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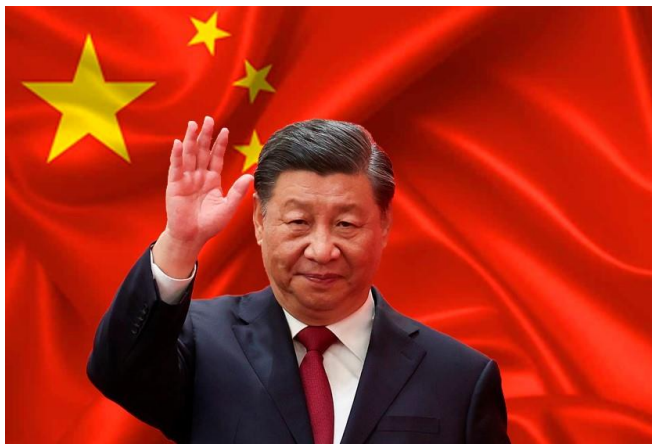
China's Commitment to Path of Financial Development with Chinese Characteristics



By Mr. Khalid Taimur Akram, Executive Director,
Pakistan Research Center for a Community with
Shared Future (PRCCSF), Islamabad

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In the evolving architecture of global finance, China has chosen to forge a unique path defined by its development philosophy. The concept of “financial development with Chinese characteristics” is based on a comprehensive, systematic strategy under the leadership of President Xi Jinping, who has consistently stressed the core purpose of finance as serving the real economy and supporting the overall modernization of China. Rooted in China’s unique historical trajectory, this approach leads state-led governance, innovation-driven reform, risk control, and inclusivity to foster a robust, secure, and high-quality financial system.



The term “financial development with Chinese characteristics” was first emphasized during a group study session of the Political Bureau of the Communist Party of China (CPC) Central Committee in February 2019 and has since become a critical pillar of Xi Jinping’s economic thought. Through the 2023 Central Financial Work Conference, when building a financially strong nation was elevated to a strategic national goal. The roots of this philosophy can be traced back to Xi’s 17 years in Fujian Province (1985–2002). During this period, he led pioneering efforts in financial reform, exploring innovative ways to use finance to support industrial growth, infrastructure development, and poverty alleviation. Such hands-on experience shaped his deep understanding of the dialectical relationship between finance and the economy.



One compelling example is the Fuyao Group, now a global leader in automotive glass. In the 1990s, Fuyao faced a liquidity crisis. Xi, recognizing the company's potential, immediately intervened, instructing local authorities to facilitate financial support. His timely action helped Fuyao secure a major loan, saving the company and enabling its rise. This philosophy is evident in China's strategic financial allocations towards infrastructure, technology, and manufacturing, ensuring that capital reaches sectors crucial for national development. From high-tech zones in Fuzhou to the expansion of inclusive finance in rural China, the financial sector under President Xi's leadership has been instrumental in sustaining industrial innovation, alleviating poverty, and addressing regional imbalances.

Innovation is central to the transformation of China's financial system as aligned with market logic and legal governance. China designs its financial reforms not only to boost efficiency but also to uphold systemic stability. The establishment of Xiamen International Bank, China's first joint-venture bank with foreign capital, exemplifies this approach. He provided direct guidance for its creation, recognizing that introducing competition and foreign expertise would invigorate the domestic financial sector while maintaining regulatory sovereignty.

As part of broader reforms, China has liberalized interest rates, promoted the yuan's internationalization, and improved the macro-prudential policy framework. The guiding principle remains consistent in embracing market-oriented reform without compromising on state oversight or financial security.

