

Military-Entrepreneur Relations in China since 1979: From Political Divide to Social Reconciliation

Yongchang Wang Graduate's Team

School of Humanities and Social Sciences, National University of Defense Technology
47 Yan Wa Chi Street, Changsha 410073, China
E-mail: yongchangwang2008@yahoo.com.cn

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Abstract

There have been substantial changes in the relationship between the PLA and the emerging private entrepreneurs since China's reform and opening-up. As a consequence, these relations have shifted from the old model of political divide to a new model of social reconciliation, which could be described by four major indicators: recruiting policy, civil-military mutual support movement, the private sector's engagement in military procurement and private employers' participation in the reemployment of veterans. This paper compares the PLA's ideological and policy changes between the 1979-1991 period and the period since 1992, and finds time lags exist between the PLA's ideological progress and policy innovation, which results from the gap between the CCP's intention and social opinion. The PLA under certain circumstances is encouraged by political and military leaders to promote its relationship with the new social stratum. Despite the achievements, value barriers, mutual distrust and new partnership challenges still remain serious obstacles. A complete legal system and new thoughts are essential for further development of their relationship.

Keywords: People's Liberation Army, Private entrepreneurs, Relations, 1979

1. Introduction

China's economic transformation from government-dominated economy to market mechanism brought about a new social stratum of private employers and self-employed individuals, usually known as private entrepreneurs. Although numerous research endeavors have been made by economists to analyze the rising new economic division, few studies have been conducted to examine the relationship between the People's Liberation Army (PLA) and the emerging private entrepreneurs either in Chinese or international academic community. In practice, the great social change since reform and opening-up brought the new social division of entrepreneurs into the agenda of political and military decision-making. As a consequence, the PLA gradually changed its attitude and policy toward this social group. But why the military's policy and attitude changed and where are the military-entrepreneur relations developing? This paper conducts a comparative historical analysis of the evolving relations to find out how political and social factors influence the PLA's policy and tries to identify future challenges in their relations.

2. Historical context of the relations before 1979

Before examining the PLA and the emerging new social class, it is necessary to look back on their history in the Mao Zedong era.

2.1 Adversaries and struggle

During China's domestic revolutionary war from 1927 to 1949, the ruling class known as the Chiang Kai-shek group, landowners and bureaucratic capitalist entrepreneurs constituted the main targets of class struggle and thus the enemy of the army led by the Chinese Communist Party (CCP). Mao Zedong developed his revolutionary politics and philosophical thoughts based on Marxism's class analysis framework and proposed the strategy of encircling the cities from the countryside by mobilizing the poor. In Mao's theory, the word People is a political terminology and consists of certain classes and groups with variations during some periods. (Qiu, 2008, p.63) The PLA was ordered to unite with and fight for the people, who were mainly poor peasants, workers and unemployed masses. Given the class struggle nature of Chinese civil war, it is not surprising that military officers were primarily selected from middle peasants, industrial workers, farm laborers and reliable intellectuals. The metaphor of fish in the water has been used frequently and for a long time to describe the relationship between the PLA and the class of peasants and proletariat. On the contrary, the metaphor of water versus fire is rather appropriate to portray the relationship between the PLA and interest

groups of landlords and comprador bourgeoisies.

2.2 Utilization and transformation

Among the first few years after the founding of the People's Republic of China, private enterprises helped the recovery of urban economy, relieved the serious material shortage and became a source of procurement for the Chinese People's Volunteer Army since the outbreak of the Korean War, but their illegal commercial behaviors, such as bribery, tax evasion and cheating on military contracts, were severely condemned by the military authority and stricken by government. Since 1953, Mao carried out the policy of transforming capitalist industry and commerce into socialist economic components. To ensure a peaceful transition through the form of state capitalism, members of the PLA were informed of government decisions and requested to write to family members and relatives of capitalist background to persuade them to support the movement. (CCP History and Political Work Research Center of National University of Defense Technology, 1989, pp.61-65) After the transformation, private entrepreneurs as a social class vanished, and China's society is composed of two main classes: peasants and workers, with intellectuals as an element of the latter.

In general, the relations between the PLA and the group of bourgeoisie and small business owners witnessed more conflicts than cooperation, and this was to a great extent predetermined by the class struggle nature of Chinese revolution, political thoughts of the CCP and the socio-economic oppression in old China as well.

