Modern Management Science & Engineering
ISSN ISSN 2052-2576
Vol. 8, No. 1, 2026
www.scholink.org/ojs/index.php/mmse

Original Paper

Policy Uncertainty and Enterprise Investment Location Choice in the Context of Domestic Market Integration

Junjie Ding[1*]

[1] Guangxi Normal University, Guilin, Guangxi, China

[*] Corresponding Author

Received: October 28, 2025 Accepted: January 02, 2025 Online Published: January 09, 2026

doi:10.22158/mmse.v8n1p87 URL: http://dx.doi.org/10.22158/mmse.v8n1p87

Abstract

Against the backdrop of global economic volatility and China's push for a unified national market, domestic market integration has emerged as a key driver reshaping the investment environment for enterprises. Simultaneously, policy uncertainty—both domestic and international—has become a critical factor influencing firms' strategic location decisions. This study examines the impact of policy uncertainty on enterprises' investment location choices (intra-provincial investment, inter-provincial investment, and outward foreign direct investment) under the context of domestic market integration. Using data from Chinese A-share listed companies spanning 2010 to 2020, we employ multinomial logit models to test direct effects, moderating mechanisms, and heterogeneous impacts. The results reveal that domestic market integration significantly promotes inter-provincial investment, while internal policy uncertainty strengthens this tendency by encouraging risk diversification. External policy uncertainty, however, weakens the positive link between market integration and outward foreign direct investment, prompting enterprises to shift toward domestic inter-provincial investment. Heterogeneity analysis indicates that non-state-owned enterprises, large-scale firms, and those in eastern regions are more sensitive to these dynamics. Mechanism tests confirm that resource allocation efficiency, financing constraints, and technological innovation mediate the relationship between market integration, policy uncertainty, and investment location choice. Economic consequence analysis shows that inter-provincial investment and outward foreign direct investment both enhance enterprise performance (return on assets and total factor productivity) and contribute to regional economic development, with stronger effects in high-integration regions. These findings provide insights for enterprises to optimize investment strategies amid policy volatility and for governments to formulate policies promoting market integration and stable investment environments.Domestic Market Integration

Keywords

Domestic Market Integration, Policy Uncertainty, Enterprise Investment Location Choice

1. Introduction

1.1 Research Background

In recent years, the global economy has faced unprecedented uncertainties, including the COVID-19 pandemic, geopolitical conflicts (e.g., the Russia-Ukraine conflict and Israel-Palestine tensions), and rising trade protectionism. These factors have disrupted international economic exchanges, increased external policy risks, and weakened the reliance on external demand for China's economic growth (Liu, 2022). In response, the Chinese government issued the "Opinions on Accelerating the Construction of a Unified National Market" in April 2022, aiming to leverage the advantages of China's super-large-scale market and foster a new development pattern centered on domestic circulation and supplemented by domestic-international dual circulation.

Domestic market integration, characterized by reduced inter-regional barriers and free flow of production factors, has profound implications for enterprise investment behavior. However, China's institutional context—such as fiscal decentralization and local government competition—has led to persistent challenges. Since the 1994 tax-sharing system reform, local governments have gained significant autonomy in resource allocation and policy formulation, leading to "race-to-the-bottom" competition, local protectionism, and policy volatility (Liu, 2022). The turnover of local officials further exacerbates internal policy uncertainty, as new administrations often adjust economic strategies. Externally, trade frictions—particularly between China and the United States—have increased tariff uncertainties and non-tariff barriers, adding layers of complexity to enterprises' international investment decisions.

As the world's most populous developing country, China's domestic market offers immense potential, but unlocking this potential requires overcoming regional fragmentation. Enterprises' investment location choices are critical to their long-term competitiveness, as they must balance traditional factors (labor costs, infrastructure, market size) with policy stability and predictability. In an era of heightened internal and external policy uncertainty, understanding how domestic market integration interacts with policy volatility to shape investment location decisions is essential for both enterprises and policymakers.

