

# Research on the High Quality Development Strategy of National Financial Security under the Background of the New Era

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**Abstract:** *In the new era, China is facing many important tasks and significant risks, among which preventing and resolving financial risks is our top priority. The strategic goal of building a new era of national security rule of law system and strengthening the modernization of governance capacity proposed at the 20th National Congress has put forward new requirements for the development and improvement of China's financial security. Overall security is an important aspect of national security and a dual attribute of economy and society. The multiple characteristics of this trait determine that the overall national security concept must be taken as the value orientation and basic guideline, and innovative strategies must be proposed to address the practical deficiencies in the guarantee system such as institutional mechanisms, in order to provide reference for the high-quality development of national financial security.*

**Keywords:** *national financial security; a holistic approach to national security High quality development*

## 1. Introduction

Financial security is a special institutional arrangement in China, which has shown a development process from being subordinate to economic security to being relatively independent. In the latter scenario, firstly, we need to continuously introduce foreign investment into our financial industry, even lifting restrictions on foreign shareholding in securities, funds, insurance and other fields; Second, our banks and other financial institutions should also invest abroad in the context of the "the Belt and Road Initiative" and "going global" through shareholding, mergers and acquisitions, mergers, subsidiaries and other forms. The development of financial innovation, the two-way nature of financial openness, and the "double-edged sword" characteristics have made the humanization of financial risks more serious. Therefore, it is necessary to further improve the national financial security system under the guidance of new spirits and concepts.

## 2. The necessity of high-quality development of national financial security

### 2.1 Financial security plays an increasingly prominent strategic role in the national security system

National financial security is one of the core contents of national security. In today's increasingly significant trend, financial strength has become an important indicator of a country's comprehensive national strength, and financial security, stability, and development are key to preventing falling into the "middle-income trap" and "Thucydides trap". After the establishment of the People's Republic of China, our country has always paid high attention to financial security, especially after the 18th National Congress, which has incorporated financial security into the content and guarantee system of national security. In China, fiscal security is a major strategic issue for the country's economic and social development. In the resolution of the 20th National Congress of the Communist Party of China in 2022, the "financial security guarantee system" was once again listed as the core of the national security system, and "preventing financial risks" was listed as one of the important issues to be continuously deepened and resolved in the future.

## ***2.2 Important ways to maintain the national financial security office and implement the overall national security concept***

The overall national security concept is the guiding ideology and value orientation for the modernization of China's national security governance system and capacity in the new era, and is the fundamental basis and guarantee for the comprehensive construction of socialist modernization. The overall national security concept is an innovation and development of traditional security, which covers both traditional security fields and non-traditional security fields including finance and energy; We value both internal and international security; We should pay attention to both global security and personal security. The characteristics of this security concept are comprehensive, systematic, dialectical, bottom line, open, coordinated, and sustainable. On this basis, further improving the security system in various fields and carrying out specific level security capacity building has important theoretical and practical significance.

Considering the reality of China's financial development, the country is currently in an important stage of economic transformation and upgrading. Preventing financial risks and ensuring financial security are important components of realizing the overall national security concept. Against the backdrop of economic growth adjustment and industrial upgrading pains, China's economic and financial instability factors continue to increase. Internationally, some countries and regions, including the United States, are exerting comprehensive pressure on China in terms of trade, investment, finance, and systems, posing enormous challenges to China's foreign trade, industry, finance, and other aspects. The United States uses its hegemony over the US dollar to arbitrarily adjust its fiscal and monetary policies, attracting global capital inflows, especially from China, in an attempt to "short sell" the Chinese yuan, disrupt China's financial market, and potentially plunge China into a systemic financial storm. This practical situation clearly indicates that in order to combine holistic thinking with dialectical thinking, it is necessary to elevate the governance ideas and capacity building in China's financial security field to a new height<sup>[1]</sup>.

## **3. Investigation into the Current Status of Financial Security Development in China**

### ***3.1 The basic system of national financial security needs to be improved***

Due to its political and economic characteristics, national financial security, as a higher-level concept, does not have a clear legal definition, making it difficult to define in terms of connotation. This has led to a lack of consensus on the understanding of legal definitions, value positioning, basic principles, and institutional frameworks, and a tendency to replace national financial security with financial security. However, from any perspective, the basic system for ensuring national financial security still needs to be improved.

