 1949-1979. During this period, and in theory, the PLA budget could be guaranteed by the state and its logistics needs could be serviced by the state. However, in practice, the PLA not only retained its system of farms, factories, and other enterprises, it also expanded them as part of Mao's political development strategy. Under this strategy the PLA spearheaded many infrastructure projects as well as social experiments such as the commune system. Thus, the majority of the defense budget continued to be the responsibility of PLA.¹⁸ To that effect, the PLA also established special units to handle certain economic projects, including "mining units" (mainly for gold and uranium), "railway construction troops" and the XPCC.¹⁹ Apparently, the PLA found its extra economic activity very useful during the Korean War, and that was another reason that the system was regularized and expanded during the 50s.²⁰ As Mora & Wiktorowicz put it:

*"The Chinese leadership always turned to the military to implement and ensure the success of Beijing's political, social, or economic goals, particularly those considered vital to its survival."*²¹

According to Bickford, the third period, which we will discuss later in details, is the "PLA Inc." period. Bickford and others delimit this period to the years 1980-1998.²² During this period the government implemented a de-facto prolonged freeze on military expenditures, and thus the PLA responded by fast expansion of the PLA enterprises system, intensive involvement in the new semi-market economy, and as a result it also saw the spread of corruption within the PLA. The end of this period is marked in 1998, because on the 22nd July of that year, Jiang Zemin, who was also the chairman of the CMC, demanded the dissolution of the "military-business complex". Then on Dec' 14th 1998 it was announced that the PLA had formally divested itself from commercial operations.²³ But it turned out that the PLA divestment was only partial at best. Thus, in 2015 another PLA "divestment" campaign began, with 2019 deadline to complete the mission.²⁴ The success of this new deadline we'll discuss later, However, Mulvenon reflected his opinion in his article title: "PLA Divestiture 2.0: We Mean It This Time"²⁵.

¹⁷ See: Jim Mann, Supra note 11.

¹⁸ See Ibid. p. 164. and Singh, *Rise and Fall of the PLA's Business Empire*, p. 229 and Dongmin Lee, *Chinese Civil-Military Relations: The Divestiture of People's Liberation Army Business Holdings*, Armed Forces & Society, Volume 32 Number 3 (April 2006) p. 439

¹⁹ Singh, *ibid.* p. 164

²⁰ Thomas J. Bickford, *The Chinese Military and Its Business Operations: The PLA as Entrepreneur*, Asian Survey, (Vol. 34, No. 5, May, 1994), p. 461

²¹ Frank O. Mora and Quintan Wiktorowicz, *Economic Reform And The Military: China, Cuba, And Syria In Comparative Perspective*, International Journal of Comparative Sociology (April 2003, Volume 44, Issue 2), p. 90

²² Bickford, Supra Note 13, p. 161

²³ See details of the process at: James Mulvenon, *PLA Divestiture and Civil-Military Relations: Implications for the Sixteenth Party Congress Leadership*, China Leadership Monitor, (No.1 Part 2, December 2001)

²⁴ Minnie Chan, *Bringing an end to PLA Inc.*, South China Morning Post (April 14th 2016) but see also **Infra Note 93** and the related text

²⁵ James Mulvenon, *PLA Divestiture 2.0: We Mean It This Time*, China Leadership Monitor, (Issue 50, Summer 2016)

According to Bickford, the fourth and current period of the PLA's history began in 1999 after the divestment of commercial enterprises, with re-focusing of the economic activity on "farms and basic logistical support". In addition, since then the PLA began to outsource its logistic services (which he calls it "socialization").²⁶ Bickford actually admits that the divestment process wasn't over in 1998. But in one place he points to 2006 as the end,²⁷ and in second place he argues that it's still ongoing.²⁸

Looking back on the divestment process, we can see that the first steps in shrinking the PLA Inc. actually began already in 1993, with a "rectification campaign" that continued for over two years and shut-down about 40% of the PLA's commercial entities.²⁹ During this campaign, commercial operation of the PLA was restricted to units above the group armies.³⁰ Thus, though the year of 1998 is indeed an important juncture in the process, yet, the PLA Inc. was not terminated in 1998. Moreover, 2015 is probably a more important juncture in this process, because the new divestment campaign of 2015 was, and still is, accompany by extreme purge and shuffle of the military elite, as well as "the most sweeping reorganization of the PLA since the 1950s".³¹

According to Adam Ni, since 2012 President Xi purged over 100 high-level military officers, including 4 members of the CMC (two of them were vice-chairmen). This shuffle of PLA's elite continues unabated till today and as Adam Ni observes:

*"In 2017 alone, leaders of most of PLA's organizations have been changed, including all four service heads (Army, Navy, Air Force, and Rocket Force), three of the five theater commanders (Southern, Northern, and Central), and nine of the CMC's 15 functional organs. Further, the PLA delegation to the 19th Party Congress had a staggering 87% first-timers, representing the rise of a new generation of PLA leaders".*³²

Thus, as patient observers of China, we should wait longer (till 2019?) to see if the divestment process actually "finished", or whether the PLA shall find new loopholes, which allow it to retain some of its businesses (directly or indirectly) and/or develop new business models, which are not formally restricted under the current campaign. In addition, there is always a chance that new Chinese leadership and/or new policies shall reverse the current direction. Taking into account all the above, I believe that the third period in the PLA's history, the period of PLA Inc., is not over yet. However, President Xi is obviously aiming at this direction, as we shall further elaborate in Chapter F.

²⁶ Bickford, Supra Note 13, p. 162

²⁷ Ibid. p. 168

²⁸ Ibid. p. 162

²⁹ *The PLA's business interests*, Strategic Comments (Volume 3, Issue 10 1997), p.1-2 [DOI: 10.1080/1356788973104]

³⁰ See: Shirley A. Kan, [China's Military-Owned Businesses](#), CRS report (January 2001) p. 3. See also: Singh, Supra Note 13, p. 228. Also see: Tai Ming Cheung, *China's Entrepreneurial Army*, Oxford University Press (February 2002), p.133 where he describes the closure of more 2/3 of PLA companies in Shenzhen and half in Hainan.