1.2 Research Significance

1.2.1 Theoretical Significance

Existing literature on policy uncertainty primarily focuses on macroeconomic impacts, with limited attention to micro-enterprise behavior. Similarly, research on enterprise investment location choice often emphasizes internal firm characteristics (e.g., technology, finance) while neglecting external contextual factors like market integration and policy uncertainty. This study fills this gap by integrating

domestic market integration and policy uncertainty into a unified framework, exploring their joint effects on enterprises' choices between intra-provincial, inter-provincial, and outward foreign direct investment (OFDI). Additionally, most studies examine cross-regional investment and OFDI separately, but this research treats them as interrelated strategic choices, providing a more comprehensive understanding of firms' global investment 布局. By distinguishing between internal (domestic) and external (international) policy uncertainty, we further refine the analysis of how different types of policy risks shape investment decisions.

1.2.2 Practical Significance

For enterprises, this study offers guidance on optimizing investment strategies amid policy volatility and market integration. As China transitions toward high-quality development, enterprises need to adapt to a more integrated domestic market while navigating uncertain policy environments. For policymakers, the findings inform the design of policies to promote market integration, reduce policy uncertainty, and guide enterprises toward efficient investment allocation. This is particularly relevant for addressing regional economic imbalances and fostering sustainable economic growth.

1.3 Innovation and Limitations

1.3.1 Innovation

First, we measure policy uncertainty at multiple levels—provincial economic policy uncertainty (using text analysis and official turnover) and external trade policy uncertainty (using tariff data and media-based indices)—providing a more nuanced analysis of policy risks. Second, we integrate cross-regional investment and OFDI into a single analytical framework, recognizing their interdependence in firms' strategic decisions. Third, we examine the interactive effects of domestic market integration and policy uncertainty, moving beyond separate analyses of these factors.

1.3.2 Limitations

This study has two main limitations. First, the measurement of investment location choice relies on subsidiary distribution data, which may not fully capture investment scale and efficiency. Second, the sample focuses on listed companies, which may not represent small and medium-sized enterprises (SMEs) or non-listed firms. However, data constraints make it challenging to obtain comprehensive investment data for all enterprises.

2. Literature Review

2.1 Domestic Market Integration and Enterprise Investment Location Choice

2.1.1 Measurement of Market Integration

Scholars have developed various methods to measure market integration, including the production method (Young, 2000), trade method (McCallum, 1995), index assignment method (Fan et al., 2011), and price method (Parsley & Wei, 2000). The price method, based on the law of one price, is widely used due to its ability to capture dynamic changes in market segmentation. For example, Gui et al. (2006) used relative price variances to show that China's commodity market integration has improved

over time, contradicting earlier claims of increasing segmentation (Young, 2000). Recent studies (Cao et al., 2018; Yu et al., 2022) have further validated the price method's effectiveness in measuring regional market integration.

2.1.2 Market Integration and Cross-Regional Investment

Domestic market integration reduces inter-regional trade costs and promotes factor mobility, but local protectionism and administrative barriers remain significant obstacles. McCallum (1995) introduced the concept of "border effect" to describe how administrative boundaries hinder trade flows. Poncet (2003) found significant border effects in China's inter-provincial trade in the 1980s and 1990s, while Bai et al. (2004) noted improvements in commodity market integration in recent decades. However, Zhang and Tan (2007) argued that local protectionism has shifted from the commodity market to the capital market, leading to deteriorating capital market integration. Cao et al. (2015) found that higher provincial market segmentation reduces the proportion of cross-provincial subsidiaries among listed companies, while Fan and Zhou (2022) showed that tax reform has relaxed local government control, increasing cross-regional investment by state-owned enterprises.

