

PROVINCIAL LEADERS

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All politics is local, and China is no exception. Central authorities in Beijing make policies but it is mostly up to local authorities to implement those policies across a country of nearly 3.7 million square miles and with over 1.4 billion people. Mainland China's 31 provincial-level governments are the most powerful local authorities and hold significant responsibility for interpreting central directives, adapting them to local conditions, and spending the money necessary to make them happen. Provincial leadership is a testing ground for national office and several current leaders could serve on the elite Politburo or even the top Politburo Standing Committee in the coming years and decades.

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Institutions

The People's Republic of China (PRC) is a unitary state wherein the central authorities hold supreme authority atop a vertical hierarchy of local authorities with progressively smaller jurisdictions and more basic responsibilities. On the Chinese mainland the PRC is divided into 31 province-level divisions, which are then divided into 333 prefecture-level divisions, which are again divided into 2,852 county-level divisions, which are in turn divided into 39,862 township-level divisions, which are finally divided into approximately 600,000 basic-level divisions. Province-level divisions are the most powerful and include 22 provinces, five autonomous regions (Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang), and four directly administered municipalities (Beijing, Chongqing, Shanghai, and Tianjin).

Each province-level authority comprises four branches. In rank order, these are: the Provincial Party Standing Committee (PPSC), the Provincial People's Government (PPG), the Provincial People's Congress (PPC), and the Provincial People's Political Consultative Conference (PPPCC). These mirror the four main branches of the central authorities in Beijing, the Politburo Standing Committee (PSC), the State Council (SC), the National People's Congress (NPC), and the Chinese People's Political Consultative Conference (CPPCC). These branches embody the Party, the State, the legislature, and the political advisory body.

The Provincial Party Standing Committee (PPSC) is the top political decision-making body of a province-level division. It is responsible for Party affairs and oversee the work of the provincial government, legislature, and political advisory body. It handles the daily affairs of the province,

including conveying and interpreting decisions made by the Party Center, deciding personnel appointments for provincially managed officials, and deciding on policy suggestions from provincial departments and county-level Party committees. A PPSC typically meets to discuss the latest decisions by the Party Center and State Council and to formulate general responses that are then handed to local Party and government organs to make and implement actionable policies. According to the CCP Regulation on the Work of Local Party Committees, a PPSC usually meets twice per month, although it can convene any time an “important situation” arises.

The PPSC is headed by a Party Secretary and typically include a Deputy Party Secretary who leads the PPG as Governor; another full-time Deputy Party Secretary; the Executive Vice Governor; the directors of the provincial Party commissions for discipline inspection and for political and legal affairs; the directors of the provincial Party departments of organization, propaganda, and United Front work; the Party Secretary of the provincial capital city; the Party Secretary of other deputy-provincial-level cities in the province; the commander or political commissar of the provincial-level People’s Liberation Army (PLA) military district; and a Secretary-General who effectively serves as chief-of-staff to the Party Secretary. The membership can also include Vice Governors, the secretary-general of the provincial government, directors of government department, and Party Secretaries of other important cities, among other roles. The size of a PPSC ranges from 11–13 members. The Party Secretary convenes PSC meetings and makes final decisions, although there is scope for more collaborative work styles.

The Party Secretary and Governor enjoy ministerial-level rank in the political hierarchy of the Party-State. All other members of the PPSC, plus all PPG Vice Governors, enjoy deputy ministerial-level rank. Officials at the deputy ministerial-level rank and above are “centrally managed cadres” whose selection is vetted and approved by the CCP Central Organization Department in Beijing. Winning promotion to a PPSC represents a small seal of approval from the Party leadership and is often a key step in the careers of cadres who go on to become national leaders.

The exception to these rules is that a few Party Secretaries of provincial-level divisions sit on the Party’s elite 24-member Politburo. These cadres therefore hold deputy national-level rank and are closer to top-level decision-making processes. Since 2007 the Politburo has consistently included the leaders of Beijing, Chongqing, Guangdong, Shanghai, Tianjin, and Xinjiang. Other provinces that have had Politburo seats at various times in the post-Mao era are Hubei, Shandong, and Sichuan.