³¹ James Mulvenon, [China's "Goldwater-Nichols"? The Long-Awaited PLA Reorganization Has Finally Arrived](#), China Leadership Monitor (Winter 2016, Issue 49)

³² Adam Ni, Supra Note 3.

C. The PLA Inc. Period (1980-2019?)

For the western reader who is not familiar with China the next paragraph may seem absurd:

“Imagine if the Pentagon started manufacturing refrigerators, running breweries, building hotels and smuggling cars as a way of making money for its budget. In China, this is not a joke. It has been the reality for most of the last two decades.”

This is how in 2001 the Los-Angeles Times opened the article about the Chinese army.³³

The economic reforms that Deng Xiaoping implemented in China since 1978 and created the notion of “China Inc.” happened simultaneously with the expansion of the PLA’s economic activities and the emergence of the “PLA Inc.” notion. I don’t think it is a coincidence. The economic reforms that Deng Xiaoping initiated unleashed the creative commercial skills of the Chinese people. So when the policies allowed the PLA to take part in celebration, the PLA, reflecting the desires of the “People” (i.e. the soldiers), was more than happy to follow suit. There were two main policy reasons to encourage the PLA’s involvement in profit-making economic activity. According to Dongmin Lee;

*“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”.*³⁴

The second reason was that since 1985 the government reduced the defence budget and diverted its financial resources to the economic reforms, thus the PLA was compensated by giving it the green light to expand its business activity.³⁵ In addition, and to a lesser scale, some PLA enterprises have been used to absorb soldiers who were demobilized due to troops’ reduction.³⁶ The process was described by Shirley Kan as follow:

*“In January 1982, Deng articulated the 16-character “Military-Civilian Combination Policy,” (“military-civilian unity, peacetime-wartime unity, priority for military production, use civilian production to support the military.”) In addition, the Commission of Science, Technology, Industry for National Defense (COSTIND) was created in 1982 under the Central Military Commission (CMC) and the State Council to integrate the civilian and military sectors of research and development, and production. In 1985, military reforms cut back the PLA’s budget and began to demobilize 25% (one million) of the soldiers. There were surplus people and less money.”*³⁷

Thus, the vast resources of the PLA, including large and cheap labour force, expansive transportation and logistics networks, advanced scientific and technology research institutions, numerous real-estate

³³ See: Mann, Supra note 11

³⁴ See Dongmin Lee, Supra Note 18, p.440

³⁵ Ibid, p. 449 (quoting, David Shambaugh “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.”). See also: Bickford, Supra Note 13, p. 166

³⁶ Bickford, Supra Note 20, p. 462

³⁷ Shirley A. Kan, Supra Note 30, p. 1

assets in central locations, networks of hospitals and hotels, and quite a bit of political power and attached benefits (such as lower tax level), joined together to create the largest business conglomerate in China's modern history.³⁸ Yet, as we shall discuss later, this conglomerate was rife with internal conflicts and most economic benefits were kept by the related PLA unit.³⁹

According to Shirley Kan, in 1993, when PLA Inc. was at its pick, it included 20,000 companies.⁴⁰ Bickford cites army sources from 1990 that count over 10,000 companies with over 700,000 employees.⁴¹ However, the real numbers were probably larger because many related and affiliated companies of the PLA were registered on the names of relatives, ex-officers and business partners.⁴²

Yet, the massive and fast expansion of the PLA Inc. and its profit-making businesses did have negative consequences. The most obvious problem was corruption and as Mulvenon describes it:

“the PLA’s participation in the economy also began to metastasize into a huge, corrupt, state criminal enterprise in the 1980s, leveraging the monopoly on coercive force to facilitate an empire of smuggling, drugs, and prostitution.”⁴³

Scholars argue that the growth of corruption in China is, at least partially, a by-product of the market reforms and its materialistic philosophy. Kwong, who is quoted by Mora & Wiktorowicz, argues that the economic reforms resulted in “dramatic change in culture from the ethos of discipline, Asceticism, and Puritanism that characterized the Maoist era, to one of materialism, individualism and status”.⁴⁴ I agree that this culture change is a major motivation to the PLA's corruption, but on the other hand, the involvement in profit-making business provided the opportunity and the means to implement the corrupted activity. The operation of business activity gave the officers and their family members opportunities to engage more closely with the rest of the civilian society and thus to be “infected” with the desire to “get rich first” that Deng Xiaoping encouraged.

A partial inventory list of the **Non-Core**⁴⁵ economic activities of the PLA during the early 90s is quite amazing. It included nearly 400 pharmaceutical factories producing around 10% of the country's annual output of medical goods; more than 1,500 PLA-owned hotels; about 70 army-run factories which produced around 20% of China's passenger cars and trucks; four of China's ten largest clothing enterprises; real-estate companies that built from high-rise offices and commercial complexes to luxury residential homes in major cities⁴⁶ (including one industrial development zone in Shantou)⁴⁷. In addition, the PLA took a leading role in the international trade sector with over 200 joint ventures,

³⁸ Mann, Supra Note 11.

