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## *How China is Dealing with the Global Financial Crisis\**

Beginning in the fourth quarter of 2008, the world has been dealing with the gravest financial crisis since the worldwide depression of the 1930s. Countries around the world now have the common task of working out how to effectively address the crisis and sustain economic recovery.

### I. THE PARTY AND GOVERNMENT'S OUTLOOK ON AND APPRAISAL OF THE CRISIS

This crisis, which was ignited by the subprime mortgage crisis in the United States, has rapidly spread from a localized to a world-wide problem, from developed countries to newly emerging markets and developing countries, and from the financial industry to the real economy, and the scope, depth and impact are unprecedented. The global economy has been in serious trouble for some time now, with negative growth and recession in major advanced economies. International financial markets have been experiencing great fluctuations and the financial systems of the US and Europe have

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been performing extremely poorly and experiencing shortages in liquidity. Some newly emerging markets and developing countries have been suffering from large capital outflows, causing serious worsening of their economies. Protectionism is again emerging worldwide, intensifying international competition and friction in the areas of trade, capital and technology. Thanks to the efforts of many countries, however, a positive trend of steady global economic recovery is now emerging. This international financial crisis, however, is still having a profound impact, there is still not a good foundation for a global economic rebound and a comprehensive turnaround in global economic growth will be a slow and difficult process.

An analysis of this crisis shows that on the surface, the problem began with the widespread occurrence of defaults in subprime mortgage loans and an explosion of financial derivatives in the United States. The more direct cause was the inappropriate macro-economic policies of developed capitalist countries, over-expansion of the virtual economy and ineffective government regulation in addition to a pattern of long-term consumption on credit that could not be sustained. Looking at the inherent cause, the crisis has revealed the intrinsic shortcomings of an absolutely free market economy, deep-rooted structural problems in economic globalization and serious defects of the irrational international economic order and international financial system in particular. The crisis has grown into a profound global economic recession, further revealing the damage caused by the theory and practice of the neo-liberalism characterized by privatization, marketisation and liberalization.

The international financial crisis has created unprecedented difficulties and challenges for the Chinese economy. It has brought about a marked shrinkage of overseas demand, overproduction in some industries, a sharp decrease in orders, stagnation in sales and a shrinking of profits. The impact has spread from the coastal region to inland regions, from small and medium-sized to large enterprises, and from export-oriented industries to other industries. The number of loss-making enterprises and industries has increased and a large number of export-oriented enterprises have been forced to shut down operations. Unemployment has worsened in urban areas and a large number of rural migrant workers have left urban areas and returned home. The downward pressure on economic growth has increased

and GDP growth has slowed sharply, down to 6.1% in the first quarter of 2009, the lowest in 17 years. In short, this has created the gravest situation for China so far this century. In view of this situation, some people in China and overseas have had misgivings about China's ability to continue the steady and fast economic growth of the last three decades.

Taking into consideration the overall situation at home and in the world at large, the CPC made a dialectical analysis of the possible consequences of the international financial crisis for the Chinese economy and reached several conclusions: First, there are still strategic opportunities for development. The world in general is hoping for peace, development and cooperation, so we can continue to look forward to a relatively long period of peace in the international environment that will provide a favourable strategic environment for China's development that is no likely to be reversed. Second, the basic conditions and favourable situation for China's economic growth remain unchanged. We have laid a solid material foundation through the fast growth of the last 30 years with the implementation of the reform and opening up policy. In view of the internal stimulus of institutional restructuring, the tremendous demand potential generated by rapid industrialization and urbanization, the vast potential for growth created by the upgrading and optimization of the industrial structure, advances in science and technology, environmental protection measures and progress in social programs will enable China to continue steady and rapid economic growth for a fairly long period of time to come. Third, this international financial crisis has posed unprecedented challenges to our development as well as presented us with unprecedented opportunities for development. The shrinking of overseas demand, in particular, has created tremendous negative pressure to expand domestic demand, adjust the economic structure and step up efforts to improve the pattern of development. As long as we adopt the right policies, take effective measures and uncover and made good use of favourable factors in this adverse situation, we can turn pressure into a driving force, and transform challenges into opportunities so as to keep the adverse impact of the international financial crisis to a minimum.