3. Theoretical framework

3.1 Limitations of cultural and motivation perspectives

Existing research about the relationship between the PLA and the social group of entrepreneurs employed mainly two distinct analytical approaches, cultural perspective and motivation perspective.

Cultural approach is adopted by both military experts and civilian scholars, and explains the military's reluctance to build close relations with private business owners during civil-military mutual support movement in the 1990s. The private-military cultural dichotomy assumes that the two spheres are organized by different types of logic. The military sphere is considered the realm of selfless service, discipline, sacrifice and the symbol of collectivism. By contrast, the private business sector is based on individualism and is regarded as the domain of profit-pursuing. The cultural distinction between these two spheres is often cited by military officers and government officials to defend the stagnant military-entrepreneur relations. Motivation approach is applied when discussing the new social group's poor representation in military recruitment. This theory argues that current recruiting policy and military payment can not generate enough mandatory and incentive mechanism toward the wealthy youth. While both perspectives prove to be inspiring in the above issues that took place since the 1990s, neither can interpret the profound changes in military-entrepreneur relations since 1979. A new theoretical model is needed to explain the changing relationship.

3.2 The approach of political legitimacy

In socialist China, private economy and entrepreneurs possess a peculiar status in the political domain, and the PLA is in nature a political instrument. Military-society relations have been considered an important part of the PLA political work since its establishment in 1927. Therefore, a political approach is essential to grasping the dynamics in military-entrepreneur relations.

Since explanations operating at either level alone are bound to be misleading, this paper takes previous research perspectives as embedded supplements and proposes the core concept of political legitimacy, which is based on the CCP's political confirmation and civilians' acceptance. The understanding of legitimacy is derived from the PLA's officially defined role as people's army led by the CCP and the content of ideological and political work that determines the PLA's behavior to a significant degree. President Hu Jintao's speech at the 80th anniversary celebration of the foundation of the PLA stressed that the two primary objectives of political and ideological education were to guarantee the CCP's absolute control and the PLA's service to the people. (*PLA Daily*, 02/08/2007) Because the PLA has an urgent desire to accelerate its modernization process, this motivation is also taken into account as a vital factor that affects its attitude toward the group of entrepreneurs. In sum, the CCP's political resolution, civilians' acceptance and the PLA's modernization motivation are the three leading factors to be examined in military-entrepreneur relations.

Four indicators are selected to demonstrate the route of change and to testify the role of the above three influential factors: political background check in recruitment, civil-military mutual support campaign, private enterprises' participation in military procurement and the private sector's role in veterans' reemployment after retirement.

In view of the fact that political intention and civilian opinions are dynamic and witness constant changes, a historical comparison between the 1979-1991 period and the period since 1992 is conducted to illustrate how these variables lead to different results.

4. Conservative ideology and the divide: 1979-1991

4.1 Difficult recognition by the CCP and the PLA

Although the economic reform since 1979 changed China's ownership structure at unprecedented speed, breakthroughs

in ideology and social structure tended to be much slower and were full of contradictions. China's new constitution in 1982 recognized the role of individual businesses as a complement to the public economic sector, and the self-employed were given legal status. The 13th National Congress of the CCP adopted the new strategy of public-ownership-dominated and diversified economic structure, and the new version of constitution in 1988 granted legal status to private employers. Private employers and the self-employed were gradually accepted and trusted by the ruling party and in the government's official documents, but voice of suspicion and criticism in the party and the PLA still existed.

In the early 1980s, influenced by left ideology in the Cultural Revolution, some army cadres, including a number with long service behind them, didn't understand the policies adopted since the Third Plenary Session of the CCP Central Committee, which they regarded as capitalist. (Note 1) Deng Xiaoping urged the military to learn and follow the intention of reform. *PLA Daily* distributed through the armed forces and the massive ideological and political education proved to be successful in delivering timely CCP policies. As a result of these efforts, the PLA seemed to achieve strong consensus on and take positive attitude toward the growth of private employers and self-employed individuals. Compared with its narrow-minded civilian counterparts, the PLA's attitude was more progressive in that period of China.