³⁹ Thomas Bickford, *The Business Operations of the Chinese PLA*, Problems of Post-Communism (Dec 1999, Vol. 46, Issue 6) p. 30

⁴⁰ Ibid, p. 33

⁴¹ Bickford, Supra Note 20, p. 461

⁴² Bickford explains that these types of companies were sometimes referred by the PLA itself as “Military-Associated Enterprises” and sometimes they become “Independent”. See, Supra Note 20, p. 461. I personally know of an oil import company that received the license due to army intervention but was registered on the names of relatives. See also Mulvenon, Supra Note 23, p. 3

⁴³ Mulvenon, Supra Note 25, p. 2

⁴⁴ Mora and Wiktorowicz, Supra Note 21, p. 94

⁴⁵ By Non-Core I mean those activities that are not related to defence of direct supply to the PLA (e.g. producing uniforms)

⁴⁶ See, Supra Note 29, p. 2

⁴⁷ Bickford, Supra Note 20, p. 464

publicly listed subsidiaries in Hong-Kong (and other locations around the globe), and some of the leading trading groups in China (including Poly Group, Xinxing Group, etc.).⁴⁸ It is also worth mentioning that the above picture was not unique to the PLA. Many other government organs took part in the profit-making “party” of the 90s, and especially in the hotel and real-estate sectors. Thus, even in 2012 over third (33%) of these sectors were actually controlled by the state companies.⁴⁹

The “getting rich first” frenzy also led the PLA into much more bizarre businesses, which included; brokerage firms (including futures trading);⁵⁰ operating KTV, Night clubs and brothels⁵¹ (including the Passion Club, which was located in the Sheraton in Beijing);⁵² operating 165 firing range for tourist;⁵³ renting military vehicles to civilians;⁵⁴ and management of the leading professional sport clubs (e.g. in 1997 3-out-of-12 clubs in the basketball league).⁵⁵ However, in some case the bizarre activities crossed further into the criminal sphere with PLA navy and other units smuggling all kind of goods, including substantive volume of oil ⁵⁶ and luxury cars from South Korea⁵⁷

Beside the direct negative impact of corruption, it had many other negative implications. First, it tarnished the image of the PLA among the public and indirectly the image of the CPC.⁵⁸ Second, the PLA involvement in profit-making activities diverted the time and attention of soldiers and officers from their regular duties to the economic activity, and thus harmed the military unity, discipline and preparedness (Bickford gives quite extreme examples for that).⁵⁹ In this regard there was elevated tension between units that due to their roles or location could enjoy profitable activity, and units in the periphery who had no such option.⁶⁰ Third, from the economic aspect, and due to the fragmentation of system, many of the smaller enterprises, which were operated by smaller units, were unprofitable and wasted resources.⁶¹ Fourth, the military enterprise competed unfairly with the private sector, by taking advantage of their lower taxes, easier access to raw materials and hard-to-get licenses, and even its exemption for paying toll fees in highway.⁶² Fifth, the focus of the PLA on economic activity and financial independence of some units had made it easier for officers to circumvent or ignore orders other branches of the government.⁶³ For example, in 1995 I travelled in Tibet, and in some cases without permission from the police (the Public Security Bureau). Then, soldiers would often ask me to stay at

⁴⁸ Ibid, p. 463-467 and see also Kan, Supra Note 30, p. 2

⁴⁹ See Joe Zhang, *Party Man, Company Man*, Henrich Professional Publishing (May 28th, 2014) **And see also Infra Note 70**

⁵⁰ Bickford, Supra Note 20, p. 466

⁵¹ Singh, Supra Note 13, p. 233 and see the quotation from Mulvenon, in the text which relates to Note 43

⁵² Regarding the “Passion Club” in Beijing I was told about it by few business executive who hosted over there government officials and army officers. See also Minnie Chan, *Hotels and Resorts Owned by Chinese military enjoyed ‘Protection’*, SCMP (April 15th, 2016)

⁵³ Singh, Supra Note 13, p. 233

⁵⁴ Bickford, Supra Note 39, p. 32

⁵⁵ Andrew Tanzer, *The People's Liberation Army, Inc.* Forbes (24/3/1997)

⁵⁶ Mulvenon, Supra Note 20, p. 469

⁵⁷ Mora and Wiktorowicz, Supra Note 21, p. 94 and Bickford, Supra Note 13, p. 167

⁵⁸ Bickford, Supra Note 39, p. 33

⁵⁹ See Bickford's examples, Supra Note 20, p. 470 and Supra Note 39, p. 33. In addition profits from economic activity, and possibly also regular budget of units, were probably used to expand the economic activity rather than for military purposes. See, Mulvenon, Supra Note 25, p.4, and Bickford, Supra Note 13, p. 167

⁶⁰ Bickford; Supra Note 39, p. 33, Supra Note 20 p. 473, and Supra Note 13, p.168

⁶¹ See examples and discussion in: Bickford, Supra Note 39, p. 32

⁶² Bickford, Supra Note 20, p. 473, and Mulvenon, Supra Note 25, p. 2, 4

⁶³ Dongmin, Supra Note 18, p. 448

the PLA hotel, promising me that over there it is safe from the police. I also rode with army trucks (sometimes for a fee and sometimes for free) and I was invited to eat with the soldiers and they often told me to be careful to hide from the police.

Due to the above negative impacts and after some large-scale corruption cases were reported to the public,⁶⁴ the 1993 divestment process begun and continue till today. However, as Bickford argues, there were also some significant positive aspects to the PLA economic activity.⁶⁵ Yet, elaborating these points will have to wait for my next paper.

D. The Results of the 1998 and 2015 Divestment Campaigns

As we explained in Chapter B, the divestment process was not completed in Dec' 1998, despite the early applause by the Chinese media and some foreign commentators. The major achievement of the 1998 campaign was to divest the PLA from major part of its production activity. Thus, the 24 large business groups of the PLA and the PAPF, including, China Poly Group, Kaili Corporation, Xinxing Corporation (Group), and Xinshidai (New Era), were transferred to civilian control. Many trading companies previously under the PLA were also transferred to the State Council or its ministries.⁶⁶

However, there were many exceptions, such as factories supplying the PLA (especially clothing and repair factories),⁶⁷ the arms sales part of the Poly Group; the PLA Air Force retained its United Airline (but it was closed on 2003); and the PLA's telecommunications ventures (e.g., Great Wall Mobile, Century Mobile Communication Corp.).⁶⁸ In addition, each major department at lower levels was allowed to retain a three-star hotel and their agriculture farms.⁶⁹ In general, we can see that the exemptions were granted for economic activity that is serving the direct needs of the units, or that aligned with the defence needs of the military establishment (i.e. Core Activities). On the other hand, the divestment process was less focused on the service sector and was barely touching the farms that were used by various units to enrich their supply of agriculture products.⁷⁰