The hierarchy of provincial-level divisions does not end there. Based on the career trajectories of Party Secretaries and Governors we can roughly divide provinces into three levels of political importance. Big Provinces include those with a Politburo seat plus Fujian, Hebei, Henan, Hubei, Inner Mongolia, Jiangsu, Liaoning, Shaanxi, Shandong, Sichuan, Zhejiang. Middle Provinces are Anhui, Gansu, Guizhou, Hunan, Jiangxi, Jilin, Tibet, and Shanxi. Small Provinces are Hainan, Heilongjiang, Guangxi, Ningxia, Qinghai, and Yunnan. Different central officials attend the PPSC meetings that announce a new Party Secretary, depending on the importance of the province. The Director of the Organization Department attends for provinces with a Politburo seat. The Executive Deputy Director attends for other Big Provinces. Deputy Directors attend for Medium and Small Provinces.

The Provincial People’s Government (PPG) is the top state institution in a provincial-level division and implements policy decisions made by the PPSC. When the central Party-State sets national policy themes and issues directives, the PPSC will generally be the provincial institution that

interprets these directives to formulate provincial policies, with the PPG then being responsible for the management of implementation, monitoring, and evaluation. The PPG therefore holds real authority in the sense that it has effective control over the execution of provincial policy decisions, even though the PPSC holds the formal authority to decide the content of these policies. But the PPSC has significant sway over the PPG through its control of provincial disciplinary and personnel decisions.

The PPG is led by a Governor, who also serves as a PPSC Deputy Party Secretary, and who is responsible for the overall decision-making of the provincial government, and often concurrently manages policy areas such as finance and auditing. An Executive Vice Governor, who is also usually a member of the PPSC, is responsible for the day-to-day operations of the government and usually handles some important policy areas such as economic development, major construction projects, finance, and taxation. Vice Governors, of which there are several, but most of whom are not PPSC members, are assigned to oversee the work of specific provincial government departments in fields such as agriculture, commerce, culture, education, health, public security, science, and transportation. A PPG Secretary-General manages departments related to daily operations, such as the PPG General Office.

The PPG, like the State Council in Beijing, is thoroughly penetrated by the Party. Every PPG has a Party Leadership Group that counts the Governor as its Secretary, the Executive Vice Governor as its Deputy Secretary, and most Vice Governors as its Ordinary Members. Governors and Executive Deputy Governors are often rising stars with a chance to become a provincial Party Secretary and sometimes eventually to rise to higher office. Top PPG leaders will meet regularly but the full PPG including department heads will usually only meet biannually, to discuss annual policy goals and review mid-year progress. The PPG Party Leadership Group will meet occasionally to study Xi's directives.

The Provincial People's Congress (PPC) is a provincial legislature that convenes once a year in the months leading up to the annual session of the National People's Congress in Beijing in early March. PPC members are officially elected by county-level people's congresses, although the process is heavily influenced by provincial Party authorities. Regular legislative functions are handled by a PPC Standing Committee, which meets several times per year. The Director of the PPC Standing Committee is usually the Party Secretary of the province, except in provinces whose Party Secretary is a Politburo member.

The PRC Organic Law of Local People's Congresses and Local People's Governments states that a PPC Standing Committee should have between 45 and 75 members, although the upper limit rises to 95 members for provinces whose population exceeds 80 million. The number of ordinary deputies in a full PPC is based on population: every province has a base allocation of 350 deputies, plus one more deputy for every 150,000 people in the provincial population.

The responsibilities of the PPC include legislative work on local regulatory laws, collecting opinions from experts and the public on legislative priorities and forthcoming legislation, holding elections to confirm the appointment of PPG officials, and supervising the work of county-level people's congresses on delegate election and the implementation of local law and regulations.