Firstly, there is generally no complete national financial security system in place. The National Security Law, as an important component of national security, can certainly be applied to national financial security. However, due to the political nature of national security, it cannot be used as a conventional means in the financial and economic fields. The Financial Stability Law has become the key to safeguarding national financial security. However, there is currently no truly established law in China, and it is the first or leading legislation for financial regulation. On this point, many scholars have expressed in consultations on the draft Financial Stability Law that this law should have the status of China's basic financial law, and its role and nature should be dominant. This precisely proves the lack of a dominant system in China's financial security guarantee system.

Secondly, the institutional arrangements related to important aspects of national financial security still need improvement. Among them, the Supervision and Administration Measures of the Export Import Bank of China, the Supervision Measures of the Agricultural Bank of China, and the Supervision and Administration Measures of the National Development Bank are the most representative parts of China's current legal system. However, the institutional safeguards related to national financial security, such as financial infrastructure, network information systems, and financial data security, are not yet sound enough, especially in the big data environment where operational mechanisms for financial data export have not been established. At this point, the listing of "Didi" in the United States accompanied by data export is a good example<sup>[2]</sup>.

### ***3.2 Existing systems cannot adapt to the development of the times***

The current legal system for safeguarding national financial security has been continuously revised and improved since the 1990s. At the same time, China's financial security system also exhibits strong industrial legal characteristics, as well as systematic, systematic, and coordinated aspects in many aspects. For example, under the segmented regulatory model, China's financial legislation is carried out separately. Therefore, it is difficult to find corresponding institutional changes and reforms to address the deep integration of finance, ensure financial security, and prevent systemic risks in segmented legislation. In addition, due to the continuous strengthening of cooperation between financial institutions, the increasing risk of human trafficking, the acceleration of RMB internationalization, and the popularization of financial technology, the national financial security system is more in line with the actual development of finance, and relevant institutional mechanisms and rules and standards are constantly being improved. This requires the unification and coordination of current laws and regulations, and in this field, coordination and promotion still need to be achieved through legislation, interpretation, and abolition.

At present, China's financial security system has fallen far behind the needs of its fiscal security. The system, especially the legal system, lags behind the universal law of fiscal development, reflecting the basic logic of "one system, one sound". Since the new era, new problems and situations have emerged in China's financial development, which requires us to continuously improve the financial security system, make up for institutional deficiencies, and make regulatory rules more unified. The main new features are: China's financial reform still needs to be further deepened, financial chaos still exists, and there is a possibility of triggering regional financial risks; Especially the trade frictions and technology wars launched by the United States have had a negative impact on China's economic and social development. In addition, with the deep integration of big data technology, artificial intelligence, and other technologies with finance, in order to ensure the bottom line of China's financial security, it is necessary to build a more complete risk warning information system, core indicators system for financial security protection, etc.

### ***3.3 Security personnel and capacity building in line with modern financial development need to be strengthened***

In the fourth chapter of the 20th National Congress report, it was mentioned that "we must continue to promote financial system reform, improve and perfect the modern financial regulatory system, improve the financial stability guarantee system, place all financial activities under supervision, and ensure that there will be no systemic financial risks". This basic spirit puts forward higher requirements for establishing and improving China's financial security system. At present, there are still many problems in China's human resources management system and capacity building.

Currently, China's financial security is facing the problem of talent shortage, which cannot meet the needs of China's economic development. The allocation and training of talents are important guarantees for safeguarding national financial security, as well as important factors for ensuring the effective implementation of various laws, systems, and rules. At the macro level, bottom line thinking, and the concept of the rule of law, macro prudential supervision is an important concept for safeguarding financial security, and institutional design and implementation need to be carried out from a macro perspective, bottom line thinking, and the concept of the rule of law. From a practical perspective, in order to identify and predict financial risks and demonstrate more specialized and long-term characteristics in their prevention and treatment, Chinese financial institutions still lack a "self centered" management model and effective governance model in issues such as compliance review of overseas operations and financial data export. At this time, overseas businesses in China, such as financial institutions, are generally foreign nationals. If employees of the parent company or headquarters come to inspect this institution, the compliance officer will claim that their work is responsible for their country's regulatory agencies, judicial agencies, courts, and intelligence agencies. This is a matter that is both helpless and must be paid attention to<sup>[3]</sup>.

