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**CHINA'S CENTRAL FINANCE AND ECONOMIC AFFAIRS WORK CONFERENCE REVEALS
EMPHASIS ON SECURITY AND DEVELOPMENT**

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China's long awaited Central Financial Work Conference was held in Beijing on October 30-31, 2023, and was the first held since the establishment of the Central Financial Commission and the Central Financial Working Committee. With the decline in China's economic growth and little prospects for its revival, there was expectation among Chinese economists, provincial government officials and others that the important once-in-five year Central Finance and Economic Work Conference would take steps for stimulating and reviving the economy. They expected that measures to stimulate the economy would include infusing large sums into specific sectors, like real estate. While the conference did take some steps, it instead emphasised 'security' and 'development', which were the policy guidelines set for this term by the 20th Party Congress.

2. On October 30, Chinese President Xi Jinping and Chinese Premier Li Qiang delivered "important" speeches at the Central Financial Work Conference (CFWC), which was attended by Politburo Standing Committee members Zhao Leji, Wang Huning, Cai Qi, Ding Xuexiang and Li Xi . The Xinhua report on the Conference highlighted that "The meeting stressed that finance is the bloodline of the national economy" and "is an important part of the core competitiveness of the country". It emphasised the need to "comprehensively strengthen financial supervision, improve the financial system", "prevent and mitigate risks", and "unswervingly take the road of financial development with Chinese characteristics and provide strong support for the construction of a strong country with the Chinese-style modernisation and the national rejuvenation of the country in an all-rounded way". Emphasising that "The CPC Central Committee has combined Marxist financial theories with the concrete realities of contemporary China and with the excellent traditional Chinese culture" it stressed "it is necessary to adhere to the centralised and unified leadership of the CPC Central Committee over the work of the financial sector, and to adhere to the people-centred value orientation." "The meeting stressed that in the current and future period, to do a good job in financial work, we must adhere to and strengthen the overall leadership of the Party, take Xi Jinping's thought of socialism with Chinese characteristics in the new era as the guide, fully implement the spirit of the 20th CPC National Congress". It called for strengthening the policy financial institutions, and giving "full play to the functions of the insurance industry as an economic shock absorber and social stabiliser." It called for doing a good job in the five major areas of science and technology finance, green finance, inclusive finance, pension finance and digital finance."

3. He Lifeng made the concluding speech. Representatives of the People's Bank of China, the General Administration of Financial Supervision, China Securities Regulatory Commission, Beijing Municipality, Liaoning Province, Hubei Province and Sichuan Province also spoke. Members of the CCP CC Politburo, CCP CC Secretariat, CCP CC and "leading comrades" of the National People's Congress Standing Committee, State Councillors, the President of the Supreme People's Court, and CPPCC were present at the meeting. Members of the Central Financial Commission, all provinces, autonomous regions, cities and municipalities with separate plans, Xinjiang Production and Construction Corps, relevant departments of the Central Government and State organs, relevant people's groups, relevant departments of the Central Military Commission organs, financial institutions managed by the Central Government, and the main comrades-in-charge of some enterprises, etc. also attended the meeting.

4. The 114-word resolution of the two-day Central Financial Work Conference established a new Party-led Central Financial Commission, a super-regulator that will oversee govt institutions such as the People's Bank of China and China Securities Regulatory Commission. Vice Premier He Lifeng, successor to Liu He, was appointed (October 30) the Office Director of the Communist Party's Central Financial and Economic Affairs Commission, which is being set up to strengthen the Party's control of the country's \$61 trillion financial industry. A People's Daily (October 30) article captioned 'Do a solid job in financial work' said: "Finance is the lifeblood of the real economy, and serving the real economy is the inherent.. purpose of finance. It is also the fundamental measure to prevent financial risks." The Beijing Daily (November 2) pointed out that supervision, risk and persistence are key words. It noted that this meeting once again emphasized the need to accelerate the construction of affordable housing, a theme articulated by Chinese President Xi Jinping.

5. The Conference generally adhered to the main points of the important, lengthy article in the Jingji Ribao (Economic Daily; June 9). It was authored by the National Defence University Party Committee Doctrinal Study Centre Group and titled "Guarantee the new development pattern with the new security pattern—Seriously study the first and second volumes of "Selected Readings of Xi Jinping's Works". It highlighted: (i) the importance of "a deep understanding of the great strategic significance of guaranteeing a new development pattern with a new security pattern"; (ii) "National security is the foundation of national rejuvenation, and social stability is the prerequisite for national prosperity; (iii) the report of the 20th Party Congress which devoted "a special chapter to make strategic deployments for maintaining national security and social stability, and for the first time proposed "guaranteeing a new development pattern with a new security pattern", emphasizing adherence to the principle of people's security, political security as the foundation, and economic security based on military, scientific, technological, cultural and social security, and relying on the promotion of international security, coordinate external security and internal security, homeland security and national security, traditional security and non-traditional security, self-security and common security, and maintain and shape the country as a whole Safety; (iv) "Chinese-style modernization must be advanced on the basis of firmly guarding the bottom line of safety. The next period may be a period in which risks in all aspects of our country's development will continue to accumulate and even be exposed in a concentrated manner. The major risks we face include not only domestic economic, political, ideological, social risks, and risks from nature, but also international economic, political, and military risks. (v) National security is

