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Will China Return to Isolationism?

*China is at a turning point between returning to 1960s-era seclusion and keeping an open door, argues stars alumnus **CUI Lei**, Associate Research Fellow with China Institute of International Studies, a foreign policy think tank based in Beijing.*

In the past decade, there have been worrisome signs indicating that China is secluding itself from the outside world. The government has imposed strict regulations on the internet, blocked some foreign websites with unfavourable information through the Great Firewall, forbidden university teachers from adopting textbooks compiled by Western scholars, and set limitations on travel abroad by government personnel, among other steps. To make things worse, when the United States opened a trade war against China this year by imposing punitive tariffs on Chinese imports, China retaliated in kind. The latest example of a tendency toward seclusion is the vehement promotion of self-reliance in developing high-tech industries by President Xi Jinping on various occasions.

Will China retreat to seclusion, just like it did in the 1960s?

The Chinese are divided on this issue. A considerable portion of the leadership seems to be willing to return to seclusion in general. It is easier to keep society stable in an isolated environment. Wider openness to the outside means more pressure to reform and undermines the interests of some interest groups, leading to high political risks. Just like in North Korea, a state of isolation is helpful for regime stability. In addition, as the successor to a government experienced in managing the country in an isolated environment from the 1949 to late 1970s, the current government is confident it can do so again.

Besides, after four decades of economic development, China now has a complete set of supply chains and its dependence on foreign trade has fallen in the past decade. In addition, China will boast the largest domestic market in a few years. In this sense, China can rely on itself to develop without much input from the outside world.

A portion of the public also wants China to return to its past isolation. This group includes peasants and manufacturing workers whose jobs are threatened by imports and foreign investment as well as nationalists who regard Chinese politics and culture as superior to foreign ones.

However, the strategic turn inward will face resistance from other portions of both the public and the leadership. The majority of the Chinese public are not willing to live in seclusion again like their North Korean neighbours. Exporters and people working for foreign companies based in China will resist. Progressive intellectuals will be unhappy as well because seclusion means a final refusal to accept universal values such as market economy, democracy, and liberty.

Even within the Chinese leadership, openness and reform have become political correctness nearly no one can challenge, even a person as powerful as Xi Jinping. The reformists firmly believe that China has benefited, and is expected to continue to benefit, from integrating itself into the world order. In a globalized era, seclusion from the world means cutting the country off from technology and capital supply and risks stalling economic

growth. A closed door policy also means the end of Chinese reform toward a more liberalized and market-dominated economy.

That said, whither China? Generally speaking, China's strategic direction depends on the fate of reform in Chinese politics and the response from the outside world.

If the Chinese leadership decides to deepen reform and build an open economy and liberal society, the West will welcome a rising China and integrate China into the current international order, which means China will remain open.

If the leadership makes the opposite choice, the West will be disappointed and will move forward to contain China. Being contained, China would have no choice but to retreat into isolation.

Don't expect either of the above scenarios to come true, however. A third scenario is more likely: an incomplete seclusion, or half-openness/half-seclusion, whatever you like to call it. Holding the banner of globalization and free trade, China actually wants to remain open to the outside in some aspects, mainly foreign trade and investment. Beijing has recently taken some measures like lowering tariffs and shortening the negative list of investment, both demonstrating its resolve to keep China widely open to the outside and signalling to the United States that China is willing to make some concessions to reduce the tensions on trade. But by now these actions have failed to convince the Americans to change their minds. The new deal the United States struck with Canada and Mexico may be copied in future deals with the EU and Japan and set a high barrier for China to strike free trade deals with its main trading partners. If China's reassuring efforts continue to be greeted with cold faces, China will be disappointed and give up its efforts to open to the West.

Some Westerners will be happy to see China's seclusion as an inward-looking China will pose no more threat to the West in terms of economy and value. China's status as the world's factory can be replaced by other newly emerging economies, although the process may be painful and may last for a very long period. China's seclusion also means the diminishing of its influence in the West through soft power programs like the Confucius Institutes.

However, China will not pull up the drawbridge and retreat to isolation completely. China will turn its back on the West but still keep its door open to non-Western countries by promoting the Belt and Road Initiative and investing in Russia, Africa, South America, Southeast Asia, and other developing economies. These are like-minded countries with a similar history of being colonized and humiliated by the West, plus strongman traditions and interests in seeking financial assistance from China. Developing countries will be happier than the West to see a partially open China.

With an economic iron curtain falling down between China and the West, it may seem like the world could live in peace. However, China's seclusion may have grave consequences. With such a great power as China being isolated and hostile, the risks of a cold war will rise between China and the West. The non-Western countries having close ties with China might be drawn further into China's orbit and join the long-term standoff.

Then, what should the West do to prevent China from spiralling into seclusion? As China is hesitating on which path to take – that is, whether to remain in the current international

order or not – the West should encourage China to remain open and patiently wait for change. It is necessary to apply some pressure, but if the West pushes too hard, China will assert that it is a better choice to seclude itself without any change to its economic and political models. On the contrary, if the West wisely continues to engage China, the Chinese leadership will be reassured and confident in regime stability. Only in that case can the pro-openness and pro-reform forces in China prosper and promote change.

Some in the West, mainly the United States, assert that engagement with China has failed, but comparing the current situation in China with four decades ago, one can say that the engagement policy has no doubt been successful. The greatest danger now is that the West, ignoring the success of its engagement policy, throws away the carrot and picks up the stick instead.

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