The capacity building for ensuring financial security in our country still needs to be further strengthened. In the report of the 20th National Congress of the Communist Party of China, the major problems of insufficient ability to cope with major risks and the need to focus on preventing financial risks were raised, with human factors being of paramount importance. From the perspective of the impact of the new generation of technology on the financial system, the contemporary financial system has broken the traditional financial model and requires risk analysis at multiple levels such as

technology, data, society, and economy. This requires increasing the use of technological means, financial diplomacy skills, and other multi-level factors from the perspectives of simple indicator identification and calculation, and mastery of institutional rules. This poses higher requirements for the governance capability of China's financial security, and it is necessary to strengthen collaborative work and enhance overall strength. However, in this field, our financial security governance capacity building still faces the problem of insufficient manpower and relatively lagging capacity building.

#### **4. Exploration of Strategies for Promoting High Quality Development of National Financial Security**

The construction of Chinese path to modernization is inseparable from a strong system and mechanism. Among them, the national financial security guarantee system, operating mechanism, and talent resource allocation are important guarantees for the in-depth development of Chinese path to modernization, while inclusive finance and other means are important guarantees for promoting common prosperity and expanding domestic demand. The "Twentieth National Congress" defined the scientific connotation of Chinese path to modernization and provided new ideas for the construction of China's financial security system. The report of the 20th National Congress of the Communist Party of China pointed out that the comprehensive rule of law is a profound revolution that is related to the Party's governance and national rejuvenation, the happiness and stability of the people, and the long-term stability of the Party and the country. This requires that, under the guidance of the spirit of the 20th National Congress of the Communist Party of China, a national financial security system should be scientifically established, and coordination should be made at multiple levels, including the anchoring of values, the arrangement of basic propositions and structures, and the supplementation and improvement of key systems, so as to achieve dynamic coordination of financial stability and innovative development, and better serve the development of the real economy and Chinese path to modernization. Therefore, a systematic top-level design should be carried out at multiple levels, including value target positioning, core concept implementation, basic institutional support, and operational guarantee mechanisms. Based on this, local supporting institutional mechanisms, operating procedures, and standards should be formulated to construct a hierarchical and graded national financial security guarantee strategy<sup>[4]</sup>.

##### ***4.1 Determine the Value Objectives of National Financial Security***

Establishing sound value goals in terms of institutional mechanisms, standards, tools, and means is a necessary prerequisite and logical starting point. From the perspective of the core concept of national financial security, there is still a lot of debate in theory, which can be roughly summarized as defining it from the perspectives of political and economic disciplines. However, this does not hinder the construction and improvement of formal institutions. In terms of value orientation, the design and improvement of any system must be balanced against its core value orientation, that is, diversified value orientation. For example, in order to maintain financial order, it is necessary to balance safety (stability) and development (stability), among which "stability" is of paramount importance. From the perspective of national financial security positioning, financial security is an important component of national security. It is the cornerstone of high-quality economic development and the guarantee for achieving common prosperity and equality in society. And finance itself also plays a role in maintaining political and social stability. In fields such as technological innovation, it has both strategic and political significance. Starting from these characteristics, we need to analyze them from political, economic, social, and other aspects in order to expand the connotation and theoretical framework of financial security, adhere to bottom line thinking, systematic concepts, and rule of law awareness. Therefore, on the premise of security, preventing and resolving system risks should be regarded as an important value goal. From the current stage of economic and social development in our country, this value goal can be subdivided into: using market-oriented and rule of law methods to prevent and resolve major systemic risks, achieving a balance between financial innovation and stability, promoting the internationalization of the renminbi, actively participating in international financial governance, etc.

##### ***4.2 Implementing the Core Concept of National Financial Security***

###### ***4.2.1 Legal concept of financial security***

This article theoretically analyzes the problems existing in China's financial security legal system. On the one hand, as a part of national security, the role and significance of national financial security

have far exceeded the positioning of market security in Western financial security theory, and need to be analyzed from the perspective of multidimensional governance such as rule of law, politics, economy, and society. On the other hand, from the perspective of governance mode, the governance mode of financial security relies more on policy promotion, and the legal level of national financial security protection still needs to be further improved, which is far from the concept of governing the country by law and the goal of financial rule of law. In this situation, in order to build a national financial security system, it is necessary to adhere to the concept of the rule of law, shift from policy driven to rule of law guaranteed, and from policy led to law led. Only in this way can it adapt to the rule of law and the national security rule of law system. At this point, developed countries represented by the United States and France have already established corresponding practices and legal arrangements. For example, France's Financial Security Law integrates the financial legislation of various countries and systematically arranges it as a value orientation and core concept of security<sup>[5]</sup>.