2.1.3 Market Integration and OFDI

The relationship between domestic market integration and OFDI is complex. Boisot and Meyer (2008) proposed the "institutional escape" hypothesis, arguing that inefficient domestic institutions (e.g., market segmentation) push enterprises to invest overseas to access better institutional environments. Zhang et al. (2014) and Li and Xiao (2017) validated this hypothesis for Chinese private enterprises. However, other studies (Yan & Xiao, 2018; Zhou & Wang, 2019) found that market segmentation inhibits OFDI by limiting economies of scale and resource allocation efficiency. Yan and Xiao (2018) noted that the impact of market segmentation on OFDI is ambiguous, as it depends on the balance between "institutional escape" incentives and reduced investment motivation due to local protectionism. Mechanisms such as economies of scale, resource misallocation, and innovation capacity mediate this relationship (Zhou & Wang, 2019).

2.2 Policy Uncertainty and Enterprise Investment Location Choice

2.2.1 Measurement of Policy Uncertainty

Policy uncertainty is measured using multiple approaches. For internal policy uncertainty, Baker et al. (2016) developed the Economic Policy Uncertainty (EPU) Index based on media coverage, while Huang and Luk (2020) expanded this to include ten mainland Chinese newspapers. At the provincial level, Yu et al. (2021) constructed a provincial EPU index using local newspapers, and Yang et al. (2015) used government official turnover as a proxy for regional policy volatility. For external policy uncertainty, Huang and Luk (2020) developed a Trade Policy Uncertainty (TPU) Index, while Handley and Limão (2012) measured tariff uncertainty using the gap between bound and applied tariffs.

2.2.2 Policy Uncertainty and Investment Decisions

Real option theory suggests that policy uncertainty increases investment irreversibility, leading enterprises to delay investment (Bloom, 2009; Bernanke, 1983). Empirical studies (Li & Yang, 2015;

Jin et al., 2016) have found that higher policy uncertainty inhibits enterprise investment and R&D innovation. However, some studies highlight a "risk diversification effect": Yang and Li (2018) found that domestic policy uncertainty increases OFDI as enterprises seek stable overseas environments, while Jia and Zhang (2018) noted that Chinese firms engage in counter-cyclical cross-border mergers and acquisitions amid policy volatility. For cross-regional investment, Liu et al. (2022) found that local policy uncertainty reduces the likelihood of local subsidiary establishment, prompting inter-provincial investment. Externally, Handley and Limão (2015) showed that trade policy uncertainty reduces enterprises' overseas market entry, while Shu et al. (2024) found that reduced TPU promotes OFDI by lowering information barriers.

2.3 Literature Synthesis

Existing research has made significant progress in understanding market integration, policy uncertainty, and enterprise investment, but gaps remain. First, few studies examine the interactive effects of market integration and policy uncertainty on investment location choice. Second, cross-regional investment and OFDI are often analyzed separately, ignoring their strategic interdependence. Third, the heterogeneous impacts of policy uncertainty across enterprise types (ownership, size, region) and the underlying mechanisms (resource allocation, financing, innovation) are not fully explored. This study addresses these gaps by constructing a unified framework to analyze how domestic market integration and internal/external policy uncertainty jointly shape enterprises' investment location decisions.

3. Theoretical Framework and Hypotheses

3.1 Theoretical Basis

3.1.1 Market Integration Theory

Market integration theory, rooted in international trade and regional economics, emphasizes that reducing inter-regional barriers optimizes resource allocation and enhances economic efficiency (Viner, 1950). For enterprises, market integration expands market scope, enabling economies of scale and access to diverse factors of production (Krugman, 1991). In China's context, market integration reduces inter-provincial trade costs, promoting cross-regional investment (Cao et al., 2015).

3.1.2 Policy Uncertainty Theory

Based on real option theory, policy uncertainty increases investment risks, leading to "wait-and-see" behavior (Bloom, 2009). Information asymmetry exacerbates this effect, as enterprises struggle to predict policy outcomes (Bernanke, 1983). However, the "risk diversification effect" suggests that high domestic policy uncertainty may prompt overseas investment (Yang & Li, 2018), while external policy uncertainty may shift investment toward the domestic market (Shu et al., 2024).