The Provincial People's Political Consultative Conference (PPPPCC) is the top provincial institution in the Party's United Front system, which is headed by the CPPCC in Beijing. A PPPCC will meet once per year, around the same time as the PPC. They are largely ceremonial and help

the Party-State to absorb intellectuals, entrepreneurs, and other social groups into the regime. Their main function for the Party is to gather information to improve policymaking, disseminate policy directives in different communities, and manage potential sources of social instability. However, they can also serve as a means for interest groups to lobby the Party.

The Director of the provincial CCP United Front Work Department usually serves concurrently as a Deputy Secretary of the PPPCC Party Leadership Group. A PPPCC will also have a Standing Committee that meets more regularly. The size of a PPPCC and its Standing Committee is not explicitly defined but is rather decided upon and modified by provincial authorities.

People

The most important provincial leaders are those who sit on the Politburo.

Yin Li (born August 1962) is the Party Secretary of Beijing Municipality. He is a trained medical doctor who also holds a doctorate in health economics and administration from the Russian Academy of Medical Sciences. He returned to China in 1993 and worked as a health policy official in the State Council Research Office from 1993-2003 and in predecessors of the National Health Commission from 2003-2015, where he did a secondment to the World Health Organization from 2004-2005 and served as a Deputy Minister from 2008-2015. He then won promotion to the local leadership ranks in Sichuan Province, where he was Deputy Party Secretary from 2013-2020 and Governor from 2015-2020, and as Party Secretary of Fujian Province, Xi's former power base, from 2020-2022. Yin is thought to have helped Xi's wife Peng Liyuan become a WHO Goodwill Ambassador for Tuberculosis and HIV in 2011, a favor that has purportedly helped his political ascent. He is young enough to remain on the Politburo or possibly ascend to the Politburo Standing Committee at the 21st Party Congress in 2027.

Yuan Jiajun (September 1962) is the Party Secretary of Chongqing Municipality. He studied aerospace engineering at the elite Beihang University in Beijing and then from 1984-2012 rose through the ranks of what is now the China Aerospace Science and Technology Corporation, a major state-owned enterprise that manufactures spacecraft, rockets, and missiles. He was promoted to work as Executive Deputy Governor of Ningxia Hui Autonomous Region from 2012-2014 and then moved to Zhejiang Province, one of Xi's provincial power bases, where he served as Executive Deputy Governor from 2014-2016, Governor from 2017-2020, and Party Secretary from 2020-2022. He is young enough to remain on the Politburo or possibly ascend to the Politburo Standing Committee at the 21st Party Congress in 2027.

Huang Kunming (August 1959) is the Party Secretary of Guangdong Province. He worked as a local official in his native Fujian Province from 1982-1999 and then in Zhejiang Province from 1999-2013, working under Xi in both provinces. Xi then brought him to Beijing to help shape public opinion in the CCP Central Propaganda Department, where he served as a Deputy Director from 2013-2017 and then on the Politburo as its Director from 2017-2022. He missed out on promotion to the Politburo Standing Committee at the 20th Party Congress in 2022 and could retire after the 21st Party Congress in 2027.

Chen Jining (February 1964) is the Party Secretary of Shanghai Municipality. He studied environmental engineering at Tsinghua University from 1981-1988, and then at Brunel University in London from 1988-1989, before earning a doctorate from Imperial College London in 1992. He was

a Postdoctoral Fellow and then a Research Assistant at Imperial from 1992-1998 before returning to Tsinghua University, where he worked as a professor and administrator from 1998-2015, including many years under close Xi ally Chen Xi and as Tsinghua's President from 2012-2015. He was then promoted to serve as Minister of Environmental Protection from 2015-2017, when he gained recognition for his leadership in implementing Xi's order for nationwide environmental audit, and as Mayor of Beijing Municipality from 2017-2022, when Xi's right-hand man Cai Qi was Party Secretary of Beijing. Chen's combination of political loyalty, technocratic talent, and relative youth make him a serious contender for the Politburo Standing Committee at the 21st Party Congress in 2027.

