

# To Get Rich Is Unprofessional

## *Chinese Military Corruption in the Jiang Era*

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*corruptio optimi pessima*

"the corruption of the best is the worst of all"

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Corruption among Chinese officers and enlisted personnel continues to be a point of tension between civilian and military elites in China. While the level of corruption reached its apex during the late 1980s and early 1990s, affectionately known as the "go-go" years of PLA, Inc., the repercussions of the center's decision in 1998 to divest the People's Liberation Army (PLA) of its commercial operations are still being felt in the system. For the first time, investigators and prosecutors from outside the military apparatus were given the authority to probe and pursue PLA malfeasance, and many in the military felt that the civilians pursued their assignment with far too much vigor and tenacity. This animosity was further exacerbated by reports of PLA complicity in the massive Yuanhua scandal in Xiamen and by the public prosecution of former General Staff Department intelligence chief General Ji Shengde on multiple counts of corruption.

This paper analyzes PLA corruption since Tiananmen, with special emphasis on the civil-military aspects of the issue. The first section outlines the course and character of PLA corruption since 1990, as well as efforts by the military and civilian leadership to stamp it out. Particular attention is paid to the divestiture process in 1998, as well as the Yuanhua and Ji Shengde investigations. The article then concludes with an evaluation of the implications of these trends for Chinese civil-military relations and offers predictions for the future.

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### PLA CORRUPTION IN THE JIANG ERA

In the 1990s, the PLA conducted a rolling set of anticorruption campaigns, trying to root out illegal behavior resulting mainly from the military's participation in economic activities.<sup>1</sup> In December 1996, for example, President Jiang Zemin at an enlarged meeting of the Central

Military Commission (CMC) called on the PLA to be “ahead of the nation” in the construction of “spiritual civilization,” the standard code word for socialist ethics.<sup>2</sup> Jiang stressed the “three virtues” (patriotism, socialism, and collectivism), while railing against the “three evils” (money worship, hedonism, and individualism). He specifically criticized the rise of corruption and nepotism involving recruitment into the Chinese Communist Party, promotions, and job placement for demobilized soldiers. For guidance, Jiang concluded by highlighting a model unit, a People’s Armed Police (PAP) platoon guarding the Qiantang River in Hangzhou, Zhejiang Province.<sup>3</sup>

One year later, however, Jiang and the senior military leadership felt compelled to launch another anticorruption campaign in the PLA. Jiang’s speech to the 15th Party Congress in October 1997 offered a dire warning, declaring that the “fight against corruption is a grave political struggle vital to the very existence of the party and the state” and adding that there was an urgent requirement to preserve “the nature, true color, and work style of the people’s army.”<sup>4</sup> General Zhang Wannian, vice chairman of the Central Military Commission, told a high-level conference on military discipline in January 1998 that “measures would be taken to step up supervision on high- and medium-level military cadres and economic crimes will be targeted.”<sup>5</sup> In a new twist, he insisted that the only way to prevent economic crimes was to treat “both the symptoms and *causes* of corruption” (emphasis added).<sup>6</sup> While exhorting units to curb “extravagant spending,” Zhang called for the rectification of units “not obeying the law and having loose management,”<sup>7</sup> arguing that fighting graft was crucial for stability and unity in the army and the country. Moreover, he linked anticorruption campaigns with the fighting mission of the PLA, asserting that “only a clean Army can help the country to reach its target of military modernization.”<sup>8</sup>

At a February 1998 General Logistics Department (GLD) discipline inspection meeting, General Wang Ke echoed these themes, calling on cadres to “resist the temptations of power, money, and beautiful women” and “reduce unnecessary socializing.”<sup>9</sup> Wang also outlined the consequences of failure to heed these warnings, cautioning that the PLA would “strictly investigate and punish corrupt acts without leniency” and that “those who deserve imprisonment will be jailed.” Finally, he clearly laid out lines of responsibility, asserting that cadres were “responsible for properly administering their own units and departments” as well as “their own family members, children, and

assistants." Jiang Zemin continued this drumbeat at a March meeting with PLA delegates to the National People's Congress, calling on the soldiers to "resist the corrosive influence of any decadent ideology and culture" and to promote "frugality, thrift, and opposition to extravagance and waste."<sup>10</sup> Jiang then closed with an ominous warning that "this year China would make greater efforts to combat corruption."