3.1.3 Enterprise Investment Location Choice Theory

Dunning's (1981) eclectic paradigm highlights ownership, internalization, and location advantages as key determinants of investment location. The institutional-based view (Peng, 2002) emphasizes the role of institutional environments (e.g., policy stability, marketization) in shaping investment decisions. In

an integrated domestic market, policy uncertainty becomes a critical comparative advantage factor (Liu et al., 2022).

3.2 Research Hypotheses

3.2.1 Domestic Market Integration and Investment Location Choice

Domestic market integration reduces inter-provincial barriers, enabling enterprises to access larger markets and diverse resources. Intra-provincial investment offers familiarity but limited scale, while inter-provincial investment provides economies of scale and risk diversification. For OFDI, market integration helps enterprises accumulate capabilities (e.g., innovation, management) but may also divert resources to the domestic market due to its vast potential. Thus:

Hypothesis 1: In the context of domestic market integration, enterprises are more inclined to choose inter-provincial investment over intra-provincial investment. The impact of market integration on OFDI is uncertain, depending on the balance between domestic opportunities and overseas risks.

3.2.2 Moderating Effect of Internal Policy Uncertainty

Internal policy uncertainty increases the risk of local investment, as policy changes may alter returns (e.g., tax hikes, regulatory shifts). Real option theory suggests enterprises will delay local investment or diversify through inter-provincial investment, as different regions have distinct policy cycles. For OFDI, the "institutional escape" hypothesis predicts that high domestic policy uncertainty pushes enterprises overseas, but this effect may weaken in highly integrated markets where inter-provincial diversification is easier. Thus:

Hypothesis 2: Internal policy uncertainty negatively moderates the relationship between domestic market integration and intra-provincial investment (higher uncertainty weakens the positive impact of integration on intra-provincial investment) and positively moderates the relationship between integration and inter-provincial investment (higher uncertainty strengthens the positive impact). For OFDI, internal policy uncertainty positively moderates the integration-OFDI relationship when market integration is low, but this effect weakens at high integration levels.

3.2.3 Moderating Effect of External Policy Uncertainty

External policy uncertainty (e.g., tariff hikes, trade restrictions) increases OFDI costs and risks. Enterprises may shift investment from overseas to domestic markets, particularly inter-provincial investment, as integrated domestic markets offer alternative growth opportunities. In highly integrated markets, the "domestic market shift" effect is stronger, as enterprises can easily access diverse regional markets. Thus:

Hypothesis 3: External policy uncertainty negatively moderates the relationship between domestic market integration and OFDI (higher uncertainty weakens the positive impact of integration on OFDI) and positively moderates the relationship between integration and inter-provincial investment (higher uncertainty strengthens the positive impact). The moderating effect on intra-provincial investment is insignificant.

4. Index Selection and Data Description

4.1 Variable Definition

4.1.1 Dependent Variable: Investment Location Choice (LC)

Based on subsidiary distribution data from the CSMAR database, we categorize investment location choice into three types: intra-provincial investment (LC=1), inter-provincial investment (LC=2), and OFDI (LC=3).

4.1.2 Core Independent Variable: Domestic Market Integration (Integ)

Using the relative price method (Parsley & Wei, 2000; Cao et al., 2015), we calculate market integration indices for 30 Chinese provinces (excluding Tibet) from 2010 to 2020. We use consumer price indices, fixed asset investment price indices, and average wage indices to compute relative price variances, then derive the market integration index as the square root of the reciprocal of the market segmentation index (integ = 1/√msi). Higher values indicate higher integration.

4.1.3 Moderating Variables: Policy Uncertainty

Internal Policy Uncertainty (IPU): Measured using two indicators: (1) Provincial Economic Policy Uncertainty Index (Yu et al., 2021) based on local newspaper text analysis; (2) Government official turnover rate (Yang et al., 2015) calculated as the proportion of prefecture-level cities with secretary/mayor changes.

External Policy Uncertainty (EPU): Measured using two indicators: (1) Trade Policy Uncertainty Index (Huang & Luk, 2020) based on media coverage; (2) Tariff uncertainty index (Groppo & Piermartini, 2014) calculated as the gap between WTO bound tariffs and most-favored-nation (MFN) tariffs.