Jumping fast forward to 2016, the *Global Times* specify some of the remaining business of the PLA, including telecom, personnel training, logistics, technology and healthcare. In addition, military hospitals outsourced their services to private organizations, and PLA art and performance troupes performed in commercial shows. Yet, the most popular and lucrative area that the PLA retained after 1998 was the real estate sector.⁷¹

⁶⁴ Bickford, Supra Note 39, p. 33 and Mulvenon, Supra Note 23, p. 2

⁶⁵ Bickford, Supra Note 20, p. 462, 472-473 and Supra Note 13, p. 169

⁶⁶ Kan, Supra Note 30, p. 2-3

⁶⁷ See, Marie Horrigan, [The Red Army's Role in China's Economy](#), UPI (12 December 2001) and Bickford, Supra Note 39, p.34

⁶⁸ Kan, Supra Note 30, p. 2

⁶⁹ Horrigan, Supra Note 65

⁷⁰ Bickford mentions that the farms were especially acceptable because they kept the tradition of self-reliance. Supra Note 39, p. 34

⁷¹ Mulvenon, Supra Note 25, p. 2-3. The article also explains that the laws still allow PLA units to form partnerships with local governments and build real estate projects together on PLA land.

Beside the official exemptions that the PLA obtained, many other business operations of the PLA, or its affiliates, continue to exist after the 1998 divestment. Mulvenon explains it as follow:

“This first phase of the divestiture process, however, was not easy or clean. For understandable political reasons, many of the military-owned enterprises were formally removed from military control but in practice were controlled by relatives or close associates of active-duty officers. In addition, some “paid services” businesses were allowed to continue, either because they filled a particular social need or would have been too difficult to untangle, such as medical services and spare real estate property leasing.”⁷²

In other words, beside the exempted businesses, many PLA enterprises were not abolished because their official ownership did not belong to the PLA. As Bickford explains, some PLA businesses were established as collective enterprises run by the relatives of serving military personnel. This practice was also common with other government branches,⁷³ and I can testify of it.⁷⁴ Moreover, since the divestment campaign begun in 1993, military enterprises (*jundui Qiye* 军队企业) were using various ways to circumvent the divestment, including re-define themselves as independent companies and by “selling” and transferring the ownership to relatives and business partners.⁷⁵ Thus, they technically comply with the divestment policy. However, we can reasonably assume that many of the ex-PLA enterprises kept their *guanxi* with their related army units, and thus enjoyed mutually beneficial relations.⁷⁶ Bickford adds that hiding below the radar of the divestment was not so hard among local level enterprises because the PLA’s leadership had very limited knowledge of their existence.⁷⁷

In 2001, three years after the announcement that the PLA finished its divestment from commercial activity, different experts came with different evaluations of the actual situation. Some estimated that the PLA kept between 8,000 to 10,000 business units. David Shambaugh, estimated that up to 20% of the army units involve in "extracurricular commerce" with a total yield of approximately \$2 billion per year.⁷⁸ Others estimated that in addition to the 10,000 self-supporting, industrial enterprises and those employing dependents, another 5,000 enterprises were permitted to continue for a transition period.⁷⁹ At that time Mulvenon, provided the harshest and most realistic evaluation, arguing that the completion of PLA’s divestiture is a myth and that the PLA remains an active member of the Chinese economy, despite the ongoing divestiture process.⁸⁰

As a part of the 1998 divestment process, the PLA expected for compensation and that its budget shall be increased significantly. However, the PLA received rather small increase of the budget and the PLA leadership grumbled and complained in the official media, suggesting that the military had been

⁷² Ibid, p. 2

⁷³ Bickford, Supra Note 20, p.469, and, Supra Note 39, p. 34, explains that the 1998 campaign also included the Judiciary “Businesses”

⁷⁴ As a lawyer in China I was involved in dozen of transactions with “private companies” that were actually controlled related and/or affiliated with government organs. In many cases official of the government organs joined the negotiations (e.g. a JV with CCPIT).

⁷⁵ Mulvenon, Supra Note 23, p. 3

⁷⁶ Ibid, p. 3. Few examples of ex-PLA enterprises that become “private” are China Mining Resources Group, and Huawei.

⁷⁷ Bickford, Supra Note 20, p.469

⁷⁸ Horrigan, Supra Note 65

⁷⁹ Kan, Supra Note 30, p. 3

⁸⁰ Horrigan, Supra Note 65

“duped” by the civilian leadership.⁸¹ In spite of these complaints, it seems that up till 2012 the PLA and the CPC leadership found *modus vivendi*, in which the PLA was de facto allowed to expand its service enterprises (including the real-estate sector) but stayed away from production. But then, in 2012, since President Xi Jinping ascend the throne, this equilibrium begun to crumble.

Charles Clover of the financial times summarized it as follow:⁸²

Since taking office in 2012, Mr Xi has sought to transform the military from a politicised peasant-based army — a vestige of the Mao era — into a professional force capable of projecting power into the western Pacific, over the internet and even into space”

This ambition to modernise and reorganize the army was accompanied by another massive “Anti-Corruption” campaign, which purged hundreds of senior officers (since 2012),⁸³ and forbid soldiers to accept any extra-income beside their salaries.⁸⁴ Then, in November 2015, came the announcement of a second wave of PLA’s divestment from its business activity. As Mulvenon explains; the 2015 divestment campaign took place due to the combination of three strategic targets; bolstering military capabilities, supporting the PLA’ s reorganization, and fighting military corruption.⁸⁵ Since, both military capabilities and corruption are strongly influenced by the business activity of the PLA, thus the abolition of PLA’s business activity was required.⁸⁶

However, another extremely important goal of President Xi is to reinforce his political control over the military and receive from the PLA “absolute loyalty”.⁸⁷ The anti-corruption campaign was one tool to achieve this mission, by purging disloyal generals, but the divestment process, which increases the financial dependency of the PLA, can also incentivize it to obey the state orders (yet, it may also produce some hostile generals). Thus, we believe in the phrase “Money Talks” (or in Chinese 有钱能使鬼推磨) the divestment process looks useful in achieving Mr. Xi political goal.

