



EUROHub4SINO

European Hub
for Contemporary China

November 2025

What's Rational for The National and What's Focal for The Local? Towards a “Unified National Economy”?

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**Co-funded by
the European Union**

KEY TAKEAWAYS

-  China has a vast system of local governance, with no single national model of how provincial authorities interact with subordinate sub-provincial governments.
-  There is a long history of central government attempts to control local governments, with solutions to tackling one perceived driver of local autonomy often generating new ones.
-  Despite the centralisation of authority under Xi Jinping, local governments retain the ability to prioritise local economic interests and objectives over national ones. This creates problems both for Beijing (for example, excess capacity and provincial competition leading to a waste of resources) and also for Europe (overcapacity leading to price wars in external markets).
-  Xi Jinping has targeted eliminating local protectionism and building a unified national market as a key task for the next Five Year Plan.
-  Raising revenue to meet local spending commitments and the way in which officials are evaluated combine to provide incentives for local governments to prioritise local economic objectives over national ones. Dealing with local debt is also a key driver in many cases. What might seem irrational from a national viewpoint can look very rational and effective from the local level.
-  As there is no single driver of local protectionism, there is no easy solution. Reforming the fiscal system, though, and the financial relationship between central and local governments must form part of any solution.

Keywords

Involution

*Local
Protectionism*

*Unified
National
Market*

*Fiscal
Reform*

Debt

Five-Year Plan



Introduction

At the Central Economic Work Conference in December 2024, Xi Jinping laid out his renewed commitment to establishing what he called a “unified national market” (*quanguo tongyi da shichang*). [1] In its recent incarnation, the need for this unification is connected to the goal of solving what is translated into English as “involution” – *neijuan* in Chinese. As briefly discussed in a previous EuroHub4Sino paper, [2] this refers to what Xi called “cut-throat low-price competition among enterprises” in sectors where there is over-supply, with poor quality and inefficiently produced goods often finding a market at the expense of superior products. The same goal of building the unified national market was also a key component of the proposals for the 15th Five Year Plan published in October 2025. [3]

In a later speech to the Central Financial and Economic Affairs Commission in July 2025, Xi explained that this is a result of “distorted views of political performance” where local government officials think it is in their best interests to prioritise price over quality because of the pressures on local coffers, and (probably more important) to support and protect local producers rather than buying or sourcing better quality goods from other parts of the country. [4] Doing

so ensured that otherwise uncompetitive local producers gained a market share that they would not get in open market competition, not just keeping them alive but also through the fiscal system (more on which later) recycling money back to the local government.

Although Xi's interventions signal a renewed focus on the consequences of local protectionism, it is not a new concern; far from it. The specific involution discourse is indeed new. It seems to be related to Xi's concern that his New Quality Productive Forces agenda doesn't just repeat past patterns, with local governments competing with each other to take advantage of new initiatives resulting in an oversupply of these new (quality) produce. [5] And much of it seems to be about tolerating losses in the short term to drive out competition and wait for others to leave the market. Even here, though, this is often done under the umbrella of local government support and subsidies, [6] and a broader more general concern with the consequences of overproduction and local protectionism certainly isn't new.

Not surprisingly, the current discourse in China credits Xi for bringing not just involution, but the problem of local protectionism more generally to national attention by mentioning it in his speech at the 18 th Party Congress in 2012. [7] This was followed by a "a work plan to remove regional blockades and establish an open market system" the following year. [8] The fact that nearly a decade later in April 2022 there was a new push for progress and a "detailed set of policy measures ... to develop a unified national market, aimed at ending local protectionism and unifying the fragmented market" [9] certainly suggests that the 2013 solution didn't fully work, and points to how complex, deep seated, and difficult the problem really is to resolve.