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### II. POLICIES AND MEASURES ADOPTED BY CHINA TO ADDRESS THE GLOBAL FINANCIAL CRISIS

To address the grave impact of the international financial crisis, the Party and government have followed a general philosophy of “promptly responding, adopting strong countermeasures, carrying out appropriate measures and taking a practical approach”. We are continuing to take steady and rapid economic growth as our highest priority task, promptly adjusting macro-economic policy as needed, resolutely following a proactive financial policy and following an appropriately liberal monetary policy. We worked out a package plan to deal with the international financial crisis and are constantly improving it, concentrating on ensuring continued growth, improving people’s standards of living and preserving stability, striving to resolve the major problems in economic operation and promoting sound and rapid economic and social development. At the same time, we are emphasizing confidence as a prerequisite for overcoming the crisis. Confidence is more important than gold or money so we have launched a nation-wide publicity drive centering on strengthening national confidence, working hard to build a common consensus, boost public morale and spirit, and mobilize government officials and the people to work together to overcome our difficulties.

**1. We are making expansion of domestic demand the basic starting point and greatly increasing government spending to boost consumer demand.** In the face of the drastic decline in international market demand, it has become particularly important and urgent for us to expand domestic demand. We have launched a government spending plan to invest 4 trillion yuan over two years, including 1.18 trillion yuan to be invested directly by the central government. These government outlays will finance major projects closely related to the well-being of the people, weaker links in economic and social development and major infrastructure projects with general benefits and long-range significance. In addition, we will be energetically working to guide and funnel non-government fund and private capital into fields in accordance with the state’s industrial policy to increase the effect of non-government investment in stimulating economic growth. At the same time, we are adopting a number of measures to boost consumer demand, foster growth areas in consumer spending,

further improve government policy on consumer spending and strengthen the stimulus effect of consumer spending on economic growth. We are paying particular attention to the effort to expand the rural market through measures such as increasing the availability of home appliances and automobiles in rural markets at government-subsidised prices, increasing rural market outlets and encouraging chain stores to extend operations to rural areas to stimulate consumer spending in the rural population and make the vast rural market a vital component in the policy of expanding consumer demand.

**2. We are launching a wide-ranging industrial restructuring and stimulus program, with structural adjustment as the main approach.** The outbreak of the international financial crisis coincides with China's efforts to improve the pattern of economic growth and restructure the economy. Accelerating structural adjustment and promoting industrial improvement and upgrading are extremely important for efforts to resolve deep-rooted problems in China's economic operation and effectively cope with the impact of the external situation.

Concentrating on improving the overall quality and long-term sustainability of the national economy, we are carrying out a restructuring and stimulus program for the automobile, iron and steel, equipment manufacturing and seven other major industries and have worked out a series of policy measures to boost development of new and strategically important industries. Because agriculture is a strategic industry in the effort to ensure social stability and public confidence and trust, we are greatly increasing government spending programs related to agriculture, rural areas and the rural population. In addition, we are increasing state subsidies for agriculture and extending the scope of such subsidies to counter the downward pressure on grain prices and thereby protect agriculture and the food security of the country.

We have adopted 29 policies and measures especially designed to promote the development of small and medium-sized enterprises, improve the financing and development environment for them and support their efforts to upgrade production or change their type of operation. We have strengthened efforts to reduce energy consumption and pollutant emission and protect the environment, and begun taking vigorous measures to address the problem of climate change,

concentrating on prevention and control of pollution in key areas and geographical regions. We are actively promoting improvement in the pattern of economic development and of industrial upgrading in the eastern region of the country, intensifying support for structural improvements in the central region and carrying out the strategy of large-scale development of the western region and reinvigoration of the old industrial area of the northeast region in order to promote balanced regional development. It is particularly worth noting that the international financial crisis has highlighted the special function and advantage of culture, in view of which we have drawn up and implemented the Plan to Boost the Cultural Industry, which focuses on promoting development of major cultural industries and new cultural industries.