4.2 Discrimination from the public and the PLA in dilemma

On the other hand, the society still held negative opinion, which left the new social group in an embarrassing situation and reduced the degree of its political legitimacy. Domestic Marxist theorists raised a debate concerning private employers in the mid 1980s, and some scholars insisted that those private companies employing more than eight workers should be considered capitalist. The risk of punishment and the stigma of being a self-employed individual or private employer motivated many business owners to register their enterprises under other forms of ownership arrangements. (Susan, 1995, pp.4-5) Besides the political discrimination, social bias was clear when compared with the iron-rice-bowl workers, and severe critiques fell on the new social stratum's fraudulent business behavior and immoral deeds.

On the above issue, the PLA held the same viewpoint as the public. It recognized the development of private economy while opposing the illegal and degraded moral and behavior standard represented by the growing self-employed and private employers in the initial stage of market economy. As a matter of fact, the PLA found itself trapped in a frustrating dilemma because its various commercial and production activities increased military fund while the deteriorating social ethics infiltrating into the armed forces were threatening its combat readiness and concentrated devotion to national defense. In the second half of the 1980s, rejecting money worship was an important topic on the PLA's political and ideological work list. Heavy criticism was directed toward the unhealthy social values, and private employers and the self-employed were thought to be the social component who should take some responsibilities. What's worse, driven by economic gains, some military officers and units got involved in illegal commercial bribery and smuggling, which was evidenced by the PLA's combating against economic crimes in 1982. (Deng, Ma &Wu, 1994, pp.208-210)

4.3 Visible divide in military-entrepreneur relations

Progress in the PLA's ideology takes time and adequate public support to transform into advances in policy. As the protector of socialist regime and builder of domestic economy and society, the PLA plays a peculiar role in political and social life. When addressing external relations, the PLA always attributes its fighting power to the CCP's leadership and civilians' support. Therefore, correct political orientation and wide social support are the absolute prerequisites of any adjustment in policy. The disagreement between the CCP reform intention and public recognition prevented any possible tremendous policy change.

The wide gap between the PLA and the new social group was clear, which was indicated by the conscription policy and the civil-military mutual support movement. In Mao Zedong's political theory about armed forces, the PLA, as a tool of class struggle and regime protection, should choose military cadres from workers and peasants and indoctrinate all servicemen to guarantee their loyalty to the proletariat. Affected by the extreme left ideology, the PLA adopted severe checking procedures and applied high political standards in recruitment, excluding most young applicants relative to the private economic sector. During the whole 1980s and early 1990s, the PLA took family political background as a critical checking consideration, preferring youths from families of poor peasants and workers. It was difficult for the self-employed and private employers to prove their political attitude and behavior because they did not belong to any state-owned working unit, and thus resulted in low probability of successful enlistment.

The gap was also reflected by the civil-military mutual support movement. To solve historical tensions and conflicts in civil-military relations brought about by the "Three Supports, Two Military Governings" in the Cultural Revolution, Deng Xiaoping and his colleagues promoted the civil-military mutual support campaign to construct the socialist spiritual civilization. Historical records of the PLA political work proved that this movement was carried out mainly

between the PLA and state-owned companies, government agencies, rural villages, urban communities, schools and state-run charity organizations. (Hou, 2003, pp.64-71) As a regular national mutual interaction mechanism still followed by the PLA today, this movement did not get the self-employed and private employers involved. Available evidence demonstrated that the PLA's primary goal in selecting support targets was to produce wide social influence. (Mass Work Bureau of the General Political Department, 1989, pp.312-314) Because most people believed the self-employed and private employers were indecent, relations with them could not bring favorable social image for the PLA. Although no material indicates a political prejudice or discrimination against private entrepreneurs, it is obvious that cultural and moral gap made the PLA reluctant to develop close relations with the new social group, and the private sector's low proportion in national economy might also be a reason. Besides, military records showed only a small number of self-employed individuals took part in the activities of supporting frontline soldiers fighting against Vietnam's invasion. (Yan, Zhu & Zhou, 1988, pp.602-603)

5. Breakthroughs and reconciliation since 1992

Benefiting from its increasing economic power and scale, the self-employed and private employers have received higher political status and wider social respect since 1992, and the PLA has to find new strategies to develop links with this new social stratum.