And in truth, this is not an issue that only came to light after Xi came to power. Local protectionism has been identified as a cause of concern by Chinese leaders for many years. It was a key cause of concern, for example, for Jiang Zemin in 2000, [10] and (as we shall see later) Hu Yaobang even further back in 1985, with Chinese scholars warning against the emergence of local fiefdom's or "dukedom economies" (zhuhou jingji) in the late 1980s. [11] Indeed, Carol Hamrin concluded in 1990 that after the first decade or so of reform after the death of Mao "China needed to open up on the inside as well as to the outside". [12]

The incentive structures that Xi has highlighted are closely linked to the nature of local government financing; or more correctly, the inadequacy of it. While the nature of this financing has changed over the years, one constant is that to different degrees and in different ways, many local governments simply have had to find innovative ways of raising money. This is not just a matter of meeting targets and fulfilling expectations that can improve individual officials' career prospects (and let's be honest, at times to probably enhance their personal fortunes as well), but quite simply of meeting their financial obligations and delivering local services that need to be delivered.

Before delving into the causes and consequences of such action in more depth, this paper begins with a quick overview of the nature of local governance in China. Despite Xi taking more

power into his and the party centre's hands during his period in power, China is simply too big and too diverse to be ruled effectively by a small group of politicians in Beijing (let alone by one man). What happens on the ground on a daily basis of course is influenced by what Xi says, does and wants. But it is also influenced by how different layers of local governments act; and when the average Chinese citizen comes into contact with the state, it is typically the local manifestation of the state that they encounter.

Layers of the Local

Provincial Variations

The most obvious starting point when thinking about sub national governance in China is to focus on the Provincial Level, and to ask questions about centre-province relations and/or inter-provincial differences (and at times tensions). And just about any statistic you can find reveals massive provincial difference to the extent that talking about a national average can seem really rather pointless. For example, per capita GDP per provincial level unit in 2024 ranged from RMB228,167 in Beijing (around US\$32,000) to RMB52,827 in Gansu (just under US\$7,500). In total 20 provinces had per capita GDP lower than the national average of RMB95,749. [13] Six provincial level units - Guangdong, Zhejiang, Jiangsu, Shanghai, Shandong, and Fujian – have long been the main source of Chinese exports, and most years will account for nearly 80 per cent of the national total. [14] According to China's Ministry of Commerce, in 2022 China's Eastern provinces accounted for 86.6 per cent of all new inward investment. Central provinces (which confusingly includes some in the northeast) took 7.3 per cent, and Western ones got a mere 5.8 per cent. [15] Qinghai's share of the total was 0.01 per cent compared to 16.1 per cent for Fujian, the biggest single recipient. [16]

But in many respects, provincial level governments aren't really local at all. Guangdong, Shandong and Henan all have populations of over 100 million people, and Jiangsu's 85 million puts it just ahead of Germany, the EU's most populous state. The population of Beijing Municipality alone is only surpassed by five EU states. The biggest municipal provincial level city, Chongqing, is roughly the same size as Austria (and has more than three times Austria's population).

Along with Tianjin and Shanghai, Chongqing is one of the three municipalities at the same level in the hierarchy of power as the 22 provinces (23 if you include Taiwan as a province of China as the PRC insists that it is). The Provincial Level also includes the four Autonomous Regions (Tibet, Xinjiang, Inner Mongolia, Guangxi and Ningxia) and although they are often not included in analyses of centre-local relations, it also technically includes the Special Administrative Regions of Hong Kong and Macao.

Sub-Provincial Governments

The name of the level, then, doesn't necessarily directly correspond to the name of all of the territorial units at that level; not all of the provincial level units are actually called Provinces. The same is true at the second level, the Prefectural Level. In fact, of the 333 prefectural level governments, only 7 are actually called prefectures (though the 3 Leagues in Inner Mongolia are effectively prefectures by another name, and there are also 30 autonomous prefectures). By far the overwhelming majority are cities that are designated as prefectural level cities. [17]

The third level is the just over 2,850 County Level units, consisting of counties (including autonomous ones, banners and so on), county level cities, and districts of bigger urban areas. And the fourth tier is the Township Level, with nearly 40,000 different governments, primarily towns and townships but also including over 8,000 subdistricts of bigger urban units. There is also a fifth level of over 650,000 basic level units such as residential committees and village committees which regulate what goes on at the micro level. However, they are not typically included in the study of local governments in China; not least (but not only) those that are concerned with financial affairs. [18]