### *Corruption and Divestiture*

On July 22, 1998, at an enlarged session of the Central Military Commission, CMC Chairman Jiang Zemin gave a speech in which he called for the dissolution of the military-business complex, asserting:

To make concerted efforts to properly develop the army in an all-around manner, the central authorities decided: The army and the armed police [*wu jing*] should earnestly screen and rectify [*qingli*] various commercial companies operated by their subordinate units, and shall not carry out any commercial activities in the future. . . . Military and armed police units should resolutely implement the central authorities' resolution and fulfill as soon as possible the requirements that their subordinate units shall not carry out any commercial activities in the future.<sup>11</sup>

Jiang then sought to consolidate the decree by publicly releasing the announcement through the party's extensive propaganda apparatus. That night, Jiang's speech at the meeting was broadcast on the CCTV *Evening News*, which has the highest rating in China and is closely watched by other Chinese media for cues about important stories. Observers took special note of the fact that the Chinese leader was shown flanked by the top brass of the PLA, implying at least tacit consent to the decision by the military. The next day, the party's official newspaper, *People's Daily*, ran a banner headline declaring: "PLA Four General Departments Convened in Beijing to Carry Out the Decision of the Anti-Smuggling Meeting," with the subtitle "Chairman Jiang Talked Seriously about Divestiture."<sup>12</sup> The announcement was then publicly seconded in subsequent days by key members of the military and civilian leadership. From the media barrage, it appeared that the decision might actually have the political momentum to dislodge the Chinese military from the difficult catch-22 of its commercial activity, whereby the civilian leadership recognized the negative consequences of PLA participation in the economy but could not muster the necessary fiscal resources to replace the PLA's income from the enterprises.

The complete reasons for the divestiture push are not entirely known, but there are at least two competing stories. One rumor claims that divestiture was initiated by an angry Jiang Zemin upon his receipt of an account of the excessively corrupt activities of six PLA and People's Armed Police companies, the most egregious of which

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involved oil smuggling that was bankrupting the country's two geographical oil monopolies.<sup>13</sup> The smugglers were taking advantage of a wide disparity between the artificially high domestic price of oil in China, which was set at 1,500 yuan per ton in mid-1998, and the global price, which had fallen to 900 yuan per ton.<sup>14</sup> One report assessed the losses of the mainland's petrochemical industry at more than 10 billion yuan in the first half of 1998 alone,<sup>15</sup> and possibly as high as 20 billion yuan for the year.<sup>16</sup> Other reports alleged that more than 3,700 oil wells had closed because of the

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resulting glut at petrochemical enterprises, such as Daqing oil field.<sup>17</sup> Smugglers such as Lai Changxing and the Yuanhua Group (see below) were reportedly moving almost 42 million barrels of oil into China each year,<sup>18</sup> or one-third of the petroleum products in the retail market.<sup>19</sup> By August 1998 the imports of petroleum products had slowed dramatically, down almost 100 percent from the previous year.<sup>20</sup> Indeed, there were widespread reports of rampant smuggling by the military of crude oil, petrochemical products, plastics, construction materials, vegetable oil, metals, telecommunications equipment, guns, ammunition, motorcycles, diesel fuel, rubber, chemical raw materials, textile raw materials, rolled steel, furniture, computers, newsprint, fruit, cars, semiconductors, counterfeit money, drugs, consumer goods, cigarettes, electronics, and food during the Asian economic turmoil in early 1998,<sup>21</sup> activity that allegedly deprived the government of hundreds of billions of yuan because of lost customs revenue and worsening deflation.<sup>22</sup> These allegations were given greater credence when customs revenues in 1999 jumped 41 percent to 224.2 billion yuan.<sup>23</sup>

A second version of the story actually begins with Zhu Rongji.<sup>24</sup> According to cited U.S. intelligence sources, Zhu Rongji angered the

During Jiang's televised divestiture speech, he was shown flanked by the top brass of the PLA, implying consent to the decision by the military.