The 2015 divestment campaign aimed at terminating and stopping various economic activities in the service sector including, paid-services for civilians at military hospitals, the leasing of military warehouses to commercial firms, hiring PLA song and dance troupes for public events, outsourcing military construction companies, and opening military academies and institutions to public students.⁸⁸ It also aimed at PLA’s hotels who serve the public and any other paid-service operated by the PLA.⁸⁹

⁸¹ Mulvenon, Supra Note 23, p. 4

⁸² Charles Clover, [China Moves to Modernise its Army](#), Financial Times (September 3, 2015)

⁸³ Clover, Ibid, estimated the number in over 200 senior officers, while Adam Ni estimated it by 100 (Supra Note 3)

⁸⁴ Michael Lelyveld, [China Bars Outside Income for Military](#), Radio Free Asia (February 9th, 2015)

⁸⁵ Mulvenon, Supra Note 25, p. 3

⁸⁶ Ibid, p. 3-4 and this was also argued by Xinhua and others. See, Ben Blanchard, [China Military to End Paid-For Services within Three Years](#), Reuters (March 28, 2016)

⁸⁷ This strong public demands of President Xi for the PLA loyalty, which may hide some fears, appeared at the time in many media sources including the PLA Daily (解放军报). See, Minnie Chan, [China’s rapid deadline for PLA reform could raise political stakes for President Xi Jinping](#), South China Morning Post (December 4th 2015). This demand, for absolute loyalty, was repeated many times and recently it was even published as guidelines by CMC. See, Charlotte Gao, [Chinese President Demands 'Absolute Loyalty' From Military](#), The Diplomat (November 7th, 2017)

⁸⁸ Minnie Chan and Liu Zhen, [China’s President Xi Jinping wants ‘PLA Inc’ to stop its song and dance, plans end for profit-making activities](#), South China Morning Post (November 27th 2015)

⁸⁹ Blanchard, Supra Note 85

According to guidelines issued by the CMC, army units should not sign any new contracts for paid services and allow existing contracts to expire. The termination of all the paid-services was originally given a 3 years deadline, and it was planned that most services would be passed to local governments. The guidelines also recognized that services, which “fulfill an important social security function” may be exempted and retained by the PLA under a new “civil-military integration”(CMI) scheme.⁹⁰ But currently it is not yet clear which economic activities shall be regarded as “important social security function”. Mulvenon assumes that military hospitals will be included,⁹¹ and I assume that agriculture farms (especially those in the periphery) shall also be included. In addition, the defence-technology related industries suppose to operate under the new CMI scheme and thus the PLA and PAPF may keep some control over them.⁹² The more interesting question is how the CPC will treat the enterprises that are affiliated with the PLA through *guanxi* networks of relatives, ex-officers and business partners. This question is still open.

Since the announcements in March 2016 the Chinese media was rather quite about the implementation of the new divestment process. However, in June this year, Professor Jiang Luming from the National Defence University (国防大学) said that the process was actually accelerated. He explained that 10 industries received an early deadline to divest by June 2017. A later deadline of June 2018 was issued to another 5 industries that are more complicated to divest. The hard-to-divest industries include: the real-estate sector, the agriculture sector, hotels, hospitals and science and technology. Professor Jiang acknowledged that it is not easy to dismantle them and that the public depends on them. Therefore, they are still researching the best way to dismantle these industries.⁹³ Thus we shall need to be patient and keep waiting for further news and evidence.

E. The Role of the PLA in the Periphery

The same rational that made the PLA self-sustained during its early days - when isolated units, could not rely on external military and economic aid, was always true for army units in the periphery and the frontiers. The long logistic routs, which lead to Gansu, Xinjiang, Ningxia and other remote frontiers, and the lack of local supply, created incentives for self-sustainable military units. This rational was especially true for the northern and north-west regions, which are rather arid, less habitable and less populated, but at the same time they were often and rather easily penetrated by hostile nomads, due to the topography of the landscape.⁹⁴ Naturally, frontiers often have security and control problem, especially in regions, which are populated by indigenous hostile population. Thus the military units in

⁹⁰ Ibid,

⁹¹ Mulvenon, Supra Note 25, p. 1

⁹² The implementation of civil-military integration (CMI) in the defence industry met strong obstacles stemming from Research deficient implementation guidance, entrenched status-quo interests, and a history of civil-military segregation and an independent PLA. See: Ian E. Rinehart, *The Chinese Military: Overview and Issues for Congress*, Congressional Service (March 24th, 2016), p. 24

⁹³ Beijing News 新京报, [军队武警部队明年全面停止有偿服务](#), (June 1st, 2017)

⁹⁴ This rational is less important today, due to the development of fast and rather cheap transportation by trains, aircrafts and highways. This rational is also less relevant to the south, south-west and coastal regions since they have better climate and easier-to-defend borders, which resulted in more populated and economically developed regions. Thus, the supply of food, water and other needs of the army were less problematic.

these regions usually have the mission to police the indigenous population and stabilize the political tensions using both the stick and the carrot. The Chinese solution to the above challenges is a long-established frontier policy that depends heavily on self-sustained Military-Agricultural colonies.