So there is a massive set of local government actors (and interests) below the Provincial Level. And it is this tier of local government that most ordinary Chinese come into contact with, as governments at the Prefecture Level and below have the main responsibility for delivering those services that affect day-to-day life; health care, education, environmental protection, social welfare and unemployment support and so on. Most of the debt of Chinese local governments is also located below the provincial level, and here again we see significant regional variations with most of this debt in the central and western regions. [19]

There is also massive complexity, as there is no single set way that provincial level governments organise their relations with lower levels. For example, some counties have to report and share revenues with the prefecture government above them, while others miss out the prefecture stage and deal directly with the provincial government. The amount of revenue that sub-provincial level governments can retain rather than pass on to (or share with) higher authorities also differs across the country. [20] Even within a single province, some sub-provincial units can be favoured and get special treatment denied to other governments at the same level. Provincial governments thus play a key role in establishing the "developmental space" (or different developmental spaces) that their subordinate governments can operate within, providing not just provincial specific incentives and strategies, but different sub-provincial ones as well. [21]

Local Governments and Local Political Economics

So looking at the provincial level remains very important when it comes to trying to understand the political economy of China, or when looking to enter the Chinese economy. However, a provincial level focus needs to be accompanied by an understanding that there is much that happens at lower levels that determines what actually happens on the ground. Not least because it is primarily below the Provincial Level that local governments have the sort of intimate day-to-day relationship with other actors – most notably, businesses and local financial institutions – that collectively go a long way to shaping the type of local economic activity that Xi argues is obstructing the emergence of a single unified national market.

For one influential Chinese economist, Bai Chong'en, this has resulted in the creation of a "preferential" economic model rather than a "universal, rules based" one. [22] At the most basic of levels, this can entail the local government giving preferential treatment to those that are part of (or very close to) the system itself – for example, if businessmen are party members and/or sit on the local People's Congress. Simply not cause problems by complaining about corruption or other government action can also result in preferential treatment.

But it also entails more proactive action to attract and support the type of economic activity that the local government thinks will support its goals. Setting up a new business in China entails overcoming significant bureaucratic hurdles. So making it easier (or indeed harder) to As land is owned by the state, this creates a very strong starting point for local governments to shape who can do what, where and when. We can then add on the various permissions and licenses that are needed to get any business started – certainly one of any size and significance - and support in gaining access to finance at the most affordable rates. And although Bai was proposing the idea of a preferential model over a decade ago now, much of his analysis still holds true today.

What one individual local government does might not have national significance. But if a number of local governments are doing the same (or maybe even all of them), then the national significance starts to become clear. With over-supply in many economic sectors, local governments tend to support their own local producers and keep them in business (and in profit) irrespective of quality and price, often at the expense of better or cheaper (or both) supplies from elsewhere. This can entail making it harder for "outsiders" to get the certificates and permits they need to operate than it is for preferred local actors. [23] Xi has also placed a particular emphasis on local governments procurement and bidding processes including "problems such as awarding contracts solely on the lowest bid, substituting inferior goods for quality ones, and collusion of interests". [24]

Incentives to Act

Xi's reference to the "collusion of interests" points to very personal incentives for some local officials to act this way; they can make money out of it. This is why anti-corruption activities including inspections of local government activity has increased under Xi (though not always as effectively as Xi would presumably like them to be). [25] But it's not just about corrupt and illegal activity. The importance of maintaining employment (and concerns about the socio-political consequences of large-scale unemployment) plays a role too. Arguably most important, though, is a combination of structural incentives and financial necessities.

At the most basic level, generating local GDP growth has been beneficial for local government officials when it comes to evaluations and promotions. Perhaps not surprisingly, the success (counted in specific ways) of the local economy is more important to them than creating a more rational and efficient national economy as a whole. Hence Xi's comments on the consequences of specific understandings of what constitutes a good "political performance" noted in the introduction to this paper.

Filling Fiscal Gaps

There is not space here to explain the nature of the fiscal system in any detail and the changes that have occurred since the major fiscal reforms of 1994. But the big picture story is that ever since then, many local governments have struggled to find the money that they need to not just show that their leaders have performed well, but to meet their financial obligations and responsibilities. Indeed, in 2024, the IMF referred to local governments as a whole facing a potential "fiscal cliff". [26] This is in part because of the way that fiscal revenues are unequally divided between the central government and local authorities, and in part because of a similar unequal distribution of spending responsibilities.