Strengthening Financial Supervision and Risk Prevention

Financial supervision and risk management are critical pillars of China's financial governance. President Xi Jinping has frequently stated that risk prevention is the eternal theme of financial work. The rapid expansion of financial institutions, especially local banks and real estate-related financing, had created hidden vulnerabilities that needed urgent regulatory attention. As a result, Chinese authorities have



implemented stricter macroprudential regulation, tightened oversight over real estate finance, and intervened in troubled regional banks to contain spillovers. The modern Chinese financial system aspires not only to be large but also resilient, inclusive, and technologically advanced. The Central Financial Work Conference of 2023 outlined five strategic priorities: technology finance, green finance, inclusive finance, pension finance, and digital finance. These priorities reflect a future-oriented strategy that seeks to align financial development with China's long-term socioeconomic goals. China's inclusive finance model, first formally introduced at the Third Plenary Session of the 18th CPC Central Committee in 2013, has since revolutionized financial accessibility. Today, coverage extends to every township and village, with millions brought into the formal banking system by bridging urban-rural disparities and fostering shared prosperity.

China's path to financial development carefully balances openness and security. While it has opened capital markets, improved cross-border investment mechanisms, and encouraged



international financial cooperation, these steps are guided by a risk-controlled strategy. For instance, China has initiated the Action Plan for Collaborative Development of Shanghai and Hong Kong as International Financial Centers, which promotes deeper cooperation in cross-border financial services, green finance, and renminbi internationalization. Mechanisms like the Bond Connect and Swap Connect are being enhanced to facilitate foreign participation while safeguarding the integrity of China's financial system.

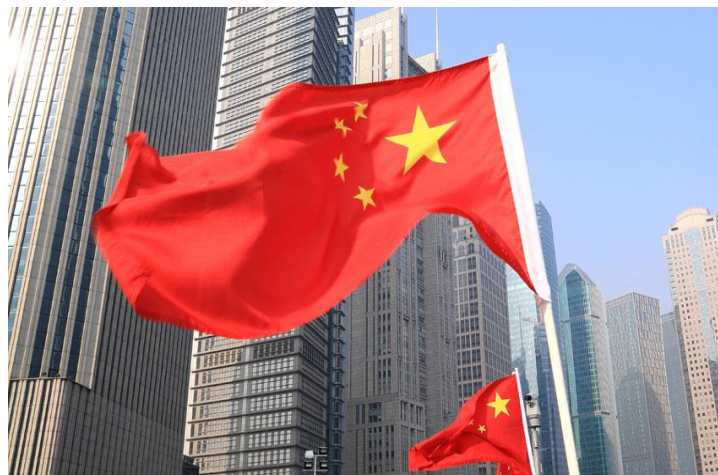
Financial stability has remained a core theme in China's financial doctrine. President Xi has consistently emphasized preventing and defusing financial risks as an "eternal theme" of financial work. Challenges such as local government debt, real estate bubbles, and risks in small- and medium-sized institutions are not swept under the rug but addressed proactively through policy tightening, regulatory restructuring, and state intervention.

Structural reform on the supply side of finance is also a key area of focus as efforts are underway to streamline capital markets, upgrade financial infrastructure, and develop modern financial institutions aimed not merely at growth, but also at fostering a high-quality financial system aligned with long-term sustainability and innovation.

Chinese Wisdom in Financial Governance

A report titled "Exploring Financial Development with Chinese Characteristics: Xi Jinping's Practices in Fujian" by the Xinhua Institute has analyzed the global relevance of China's model. It emphasizes that China's approach transforms finance from a speculative money game into a lifeline for the real economy, converts finance from a tool of elite wealth

concentration into an inclusive resource allocator, and recasts finance from a source of instability into a mechanism of resilience. This “triple transformation” offers a fresh paradigm for countries in the Global South and beyond that seek financial modernization emphasizes harmony, inclusiveness, risk control, and state-market coordination.



China’s commitment to the path of financial development with Chinese characteristics is a strategic pillar of national rejuvenation. With President Xi Jinping’s vision and leadership, China has developed a modern, secure, and inclusive financial system that supports industrial growth, technological innovation, poverty alleviation, and global cooperation. China aims to build not just a large financial system, but a powerful one that is rooted in its national context, serves the people, and contributes constructively to global financial governance. As China continues on this path, it not only reinforces its own modernization but also offers the world an alternative model of financial development grounded in stability, inclusiveness, and long-term value creation.