5.1 Consensus between the CCP and Chinese society

Deng Xiaoping's speeches concerning reform and opening-up in 1992 and the decision by the CCP's 14th National Congress to establish a market economic system dispelled all the doubts and uncertainty. The 16th CCP National Congress took more progressive approaches toward private employers' admission into the CCP and government. Data from the United Front Work of the CCP Central Commission showed that, in the year 2006, 136 representatives of the National People's Congress, 107 members of the National People's Political Consultative Committee and 7 vice chairmen of the National Federation of Industry and Commerce came from the non-public economic sector. (Network of the United Front Work Department, 2006) Statistical figures from the State Administration of Industry and Commerce indicates that the total number of self-employed individuals had exceeded 29 million by the end of 2008, and private employers increased from 0.139 million in 1992 to 5.2 million in 2007. The social opinion and media response became more open-minded and similar. The ideological consensus reached between society and the CCP provides the PLA with solid political and social support to expand relations with the new social stratum. The political work inside the armed forces delivered the CCP's policy and intentions, and helped achieve agreement throughout the ranks. To improve political legitimacy and win more social support, the PLA began to make incremental changes in conscription, civil-military mutual support, procurement and reemployment of veterans.

5.2 Changes in the four indicators

5.2.1 New standard in conscription

Social standard instead of political threshold dominates the political checking work in recruitment and many youths with non-public economic background joined the PLA. Traditional political checking of applicant fell into three major categories: the applicant's political identity, family member's political record and the applicant's moral and practical performance. The profound economic success provided the CCP with substantial confidence and legitimacy, and transformed its governing ideology. In 1993, 1996 and 2004, the PLA made several upgrades and amendments to its recruiting policy, emphasizing the applicant's performance and abolishing discriminatory articles toward the emerging new social group.

The CCP leaders and top military commanders took open and positive attitude and encouraged youths from the private sector to enroll. The report of Li Xiangqun by the PLA General Political Department and major domestic news media reflects military and political leaders' role and standpoint. Li, the son of a wealthy private employer in Hainan special economic zone, sacrificed his life in the 1998 flood rescue and relief operation and earned the honor of Hero Soldier in the New Era authorized by then commander-in-chief Jiang Zemin. Domestic media report focused on his wealthy family background, outstanding performance and high virtue standard. (Xu & Liu, 2004, p.441) The propaganda reached its peak during the first half of 1999 and content analysis showed that military media's coverage and comments combined Li and his father together to show the success of political work facing challenges from the market economy and highly praised the patriotism rooted in the new social group.

5.2.2 The expanded civil-military mutual support movement

A new trend has occurred that the PLA is expanding the civil-military mutual support campaign to include the rising new social stratum. Developing better relations and closer links with the private economic units and social organizations has become a matter of significance advocated by both the Ministry of Civil Affairs and the PLA leadership. This change is mainly attributed to the growing power of the non-public sector. Neither the CCP nor the PLA could ignore the private sector booming.

Material published by the PLA in the late 1980s suggested that some army units stationed in Guangdong province, southern China, attempted to build mutual support relations with nearby private farms and factories. In the 1990s, the PLA had been accustomed to inviting local community leaders and private employers to visit its camp on important celebration days, and regular mutual support with the private sector was highlighted.

5.2.3 Partnership in procurement

Economic cooperation between the PLA and the private sector went through many barriers and came a bit late. Unlike the voluntary and extensive mutual support between the PLA and the class of peasants and workers, this new partnership is based on mutual benefits and follows the laws of market economy. During the Cultural Revolution and a long following period, PLA units had invested resources in almost every social and economic sector, engaged in excessive commercial businesses and playing too many unnecessary social functions. The self-sufficient nature of the armed forces reduced its dependence on the larger society including the private sector. Private companies were forbidden to produce or develop military supply material and equipment. The upsurging market pressure faced by national defense industry in the 1990s and the reform of logistical support system in 1999 pushed China's highest military decision-making body to introduce private market players to enhance cost-effectiveness. In July 2007, China's Commission of Science, Technology and Industry for National Defense released progressive policies to encourage the private companies to invest in military infrastructure construction, conduct scientific research for national defense projects and weaponry production, participate in the regrouping of military firms and cooperate with military firms to develop technology for military and civilian use.

Although many obstacles remain there, the private sector and the PLA are apparently establishing partnership efficiently and quickly. Recent information from military news media shows that the current worldwide economic crisis has accelerated the cooperation. *PLA Daily*'s report of the private companies in Zhejiang province, east China, indicates that they want cooperation with the PLA more urgently to survive the economic recession. (*PLA Daily*, 22/05/2009) For the PLA, reduction in cost and production cycle is effective and appreciated by high-level military leaders.