The colonies were first established during the Han dynasty and called *tuntian* (屯田).⁹⁵ The *tuntian* system knew ups and downs along the dynastic cycles and in some periods it was more popular than others. The *tuntian* colonies were usually established in the border areas and especially in the northern regions.⁹⁶ Yet, there were also *tuntian* colonies in the south-west frontier, such as the colonies in Guizhou (which were established during the Ming dynasty),⁹⁷ and in some cases *tuntian* were located in China's heartland.⁹⁸ During the Qing dynasty the *tuntian* system was mainly implemented in the regions of Mongolia, Tibet, Xinjiang and Southwest China,⁹⁹ and many scholars see the *bingtuan* system of the PRC as a natural continuation of the Qing dynasty system.¹⁰⁰

The basic rationale to establish the *tuntian* was its ability to be self-sustained, while providing military functions (and sometimes also political functions,¹⁰¹ such as solution for retired soldiers). However, the colonies often had additional economic roles of supporting the regional economy and sometimes also the central government. For example, the *tuntian* colonies during the Han dynasty built roads and irrigations systems,¹⁰² and during Cao Cao time they provided food supply to the imperial court.¹⁰³ The system was especially important during the Yuan, Ming and Qing, but it reached its pick during the Ming. In this period the reclamation of new land for agriculture reached a staggering size of 410,000 km² and most of this period around 50% of the yield went for the imperial court.¹⁰⁴

The Military-Agricultural colonies are but one example of civilian-military integration in the frontier regions.¹⁰⁵ Other "integration" phenomenon that can be observed in the history includes the appointment of military governors, with mixed civilian-military powers, to manage the frontier regions; In the Tang period they were called *jiedushi*,¹⁰⁶ and when the PLA liberated Xinjiang, General Wang

⁹⁵ Yitzhak Shichor, *Company Province, Civil-Military Relations in Xinjiang*, in Nan Li, ed., *Chinese Civil-Military Relations: The Transformation of the People's Liberation Army* (New York: Routledge, 2006), p. 136 and Ulrich Theobald, [tuntian, military agro-colonies](#), ChinaKnowledge.de (August 2013)

⁹⁶ Theobald, Supra Note 95

⁹⁷ Jodi L. Weinstein, *Empire and Identity in Guizhou*, University of Washington Press (October 2013) p. 32

⁹⁸ Such as the colonies during the Cao Cao period (196-220 AD), see Theobald, Supra Note 95.

⁹⁹ Most scholars use the term *tuntian* to describe the military-agricultural colonies during the Qing, but some call them *tunken* See, Yuchao Zhu and Dongyan Blachford, 'Old Bottle, New Wine'? *Xinjiang Bingtuan and China's ethnic frontier governance*, *Journal of Contemporary China* (2016 Vol. 25, no. 97), p. 30, 32. In contrast, McIntyre calls it *tuntian* See, John W. McIntyre, [Geopolitics, Ideology, and the Frontier Understanding the Continuity in Motivations behind Conquest and Administrative Policy in Xinjiang, 1688-Present](#), Washington & Lee University (2015), p. 26

¹⁰⁰ See, Shichor, Supra Note 95, p. 136, McIntyre, Supra Note 99, p. 26. Zhu and Blachford, have somewhat different opinion. They see the continuity, but also emphasize the differences and the new functions of the *bingtuan*, Supra Note 99, p. 32-33 & 34

¹⁰¹ See Infra Note 112 for discussion of this point.

¹⁰² Shichor, Supra Note 95, p. 136

¹⁰³ Theobald, Supra Note 95,

¹⁰⁴ See: James Mulvenon, *The PLA in the New Economy*, in David M. Finkelstein, Kristen Gunness, ed., *Civil-military Relations in Today's China: Swimming in a New Sea* (London, Routledge 2007) p. 216. And see also: Zhu and Blachford, Supra Note 99, p. 32

¹⁰⁵ Another system of civilian-military integration is the *fubing* militia, which was used mostly in the northern frontier, during the Western Wei, the Sui and the Tang dynasties. The system was an inspiration for other Militias in later periods. See: Britannica Encyclopedia <https://www.britannica.com/topic/fubing-system>

¹⁰⁶ For example, this was the pattern during the Tang dynasty. Initially most of these governors were from the military but in the late Tang they were often with civilian background, see: David A. Graff, *The Sword and the Brush: Military Specialisation and Career Patterns in Tang China, 618-907*, *War & Society*, (Volume 18, Number 2, October 2000),.

Zhen fulfilled a similar role.¹⁰⁷ We can also see military units that control the transportation, involve in border trade and control the border's passes;¹⁰⁸ Military commanders that tax the local population;¹⁰⁹ and the occupation of vast tracts of land to be used by the military.¹¹⁰

In other words, the division between pure military functions and civilian-economic functions was always blurred in the frontier regions and especially during turbulent periods. The military commanders of the frontier, and those who appointed them, understood that the army cannot fight when it is hungry, and that economic power is an important component of military power. They also understood that the army can be an important component of the economy as the Ming demonstrated. In this regard it is worth to observe the wider effect of the colonies' eco-system. This eco-system affects both the members of the colonies and those who engage with them.¹¹¹ The larger the colonies are, in term of population and economic power, the stronger that they affect, formally and informally, the civilian and the indigenous population of the frontier regions.¹¹²

The above frontier policies seem to guide Chairman Mao, when he approved the establishment of the *bingtuan* in the frontier areas.¹¹³ The XPCC *bingtuan*, which was established in Xinjiang in 1954, and re-established by Deng in 1981,¹¹⁴ was a perfect implementation of the traditional frontier policy. However, the XPCC evolved into something much bigger, and its current eco-system plays such an extremely dominant role in the demography, economy, security and political life in Xinjiang, that Professor Shichor calls it "Company Province" (i.e. the XPCC's province).¹¹⁵ To illustrate this we shall turn to a 2013 article of the Economist, which provide the following data on the XPCC:¹¹⁶

This state-run organization. . . controls an area twice the size of Taiwan, broken into numerous parts scattered around the province. A few bits are city-sized. Most are more like towns or villages. Of their total population of more than 2.6m people, 86% are ethnically

¹⁰⁷ Shichor, Supra Note 95, p. 137 It is true that this situation exist in Xinjiang for rather a short time (1949-1954) but as long as frontier regions experience turbulent situations the balance will bend towards giving more powers to military commanders (e.g. the military regime that controlled the Israeli Arabs until the 60s)