Chen Min'er (September 1960) is the Party Secretary of Tianjin Municipality. He spent most of his career in his native Zhejiang Province from 1981-2012, where he served as Xi's propaganda chief in the mid-2000s. He then served as Governor of Guizhou Province from 2012-2015, Party Secretary of Guizhou Province from 2015-2017, and on the 19th Politburo as Party Secretary of Chongqing Municipality from 2017-2022. Early in Xi's rule, Chen's rapid promotions and relative youth saw him touted as a potential successor, but his political rise stalled, and he failed to win promotion to the Politburo Standing Committee at the 20th Party Congress in 2022. He is young enough to remain on the Politburo or ascend to the Politburo Standing Committee at the 21st Party Congress in 2027.

Ma Xingrui (October 1959) is the Party Secretary of Xinjiang. He was previously Governor of Guangdong, an economic and trade powerhouse. His appointment in September 2021 coincided with a gradual shift away from mass internment of ethnic minorities to employment programs aimed at boosting economic development, although allegations of forced labor make this new phase no less troubling. Indeed, Ma promised no wavering on the region's stability-first policies, saying he would "firmly promote continuous and long-term social stability in Xinjiang and never allow any reversal for the hard-won stability." Ma is an aerospace engineer and spent most of his career as an academic and then as an executive at the state-owned China Aerospace Science and Technology Corporation. He is associated with a group of aerospace technocrats that Xi has promoted up the party ranks, seemingly because their institutions have been bright spots in achieving innovation breakthroughs and political discipline. Ma's age means he is likely to retire at the 21st Party Congress in 2027.

New Politburo members are often selected from the pool of provincial Party secretaries. Although impending retirements will change the selection pool before the 21st Party Congress in 2027, current provincial leaders who could be contenders for promotion are listed below. Currently all provincial Party secretaries are Full Members of the CCP Central Committee.

Chen Gang (April 1965) is the Party Secretary of Qinghai Province. He originally worked in a state-owned glass factory after receiving a doctorate from Peking University but entered local politics in 2000 when he joined the Beijing Municipal Commerce Commission. He became Director of Chaoyang District in 2003 and its Party Secretary in 2006. In 2013 he left for Guizhou Province and became Party Secretary of Guiyang City, where he worked under Politburo member Chen Min'er. In 2017 he was tasked with the important job of heading the new Xiong'an District planned by Xi Jinping in Hebei Province and was then tapped as the province's Deputy Party Secretary in 2020. Later that year he became Party Secretary of the All-China Federation of Trade Unions. He was appointed Party Secretary of Qinghai Province in 2022. He is currently the youngest provincial Party Secretary in China.

Zhao Yide (February 1965) is the Party Secretary of Shaanxi Province. He is one of the youngest members of Xi's political network associated with Zhejiang Province, having served under Xi during

his time as a provincial leader in Zhejiang in the 2000s, and worked with Xi associates there including Li Qiang, Chen Min'er, and Huang Kunming. Zhao is from Zhejiang and came up through the local government ranks, serving as Secretary-General of Zhejiang in 2012 and then Party Secretary of Hangzhou City in 2015, during which time it hosted a G20 summit. He was then appointed as Deputy Party Secretary of Hebei Province in 2018, Governor of Shaanxi Province in 2020, and Party Secretary of Shaanxi in 2022.

Zhou Zuyi (January 1965) is the Party Secretary of Fujian Province. He is a geologist by training who rose through the academic and administrative ranks of Tongji University in Shanghai, culminating in his appointment as the university's Party Secretary in 2011. He was a senior leader at one of Shanghai's top universities when Xi and close associates such as Ding Xuexiang, Han Zheng, and Li Xi held important positions within the local government. Zhou then moved to the CCP Organization Department in Beijing in 2014, where he became a Deputy Director in 2016, working closely under Xi allies Zhao Leji and then Chen Xi. In 2022 he became Minister of Human Resource and Social Security, but only served eight months in the role before he was appointed Party Secretary of Fujian Province later that same year. While he was an academic, Zhou was a visiting scholar in the United Kingdom from 1993-1994 and in Switzerland from 1997-1998.