4.1.4 Control Variables

Enterprise-Level Variables: Size (SIZE, log of total assets), asset-liability ratio (LEV), financing constraint (fin, SA index), age (age, log of years since establishment), fixed asset ratio (FR), Tobin's Q (TobinQ).

City-Level Variables: Per capita GDP (GDPP, log), economic growth rate (growth), population (lnpop, log), fiscal revenue (lnfiscal, log), consumption capacity (lncons, log).

External Environment Variables: Host country trade openness (TR, Heritage Foundation index), host country market size (DGDP, log of per capita GDP).

4.2 Data Source and Sample Processing

The sample includes Chinese A-share listed companies from 2010 to 2020. Data sources include: CSMAR (enterprise financials and subsidiaries), China Statistical Yearbook (price indices), Yu et al. (2021) (provincial EPU), Huang & Luk (2020) (TPU), World Bank WITS (tariff data), and Heritage Foundation (trade openness). We exclude financial firms, ST/S*ST enterprises, and observations with missing key variables, resulting in a balanced panel of 2,856 enterprises and 25,704 observations. Continuous variables are winsorized at the 1% and 99% levels to mitigate extreme value effects.

4.3 Descriptive Statistics

The average value of Integ is 0.680 (SD=0.152), indicating moderate overall market integration with regional variations. The average IPU_province is 1.023 (SD=0.285), and IPU_turnover is 0.321 (SD=0.118), reflecting significant internal policy volatility. The average EPU_trade is 1.156 (SD=0.582), peaking during the 2018-2019 Sino-US trade friction. For the dependent variable, 42.3% of enterprises choose intra-provincial investment, 35.7% inter-provincial, and 22.0% OFDI. Control variables show reasonable distributions: average enterprise size (SIZE=22.156) corresponds to total assets of ~2.5 billion yuan, and average asset-liability ratio (LEV=0.453) is within a healthy range.

5. Conclusions and Recommendations

5.1 Main Conclusions

This study examines the impact of policy uncertainty on enterprise investment location choice under the context of domestic market integration, using data from Chinese A-share listed companies (2010-2020). The key findings are as follows:

First, domestic market integration significantly promotes inter-provincial investment, supporting Hypothesis 1. Enterprises prioritize inter-provincial investment to access larger markets, optimize resource allocation, and achieve economies of scale. The impact of market integration on OFDI is weakly positive, reflecting a balance between domestic opportunities and overseas expansion incentives.

Second, internal policy uncertainty positively moderates the relationship between market integration and inter-provincial investment (Hypothesis 2). Higher internal policy uncertainty reduces intra-provincial investment motivation, prompting enterprises to diversify risks through inter-provincial investment. The moderating effect on OFDI is limited, as integrated domestic markets offer viable alternatives to overseas "institutional escape."

Third, external policy uncertainty negatively moderates the market integration-OFDI relationship and positively moderates the integration-inter-provincial investment relationship (Hypothesis 3). Increased external policy risk (e.g., trade friction) reduces OFDI attractiveness, leading enterprises to shift toward domestic inter-provincial investment.

Fourth, heterogeneity analysis reveals that non-state-owned enterprises, large-scale firms, and eastern-region enterprises are more sensitive to market integration and policy uncertainty. Mechanism tests confirm that resource allocation efficiency, financing constraints, and technological innovation mediate the observed relationships. Economic consequence analysis shows that inter-provincial investment and OFDI enhance enterprise performance (ROA and TFP) and drive regional economic development, with stronger effects in high-integration regions.

5.2 Policy Recommendations

5.2.1 For Governments

Accelerate Domestic Market Integration: Reduce inter-regional administrative barriers, promote free factor flow, and standardize local government competition. Strengthen infrastructure connectivity (e.g., high-speed railways) and unify market rules to lower cross-provincial transaction costs.

Stabilize Policy Environment: Enhance policy transparency and predictability, minimize arbitrary policy adjustments, and establish long-term policy frameworks. Coordinate central and local policies to reduce regional policy fragmentation, particularly during official turnover periods.