#### ***4.2.2 Overall Financial Security Concept***

The concept of overall financial security is a concrete manifestation of China's national security concept in its financial industry. Within the framework of overall national security, it is necessary to handle the relationship between security and innovation, internal and external relations, reform and opening up, and individual and common. From the perspective of financial security and innovative development, financial reform and financial opening, with the core of improving the macro prudential management mechanism and system financial risk prevention and handling mechanism, deepening financial reform to promote the construction of a multi-level modern financial system in China, using a sound and inclusive micro prudential regulatory system as an incentive for financial institutions to improve their operational and innovation levels, and using positive incentives to promote Chinese financial institutions to "go global", improve the domestic business environment, and actively introduce foreign investment into China's financial market to carry out business activities. From the perspective of factors affecting national financial security, factors such as inadequate financial development in China, coupled with the spillover effects of foreign factors, may lead to the emergence of systemic risks. Therefore, it is necessary to establish a set of foreign-related financial risk prevention mechanisms that can withstand external risk shocks under the concept of overall financial security. Overall, we need to attach importance to both the stability and security of the financial system, as well as the importance of international financial security, in order to establish a common financial security and protection system among countries. From the perspectives of economic, financial, and social development, paying attention to the inclusiveness and democracy of financial development is an important guarantee for safeguarding people's personal safety, and also lays a solid foundation for the construction of China's financial security governance system and governance capacity.

#### ***4.2.3 Financial Services Concept of High Quality Development of the Real Economy***

Finance exists for the development of the real economy. To establish and improve China's financial security system, it is necessary to examine and analyze the relationship between finance and the real economy from the perspective of "financing" defined in general economics. China is an emerging country, and special attention should be paid to avoiding the detachment of the economy from real to virtual, using financial innovation to support the development of the real economy. At the same time, it is necessary to continuously improve the financial regulatory system, intervene reasonably in the financial market, avoid financial overheating and the trend from excess to excess, and effectively control the disorderly expansion of international financial capital.

#### ***4.3 Establish a sound national financial security system***

On this basis, a financial regulatory system based on China's national conditions was proposed. At the same time, due to the direct interactive relationship between national financial security and the economy and society, more consideration needs to be given to national financial security at the economic and social levels. In this way, China's fiscal security system has its unique characteristics, and its operating mechanism is different from the general national security system. Among them, the key basic institutions are in the core position, which directly affects whether the institutional system can be established, whether the value orientation is accurate, and whether the system is scientifically rigorous.

Firstly, we should formulate the Financial Stability Law as soon as possible and use it as a guide to comprehensively and systematically design the top-level of financial security. The Financial Stability Law is a law with global significance, which has been extensively consulted by various sectors of

society, especially experts, scholars, and practical departments, and has now entered the preliminary review stage. In this process, for some key and controversial issues, continuous theoretical exploration and institutional adjustment are necessary to achieve scientific and democratic legislation. At the same time, the core values and basic objectives of the Civil Code are to establish a sound long-term mechanism for financial stability, adhere to the bottom line of preventing systemic risks, and manage and safeguard national financial security in accordance with the law. The Financial Stability Law is a fundamental law to ensure the national financial security. It is proposed to be passed by the National People's Congress. It can play a leading role in other legislation in the financial field and prevent dislocation and dislocation in the level of legal effect.

Secondly, we need to improve the security system of the financial system under the new financial form. With the advent of the digital economy, big data, etc. have penetrated deep into the financial field, causing a "disruptive revolution" in the financial industry. Virtual financial products or tools such as digital finance, intelligent finance, digital RMB, digital bank cards, etc. are constantly emerging. The deep cooperation between financial technology platforms and traditional financial institutions, as well as the mixed business models adopted by financial institutions in practice, have had a huge impact on traditional financial institutions, market structures, regulatory systems, and financial infrastructure. In such a situation, a sound financial system structure and related supporting systems are of great significance. Therefore, in the fields of financial infrastructure regulation and technological risk prevention and control, it is urgent to establish a sound risk dynamic assessment system and risk collaborative governance mechanism.