PLA at the July 17, 1998, meeting of the antismuggling work conference by accusing the General Political Department's Tiancheng Group of rampant corruption.<sup>25</sup> In particular, he singled out a case in which the company had avoided paying 50 million yuan in import and sales taxes after purchasing a shipment of partially processed iron ore from Australia. "Every time our customs officials tried to snare these bastards, some powerful military person appeared to speak on their behalf," Zhu allegedly charged at the closed-door meeting. Reportedly, an aide sent by Zhu to investigate the activities of the company had been manhandled and detained by PLA units.<sup>26</sup> As anger and resentment spread through the PLA leadership, Jiang Zemin allegedly appeared at the conference four days later to lend his support to Zhu, confirming that "some units and individuals" in the PLA were involved in smuggling. According to this account, Jiang thereupon announced the divestiture order.

It is important to note, however, that PLA divestiture was not designed to remove the military entirely from the economy. Instead, the authorities drew an important distinction between "production" (*shengchan*) on the one hand and "commerce" (*shangye*) on the other. The former, which had existed in the PLA since the late 1920s in the form of farms and other economic activity that was critical to the standard of living of soldiers and their dependents, was to continue unabated. The latter, defined as anything that involved direct dealings with "customers"—such as hotels, telecommunications services, or trade—was banned, and the enterprises were either handed over to civilian holding units or disbanded. In total, 2,937 firms belonging to the PLA and People's Armed Police were transferred to local governments, and 3,928 enterprises were closed.<sup>27</sup> In some cases, the enterprises were transferred to family members of soldiers; in others, managing officers retired from active duty to continue operating their firms. The remaining 8,000–10,000 enterprises, most of which were the smaller, subsistence-oriented enterprises at the local-unit level, remained in the military.<sup>28</sup> The reforms were also "suspended" in some sectors, especially civil aviation, railway and posts, and telecommunications, because of the "special nature" of these industries.<sup>29</sup> For example, the air force's China United Airlines was permitted to continue operating.<sup>30</sup> Other notable exceptions included the 56 numbered factories previously under the control of the General Logistics Department's Xinxing Group, which remained under the administrative control of the GLD's pared-down Factory Management Department (formerly

the larger Production Management Department), and Poly Group, which was divided between the General Equipment Department (arms-trading elements such as Poly-Technologies) and the Commission of Science, Technology, and Industry for National Defense (COSTIND).

As the divestiture entered 1999, however, some serious bureaucratic and political conflicts began to surface, especially discipline issues involving corruption and profiteering. At the beginning of the divestiture process, President Jiang Zemin and Premier Zhu Rongji allegedly ordered a full auditing of the finances of PLA companies, and special investigative teams were checking the accounts maintained by PLA firms in domestic and foreign banks.<sup>31</sup> State Councillor Wu Yi led the State Council's antismuggling effort, the goals of which included "cracking a number of big and important cases"<sup>32</sup> against senior officers ("big tigers").<sup>33</sup> Under review were cases in which party, government, and army organs (1) organized and planned smuggling operations, (2) colluded with smugglers, or (3) arrested smugglers but then released them after receiving bribes or percentages of the operation. For its part, the PLA under the leadership of General Fu Quanyou dispatched a special work team to investigate PLA smuggling,<sup>34</sup> and the provinces of Sichuan and Guangdong were reportedly designated as "pacesetter units" for carrying out antismuggling and antigraft work among PLA units.<sup>35</sup> Within Guangdong, civilian and military organs quickly discovered that smuggling was most rampant among the following types of units, in descending order of seriousness: People's Armed Police, political and legal departments, military units, and subordinate enterprises.<sup>36</sup>