¹⁰⁸ For example, during the imperial periods the army controlled the passes in Yumenguan and Yangguan. In recent periods Bickford report that in the 90s "Military units stationed in Xinjiang Province are engaged in foreign trade with Kazakhstan and other former Soviet republics. The Xinjiang Military District's Xiyu Company did US\$8 million worth of import and export trade in 1992, and Xinjiang's military units grossed some \$800,000 from foreign tourism" Supra Note 20, p. 466

¹⁰⁹ Katherine V. Fleming, [The Party Controls the Gun, but How?](#), University of Pennsylvania CUREJ (March 2009), p. 53

¹¹⁰ For example; the satellites launching base of Jiuquan (酒泉卫星发射中心), but the most extreme example is the XPCC in Xinjiang, which currently control 74,000 km², which is twice the size of Taiwan. Zhu and Blachford, Supra Note 99, p. 35

¹¹¹ For example, peasants that worked in the *tuntian* were subject to the same military law as the soldiers. Theobald, Supra Note 95. This is of course much more evident with the expansive eco-system of the XPCC, which we will discuss later.

¹¹² The *tuntian* during the Qing period and the *bingtuan* since 1949 aimed, or if you like resulted, in changing the demography in favor of the Han (whether to relieve demographic pressure in China proper or as a method to stabilize the region) See: Shichor, Supra Note 95, p. 136, McIntyre, Supra Note 99, p. 26 and Zhu and Blachford, Supra Note 99, p. 28. Thus, the dominant eco-system of the XPCC (including education, legal, and economic systems), is extreme example for the influence and changes to the society in Xinjiang. See also Shichor, Supra Note 95, p. 140-141, who argues that increasing the XPCC economic and man power contribute to the military function and stabilization of the province.

¹¹³ The *bingtuan* were established mostly in the northern regions, including Inner Mongolia, Gansu, Ningxia, Heilongjiang and Yunnan; in the 1970s there were 12 fully-fledged *Bingtuan* in various provinces. However, most of them were subsequently abolished around 1975. See Zhu and Blachford, Supra Note 99, p. 26 (footnote 8).

¹¹⁴ See a full description of the process in Shichor, Supra Note 95, p. 137-139

¹¹⁵ Shichor, Supra Note 95, p. 135

¹¹⁶ The Economist, [Settlers in Xinjiang, Circling the Wagons](#), (May 25th, 2013)

*Han Chinese.*¹¹⁷ In Xinjiang as a whole, in contrast, Han officially make up just over 40% of the 22m inhabitants...The bingtuan operates its own schools, hospitals and newspapers. It has its own courts, police and prisons as well as a 120,000-strong militia force which is the reason for its military-sounding names (though bingtuan towns look no more military than any others in China). It produces nearly one-sixth of Xinjiang's GDP, including 40% of its cotton (one of the region's main cash crops). The corps also prides itself on being one of the world's biggest makers of tomato ketchup. Its exports made up more than 17% of global trade in ketchup in 2009, according to Sun Yanping, a Xinjiang-based economist. It also runs hundreds of enterprises in everything from processing dates to coalmining. Through its commercial arm it runs more than a dozen listed companies, one of which is Suntime International, described by China's agriculture ministry as the biggest wine producer in Asia.

There is a debate among scholars whether the XPCC is a military or civil organization, but we shall not discuss that.¹¹⁸ However, if we do regard the XPCC as a military organization, and I tend to see it this way, then here is another sector of the PLA Inc. that was not yet divested.

F. Conclusions under the Wider Context

As we demonstrated in previous chapters, the involvement of the PLA in economic activity and profit-making businesses has very solid historical roots and many precedents, during the imperial period as well as in the recent history of the PLA itself. However, this historical tradition was not only based on practical considerations, quest for funding and the self-sustainment of isolated units. To me it is clear that Chinese political theory and holistic concept of the universe are equally important in explaining the PLA Inc. phenomenon.

The holistic concept of the universe is not just mumbo-jumbo of the ancient Chinese philosophers. Recent psychological experiments proved that on average, Asian and Chinese keep thinking and interpreting the world from this perspective. Professor Richard Nisbett put it as follow:¹¹⁹

*“we've seen that modern Asians, like the ancient Chinese, view the world in holistic terms: They see a great deal of the field, especially background events; they are skilled in observing relationships between events; they regard the world as complex and **highly changeable and its components as interrelated**; they see events as moving in cycles between extremes; and they feel that control over events requires coordination with other.”* (GF, emphasized words by me)

¹¹⁷ According to [Xinhuan News](#) by the end of 2014 the area size controlled by the XPCC was 70,600 km² and the population was 2.7 million, which account for 11.8% of Xinjiang total population.

¹¹⁸ See this discussion in Shichor, Supra Note 95, p. 146-147 and also regarding the question of who is actually controlling the XPCC and what are the relations with the PLA. See: Shichor, Supra Note 95, p. 145-146. Zhu and Blachford, Supra Note 99, p. 35 and also Thomas Matthew and James Cliff, *Neo Oasis: The Xinjiang Bingtuan in the Twenty-first Century*, Asian Studies Review (March 2009, Vol. 33), p. 93-94

¹¹⁹ Richard Nisbett, *The Geography of Thought: How Asians and Westerners Think Differently*, Free Press; (April 5, 2004) p. 108-110.