the basic prerequisite for the survival and development of a country, an important cornerstone for stability and stability, and a strong pillar for ensuring the development and growth of the country and the nation. (vi) "Development and security must be dynamically balanced. Development and security, like the two wheels of a car and the two wings of a bird, complement each other and cannot be neglected. Looking at the history of the rise and fall of major powers in the world, we can find that when a great power rises, it is often able to coordinate development and security well, while its decline is closely related to the failure to coordinate development and security well. Coordinating development and security, enhancing the awareness of adversity, and being prepared for danger in times of peace are major principles of our party in governing the country"; and (vii) "Adhere to the centralized and unified leadership of the Party Central Committee on national security work. Upholding the Party's absolute leadership over national security work is the fundamental guarantee for maintaining national security and social stability, and it is a fundamental political principle that must be followed. The Jingji Ribao also dealt with military security.

6. On November 6, China's Nanfang Ribao (Southern Daily) said that the conference for the first time proposed the goal of building a "financial power" and strengthening the centralized and unified leadership of the Party Central Committee on financial work. It asserted that the name was changed from the previous "National Financial Work Conference" to the "Central Financial Work Conference" to highlight the centralized and unified leadership of the Party Central Committee on financial work. Noting, however, that "financial chaos and corruption continue to occur, and financial supervision and governance capabilities are weak", it said the conference called for determination to fundamentally solve these problems. It emphasized the need to comprehensively strengthen financial supervision and effectively improve the effectiveness of financial supervision.

7. Discontent has been rising in China, among other reasons, because of the drop in people's living standards and steady rise in joblessness. This was highlighted when China's National Bureau of Statistics released figures on June 15, revealing that graduate unemployment had risen to 20.8 per cent from 20.4 percent in May. Shortly thereafter the National Bureau of Statistics stopped publishing this data. Earlier, the authorities had prohibited release of data on the number of strikes and protests in China – another indicator of growing discontent. In this backdrop and despite some Chinese doubting his competence, there was expectation that Chinese Premier Li Qiang would take steps to revive the economy. The distribution of work among members of the Politburo Standing Committee, which seemed to expand Premier Li Qiang's remit, raised expectation that he would initiate the necessary steps. There was hope too that the Central Finance and Economic Work Conference would unveil measures to provide stimulus for private entrepreneurs and real estate sectors and address local government debt. None of this has happened. Instead Chinese President Xi Jinping has further tightened his grip on economic policy and ensured priority to security over development.

8. Just weeks prior to the meeting of the Central Finance and Economic Work Conference, it was revealed that China's former economic tsar and Vice Premier, Liu He has retained oversight of the important Office of the Central Financial and Economic Affairs Commission, which is chaired by Chinese President Xi Jinping. Liu He, a close personal friend of Xi Jinping, apparently continues to be his economic adviser.

9. Another indication that Xi Jinping intends to maintain tight control over the financial sector were his visits -- for the first time ever -- to the People's Bank of China (PBoC) and the State Administration of Foreign Exchange (SAFE) on October 24. His visits came just a week before the Central Finance and Economic Work Conference. Chinese analysts are divided on whether Xi Jinping's visits imply that some policy palliatives are planned, or are a message to the PBoC and SAFE to further harden the financial system, while strengthening Party leadership and further cleaning up the financial system. A day earlier on October 23, Xi Jinping personally visited the Shanghai Stock Exchange and stated that A-shares are stable and improving, and there is no need for bailout policies.

10. However, the news is not all bleak for the provinces. China's financial magazine Caixin (November 2) reported that local governments in China are rushing to plan infrastructure projects to be funded by the new sovereign debt issuance worth 1 trillion yuan (US \$137 billion) approved by China's National People's Congress the previous week to support disaster relief and construction. Hebei province held a meeting on October 29 to accelerate its plans to deploy funds from the special bond issuance. Several counties held subsequent meetings on implementation. This provided some relief to the cash strapped provinces, who depended on land sales for over 30 per cent of their revenues till such sales were prohibited by the centre. Many provincial governments had to slash salaries of employees by 30 per cent, withdraw bonuses etc.

11. While the Central Financial Work Conference did emphasise that Finance is the lifeblood of the real economy, its resolution avoided issues afflicting the Chinese economy namely, encouraging the private entrepreneurs, problem of debts of the provincial governments and the near bankruptcy of major real estate companies. The focus was more on security followed by development together with centralisation and supervision of financial work. The next few weeks and months will show whether the Chinese leadership unveil plans to separately address such specific issues.

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