The People's Armed Police was a top-priority target of the anti-smuggling campaign, given its proximity to borders. A number of high-profile cases were investigated by civilian work teams, including:

CASE ONE: In August 1998, the Shenzhen Public Security Department rounded up a smuggling syndicate formed by the armed police and public security forces. Among the 10-plus people arrested were a lieutenant colonel of the PAP, a torpedo boat coxswain of the marine police, and a border checkpoint inspection officer. They were allegedly involved in clearing 40 container trucks containing contraband goods worth more than 10 million yuan.<sup>37</sup>

CASE TWO: Commander Chen Youwu, instructor Luo Yicheng, and Deputy Commander Wu Jianxiong of the Huilai County detachment of the Guangdong General Unit of the People's Armed Police were

arrested for colluding with smuggler Huang Haihao and his two brothers, who were engaged in smuggling tobacco into the county by sea. The PAP officers reportedly became the “private bodyguards” of the smugglers. On December 23, 1996, Chen Youwu and Wu Jianxiong reportedly shot and wounded Jieyang city Public Security Bureau anti-smuggling officer Zheng Weiwu as he attempted to intercept Huang Haihao’s smuggling ship. The military tribunal of the People’s Armed Police gave Chen Youwu a two-year suspended death sentence and sentenced Luo Yicheng and Wu Jianxiong to 10 years and two years in prison, respectively.<sup>38</sup>

CASE THREE: The antismuggling leadership groups in Suixi County and Dongguan city in Guangdong Province were charged with and convicted of arresting smugglers and then setting them free after receiving large bribes.<sup>39</sup>

CASE FOUR: Yang Xue’en, an officer in the Tianjin People’s Armed Police, was charged with embezzling more than 200,000 yuan from a military fund.<sup>40</sup>

CASE FIVE: Li Yuejian, a PAP officer from the city of Zhoushan in Zhejiang Province, was sentenced to 20 years in prison after being found guilty of accepting \$36,144 in bribes from a petroleum smuggler, Dong Yinsu.<sup>41</sup>

The civilian leadership has also aggressively pursued discipline investigations involving corruption in PLA enterprises, much to the chagrin of PLA officers who feel that the effort is gratuitous and harmful to the public reputation of the military.<sup>42</sup> Susan Lawrence of *Far Eastern Economic Review* reports from well-placed Chinese sources that the State Economic and Trade Commission’s Handover Office, which ran the divestiture process, has a list of 23 company executives at the rank of major general or above who have fled the country since the divestiture was announced.<sup>43</sup> Seven of these officers are from the Guangzhou Military Region, which handed over more than 300 enterprises, and another five are from PLA headquarters. Among the latter is Lu Bin, former head of the General Political Department’s Tiancheng Group, who was arrested overseas and extradited in January. Other arrestees include a senior colonel who was the head of one of the PLA’s top hotels, the Huatian, which is located in Changsha. A large number

of cases involved companies belonging to the Guangzhou Military Region. One case concerned the smuggling of cars by a company under the Intelligence Department of the Guangzhou Military Region and an enterprise under the Ministry of Public Security, involving more than 700 million yuan.<sup>44</sup>

More recent corruption cases involve senior military officials. In May 2001, Lieutenant General Xiao Huaishu, deputy political commissar of the Lanzhou Military Region, was formally suspended from duty by the Central Military Commission's Discipline Inspection Commission for "accepting illegal profits, being involved with underworld figures, and having sexual relations outside of marriage."<sup>45</sup> He, along with his son and driver and four other individuals, were "dual-stipulated" (*shuanggui*) to appear at a stipulated time and a stipulated place for questioning. Xiao was specifically charged with accepting bribes for favorable treatment in the bidding of several large-scale engineering projects. An additional case involved Chen Yanning, the son of a senior military officer in the Chengdu Military Region.<sup>46</sup>