The holistic concept of the universe gave rise to the political theory that there is only one emperor under the sky. The belief in the unity of the political ruler rejects the western concept of democracy and “separation of powers”. This concept is entwined in the Chinese history and the CPC was more than happy to adopt it to its own needs.¹²⁰ The CPC propaganda to promote the rule of law and the judiciary independence is no more than a lip service for western observers, while in practice the rule of law is implemented as rule-by-law, which is just a tool to implement the party’s agenda. Similarly, the judiciary “independence” is compromised by the political-legal committees (政法委) of the party, which tightly control the daily work of the courts and the prosecution.¹²¹

Since there is only one ruler and all the branches of the government works for the same emperor (including the judiciary), then the distinction between the executive branches is not a holy principle, but rather a flexible mechanism, which can be adapted or manipulated according to the context and the needs. Under this theoretical framework, the Chinese Legalists, and particularly Shang Yang (255–206 B.C.), believed that “effective merger of military and production functions guaranteed national supremacy”.¹²² This Legalist principle was adopted by the Qin state and showed its effectiveness by making the Qin emperor the first one to unite all of proper China. Thus, the military-civil integration concept was used intensively by most dynasties¹²³ and the *tuntian* system was just one form of it.

As we explained before, the concept of civil-military integration was very natural for the PLA on its early days and during the political-idealistic periods of the 50s and the 60s. One scholar even argues that Chairman Mao explicitly adopted the PLA enterprise systems directly from the imperial tradition.¹²⁴ The concept of civil-military integration reached new highs during the heydays of the PLA Inc., but even today when President Xi implements the second wave of PLA divestment, he still expresses his support of this concept and talks about of a new “military-civil integration” scheme.¹²⁵

Not many details were released about this new “military-civil integration” scheme, but it seems that it is quite limited and regards mainly the defence-technology industry and the military hospitals.¹²⁶ According to western military experts, the integration in the defence industry begun, but it faces some headwinds,¹²⁷ thus, we obviously need more time and data to assess the direction that it goes.¹²⁸

In July this year another relevant and radical plan for the reorganization of the PLA was released. Under this plan the PLA shall trim the number of its personnel by half and below one million! In

¹²⁰ The concept of “one emperor” is also enshrined in the Chinese constitution, which designate (in the preamble) the CCP as the supreme ruler, but does not mention it at all in the effective part of the Constitution (i.e. “the invisible hand”)

¹²¹ In order to save time and space I will not elaborate this issue which is one of my expertise due to 20 years work in this field.

¹²² See Mulvenon, Supra Note 104, p. 215 and see also

¹²³ The military-civil integration was probably the least used during the Song dynasty.

¹²⁴ Mulvenon, Supra Note 104, p. 216

¹²⁵ See above, Chapter D. p. 13 (including note 92) and Mulvenon, Supra Note 25, p. 216, see also [Infra Note 128](#).

¹²⁶ See Supra Note 92 and the discussion in that page.

¹²⁷ See Supra Note 92

¹²⁸ The recent news on this scheme published on December 4th by [the state council](#). From reviewing the principles of the “integration” plan it seems that it is similar to western countries incentives for the high-tech industry, in order to combine together the powers of the financial industry, the academy, the private sector and the SOEs with the scientific knowledge & resources of the PLA and the its requirements. It does not seem to encourage the PLA to open new defence companies or involve in other profit-making activity. See also Don Tse, [China’s Americanized Military](#), The Diplomat (December 13th, 2017), which believe that the plan draw inspiration from the American military-industrial complex.

addition, the old military structure will be replaced, and the army personnel, which accounts for the vast majority, will shrink, while the Navy, Rocket Force, and Strategic Support Force size shall be increased (Air Force personnel number shall remain the same).¹²⁹ More important to our discussion is that these changes will also reduce the non-combat military organizations and personnel.¹³⁰ In addition, recent news suggests that the PLA is adapting American combat tactics and the organization structure of the US army.¹³¹

All the above reforms indicating that President Xi is serious about making the PLA slimmer but powerful, using professionalism and advanced technologies as the cornerstones. By emphasizing professionalism and reducing the number of non-combat military organizations and personnel President Xi is providing an antidote to the involvement of the PLA in business activity. Moreover, the Chinese white papers on the armed forces, which were published on 2013 and 2015, also tell us something very important.¹³² The 2013 white paper contains 5 chapters and the fourth one is titled “Supporting National Economy and Social Development”. This Chapter elaborates specific economic and development missions of the PLA over 6 pages. In stark contrast, the 2015 paper does not include such chapter, and it mentions the support to the national economy and social development only in two short and laconic paragraphs, which sound more like an old slogan rather than a real mission.¹³³ In another twist, the 2015 white paper provide quite a long discussion of the Civil-Military Integration plan (under chapter IV. “Building and Development of China’s Armed Forces”)

Considering all the above, as well as the ongoing divestment process (which we discussed earlier), it seems we should conclude that the PLA involvement in economic and business activity is soon over. However, I wouldn’t underestimate the power of the historical tradition, the philosophical pragmatism, the economic incentives and the political Maoist ideology, which painted the PLA as a political and ideological vanguard of the party (including in the economic front). Thus, I believe that a small shift in the circumstances or in the political leadership may return the PLA to more economic involvement. Yet, until such shift occur, we would have to be satisfied with the service of military hospitals, enjoy the military hotels as long as we can, and if all other options are exhausted, we can always fly to Xinjiang and explore the various services offered to us by the XPCC.

From academic point of view we shall continue to follow the civil-military relations in the other fronts, including the CMI development, the cooperation of the PLA with its cyber and maritime militias, as well as other manifestations of the civil-military relations.

Gal Furer, Adv. 31/12/2017

¹²⁹ See: Adam Ni, [Why China Is Trimming Its Army](#), The Diplomat (July 15th, 2017)

¹³⁰ Ibid,

¹³¹ See, Don Tse, Supra note 128

¹³² The 2013 white paper is published [here](#) and the 2015 white paper is published [here](#).

¹³³ The two paragraphs are in Chapter II, which is titled “Missions and Strategic Tasks of China’s Armed Forces”. The two paragraphs are: “the armed forces will continue to follow the path of civil-military integration (CMI), actively participate in the country’s economic and social construction, and firmly maintain social stability” and “To perform such tasks as emergency rescue and disaster relief, rights and interests protection, guard duties, and support for national economic and social development”.