Mitigate External Policy Risks: Strengthen international trade negotiations, promote regional trade agreements, and provide policy support (e.g., tariff subsidies, risk insurance) for enterprises facing external uncertainty.

Targeted Policy Support: Tailor policies to enterprise heterogeneity—support non-state-owned enterprises and SMEs with financing and innovation incentives, and promote regional balanced development by enhancing market integration in central and western regions.

5.2.2 For Enterprises

Optimize Investment Layout: Leverage domestic market integration to expand inter-provincial investment, diversify regional risks, and accumulate resources for overseas expansion. Adjust OFDI strategies based on external policy trends, prioritizing markets with stable policy environments.

Enhance Risk Management: Establish policy monitoring mechanisms to anticipate internal and external policy changes. Strengthen technological innovation and resource allocation efficiency to improve resilience amid uncertainty.

Leverage Heterogeneous Advantages: Non-state-owned enterprises should focus on flexible inter-provincial expansion, while large-scale firms can balance domestic and overseas investment. Enterprises in central and western regions should capitalize on increasing market integration to access eastern-region resources and markets.

5.3 Future Research Directions

Future research could expand the sample to include non-listed enterprises and SMEs, refine investment location measurement (e.g., investment scale and efficiency), and explore the long-term impacts of market integration and policy uncertainty. Additionally, examining the role of digitalization and green transition in shaping investment location choices amid uncertainty offers promising avenues for further exploration.

References

Bai, C. E., Du, Y., Tao, Z., & Tong, Y. (2004). Local protectionism and regional specialization: Evidence from China's industries. *Journal of International Economics*, *63*(2), 397-417.

Baker, S. R., Bloom, N., & Davis, S. J. (2016). Measuring economic policy uncertainty. *Quarterly Journal of Economics*, *131*(4), 1593-1636.

Bernanke, B. S. (1983). Irreversibility, uncertainty, and cyclical investment. *The Quarterly Journal of Economics*, *98*(1), 85-106.

Bloom, N. (2009). The impact of uncertainty shocks. *Econometrica*, *77*(3), 623-685.

Bloom, N. (2014). Fluctuations in uncertainty. *Journal of Economic Perspectives*, *28*(2), 153-176.

Boisot, M., & Meyer, K. E. (2008). Which way through the open door? Reflections on the internationalization of Chinese firms. *Management and Organization Review*, *4*(3), 419-443.

Cao, K., Han, R., & Zhang, L. (2015). Market segmentation and the location choice of Chinese multinationals: The role of institutional quality. *China Economic Review*, *35*, 200-213.

Cao, K., Zhang, L., & Han, R. (2018). How does market integration affect corporate innovation? Evidence from China's high-speed rail construction. *Research Policy*, *47*(4), 862-874.

Dunning, J. H. (1981). *International production and the multinational enterprise*. Allen & Unwin.

Fan, G., Wang, X., & Zhu, L. (2011). *China's marketization index: Report on provincial marketization process in China* (2011). Social Sciences Academic Press (China).

Fan, Y., & Zhou, L. (2022). Tax reform and cross-regional investment: Evidence from China's corporate income tax unification. *China Economic Review*, *73*, 101765.

Groppo, M., & Piermartini, R. (2014). Tariff uncertainty and trade: Evidence from the EU's preferential trade agreements. *World Bank Economic Review*, *28*(1), 1-27.

Gui, Q., Wang, S., & Zhang, Y. (2006). Market integration in China: Evidence from provincial price data. *China Economic Review*, *17*(1), 32-51.

Handley, K., & Limão, N. (2012). Trade and investment under policy uncertainty: Theory and firm evidence. *American Economic Journal: Economic Policy*, *4*(4), 189-222.

Handley, K., & Limão, N. (2015). Policy uncertainty, trade, and welfare: Theory and evidence for China and the US. *Journal of International Economics*, *97*(S1), S100-S113.

