China Rolls Up Welcome Mat

Foreigners revisit assumption that openness that started under Deng could only grow

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SHANGHAI— Henry Luce, the founder of Time magazine, was raised in China as the son of a Presbyterian missionary.

He and his family were among a population of foreigners that swelled to as many as half a million before 1949. Some were teachers, doctors and journalists. Others were merchants, engineers, architects and bankers. Within a few years of the Communist takeover almost all had fled or been kicked out. Mao harbored such loathing for Shanghai, China’s most cosmopolitan city, that he considered emptying it out completely after the revolution.

Deng Xiaoping’s “open door” economic reform policies in 1978 brought many of these groups flocking back. Many thought the openness would only grow.

It may be time to review that judgment: These days, foreigners are starting to feel less welcome. The Chinese legislature passed a law last week that puts all foreign NGOs under police administration with onerous registration and reporting requirements, essentially treating them as a security risk. Many will be forced to leave.

In line with this new mood of suspicion, a public poster campaign is warning young female government workers about “dangerous love” with foreign spies, a label frequently attached to the few foreigners who stayed on after 1949, particularly Americans.

State media regularly inveigh against “hostile foreign forces” trying to topple China’s socialist system.

Restrictions on foreign publications are tightening. Time, with a storied past in China, has joined a growing list of foreign news websites blocked by the Great Firewall. It includes the Economist, Bloomberg, Reuters, The Wall Street Journal and the New York Times—in addition to search engines and social-network sites like Google, Facebook and Twitter.

Christianity is in the firing line again: Authorities in eastern China, where missionaries labored before the revolution, are tearing down crosses atop churches.

Whole segments of the foreign business community complain that their prospects are narrowing. Last month, Apple Inc.—one of the great China success stories—had to shut down its online book and movie services due to new Internet restrictions.

More frivolously, the China Daily reports that the government plans to order residential compounds to switch from "exotic" English names to Chinese ones. Examples of the genre in Beijing include Merlin Champagne Town and Capital Paradise.

No, China isn't closing for business. Compared with many other developing countries, it remains wide open. It is the world's largest manufacturer, biggest trader and a magnet for foreign investment. About three-quarters of China's high-tech exports come from foreign-invested companies.

China's antiforeign turn is driven by several related trends. First, President Xi Jinping has a much lower tolerance than Deng for the unwelcome intrusion of foreign ideas about democracy, press freedom and individual rights that come along with trade and investment—what Deng called "flies and mosquitoes."

The other day, Mr. Xi was railing against "Western capitalist values" invading the Communist Party's own training schools.

Second, Mr. Xi is pushing ideology harder than any leader in decades. Increasingly, China sees itself in ideological confrontation with the West. In addition to stressing Marxism, Mr. Xi's administration is seeking to revive traditional Chinese culture to counter Western ideas—thus, the hostility to crosses.

And Mr. Xi is promoting a strident form of nationalism. One aspect of this is much greater Chinese assertiveness in territorial disputes with neighbors, including Japan, Vietnam and the Philippines.

Another is an explicit set of government policies aimed at helping Chinese firms replace their foreign rivals in the domestic market.

All of this adds uncertainty to the outlook for foreigners who have landed on China's shores. The 2010 census put their number at almost 600,000, not including residents from Hong Kong, Macau and Taiwan.

Inevitably, NGOs working on sensitive issues like legal reform, labor rights and gender equality will be monitored even more closely.

Multinationals can expect a rougher ride. U.S. tech companies, in particular, are threatened as China increasingly insists on using homegrown products in strategic sectors like banking and telecommunications.

Foreign businesses in general need to brace for the unexpected in a more politically charged atmosphere.

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The new mood is reaching into Hong Kong. Businesses there were startled in recent months when a group of booksellers who specialized in salacious works about Chinese leaders went missing and popped up on the mainland. If, as many believe, they were abducted by Chinese security agents, it raises troubling questions about the territory's autonomy and rule of law that underpin its status as a global financial center.

The Henry Luces of our era are especially beleaguered. Facebook founder Mark Zuckerberg has tried almost everything to break into China. In March, as part of his wooing efforts, he took off on a run through Tiananmen Square on a miserably polluted day.

Looming through the haze in the background was a portrait of Mao—the great expeller of foreigners whose ideas are making a big comeback in Mr. Xi's more ideological China.

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