**3. We are strongly promoting reform in major fields and key links relying on the powerful driving force created by deepening reforms.** Reform is a driving force and a fundamental way of coping with the international financial crisis and promoting steady and rapid economic development. We are implementing a series of reform measures conducive to ensuring growth, promoting domestic consumption and restructuring, concentrating on key areas and crucial links, effectively resolving development difficulties and stimulating development vigor. We are deepening price reform, especially for resource products, accelerating efforts to develop a pricing mechanism for resource factors that fully reflects market supply and demand, the scarcity of resources and environmental costs. We are deepening reform of the system of public finance, improving the system of government budgeting and developing a sound new mechanism that ensures balance and coordination among budgetary formulation, execution and oversight. We are also deepening reform of the financial system to develop a sound mechanism to properly coordinate monetary policy with development of the banking and finance industry and financial oversight, improve the structure of the banking and finance industry and financial services, and strengthen financial oversight and encourage innovation in the industry. We are deepening reform of state-owned enterprises, adjusting the structure of the state-owned economy and promoting concentration of state capital in major industries vital to the national security and the lifeblood of the national economy and basic public services in a strong effort to strengthen the

adaptability and international competitiveness of state-owned enterprises.

**4. We are energetically promoting innovation in science and technology.** Innovation in science and technology provides the breakthroughs and is a powerful weapon for addressing a financial crisis. Experience has shown that a major economic crisis is often following by a scientific and technological revolution. History has shown that whoever possesses the edge in scientific and technological innovation also holds the initiative in development and takes the lead in recovery and becoming prosperous. We are following a path using innovation as the driving force and depending on our own strengths for growth to promote economic development. We are accelerating implementation of the Outline of the National Medium and Long-term Program for Science and Technology Development, carrying out major scientific and technological infrastructure projects, and stepping up efforts in major basic scientific research and research in new and high technologies. We have selected 16 major projects that will have the greatest impact and the most-far-reaching consequences and will yield results the fastest, including core electronic components, development and utilization of nuclear power, and high-level digitally controlled machine tools, and we will be concentrating on making breakthroughs in core, crucial and general application technologies. We are actively developing a group of high and new technology industries that possess their own intellectual property rights, fostering new growth areas in the economy and creating new areas of consumer demand. We attach great importance to the major role of enterprises in independent innovation and support their R & D work and efforts to apply advances in technology in fields such as biomedicine, 3G mobile communications and energy saving and environmentally friendly motor vehicles, and make extensive use of new technologies, production processes, equipment and materials to achieve both greater growth and efficiency.

**5. We are working to extend our social welfare program to cover an increasing number of people with the primary goal of improving the lives of the people.** The Party and government believe that in times of difficulty it is particularly important to pay close attention to the well-being of the people and to truly ensure the well-being and improve the lives of the people. We are concentrating efforts to fulfill

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the urgent requirements for social and economic development and carry out major tasks to benefit the people, focusing on resolution of the issues most directly linked to the interests and concerns of the people. We are implementing an even more aggressive employment policy creating more new job openings, increasing the ability of small and medium-sized enterprises, labour intensive enterprises and service industries to provide more jobs, helping college graduates find employment, stabilizing the employment situation for rural migrant workers and making appropriate arrangements for migrant workers returning to the countryside. We are increasing government allocations to strengthen social safety net by expanding the coverage of basic old age insurance and basic medical insurance and improving the system of cost of living allowance for urban and rural residents, unemployment benefits, the urban and rural medical assistance programs and the new rural cooperative medical care system. We are accelerating construction of low-income housing, increasing investment in building more low-rent houses and improving housing conditions in shantytowns and expending a great deal of effort to build permanent housing in localities ravaged by earthquakes. While working to improve the material living conditions of the people, we are also working to protect the cultural rights and interest of the people by energetically working to improve public cultural services and developing community-based cultural activities to enrich people's cultural life.