#### *Yuanhua Case*

In August 1999, Zhu Rongji sent 300 anticorruption personnel from Beijing to investigate Lai Changxing, president of Fairwell (Yuanhua) Group, accusing him of being the kingpin of an alleged \$10 billion smuggling ring in Xiamen, Fujian Province.<sup>47</sup> Over the course of more than a half-dozen years, Yuanhua allegedly smuggled everything from crude oil to arms, cars, tobacco, telecommunications equipment, and semiconductors, with the direct assistance of local customs, police, and the Chinese navy, the last of which provided naval vessels and military docks to facilitate the smuggling.<sup>48</sup> The subsequent investigation, known as "Major Case 4-20" for its initiation on April 20, 1999, led to the arrest of more than 300 Fujian Province government, party, and police officials, including most of the leaders of Xiamen, and central government officials as high in rank as current Politburo Standing Committee member Jia Qinglin were tainted by association. As of July 2002, 14 officials had been sentenced to death for their involvement in the smuggling operation.<sup>49</sup>

From the beginning of the scandal, rumors swirled about the central participation of the PLA in the smuggling racket. Lai's first smuggling operation allegedly involved a military company that needed computer chips, which were illegally imported through a Hong Kong-based firm that he owned.<sup>50</sup> After he moved to Xiamen, the locus of Lai's operation



was a seven-story private club called the “Red Mansion” (*hong lou*), where Lai reportedly wined, dined, and entertained senior officers with five luxury suites, karaoke rooms, a dance floor, a cinema, a sauna, foot-baths, and dozens of prostitutes.<sup>51</sup> One of the first local officials cultivated by Lai was Lan Pu, Xiamen’s deputy mayor with responsibility for relations with local military units, who subsequently fled to Australia. Lan allegedly helped Lai build relationships with senior PLA officers, whom Lai invited to sample the Red Mansion’s pleasures. As related by one dance-hall girl named Liu Hong who spoke with a *Washington Post* reporter: “I knew many, many generals and colonels then. . . . The generals like the big hot tubs, too, because many of them were a little fat.”<sup>52</sup> Within the Red Mansion in Xiamen, Lai Changxing is even reported to have displayed a calligraphy scroll written by General Chi Haotian, vice chairman of the Central Military Commission.<sup>53</sup> Lai Changxing also traveled in a chauffeur-driven Mercedes-Benz with bulletproof glass and a white military plate bearing the Chinese character *Jia* in red, which usually signifies that a vehicle is owned by the PLA General Staff Department.<sup>54</sup>

Lai’s primary technique for developing closer ties with senior military officials, primarily in the General Staff Department and the navy,<sup>55</sup> was to employ their children in his businesses. The head of the sales department for Fairwell City, the Fairwell Group’s huge real estate development in Xiamen, was reportedly the daughter of a high-ranking naval officer.<sup>56</sup> Different sources report that Admiral Liu Huaqing’s daughter and daughter-in-law were allegedly involved with Lai and were subsequently either arrested or allowed to flee the country,<sup>57</sup> despite Admiral Liu’s reported attempts to derail Zhu Rongji’s inquiry into Lai’s activities and later to protect both of his relatives from prosecution.<sup>58</sup> According to a book written by Huang Jie and published by Cosmos, a publishing house with reportedly close ties to Beijing, then-vice premier Zhu took the Yuanhua case and his evidence of military involvement to Admiral Liu Huaqing, who was then China’s top gen-

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eral and vice chairman of the Central Military Commission, but was told to mind his own business.<sup>59</sup>