In response, local governments have responded in three main ways. First, they have sought to maximise extra-budgetary sources of revenue. For a while, this primarily took the form of local governments levying fees for just about any and every service that they could think of outside the formal fiscal system. Such extra-budgetary finances probably raised more money in the country as a whole than taxes before most of the loopholes were closed and brought into the formal fiscal system at the start of the millennium. [27] More recently, selling land use rights – not selling the land itself but the right to do things with and/or on it – proved a lucrative source of income, becoming the single biggest source of funds that local governments directly controlled themselves in the 2010s. Rising land prices were also used as collateral against loans taken out by local government owned financial companies (*difang rongzi pingtai gongsi*) to fund projects that their local governments wanted them to fund. [28]

This had many benefits:

tasked with responsibility for local growth and left with a shortfall in budgets, local governments began to pursue urban development and

soon discovered a fruitful, self-reinforcing positive feedback loop: prosperous regions, with a higher quality of life would have higher land prices, which enhanced a local government's capacity to raise funds through land sales. This cycle was instrumental in China's rapid economic development. [29]

But as we have witnessed in recent years, these benefits quickly disappear when real estate prices begin to fall, as they have been doing in many parts of China since 2021. [30]

Second, they have prioritised those activities that maximise local incomes. VAT and Corporate Income Tax collectively make up over half of local government income. [31] As the latter is collected in the province where the corporate headquarters is located (so not necessarily where the income is being generated), it makes sense for provincial governments to foster their own local producers rather than see locally incurred fiscal revenue being paid to another province. It also makes sense to develop local capacity in those sectors that are producing goods in high demand, and/or those that have been prioritised by the national government, and thus able to benefit from preferential treatment and policies. Competitive investment by local governments can then result in national over-capacity. The expansion of the production of New Electronic Vehicles is a very good example here, and one that has been highlighted by the central government as a site of what it calls "irrational competition"; though what might seem irrational from a national viewpoint can look very rational and effective from the local level. [32]

Third, they protect and support those local economic activities that help them meet their objectives, especially (but not only) those that they have themselves fostered and nurtured. Which takes us right back to the start of the paper, and the goal of breaking local protectionism and building a unified national market.

What is to be done ?

To sum up then:

Faced with a need to meet central targets for revenue collection, local authorities moved to create and defend local producers of high profit yielding produce. This local intervention took two forms. Firstly, in some provinces locally produced (or controlled) raw materials were earmarked for local enterprises to ensure production. Secondly, internal trade barriers were also built to protect local industries, such as imposing "import" tariffs on goods from other provinces. In combination, this allowed local produce to find a market irrespective of the comparative efficiency of production or the quality of produce of competitors. Local profits were maintained and income for the local authority while high quality and more efficient producers were forced to cut back on

production either because of shortages of raw materials, artificially shrinking markets, or both... Although this type of action is irrational given the goals and priorities of the state it was rational from a local viewpoint given the environment they had to operate in.

Except that this over long quote is not actually a contemporary assessment at all. Rather, it was written as part of an analysis of the first decade of post-Mao reforms in the 1980s. [33] That it seems to have at least some salience to the current situation over 30 years later perhaps says something about the author's laziness, and his reluctance to move on from previous positions. But perhaps it also says something about the extent and longevity of the problem that Xi seems now so keen to deal with. And also how numerous attempts to rein in localism have met with only partial results, and often simply resulted in creating new drivers and methods of prioritising the local over the national.

The overarching goal of that study of the 1980s was to examine what happened when individual reforms that made sense in their specific individual areas all came together and had to be interpreted and implemented by local governments. It tried to show that the sense and logic of one reform could be altered or even totally undermined by the collective consequences of different reforms in different areas. What was being done in the 1980s in terms of industrial policy, rural reforms, partial marketisation, financial reforms, administrative decentralisation, spatial/regional policy might have all made sense as discrete individual strategies. But they filtered down and interacted with each other in ways that created incentives (and indeed necessities) for local officials to act in certain ways; including in some ways that the central government was far from happy with even though it was generating growth.