These policies and measures take into account the situation in China and the ongoing international financial crisis. The most prominent features of these policies and measures are that they balance market forces and government regulation, balance long-term development goals and short term goals for growth, balance the need to expand domestic demand and stabilize overseas demand, and maintain the inherent balance between the need to improve people's lives and the need to expand domestic demand. In other words, they are designed to ensure growth, ensure the people's well-being and ensure stability, while striving to ensure scientific development and harmonious development. They are designed to ensure the continuity and stability of policies while also maintaining flexibility and sustainability to provide effective guarantees for the success of our efforts to cope with the international financial crisis and maintain steady and fast economic growth.



III. PROGRESS AND RESULTS IN CHINA'S EFFORTS TO COPE WITH  
THE INTERNATIONAL FINANCIAL CRISIS

The efforts we have made over the past year or so and the policies and measures we have adopted to deal with the international financial crisis and promote economic and social development have yielded positive results. The number of positive factors in economic operation has constantly grown and China is leading the world in bringing about an overall economic rebound with significant results from efforts to ensure economic growth, make structural adjustments, carry out reforms and improve the lives of the people.

1. **The downturn in the growth rate has been effectively curbed and the recovery is gaining in strength.** China's GDP increased by 7.7% in the first three quarters of 2009 compared to the same period of last year. Looking at industrial development, agricultural production has steadily increased, with a summer grain crop that has increased for the sixth consecutive year. Industrial production has been picking up month after month, with a 19.2% year-on-year increase in output value among large-scale enterprises in November. Although foreign export volume dropped, there was some improvement over the previous month, with the first actual year-on-year increase for the year occurring in November. Government revenue rebounded in May and thereafter continued to rise, with national revenue exceeding 6.3 trillion yuan for the period from January to November, a 9.2% year-on-year increase. There was also a steady rise in the enterprise outlook index and entrepreneur confidence index. It could be said that there is no doubt that China is reaching its objective of an 8% increase in GDP in 2009.

2. **Efforts to boost domestic demand showed significant results, with consumer spending gradually increasing.** There was strong momentum in the increase in investment, with urban and rural fixed asset investment exceeding 16.8 trillion yuan for the period from January to November, a historical high. In particular, there was a 49.4% year-on-year increase in infrastructure investment. This has provided a very good foundation for a new round of economic development. The policy of boosting consumer spending has yielded significant results, with vigorous growth in some areas of consumer spending. Sales of home appliances in the countryside, for example, exceeded 27.87 million units in the first ten months of the year and are expected

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to expand total consumer spending by 150 billion yuan. Automobile sales exceeded 12 million units in the first 11 months of the year, for the first time making China number one in automobile production and sales ahead of the United States. In the face of sluggish overseas demand, this increase in domestic demand, especially the increase in consumer spending, has played a very positive role in boosting economic growth.

**3. There was further improvement in the economic structure, constantly noticeably in the overall quality of the economy.** There was improvement in infrastructure and basic industries and good progress was made in the areas urgently needing development to help the economy such as agriculture, railway and road systems, transportation, and water conservancy projects. Major progress was achieved in the plan to adjust and reinvigorate ten key industries and the pace of technology upgrading was accelerated in the iron and steel, automobile, shipbuilding, nonferrous metal and textile enterprises. The development of the equipment manufacturing industry and new industries such as next generation mobile communications, software and biomedicine has been accelerated, with growth rates increasing faster than the average industrial growth rate. Construction has begun on a number of major high quality energy projects and energy consumption per unit of GDP and total emission of major pollutants have continued to fall. The cultural industry is thriving in spite of the financial crisis, and construction of a number of projects in the cultural industry that will serve as major model projects and lead to more similar projects is being accelerated. These projects should become new growth areas. Development has become more balanced among different regions, with industrial production growth and investment in the central, western and northeastern regions growing faster than in the eastern region during the first 11 months of 2009. The eastern region is adjusting to changes in domestic and overseas demand on its own initiative and continues to make progress in upgrading industries and improving operations, carrying out independent innovation and strengthening competitive edge.

**4. Regulation of the financial industry was substantially strengthened to make it more impervious to risks.** The financial regulatory and balancing mechanism has been improved and risk in the financial and banking industry has been brought under control.