Ni Yuefeng (September 1964) is the Party Secretary of Hebei Province. He is a rising star from the network of Xi associates who worked together in Fujian Province. He began his career in Shandong Province, where he worked under former Politburo Standing Committee member Yu Zhengsheng, but then went to Beijing to serve in the State Oceanic Administration. In 2011 he was dispatched to Fujian Province, one of Xi's provincial power bases, where he served as Deputy Governor, Party Secretary of Fuzhou City, and then Deputy Party Secretary. In 2017 he became Party Secretary of the General Administration of Customs. He was appointed Party Secretary of Hebei Province in 2022. However, he recently received widespread criticism following his dismissive public remarks in the aftermath of the massive flooding in Hebei in 2023.

Tang Dengjie (June 1964) is the Party Secretary of Shanxi Province. He was an engineer who trained at Tongji University in Shanghai and quickly rose to leadership role within Shanghai-based state-owned enterprises. He became the youngest-ever deputy mayor of Shanghai in 2003, serving under then Mayor Han Zheng and later briefly working under Xi. In 2011 he was appointed Party Secretary of the defense manufacturer China South Industries Group Corporation and spent several years in the Chinese military-industrial complex. In 2017 he became a Deputy Minister of Industry and Information Technology and Administrator of the China National Space Administration, but later that year he was promoted again to Governor of Fujian Province. However, his career then seemed to hit a speedbump, as he failed to win further provincial leadership positions and was moved back to Beijing to serve as a Deputy Director of the National Development and Reform Commission in 2020 and then Minister of Civil Affairs in 2022. His career was revived when he was appointed Party Secretary of Shanxi Province in 2023.

Xin Changxing (December 1963) is the Party Secretary of Jiangsu Province. His career began in what is now the Ministry of Human Resources and Social Security, where he became head of the National Civil Servant Administration in 2014. He was then appointed Deputy Party Secretary of Anhui Province in 2016, Governor of Qinghai Province in 2020, Party Secretary of Qinghai in 2022, and Party Secretary of Jiangsu in 2023. Xin is relatively young for a senior official and has already been Party Secretary of two provinces, meaning that he could be a contender for the Politburo in 2027. He recently garnered attention for saying that cadres should study Xi Jinping Thought as hard as the college entrance exam.

Hu Changsheng (December 1963) is the Party Secretary of Gansu Province. He began his career as a professor of geological surveying at his alma mater the Chengdu University of Technology, where he eventually rose to become the Party Secretary. In 1998 he became a local government official in Sichuan Province and eventually served as Party Secretary of Garze Prefecture. In 2015 he moved to Qinghai Province and worked as Director of its Organization Department, before being transferred in 2017 to do the same role in Fujian Province, one of Xi's provincial power bases. In 2019 he was appointed Party Secretary of Xiamen City and Deputy Party Secretary of Fujian. In 2021 he was promoted to Governor of Heilongjiang Province and then became Party Secretary of Gansu Province in 2022.

The provincial ranks also include several rising stars who could become national leaders.

Yin Yong (August 1969) is the Mayor of Beijing Municipality. He is a Tsinghua-educated financial technocrat and a protege of former central bank chief Zhou Xiaochuan. He spent almost two decades working at the People's Bank of China (PBOC), mainly in the State Administration of Foreign Exchange, eventually serving as a PBOC Deputy Governor from 2016-2018. He became a finance-focused Deputy Mayor of Beijing in 2018, where he worked under both Cai Qi and Chen Jining, and then the Mayor of Beijing in 2022. He is the youngest full member of the CCP Central Committee and is a strong candidate for national-level leadership positions in the future.

