

The Business of War

The Impact of “PLA, Inc.” on Chinese Officers

By DEAN CHENG

In 1979, as the Chinese People’s Liberation Army (PLA) fought its last major war, it was a military still recovering from the ravages of the Great Proletarian Cultural Revolution, when military professionalism had been derided in favor of “People’s War,” “human wave attacks,” and the thoughts of Chairman Mao Zedong. Moreover, it was a military that had been repeatedly politicized, as it was often the sole institution that could maintain order while Mao “unleashed” the Red Guards against the Chinese Communist Party (CCP).

Three decades later, the PLA is a much more professional force. Gone are the days of focusing on “rifles and millet” and the belief that overwhelming numbers would suffice against technologically sophisticated opponents. Instead, even as it is incorporating a variety of sophisticated weapons, ranging from *Kilo*-class submarines to Su-27 and Su-30 fighter aircraft, the PLA is revitalizing its thinking and organization. To this end, it is promulgating new joint doctrines and regulations that suggest it is grappling with the difficulties of operating not only in the land,

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ADM Gary Roughead, Chief of Naval Operations, tours bridge of *Luyang 2* in Qingdao, China, during 60th anniversary of founding of PLA Navy



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sea, and air environments, but also in outer space and cyberspace. It is also in the process of constructing a long-service noncommissioned officer corps to supplement both its conscripts and its officer corps.

Much of the success of this transition rests upon that officer corps. Of special importance will be the current cohort of midlevel officers, those at the rank of senior colonel (U.S. O-7 equivalent) and below, who will have to sustain ongoing reforms after the current military leadership retires. For these officers, the PLA foray into business in the 1980s and 1990s, often termed “PLA, Inc.,” by Western analysts, was an essential part of their early careers in the military. The experiences they derived from managing commercial entities will likely define their worldview.

PLA, Inc.

After the passing of Mao, his successor, Deng Xiaoping, sought to reform the Chinese economy. Deng shifted China from a Soviet-style centralized, planned economy that emphasized military production to one oriented toward consumer and light industrial demand. In the wake of the Sino-Vietnam war in 1979, he also slashed the PLA’s budget by nearly 25 percent.¹

To make these reforms more palatable, in the early 1980s the PLA was allowed to commercialize. This comprised two elements:

- converting the Chinese military industrial complex to production of commercial goods for the consumer and export markets
- allowing various Chinese military units to use their resources to embark on money-making ventures.²

Within a few years of this decision, many PLA units had established their own companies, factories, farms, and other commercial enterprises.

By 1999, however, many units were spending more and more time on their profit-making ventures and neglecting their training duties. Moreover, corruption had become an endemic issue within the PLA, threatening not only discipline within the military, but also CCP-army relations. In light of these problems, Deng’s successor, Jiang Zemin, ordered the military to divest itself of most of its businesses (one prominent exception being the PLA’s stake in the Chinese telecommunications industry). Ten years later, most PLA

units appear to have refocused on military training and preparedness and left the commercial world behind.

Impact on Officers

There is a widespread view that the period of intense commercial focus on the part of the PLA was detrimental to officer development, if only because of the tension between commercialization and professionalism.³ Yet there were also potential benefits whose impact is less clear. Three are discussed below.

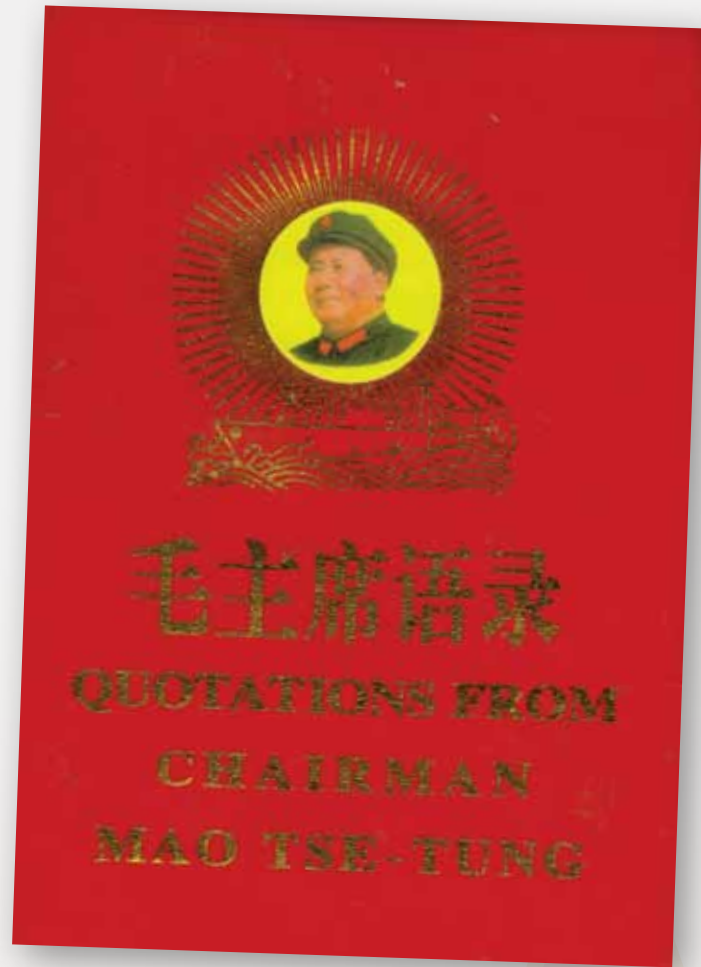
Promoting More Flexible Thinking.