The setting that local officials operate within today is very different from the 1980s. Indeed, one of the assumed solutions to localism in the 1980s – fiscal reform – has become one of the sources of it today. But the same basic argument holds true. If the leadership is serious about dealing with local protectionism, then they need to consider all the different factors (and how they interact with each other) that provide the incentives and necessities for local officials to act in the way that they often do. As much as Xi Jinping talks about the need for about coordinated macroeconomic governance, such a holistic approach is not always evident in his comments on local protectionism.

Xi has outlined a number of things that he wants to see happen to begin to break down the old system and create a new one. As is often the case with Xi's solutions, this includes exhortations for everybody to do the right thing and do their duty for the national good. But there are also more specific focuses on making sure that existing laws and regulations are actually and actively implemented, introducing new standards across the country to govern government procurement, and clarifying and standardising what is permissible and when in terms of local government subsidies for and investment promotion activities. And then we have the need to rectify the already noted problem of evaluating political performance.

The assessment system for high-quality development and the evaluation system for officials' political performance should be improved. Behaviour such as irregular investment promotion, local protectionism must be promptly criticized and corrected, with serious accountability pursued for egregious cases. [34]

Fiscal reform is on the agenda as well, with a specific focus on transferring more spending responsibilities to the central government, and changing both the way that taxes are raised and shared. [35] This includes revising both the fiscal relationship between the centre and the provinces, and also between provinces and lower level governments with the promise of locating more fiscal revenue at the county level. There is also a commitment to “standardize tax revenue sharing” below the provincial level, but as yet with no clarity over what this standardised system might look like. [36]

Whether these changes will be enough to fundamentally shift incentives, necessities and actions in the way that Xi wants them to shift remains to be seen. This is in part because of the size of the financial problem facing many local governments – sorting out the future fiscal relationship will not on its own resolve past problems and make local governments debt free. Then we can add on the exacerbation of the situation for many by not just the real estate crisis, but the consequences of the pandemic on the Chinese economy, real and potential changes in China's international (economic) environment.

It is also because this paper has only scratched the surface of the complexity of the different interacting factors that together help create the context that local governments operate within. We can certainly add on the significance of welfare policy, banking and other financial reforms, consumer confidence and activity, and the way that the New Quality Productive Forces agenda will play out spatially across the country, and the demographic challenges that were covered in a previous Euro Hub 4 Sino paper. [37] No surprise, then, that Xi himself has concluded that “building a unified national market is both a tough battle and a protracted war”.

Whilst not wishing to push the comparison too far, it is hard to avoid the temptation to return once again to the 1980s, and note at least some similarity between what Xi has been saying, and Zhao Ziyang's analysis back in 1985. Then, Zhao used his Government Work Report to complain that local interests were impinging on central policy and national concerns in far too many cases, and local governments were seeking “higher growth rates with no regard to society's needs, supply and demand, [and] available financial and material resources”. They were in effect pursuing “their own interests at the expense of those of the state and the people, and their pursuit of immediate interests at the expense of the long term interests in the development of production.” And some of his solutions sounded a bit like Xi's too, reminding local officials that they were “absolutely forbidden to overstep their authority and go their own way and damage the overall interests of the country in pursuit of the interests of their

own units or small circles”, and calling for unity of purpose and action: “as long as our people share the same understanding and act in unison, we have the ability and resourcefulness to solve any problems that arise in the course of our progress.” [38]

The Global Effects of Local Economic Change

As noted in some detail in an earlier Euro Hub 4 Sino paper, [39] more or less anything that happens in the Chinese economy has external consequences, whether intentionally so or not. Indeed, this one of the common themes of the papers in the Political Economy section of the EuroHub4Sino project. Another recurring theme is China's leaders' – and most obviously Xi Jinping's – desire to bring about an ambitious and fundamental change in the way that the Chinese economy works, with a specific focus on how growth should be achieved. And a third is that notwithstanding the confident way that Xi presents himself and the party to the Chinese people and the world, there is also recognition at the highest level of the need to act now to try and prevent the emergence of serious social and economic problems; many of them in the not too distant future. So when Xi himself makes the sort of speeches he made in 2024 and 2025, and it becomes clear that the unified national market agenda is also a key objective of the next Five Year Plan, then it really makes a lot of sense to try and understand what is going on.