5.2.4 The private sector's role in veterans' reemployment

The self-employed and private employers became an important actor in the reemployment of retired soldiers and some officers. China's reform in government, state-owned companies and public institutions decreased available jobs for retired soldiers, and a considerable amount of non-public economic organizations arose as the largest employers of the workforce. To cope with possible social disturbance caused by unemployed veterans, government and the PLA asked all economic units to take the responsibility of employing retired soldiers in 1994. (Sun & Zhao, 2001, pp.13-15) Being aware of the strength of market economy, the PLA encouraged private employers to participate in civilian technical training and reemployment of veterans. The PLA also encouraged retired soldiers and some officers to find jobs or run business by themselves, while asking the local government for awards and preferential taxation measures. An increasing number of soldiers are working in the non-public sector. However, historical figures from *PLA Daily* indicated that lower percent of officers were willing to choose to work in the non-public sector since 1997. (*PLA Daily*, 03/12/2008)

Last but by no means the least, the PLA has maintained close relations with many of the first generation private employers and self-employed individuals who stemmed mainly from former rural peasants, laid-off workers, technicians and even veterans. The dual use talents program implemented since the mid 1980s by the PLA transformed millions of veterans to village company workers, rural grass-root level governors and technicians, part of whom in turn became self-employed individuals and private employers in the 1990s. A survey by the Private Economic Association examined the occupational identity changes of private employers and found their previous occupations ranged from farmers, technicians, workers, cadres to retired officers. (Research Group of Chinese Private Enterprises, 2003, pp.138-161)

6. New challenges and issues in the relationship

6.1 Value barriers and distrust

Development of China's market economy and social transformation drove social values to be increasingly diverse and mixed. The highly organized military and the private sector are respectively following different values. Money worship and individualism, still prevalent among private employers, run counter to the PLA's long-held beliefs and ethics. At the highest level, the CCP Central Committee and Central Military Commission issued directives to strengthen political and ideological work in the PLA in order to withstand the dangers of mamonism, hedonism and extreme individualism. Former president Jiang Zemin put forward the theory of governing the nation by law and morality, prohibited the PLA from engaging in commercial activities of any kind and rectified military servicemen's immoral thoughts.

Although the general social spirit has been improved, the pursuit of profit remains the core for the survival and growth of any market player. Affected by the incomplete legal system and messed-up social values, money worship can hardly be rooted out. Without prospect of economic gains, most private employers and those self-employed are not well motivated to develop mutual support activities with the PLA. As for the military, it emphasizes discipline, collectivism

behavior and dedication to maintain the servicemen's morale and fighting power. Contrary value orientations derived from different organizational objectives and standards of conduct might collide with each other and impact the PLA's ideological indoctrination efforts, which are concerned about by many military commanders and political commissars.

Value barriers and mutual distrust are taken as the reasons why military-entrepreneur relations have been stagnating in many developed areas and cities. Take Pudong district of Shanghai for instance, until June 2005 only 20 private employers had joined the mutual support program while the number of registered private companies had reached 32 181. (Civil-Military Mutual Support Office of Pudong District of Shanghai, 2007)

6.2 Unstable partnership in procurement

The civil-military integration strategy, proposed by the 17th CCP National Congress, will definitely allow more private enterprises to participate in military product design, research and production. However, there is no royal road to integration. To build a healthy and stable partnership, the PLA's current procurement system must undergo great reform and those traditional management policies relying on administrative means and the CCP internal regulations need to be revised. In addition, the adoption of commercial management concepts, business regulations and protection of intellectual property rights are indispensable to enhancing cooperation with the private sector. On the other hand, the private sector must strive to meet the PLA's high requirement standards on quality, specification and secrecy.

Since neither side has been well prepared for the other's demands, disputes and even failures are inevitable during procurement. Managing the fluctuating partnership needs both legal work and innovative measures.

6.3 New recruiting requirements and social justice

Beginning from the winter of 2008, the PLA targeted graduates from colleges, senior middle and vocational schools as primary and preferential recruiting source in an effort to modernize the army. Rural and unemployed urban youths, who received junior middle school education and had for decades constituted the majority of new recruits, are believed to be difficult to meet the PLA's new human resource demand. This shift enables the PLA to integrate with domestic educational accomplishments more closely, but does not provide adequate attraction to young adults from wealthy families.