The PLA that fought the Sino-Vietnam war had been deprived of contact with most foreigners for nearly 20 years, since the Sino-Soviet split. This insulation from larger military and technological developments was symptomatic of the self-imposed isolation that Mao inflicted upon China as a whole. For the PLA, then, entry into the commercial sector promoted interac-

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tion with the broader Chinese society and economy, themselves undergoing the reform and opening processes, and with the world at large.

This increased interaction with a range of new counterparts likely exposed officers to a variety of new ideas. The focus on profit-making introduced a new set of metrics for measuring success, as studying bottom lines eclipsed studying Mao’s “Little Red Book.” It also likely reminded officers of the importance of flexible thinking as a path to success, as well as the benefits of being open to alternative approaches to achieving a



particular set of goals. All these lessons have applicability in military as well as business contexts.

Retooling Political Officers. The General Political Department (GPD) is one of the four general departments that manage the Chinese PLA. While it is responsible for overseeing the political orthodoxy of the PLA, this did not prevent the GPD from managing its own business empire as part of PLA, Inc. More to the point, as the GPD plays an essential role in the training and promotion processes, this meant that both officers and their underlings in the era of PLA, Inc., were being assessed according to their ability to generate revenue and profits. This would suggest that officer selection and promotion by the GPD was based, at least in part, on the qualities of a good businessman—and those qualities may still be part

of the promotion criteria, since they benefit military functions as well.

Exposing Officers to Foreign Technologies and Experiences. For many PLA officers, the creation of businesses opened the door to joint ventures with foreign firms. Along with exposing officers to new ideas, these interactions led to initial contact with the various information and sensor technologies that were just beginning to affect both civilian and military capabilities in the early 1980s. The disparity between Chinese and foreign technology levels was substantial and made clear how much ground China had lost through its enforced autarky. Coupled with the impact of the 1991 Gulf War, the importance of high technology was underscored by how the PLA characterizes future wars: Local Wars under High-Tech Conditions now evolved into Local Wars

under Informationalized (or Informatized) Conditions.

This suggests that the PLA is no longer afflicted with an antitechnology attitude; more importantly, it also indicates that the PLA may not be operating under a “not invented here” bias. The combination of domestic technological weakness and lack of combat experience has potentially made the Chinese military more open to incorporating foreign technology as well as to learning from foreign experience.

Today’s PLA officers suffer from lack of combat experience. They also labor under relative technological inferiority compared with their American counterparts. Yet their experiences as entrepreneurs and business managers may have made them more flexible and open to learning from foreign experience. This suggests not only that the PLA is likely to sustain its current set of reforms, but also that it may be a more flexible and agile adversary than might be expected for a military steeped in Marxist-Leninist ideology that has not engaged in direct combat for three decades. **JFQ**



DOD (Jerry Womison)

Secretary Gates greets PLA Deputy Chief of General Staff during Shangri-La Dialogue in Singapore

NOTES

¹ James C. Mulvenon, *Soldiers of Fortune* (Armonk, NY: M.E. Sharpe Publishers, 2001), 53.

² Testimony of Andrew D. Marble to the U.S. China Economic and Security Review Commission, Washington, DC, December 7, 2001.

³ See, for example, David Shambaugh, *Modernizing China's Military* (Berkeley: University of California Press, 2002), 196–204; and Andrew Scobell, *Going Out of Business: Divesting the Commercial Interests of Asia's Socialist Soldiers*, East-West Center Occasional Paper, no. 3 (Honolulu: East-West Center, January 2000).