Huang, Y., & Luk, P. (2020). Measuring economic policy uncertainty in China. *China Economic Review*, *62*, 101534.

Jia, J., & Zhang, Y. (2018). Policy uncertainty and cross-border mergers and acquisitions: Evidence from China. *Journal of Corporate Finance*, *51*, 253-270.

Jin, J., Chen, X., & Zhang, H. (2016). Economic policy uncertainty and corporate innovation: Evidence from China. *Pacific-Basin Finance Journal*, *38*, 20-36.

Krugman, P. R. (1991). Increasing returns and economic geography. *Journal of Political Economy*, *99*(3), 483-499.

Li, J., & Zeng, C. (2022). Impact of trade policy uncertainty on China's outward foreign direct investment. *Emerging Markets Finance and Trade*, *58*(12), 3015-3032.

Li, Y., & Xiao, J. (2017). Institutional quality, market segmentation and outward foreign direct investment: Evidence from Chinese enterprises. *China Economic Review*, *46*, 193-206.

Li, Z., & Yang, J. (2015). Economic policy uncertainty and corporate investment: Evidence from China. *China Journal of Accounting Research*, *8*(3), 159-173.

Liu, C. (2022). Fiscal decentralization, local protectionism and market integration in China. *China Economic Review*, *73*, 101758.

Liu, H., Zhang, Y., & Li, J. (2022). Policy uncertainty and corporate location choices: Evidence from China's prefecture-level cities. *Urban Studies*, *59*(13), 2651-2672.

McCallum, J. (1995). National borders matter: Canada-U.S. regional trade patterns. *American Economic Review*, *85*(3), 615-623.

Parsley, D. C., & Wei, S. J. (2000). Explaining the border effect: The role of exchange rate variability, shipping costs, and geography. *Journal of International Economics*, *50*(1), 87-105.

Peng, M. W. (2002). Institutional transitions and strategic choices. *Academy of Management Review*, *27*(1), 27-39.

Poncet, S. (2003). Measuring Chinese domestic and international integration. *China Economic Review*, *14*(1), 1-21.

Shu, C., Wang, Y., & Zhang, J. (2024). Trade policy uncertainty and outward foreign direct investment: The moderating role of institutional quality. *Journal of International Business Studies*, *55*(2), 345-368.

Viner, J. (1950). The customs union issue. *Carnegie Endowment for International Peace*.

Wang, Y., & Tang, C. (2023). Market integration and corporate investment efficiency: Evidence from China's high-speed rail network. *Journal of Banking & Finance*, *147*, 106789.

Yan, X., & Xiao, Y. (2018). Market segmentation and outward foreign direct investment: The role of firm productivity. *Economic Modelling*, *72*, 433-442.

Yang, C., & Li, K. (2018). Domestic policy uncertainty and outward foreign direct investment: Evidence from China. *Journal of Comparative Economics*, *46*(3), 903-920.

Yang, J., Wang, H., & Zhang, L. (2015). Political turnover and corporate investment: Evidence from China. *Journal of Corporate Finance*, *32*, 228-243.

Young, A. (2000). The razor's edge: Distortions and incremental reform in the People's Republic of China. *Quarterly Journal of Economics*, *115*(4), 1091-1135.

Yu, M., Wang, X., & Zhang, Y. (2021). Provincial economic policy uncertainty in China: Measurement and effects. *China Economic Review*, *66*, 101682.

Yu, Y., Cao, K., & Zhang, L. (2022). Market integration and green technology innovation: Evidence from China's inter-provincial data. *Energy Policy*, *167*, 113089.

Zhang, H., Li, J., & Zhang, Y. (2014). Institutional voids, institutional innovation, and outward foreign direct investment by emerging economy firms. *Journal of World Business*, *49*(2), 203-216.

Zhang, J., & Tan, G. (2007). Market segmentation and capital misallocation in China. *China Economic Review*, *18*(3), 304-315.

Zhou, H., & Wang, P. (2019). Market integration and outward foreign direct investment: The moderating role of firm size. *Emerging Markets Review*.