Despite the direct leadership of China's most senior leaders, however, the investigation has yielded few if any public indictments against PLA personnel. One casualty of the Yuanhua investigation was Major General Ji Shengde, son of the late People's Republic of China (PRC) diplomat Ji Pengfei and then director of the Intelligence Department of the General Staff Department. Prior to the Yuanhua scandal, General Ji had been accused of funneling \$300,000 to Liu Huaqing's daughter, Liu Chaoying, who had subsequently passed the money to Johnny Chung for donations to the 1996 Clinton-Gore reelection effort, though Chung used most of the money for other things. While cleared of wrongdoing, Ji was transferred from the Second Department to a sideline position as vice president of the Academy of Military Sciences.<sup>60</sup> Shortly afterward, personnel in the Second Department were linked to the Yuanhua smuggling case, and Ji was called in for questioning.

Early accusations asserted that Ji had received 30 million yuan in bribes from Lai Changxing.<sup>61</sup> Contradictory initial reporting, however, suggested that Lai had unsuccessfully attempted to develop relations with Ji, offering lavish gifts of luxury automobiles that were refused. One report cleared Ji of wrongdoing, but placed blame on his former driver, who had used his connections with Ji and the Intelligence Department to develop a relationship with Lai Changxing. The driver and Lai had allegedly smuggled imported cars into China, with the driver providing military plates for the cars in return for 17 million yuan in bribes.<sup>62</sup>

Later reporting by a newspaper owned by the official New China News Agency, however, directly accused Ji of being a direct participant in corruption activities, including "embezzlement of public funds, bribe-taking, and dereliction of duty."<sup>63</sup> Specifically, Ji was charged with embezzling \$20 million from an unnamed General Staff Department company that had engaged in unauthorized stock speculation, accepting 30 million yuan in bribes from Lai Changxing and Yuanhua Group, and using his driver, frequently identified as Senior Colonel Yang Gaiqing,<sup>64</sup> to "accumulate money by unfair means in Hong Kong and abroad."<sup>65</sup> Other sources suggested that General Ji, as head of military intelligence, had access to large amounts of money for intelligence operations and control over the department's front companies, and had siphoned money from these accounts as the companies went through divestiture in 1998.<sup>66</sup>

Ji's case reportedly caused controversy within the Beijing government, centering on two issues: (1) whether the offspring of one of China's revolutionary heroes could really be charged with and convicted of corruption, and (2) whether the PLA was capable of policing itself. On the second issue, this official source was surprisingly frank about the Central Military Commission Discipline Inspection Commission's failure to adequately investigate General Ji's activities, and about the necessity for Jiang Zemin to personally intervene in the situation and transfer the case to the Central Discipline Inspection Commission under the party, which concluded the investigation in early July 2000.<sup>67</sup> Ji was ultimately tried by a military court, but the case was put together by civilians, not PLA prosecutors. On October 13, 2000, General Ji was convicted and sentenced to 15 years' imprisonment for embezzling 200 million yuan in public funds, including \$16 million from intelligence funds for foreign operations and 80 million yuan from General Staff Department companies in Beijing, Shenzhen, Xiamen, Dalian, and Hong Kong during his tenure from 1988 to 1997 as head of the Intelligence Department.<sup>68</sup> Importantly, there was no mention of the bribes from Lai Changxing. The sentence was widely perceived as relatively light when viewed in light of those for comparable cases of corruption, many of which (e.g., the cases of former National People's Congress Vice Chairman Cheng Kejie and former Jiangxi Vice Governor Hu Changqing) resulted in execution, and the suggested reasons for leniency were twofold: (1) the direct intervention of Ji Pengfei's widow, Xu Hanbing, on behalf of her son; and (2) the fact that the public funds, the overseas properties, and the foreign deposits "were all transferred back from overseas and handed over to the national treasury, and thus the actual losses were minimized."<sup>69</sup> At the same time, interviews in Beijing confirm that Ji was in many ways the scapegoat for the corrupt activities of other senior General Staff Department intelligence officials, including General Xiong Guangkai, who for years had run liquor smuggling in Beijing and other domestic and foreign rackets.<sup>70</sup>

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According to one account, when Zhu Rongji took his evidence of military corruption to Admiral Liu Huaqing, he was told to mind his own business.