Shi Xiaolin (May 1969) is the Governor of Sichuan Province. She spent most her life in Shanghai Municipality, where she went to college and served in the local Communist Youth League, then various local district governments, before eventually becoming Director of the local United Front Work Department. In 2018 she left Shanghai to serve as Director of the Jiangsu Provincial CCP Propaganda Department. In 2021 she was appointed Party Secretary of Chengdu City, becoming the youngest Party Secretary of a provincial capital at the time. She was made Deputy Party Secretary of Sichuan Province in 2023 and then Governor of Sichuan in 2024. She was a deputy district head in Shanghai when Xi was Party Secretary there in 2007 and subsequently worked under close Xi allies including Ding Xuexiang, Li Qiang, and Li Xi. She is an Alternate Member of the Central Committee.

Zhao Gang (June 1968) is the Governor of Shaanxi Province. He was a military-industrial cadre who worked spent most of his career at the weapons-maker China North Industries Group (Norinco Group), winning promotions to Assistant General Manager in 2010 and Deputy General Manager in 2013, before moving to serve as General Manager of China First Heavy Industries Corporation in 2017. He then moved into local government, winning appointments as Deputy Governor of Shaanxi Province in 2018, Party Secretary of Yan'an City in 2021, and Governor in 2022. Zhao worked under Politburo members Zhang Guoqing at Norinco Group and Liu Guozhong in Shaanxi. He is a Full Member of the Central Committee.

Zhao Long (September 1967) is the Governor of Fujian Province. After graduating from Renmin University of China, he worked in the Ministry of Land and Resources for many years, eventually serving as a Deputy Minister from 2016-2020. In July 2020 he was appointed Executive Deputy Governor of Fujian Province, became Party Secretary of Xiamen City six months later, and was then promoted to Governor of Fujian just nine months after that. Fujian is one of Xi's provincial power bases and Zhao seems well positioned for higher office. He is a Full Member of the Central Committee.

Zhuge Yujie (May 1971) is a Deputy Party Secretary of Hubei Province. Before taking this role in 2023, Zhuge spent his entire career in state-owned enterprises and local government offices in Shanghai Municipality, where he was the director of a port construction company when Xi was Party Secretary of the city in 2007. He forged deep ties with a network of Xi allies and loyalists connected to Shanghai, including Politburo Standing Committee members Ding Xuexiang and Li Xi, and served as Li Qiang's top political secretary while he led Shanghai from 2017-2022. His experience during Shanghai's Covid lockdown deepened his ties with Li Qiang, making him a strong candidate for a role in national leadership. When he was appointed Deputy Party Secretary of Shanghai in 2022, he became the first Deputy Party Secretary born in the 1970s. He is an Alternate Member of the Central Committee and needs to win promotion to a ministerial-level position by 2025 or 2026 to avoid his career stalling.

Liu Jie (January 1970) is a Deputy Party Secretary of Zhejiang Province. He worked in a state-owned steel factory before entering politics, rising to serve as the head of the Xiangtan Iron and Steel Group Corporation. In 2008 he became Director of the Hunan Provincial Commerce Department, before moving to Jiangxi Province in 2011, where he became the first official born in the 1970s to win promotion to a provincial Party Standing Committee and to deputy-ministerial rank. In 2018, Liu went to Guizhou Province and served as its Secretary-General. In 2021, he replaced Zhou Jiangyong, who had been investigated for corruption, as Party Secretary of Hangzhou City, in which capacity he successfully hosted the Asian Games. He was made Deputy Party Secretary of Zhejiang Province shortly thereafter in 2023. He served under State Councilor Shen Yiqin in Guizhou and under Politburo member Yuan Jiajun in Zhejiang. He is an Alternate Member of the Central Committee.