There is clearly much more to come, not least in terms of very specific and targeted policy changes. As these emerge, though, one key question is whether Xi is focussing on the real fundamental cause of what he sees as a problem, or whether he is paying too much attention to a symptom that results from something else. Local protectionism and the tendency towards involution might be a problem for the central government, and the evaluation system for officials and assumed benchmarks of successful local government action are indeed part of the cause. But there are other causes too. Until and unless the government gets local financing right (and also finds a long term and effective way of dealing with local debt), then China will continue to face potentially serious economic problems in the not too distant future. And even this might not be enough if change in other policy areas isn't coordinated with the goals of fiscal and financial reforms.

In this case, though, we can also draw two conclusions that have direct relevance for Europe and Europeans. If local protectionism is broken down, then there is the chance that this will lead to greater opportunities for foreign companies and actors as well as non-local Chinese ones. But only a chance (and probably a slim one at that). The immediate intention is to make a level playing field for domestic Chinese actors and there has to be a strong possibility that others will still find it hard to compete. But it's certainly worth monitoring new policy announcements to see if they create a greater space for foreigners, and form part of the government's claims that it is becoming ever more open to foreigners. [40]

And indeed, excess production that is at least in part a result of local governments competing with each other has already impacted on Europe. That's because competition for market share is not just limited to the domestic Chinese market, and the impact on Europe of domestic change in China sometimes is sometimes very much intentional. Competing in overseas markets is also a feature of local government support for favoured local producers, particularly (but not only) when the domestic market is saturated. The expansion of the Chinese presence in European Electric Vehicle markets is a very good example here. [\[41\]](#)

Second, China is a big and diverse country with a complicated and extensive structure of local governments, and a variety of different local political economies. As noted in the introduction, there are good reasons for focussing on the apex of the political system, particularly in the Xi era. Yes, this is a centralised unitary political system, and that central control might be stronger under Xi than under previous leaders. But there is still considerable room for local governments to do things that they think works best for them and to do things that the central authorities don't like.

As China began to open to the world in the 1980s and then even more so in the 1990s, it became a sort of common sense that you couldn't simply treat it as a single economic entity. Perhaps some of that common sense has been a bit forgotten or obscured since 2012, as Xi's attempts to assert himself over the party and the party over the country have understandably resulted in a focus on the very top of the political hierarchy and the core of the centre of the political system. On a practical level, it is also very hard to keep on top of what is going on across the country as a whole. That is true if you just want to focus on the provincial level of local government, but even more so once you get down to the prefectural and county levels. Despite all that has happened, though, we simply cannot understand how the Chinese economy functions on a day-to-day basis on the ground by only studying central policy. Or even by looking at politics at the provincial level alone. If you want to trade with China, invest in China or accept Chinese investment, then understanding the specific local context that your Chinese partners are operating within would seem to make a lot of sense.

[1] Which literally translations as unified national big market. “Xi delivers important speech at Central Economic Work Conference”, Xinhua, 17th December, 2024, available at https://english.www.gov.cn/news/202412/17/content_WS6760b3e6c6d0868f4e8ee061.html last accessed 4th March 2025.

[2] Shaun Breslin, “Parsing the Plan: Why it Matters, But Maybe Not as Much as You Think”, EuroHub4Sino Policy Paper 2025/16, available at <https://eh4s.eu/publication/parsing-the-plan-why-it-matters-but-maybe-not-as-much-as-you-think>, last accessed 17th October 2025.

[3] “Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development” Xinhua, 28th October 2025, available at https://english.news.cn/20251028/efbfd0c774fd4b1c8daeb741c0351431/20251028efbfd0c774fd4b1c8daeb741c0351431_XxjwshE000038_20251028_CB-MFN0A001.docx, last accessed 29th October 2025.