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## CONCLUSION

For Chinese civil-military relations, trends in PLA corruption are moving in a positive direction, but tension remains. The good news is that divestiture has drained most of the potential swamp in which military corruption previously festered. The bad news is that the conduct of the divestiture process, in particular the aggressive pursuit of senior officers suspected of malfeasance, generated significant resentment among military personnel, especially considering the already serious sacrifice of potential revenue from future commercial operations. The civilian elites seem more sensitive to these concerns of late, and appeared to deliberately downplay the role of active-duty PLA and PAP officials in the Yuanhua scandal, preferring to publicly prosecute party, police, and customs officials despite the fact that PLA units facilitated much of the smuggling.

Ironically, the profusion of corruption may have been the key stimulus for the recent amelioration of the situation. Many scholars, such as Staats, have argued that corruption itself may breed anticorruption norms:

Even the periodic exposure of corruption scandals and the efforts to combat corruption may, in fact, serve to strengthen overall values. . . . Social norms usually emerge as an abstract synthesis of the repeatedly expressed sentiments of the community regarding a given type of behavior. Reiterated group censure of a given act of deviation sharpens the authority of the violated norms and defines more clearly the boundaries of acceptable behavior.<sup>71</sup>

There has been a clear public groundswell in China against the rise of official corruption, as seen in the substantive content of the Tiananmen demonstrations in 1989 and the increasing aggressiveness of anticorruption campaigns in the late 1990s and early 2000s.

Nonetheless, a certain base level of corruption should be expected to continue, as PLA personnel exploit their authority for collective or personal gain. This instinct has been reinforced by the persistent gap in standard of living between military personnel and the larger Chinese population, despite dramatic increases in military pay since 1999. Overall, however, the increasing professionalism of the shrinking PLA makes such behavior stand out in ever sharper relief, and it is not obvious that tainted officers would survive the promotion race for the smaller set of downsized billets. As a result, corruption in the PLA

appears to have transitioned from a major, debilitating problem in the 1980s and 1990s to a more manageable discipline issue in the new century.