Bank liquidity is adequate, overall asset quality has been improved and resistance to risk has been strengthened. The total amount of RMB loans and savings in all financial institutions in the country has risen significantly, the proportion of bad loans in commercial banks has fallen and the capital adequacy ratio has risen. Development of the basic institutions of the capital market is making good progress, the main institutions of the GEM have been basically established, the first group of enterprises has been listed on the stock market and trading activity in their stocks is increasing. Stable operation of the banking and capital market is playing an increasingly greater role in supporting the country's economic growth.

**5. The lives of the people have constantly improved and society is stable overall.** All measures we have taken to improve the lives of the people have yielded positive results, with improvement in the people's working and living conditions and society as a whole remaining harmonious and stable. Individual incomes have continued to rise, with a 10.5% year-on-year rise in urban per capital disposable incomes and 9.2% rise in rural per capita cash incomes in the first three quarters of 2009. The employment situation had exceeded expectations, with the creation of 9.4 million new urban jobs in the first ten months of the year, which is expected to exceed 11 million by the end of the year. The employment situation for rural migrant workers in urban areas and college graduates also showed improvement and the overall employment rate remained steady. The social safety net has been strengthened thanks to a 29.2% increase in government allocation, which was used to increase the basic cost of living allowance for urban residents by 50% and for rural residents by 150%. The amount of pension payments for retired enterprise workers is rising steadily and significant progress has also been made in setting up community-level medical care facilities and in efforts to prevent and control H1N1 influenza.

In short, keeping China's economic and social development on track in spite of the serious international financial crisis, global recession and complex and grave domestic and international situations has truly been a difficult task. These achievements have created the conditions that will enable China to overcome its current economic difficulties and strengthen the economic rebound as well as laid a solid foundation for fundamentally resolving the institutional and

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structural problems that are hampering the healthy development of the economy and for longer and higher level economic development.

At the same time, we are fully aware that there are numerous uncertain factors that could affect the world economy, our economy is still facing a very complex situation, the foundation for economic recovery is not solid, both positive changes and adverse effects are evident, there is an interactive combination of short-term and long-range issues, and domestic factors affect the international situation and vice-versa, all of which are making the task of maintaining steady and fast economic growth and improving the pattern of economic development and making structural adjustments in the economy more difficult.

We are going to further strengthen and improve macroeconomic regulation, correctly balance efforts to maintain steady and fast economic growth with moves to make structural readjustments in the economy and correctly manage inflation expectations. We will continue to follow a proactive financial policy and appropriately liberal monetary policy, fully implement and improve our package economic program and put more effort into raising the quality and efficiency of economic growth, by improving the pattern of economic development and making structural adjustments in the economy and carrying out reform and opening up and encouraging independent innovation. In addition, we will be working to make China's economic growth more vigorous and dynamic, and devote more effort to improving the lives of the people, preserving social harmony and stability, and balancing domestic and international concerns.

We are confident that, under the firm leadership of the Party and government and relying on the wholehearted support and solidarity of all the ethnic groups of the country, China will progress in face of the difficulty, maintain a cool-headed approach and continue to promote steady and rapid economic development.

#### IV. INDICATIONS AND CONSIDERATIONS IN COPING WITH THE IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS

The process of coping with the international financial crisis has also been one of improving our understanding of the general rules governing economic and social development. While working to

combat the tremendous impact of the crisis, the Party and government have also been carefully considering all aspects of the deep-rooted issues that have been exposed during the crisis. We have discovered a number of valuable indications for the future in dealing with the financial crisis.

**1. Our experience in coping with the international financial crisis has once again shown the unique advantages of socialism with Chinese characteristics.** We are working under one banner, following one road and adhering to one theoretical system, which is the most fundamental guarantee for successfully coping with all sorts of risks and developing a democratic, civilized and harmonious society.

Whether or not a country can successfully cope with risk is determined basically by whether or not it is following a road of development and has an institutional basis, which are in line with that country's situation and reflect the demands of the times for progress. The reforms and opening up we have carried out over the last 30 years have opened a path that allows China to enjoy sound and rapid economic development, constantly raise the living standards of the people and develop a vigorous society. This is a road that follows Marxism tailored to conditions in the country, the road of socialism with Chinese characteristics.