[4] Xi Jinping, “Zongshen tuijin quanguo tongyi da shichang jianshe [Deeply advance the development of a unified national market]”, Qiushi, 15th September 2025, available at <https://www.qstheory.cn/20250914/e5d3fb14f33c4771ba73977af642e99e/c.html>, last accessed 14th November 2025.

[5] We discussed this in more detail in Shaun Breslin and Ren Xinyuan, “What’s New About China’s New Quality Productive Forces?”, EuroHub4Sino Policy Paper 2024/6, available at <https://eh4s.eu/publication/whats-new-about-chinas-new-quality-productive-forces>, last accessed 19th September 2025.

[6] “Beijing Wins One Battle Against “Involution”, But is Unlikely to Win the War”, MERICS China Essentials, 4th September 2025, available at <https://merics.org/en/merics-briefs/china-india-relations-exporting-chinese-ai-economic-involution>, last accessed 7th November 2025.

[7] See, for example, NDRC, “Constructing a National Unified Market to Support a New Development Dynamic”, Qiushi, 14th August 2022, available at https://en.qstheory.cn/2022-09/14/c_811634.htm, last accessed 13th September 2025.

[8] Xinhua, “China issues guideline for building unified national market”, 8th January 2025, available at https://english.www.gov.cn/policies/policywatch/202501/07/content_WS-677d2d7dc6d0868f4e8ee95a.html, last accessed 1st October 2025.

[9] Xu Wei, “Xi: Advance building of unified market: Promoting high-quality development of marine economy stressed at key meeting”, China Daily, 2nd July 2025, available at <https://www.chinadaily.com.cn/a/202507/02/WS68646d61a31000e9a5739a04.html>, last accessed 17th October 2025.

[10] Kellee Tsai, “Off balance: The unintended consequences of fiscal federalism in China”, *Journal of Chinese Political Science*, 9 (2), 2004: 7-26.

[11] For an overview see Shen Liren and Tai Yuanchen, “Woguo ‘zhuhou jingji’ de Xingcheng ji qi biduan he genyaun [The Creation, Origins and Failings of China’s ‘Dukedom Economies’]”, *Jingji Yanjiu (Economic Research)*, (3), 1990: 12-19 and 67.

[12] Carol Hamrin, *China and the Challenge of the Future, Changing Political Patterns* (Boulder: Westview, 1990): 50.

[13] Data from <https://data.stats.gov.cn/> provided by <https://www.statista.com/statistics/1093666/china-per-capita-gross-domestic-product-gdp-by-province/> last accessed 17th October 2025.

[14] The Hong Kong Trade and Development Council has a full set of provincial data at <https://research.hktdc.com/en/data-and-profiles/mcpc> last accessed 17th October 2025.

[15] In official Chinese statistics, this tripartite regional division does not always match up to what you might expect if you just looked at a map. The east refers to Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, and Hainan; the centre to Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, and Hunan; and the West to Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Xizang, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang.

[16] Ministry of Commerce of the People's Republic of China, "Statistical Bulletin of FDI in China, 2023", available at fdi.mofcom.gov.cn/resource/pdf/2024/03/14/564085296c-88430c98e426696f3751e1.pdf, last accessed 17th October 2025.

[17] To add an extra layer of complication, 15 of China's bigger cities are given special degrees of autonomy in economic affairs. Five of these (Dalian, Shenzhen, Ningbo, Qingdao and Xiamen) are treated as equivalent to provincial level units in economic planning and so on. Politically, though, they all remain part of (and below) the province and so are not at the formal provincial level.

[18] For more detail and explanation of these different levels, see He Jianzi and Jing Yijia, "Subnational government and governance in China", in Claudia Avellaneda and Ricardo Bello-Gomez (eds) *Handbook on Subnational Governments and Governance*, (Cheltenham: Edward Elgar, 2024): 166-179.

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Co-funded by
the European Union

The project "European Hub for Contemporary China (EuroHub4Sino)" has received funding from the European Union's Horizon Europe research and innovation programme under grant agreement number 101131737.

Co-Funded by the European Union. Views and opinions expressed are however those of the authors) only and do not necessarily reflect those of the European Union or European Research Executive Agency (REA). Neither the European Union nor the granting authority can be held responsible for them.