Thirdly, we should take financial security as the guiding principle, improve China's financial regulatory system, and gradually promote financial legislation in our country. As a value oriented financial security, foreign countries have already gained rich experience. For example, the UK has integrated financial security laws from various countries through the Banking Act, while the US has incorporated financial security into its national security protection system and extended it to a new level. Therefore, when building a financial security guarantee system, we should adhere to the rule of law, take "safety" as the core, and study and promote the formulation of the financial code. Firstly, in response to the practical needs of China's financial security, relevant laws and regulations should be sorted out in a timely manner, and corresponding measures should be taken to abolish or modify those that do not comply with the current situation and legislative standards of financial security; Secondly, according to the needs of fiscal security, the gaps in current legislation should be supplemented and improved; Thirdly, financial regulatory authorities should strengthen their legislative concept of financial security from the specific segmentation and fields of the financial system, and improve relevant regulations on financial security; The fourth is to strengthen the value anchoring of financial security, timely research and formulate a unified financial regulatory law, in order to achieve the goal of standardization, unity, and systematic risk prevention.

#### ***4.4 The implementation and guarantee mechanism of the national financial security system is sound***

The issue of fiscal security in our country is an important problem for the development of our economy, and also a significant issue in the development of our economy. thereby enabling the relevant systems for preventing systemic risks to truly play a role.

The establishment and operation of the National Financial Stability and Development Commission in 2017 is an important coordination mechanism for ensuring financial security. In addition, the Financial Stability Committee has another responsibility, which is to establish a clear and explicit national financial security responsibility system. One is to clarify the responsibilities and obligations of the central and local governments in ensuring national financial security. This issue will be addressed to a certain extent in the final promulgation of the "Financial Stability Law X Local Financial Supervision Regulations" and the formulation of related supporting systems; Secondly, the responsible parties for ensuring national financial security have been defined, and their responsibilities have been defined. The current draft amendments to the People's Bank of China Law, the Banking Supervision and Administration Law, the Commercial Bank Law and other laws have reflected this problem, which is yet to be formally promulgated and effectively implemented; The third is resolving systemic financial risks, and combining political accountability with legal accountability<sup>[6]</sup>.

On this basis, further improve China's current financial security mechanism, achieve early identification, judgment, and evaluation of financial risks, and effectively dispose of and resolve corresponding financial risks. Systemic risks are usually gradual, which requires mechanisms for financial information sharing and exchange, as well as early risk identification, judgment, and

evaluation mechanisms. One is to improve the current information system, formulate a complete and comprehensive national financial security information identification standard, and operate it as an important component of the financial information system; Secondly, we need to improve the market-oriented and rule of law debt default handling mechanism, share debt risks between the central government and local governments, and effectively resolve local debts in accordance with the principle of "the central government does not rescue". The third is to integrate and improve China's financial stability fund, improve China's foreign exchange management and usage methods, reform the financing channels of China's foreign exchange reserve fund, formulate the usage methods of the foreign exchange reserve fund, and establish an effective financial safety net that complements and cooperates with the current foreign exchange reserve fund and industry guarantee fund.

## 5. Conclusion

The report of the Twentieth National Congress pointed out that "adhering to the overall national security concept, and constantly improving the national security leadership system and the rule of law system, strategic system, and policy system" is China's greatest achievement in the past decade, and the construction of the national security guarantee system such as finance is listed as the focus of future economic and social development, which requires us to constantly improve China's financial security guarantee strategy, lay a solid foundation for China's modernization, and create a good ecological environment for Chinese path to modernization. From the current institutional mechanism, there are still many problems such as legislative gaps, inconsistent prudent regulatory rules, and insufficient legislative positioning, which still have a considerable gap with China's past and current needs for preventing systemic financial risks. That is why it is necessary for us to build and improve a systematic system that takes financial security as the value anchor, takes prevention and resolution of systemic financial risks as the goal, and takes legal security as the main content. Only in this way can our financial innovation.

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