Many scholars contended that unfair education resource allocation was created by the market-oriented reform in college education system since 1979. (Zhou, Phyllis & Nancy, 1998, pp.199-222) Further empirical study proved private employers and those self-employed benefited greatly from economic prosperity, and their descendants could usually attend better colleges. (Lee, Li & Sun, 2004, pp.412-414) The high percentage of university enrollment, severe eyesight and weight requirements by the military, draft deferments for students and poor economic motivation accounted for the low representation of private entrepreneurs. RAND's research on U.S. military recruits' socioeconomic backgrounds confirmed that recruits came primarily from families in the middle or lower middle class, and the high end of the distribution was not well represented. (Bernard, 2006, pp.7-8) Due to secrecy policy, specific data are not available to estimate social representation in the PLA. Nevertheless, Chinese local news media's occasional report of youths relative to the self-employed and private employers in recruitment indicates that they are failing to carry their share of the military burden.

The issue of social justice concerning recruitment has been noticed by few military scholars, and no solution has been suggested yet. (Jiang, 2007, p.242) In a transforming society, this disproportionate burden of national defense on segments of society might become intense and lead to confrontation during mass mobilization and war. What's even worse, the young generation takes enlistment more as a selection of jobs rather than a citizen's obligation, placing military-society relations in a dangerous and fragile situation.

7. Conclusions and implications

Ideological shifts have not been accompanied by simultaneous policy changes. Time lags between the PLA's ideological progress and policy change have been witnessed many times ever since the reform and opening-up, because of disagreement between the CCP and society. When considering its policy toward the new social stratum, the PLA attaches great importance to both directives from the CCP and the state of public opinion. The greater the ideological unity between the CCP and society, the higher the probability of policy change in the PLA to win support from the new social stratum. This kind of time lag has its larger political and social background that China's reform originated from ideological breakthroughs and then transformed to policy adjustment. Reform in the PLA followed the same path. The CCP dominated the PLA's policy stance through its political education system and kept the PLA's ideology in pace with the Central Commission's reform strategy. However, other factors, especially the social opinion, influenced the PLA's policy agenda to a great extent. Inherited from Mao Zedong's military and political thoughts, the unity between the army and the people has been taken as one of the three leading principles of political work and the guarantee for continuous military success. (Note 2) This principle held resolutely by all service members prevents any radical reform if the majority of civilians are not favorable toward that issue. The conservative public were doubted about market economy and private employers during the first decade of reform, and the PLA was inclined to keep its previous

policies. Under circumstances where the society accepted the new social class since 1992, the PLA tended to be more proactive and speeded up the step of reform.

Like some foreign armed forces, the PLA played a role of catalyst in certain social experiment. The intensive and massive media coverage of Li Xiangqun in 1999 can be considered as such an attempt. The interaction between military and media was controlled by General Political Department and top political leaders to shape the new social stratum's favorable social image and a better reputation in the army. With regard to the dramatic growth of private economy, the endeavors by the PLA are much pioneering to contribute to social harmony. This action also implies that the CCP expects the PLA to play a constructive rather than coercive role in society-building.

Traditional military culture is adapting to the new social environment while maintaining its organizational and political characteristics. The wider and deeper interactions in ideology, business and social activities between the PLA and the rising new social stratum bring new challenges and problems. Solving disbeliefs in their relationship needs more efforts.

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Notes

Note 1. During the talk with leading comrades from the General Political Department of the PLA on March 27th 1981, Deng Xiaoping criticized wrong ideological tendencies in the army including left ideology and decadent bourgeois ideas. For more details, please read Deng Xiaoping's remarks on opposing wrong ideological tendencies. Selected

Military Works of Deng Xiaoping Volume 3. Beijing: Military Science Press, 2004, pp. 190-193.

Note 2. In the interview with British journalist James Bertram on October 25 1937, Mao Zedong explained the army's political work and said it was guided by three basic principles: the unity between officers and soldiers, the unity between the army and the people and disintegrating the enemy troops and giving lenient treatment to prisons of war. These doctrines are unswervingly observed by the contemporary armed forces. For more information about the interview, please read *Selected works of Mao Zedong volume 2*. Beijing: People's Press, 1991, pp. 378-340.