This road of development has stood the test of a series of serious challenges. Our social system has displayed its superiority. This socialist theoretical system of socialism with Chinese characteristics incorporates Deng Xiaoping Theory, the important thought of Three Represents and the important strategic philosophy of the Scientific Outlook on Development. In particular, faced with the international financial crisis, the Party and government reacted promptly, adopted scientific policies and made resolute arrangements, ranging from formulating a package of measures to carrying out industrial restructuring, from stimulating economic growth to constantly improving the living standards of the people, and from carrying out reform and development to safeguarding social stability and harmony, thereby creating a unified force throughout the nation to ensure economic growth, guarantee people's well-being and maintain social stability.

During this process, socialism with Chinese characteristics has displayed the superiority of its system in pooling the strength of the

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nation to make major achievements, and has shown great flexibility and efficacy in decision making and implementation of measures that take into consideration all aspects of the national interests. This has fully demonstrated that the road for development we have chosen is in conformity with the conditions in China and that the social system we are practicing is in line with the fundamental interests of the Chinese people. Only socialism with Chinese characteristics can guide modern China on a road of development and progress and unite the hundreds of millions of people in the country and form them into a cohesive whole to the greatest degree in the effort to develop a moderately prosperous society in all respects. We will always unwaveringly hold high the great banner of socialism with Chinese characteristics, resolutely and unswervingly adhere to the road of socialism with Chinese characteristics and unwaveringly follow the theoretical system of socialism with Chinese characteristics in the future regardless of whatever difficulties and challenges we face on the road ahead.

**2. Our experience in coping with the international financial crisis has further demonstrated the important guiding role of the Scientific Outlook on Development.** Application of the Scientific Outlook on Development is the fundamental way to overcome all sorts of risks and maintain sound and rapid economic and social development.

The current international financial crisis was an explosion that was the ultimate result of the accumulation of a number of unbalanced, inconsistent and unsustainable factors in the world economy. It is a reflection of the limitations of the liberal capitalist development concept of Western countries. It also shows the dangers of blindly copying the Western development model. In the face of the impact of the international financial crisis, we have been relying on the guidance of the Scientific Outlook on Development, taken into consideration both the domestic and international situations, both curing the symptoms and the root causes, and both immediate and long-range concerns, and put people first by giving a very high priority to resolving issues related to the well-being of the people. We view the international financial crisis as an important opportunity to improve the pattern of development and are taking all factors into consideration as the basic approach in planning and improving our work. While

working on the resolution of current major issues we have also worked to make development more comprehensive, balanced and sustainable, and while addressing the challenges presented by the international financial crisis, we also created new development opportunities and made new achievements in development, giving people a more and more profound impression of the Scientific Outlook on Development.

It could be said that the process of coping with the international financial crisis was also one of thoroughly studying how to apply the Scientific Outlook on Development. This experience has made us more profoundly aware of the fact that the Scientific Outlook on Development is a world outlook and methodology for guiding our development and an important principle for guiding China's economic and social development, as well as a fundamental strategy for dealing with the international financial crisis. In the long course of deepening reform and carrying out development, we will be even more conscientious and resolute in applying the Scientific Outlook on Development and will always closely adhere to the road of scientific development, constantly work to improve the country's overall national strength and diligently pursue sound and rapid economic and social development in line with the requirement to put people first and pursue balanced and sustainable development.

**3. In coping with the international financial crisis, China has strengthened its image as a large responsible country.** Pursuing peaceful and harmonious development is an essential path for dealing with all sorts of challenges of risks and ensuring progress for all.