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## NOTES

1. For a lengthy and detailed analysis of the linkage between PLA corruption and its economic activities, see James Mulvenon, *Soldiers of Fortune* (Armonk, N.Y.: M.E. Sharpe, 2001), chap. 5.
2. Willy Wo-Lap Lam, "Jiang Reportedly Urges Army to Set Moral Standard," *South China Morning Post*, January 9, 1997.
3. In July 2001, Senior Colonel Fan Kuangfu, a political commissar and party secretary of the Jinhua Military Subdistrict in Zhejiang Province, was publicly celebrated as the model cadre in the anticorruption campaign. See Vivien Pik-Kwan Chan, "PRC Senior Colonel Fan Kuangfu Set as New Party Hero, Incorruptible High-Level Cadre," *South China Morning Post*, July 31, 2001.
4. "Army Leader Stresses Drive against Corruption at All-Army Discipline Conference," Xinhua News Agency, January 23, 1998.
5. Vivien Pik-Kwan Chan, "PLA to Reinforce Discipline in Ranks," *South China Morning Post*, January 24, 1998, 7.
6. "Army Leader Stresses Drive."
7. Vivien Pik-Kwan Chan, "PLA to Reinforce Discipline."
8. Ibid.
9. "Senior Chinese Official Urges Military to Intensify Anticorruption Drive, Strengthen Ideological Training," Xinhua News Agency, February 10, 1998.
10. "President Jiang Zemin Tells Army Deputies to Fight Corruption," Xinhua News Agency, March 10, 1998.
11. "Jiang Orders PLA-Owned Firms to Close," Xinhua Domestic Service, July 22, 1998, FBIS CHI-98-204.
12. See *People's Daily*, July 23, 1998, 1.
13. Personal communication with Tai Ming Cheung, November 12, 1998.
14. Mark O'Neill, "Lai Changxing Fears the Fate That Befell His Cohorts," *South China Morning Post*, December 2, 2000.
15. "Combating Corruption Brooks No Delay," *Ming pao*, August 4, 1998, sec. E, p. 8.
16. Mark O'Neill, "Lai Changxing Fears the Fate."
17. Vivien Pik-Kwan Chan, "Fujian Party Leaders Urge Deeper Inquiry into Corruption," *South China Morning Post*, March 9, 2000, 6, and "Nationwide Major Antismuggling Campaign," *Ming pao*, September 28, 1998, sec. A, p. 11.
18. John Pomfret, "Chinese Tie Leaders to Smuggling; Party, Military Chiefs among the Suspects," *Washington Post*, January 21, 2000, sec. A, p. 1.
19. "Dirty Linen," *Straits Times*, January 30, 2000.
20. David Lague, "Smuggling Clamp May Impede Trade," *The Age*, August 14, 1998.
21. Ibid.; Stephanie Ma and Stella Lee, "'Smuggling Mastermind' Lai Changxing Held in Canada," *South China Morning Post*, November 25, 2000; and Mark O'Neill, "Lai Changxing Says Spied on Taiwan, Hong Kong for PRC," *South China Morning Post*, December 1, 2000.

22. Cao Haili, "The Chinese Army Has Sailed out of the Business Sea," *Caijing*, January 1999, 2.
23. Mark O'Neill, "Breaking Ranks in PLA, Inc.," *South China Morning Post*, January 31, 2001.
24. This account is taken from Susan Lawrence's excellent article "Bitter Harvest," which can be found in the April 29, 1999, issue of *Far Eastern Economic Review*, pages 22-26.
25. Ibid.
26. Willy Wo-Lap Lam, "Columnist Claims Army Probing Military Accounts Overseas," *South China Morning Post*, July 25, 1998, 7.
27. "March out of Business Sea: PLA and Armed Police Carrying Out the Decision of Divestiture," *Shidai chao*, March 2000.
28. Personal communication with Tai Ming Cheung, January 24, 1999.
29. "Separation of Army from Business Done," *China Daily*, March 21, 1999, 1.
30. China United Airlines survived divestiture because many remote towns protested that the shutdown of the airline would cut them off from the rest of the country.
31. Willy Wo-Lap Lam, "Columnist Claims Army Probing."
32. "Nationwide Major Antismuggling Campaign."
33. Willy Wo-Lap Lam, "PRC Launches 'Loyalty Campaign' within PLA," *South China Morning Post*, April 27, 2000.
34. Willy Wo-Lap Lam, "Columnist Claims Army Probing."
35. Willy Wo-Lap Lam, "Jiang Reportedly Pushing for Political Reforms," *South China Morning Post*.
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39. Ibid.
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44. "Nationwide Major Antismuggling Campaign."
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46. Craig Smith, "China: Corruption Arrests," *New York Times*, July 31, 2001.
47. John Pomfret, "Chinese Tie Leaders to Smuggling."
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50. Mark O'Neill, "Wine, Women and Graft," *South China Morning Post*, September 16, 2000.
51. Mark O'Neill, "Accused Smuggler Lai Changxing Profiled," *South China Morning Post*, January 25, 2000, 15.
52. John Pomfret, "Chinese Tie Leaders to Smuggling."
53. "Dirty Linen," and Chen Xiaoping, "Effects of Yuanhua Case on China's Anticorruption Campaign Viewed," *South China Morning Post*, December 15, 2000.

54. Mark O'Neill, "Lai Changxing Says Spied."
55. "Dirty Linen."
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