Shi Guanghui (January 1970) is a Deputy Party Secretary of Guizhou Province. He began his career in Shanghai after graduating from Tongji University, working in various state-owned enterprises before becoming Deputy Director of the Public Works Administration in 2005. He then served as a leading cadre in several Shanghai districts, including when Xi was Party Secretary of Shanghai in 2007, before becoming one of the first deputy ministerial-level official born in the 1970s when he was named a Deputy Mayor of Shanghai in 2013. In 2018 he moved to Guizhou Province to serve as Secretary of the Political and Legal Affairs Commission. There he became the second post-70s official to be appointed a provincial Deputy Party Secretary in 2022. Despite his long wait for a ministerial-level promotion, his connections to Xi allies who he worked with in Shanghai, including Politburo Standing Committee members Ding Xuexiang, Li Qiang, and Li Xi, means he could be a contender for higher promotion. He is an Alternate Member of the Central Committee.

Policy

The economic, geographic, and social diversity of China's 31 provincial-level dimensions makes it difficult to generalize trends in their policy decisions. But a key trend over the last decade is that Xi has overseen an unprecedented strengthening of the authority of the Party Center relative to provincial and other local authorities. Since soon after he came to power in 2012, Xi has deployed Central Inspection Teams, a powerful anti-corruption institution, to monitor the political loyalty and policy implementation of local officials. The most direct consequence is that provincial governments have less space to maneuver in interpreting top-level directives and experimenting with localized policy solutions.

As the Party Center's surveillance capabilities have improved, central agencies and government ministries now have more means to push their agendas and interests by directly intervening in and manipulating local government policy priorities under the pretext of executing Xi's directives. The central leadership is also empowering these ministries to strengthen their control over local governance. For example, in 2016, Chen Jining, then the Minister of Environmental Protection, launched a nationwide enforcement campaign for environmental policy under the banner of implementing Xi's call for central environmental inspections. Leveraging emerging technologies and data science, this initiative successfully penetrated local governments and improved environmental performance. This success paved the way for Chen Jining's promotion to Mayor of Beijing and subsequently to the Politburo as Party Secretary of Shanghai in 2022. Similar trends could be observed in the zero-COVID measures of 2022 and in the ongoing campaign by the Ministry of Natural Resources since 2023 to protect "red line" quantities of arable farmland. This trend presents a double-edged sword for local governance: on one hand, it ensures strict adherence to central policies; on the other hand, it squeezes local governments' discretionary decision-making power and reduces flexibility in adapting to unique local conditions.

The centralization of political power has been especially stark during Xi's leadership, but the centralization of tax revenues has been ongoing for three decades. In 1994, the central authorities passed a major fiscal reform that reallocated a significant portion of tax revenue from local governments to Beijing. In 2001, new tax codes carved out 60% of income tax revenues for the central government. Starting in 2012, the central government implemented a Value-Added Tax (VAT) reform, replacing local sales taxes and further reducing local revenue sources.

Since the 1994 reforms, China's fiscal system has been divided into two systems at the local level: the national tax system, which collects central taxes, and the local tax system, which collects local taxes. In 2018, the central government merged these systems, placing them under the joint management of the State Administration of Taxation, which is directly subordinate to the State Council, and local governments. Following these reforms, local governments experienced a further reduction in their tax revenue, making them more reliant on central government transfers.

At the sub-national level, local governments are the primary providers of public goods. However, the tax system has severely limited their financial flexibility. To fund local infrastructure, public services, tax cuts, and subsidies to export and high-tech industries, local governments have relied on three major revenue sources: transfers from the central government, informal revenue from selling state-owned land for real estate development, and debt financing. Economists believe this reliance on limited revenue sources is a key reason for China's persistent local government debt problem, which has recently been exacerbated by a declining property market and centrally mandated expenditures on Covid prevention and control measures, leaving many localities struggling to pay their bills.

The authoritative policy decision issued by the Third Plenum of the 20th CCP Central Committee in July 2024 aimed to address this worsening imbalance in central-local fiscal relations. It promised that Beijing would assume more expenditure responsibilities for providing public services and that local governments would be able to increasingly set and collect certain taxes, notably consumption taxes. Beijing would also end unfunded mandates and enhance central transfers to local governments. Implementation is likely to be difficult, however, as it remains to be seen to what extent Beijing is willing to truly devolve such powers and resources to local officials.