Countries are more dependent on each other in the world today than ever before. No country can develop in isolation from the rest of the world and no country can successfully handle its own problems independently in the face of global challenges. In coping with the international financial crisis, the Party and government have always held that successfully handling our own affairs and ensuring the steady and rapid economic development of this country with a billion plus population is our most important contribution to the world. At the same time, we have strongly called on the international community to work together to cope with this difficult time. China has taken an active part in international cooperation to deal with the crisis and actively promoted recovery of the world economy. We have taken an active part in prompting reform of the international financial system

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and improvement of prevailing procedures and mechanisms for making policy for international financial institutions and are working energetically to strengthen the rights of developing nations to be represented and heard. Despite the tremendous difficulties we are facing, we have managed to keep the exchange rate of the RMB basically stable, thereby making an important contribution to safeguarding the healthy development of international trade. We have taken an active part in the Global Trade Finance Program of the International Finance Corporation, participated in the establishment of the East Asia foreign exchange reserve fund, the establishment of the “China-ASEAN Investment Cooperation Fund”, signed bilateral agreements on monetary exchange with some developing countries and signed mutually beneficial cooperative agreements with many Asian countries and regions including Viet Nam. All this has been effective in promoting regional and world development and stability.

The facts provide strong evidence that China is a large responsible developing country that is actively working for lasting peace, prosperity for all and harmony in the world. China is a country that is dynamic and opening up to the world, which is not only conducive to the country’s steady and rapid economic development, but also to the international community’s efforts to work together to cope with the international financial crisis and promote world peace and development. No matter what risks and challenges we encounter on the road ahead, we will continue to hold high the banner of peace, development and cooperation, continue to follow a fundamental national policy of opening to the outside world, adhere to an open win-win and mutual benefit strategy, steadfastly follow a road of peaceful development and harmonious development and contribute even more actively to world development and progress.

**4. Coping with the international financial crisis has made the core leadership role of the CPC even more apparent.** Strengthening Party improvement efforts in the spirit of reform and innovation and preserving the advanced nature of the Party provide the political guarantee for successfully dealing with all types of risks and challenges and ensuring the lasting stability of the country.

The CPC is crucial to the successful handling of the affairs of China. Since China initiated the policy of reform and opening up, especially since the 16<sup>th</sup> CPC National Congress, the Party has been



working to strengthen Party development in the spirit of reform and innovation in light of the profound changes in its position as a ruling party, the governing environment and the conditions affecting its governance. This has helped to consolidate its position as a party in power and further strengthened its advanced nature, providing a powerful political guarantee for successful implementation of the reform and opening up policy and modernization efforts.

Faced with the international financial crisis, the CPC Central Committee with Comrade Hu Jintao as General Secretary adopted a series of effective major policies in a timely manner and adopted scientific measures based on an analysis of the situation. Party organizations at all levels have acted resolutely and uniformly in accordance with the arrangements of the Party Central Committee and faithfully implemented policy measures designed to promote growth, ensure the well-being of the people and preserve political stability. Party members across the country have been playing a vanguard role and setting a good example by working shoulder to shoulder with the people in resolving difficult problems and overcoming difficult situations, taking advantage of the political and organizational strengths of the Party to rapidly build up the confidence, valor and strength of the nation in order to overcome difficulties.

The fact fully demonstrate that China's ability to effectively deal with the impact of the international financial crisis and continue its healthy economic growth is due to the fact that the strong and mature central collective leadership of the Party is adept at coping with complex circumstances and to the fact that Party development efforts have accumulated a large store of governing experience and a large base of popular support. As long as we continue to carry out Party development in the spirit of reform and innovation, constantly work to improve the Party's level of leadership and ability to govern, and constantly work to preserve and develop the Party's advanced nature, our Party will certainly always remain at the forefront of the times throughout the profound changes that take place in the global situation, no matter what difficulties we may meet on the road ahead. The Party will always be the mainstay of the people in responding to whatever kind of domestic or international risk or test the future may throw at us and we will always remain the core leadership in the development of socialism with Chinese characteristics.

Our Party convened the Fourth Plenary Session of its 17<sup>th</sup> Central Committee in September 2009. During this session, strategic arrangements were made for strengthening and improving Party development efforts. We are going to faithfully implement those arrangements and carry out all aspects of the Party development work in order to promote continued progress in the great cause of building socialism with Chinese characteristics through the practical achievements made in the great new Party development project.