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A Rare Champion of Pro-Market Policies to Close in China

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An independent Chinese think tank that has served as a rare bastion for liberal economic thought will shut down, citing government pressure as President Xi Jinping 's campaign to silence dissent rolls on.

Municipal authorities in Beijing have accused the Unirule Institute of Economics of regulatory violations and issued orders to force its closure, the think tank said in a statement Monday. While Unirule intends to file legal challenges against the orders, it will cease activities under its name and start liquidating its parent company, the statement said.

The Beijing-based Unirule was founded in 1993 to promote economic liberalization and democracy in China, riding on former leader Deng Xiaoping 's push for market-style reforms after the deadly crackdown on the Tiananmen pro-democracy protests in 1989. Its work has frequently collided with Communist Party orthodoxy—clashes that have become more acute since Mr. Xi assumed leadership and pursued an increasingly authoritarian agenda.

“We no longer have any space for survival,” Sheng Hong, Unirule’s executive director, said in an interview. “We have no choice but to shut down.”

The Beijing government didn’t immediately respond to a request for comment.

The demise of Unirule, which had become increasingly moribund amid government interference, underscores Mr. Xi’s intolerance of critiques of his vision for a highly centralized government to steer China’s rise with a powerful state-led economy.

Some observers worry the silencing of independent voices such as Unirule deprives China’s leaders of useful policy perspectives as they grapple with a persistent slowdown in the world’s second-largest economy and a bruising trade fight with the U.S. These setbacks have fueled criticism of Mr. Xi’s leadership within the party elite.

Unirule’s closure limits further the already small window for open discussion of alternative paths for China’s economy, precisely at a moment when it is much needed, said William Kirby, a professor of China studies at Harvard University. “At the moment, zealous officials can seemingly do no wrong by taking extreme measures to clamp down on debate,” he said.

The Unirule Institute, whose name refers to a Chinese concept of “universal rules” over mankind, was created by a group of scholars as a platform for pro-market ideas, including the dismantling of China’s state sector, greater private property rights and the rule of law. Its founders include Mao Yushi, a prominent free-market economist who was in 2012 honored by the libertarian Cato Institute in Washington with its Milton Friedman Prize for Advancing Liberty.

Over the years, Unirule became a respected voice in Chinese intellectual and policy-making circles, and was even consulted by some government agencies and state-owned enterprises. It held regular seminars in which in-house experts and guest lecturers would discuss wide-ranging subjects such as Chinese history, urban development and health care.

Its research fellows included prominent academics such as Xu Zhangrun, a Tsinghua University law professor who was suspended by the school in March pending an investigation into his writings that criticized Mr. Xi's leadership.

Chinese authorities have periodically put pressure on Unirule as official tolerance of its liberal advocacy waned.

In 2004, when a local government office rescinded its sponsorship of the institute, Unirule switched to operating as a research arm of a private company to comply with regulations. Relying on consulting fees, grants and donations, Unirule endured repeated government interference.

"Unirule has become a symbol of the struggle of liberal voices to find space in China today," said Julian Gewirtz, a Harvard University researcher who studies Chinese economic reforms. "Many of its members are unabashed about placing their work in dialogue with foreign thinkers—exactly the kind of 'foreign influence' that Xi's administration seeks to curtail."

Unirule's fate became increasingly uncertain as other liberal groups—including an influential Chinese magazine—succumbed to government pressure under Mr. Xi.

Over the past two years or so, Unirule suffered eviction from several offices and the shutdown of its websites and social-media accounts. Authorities also revoked the business license of a Unirule-affiliated company, and in November cited national-security concerns when they blocked Mr. Sheng, the executive director, and his deputy from traveling to the U.S. to attend a Harvard University symposium on China's economic reforms.

In a bid to stave off further disruptions, Unirule offered government officials compromises including a pledge to refrain from discussing members of the Communist Party leadership or their families, according to a person familiar with the talks.

But in June, a civil-affairs bureau in Beijing issued a suppression order against Unirule, and in early July a district branch of Beijing's corporate regulator said it was revoking the business license for Unirule's parent company, accusing it of running the institute's website without a permit.

Unirule said it believes the orders are unlawful.

Mr. Sheng said Unirule has let most of its staff go as it expects authorities to dismiss the institute's legal challenges. "China's government says it wants the rule of law," said the 64-year-old, who plans to continue his research work. "But in reality, it doesn't adhere to legal principles."