



## Israel's Pivot to Asia

Michał Wojnarowicz

*The importance of Israel's cooperation with Asian states has increased systematically. The pivot from the West to Asia is focused on growing the economy but in the longer term might also bring political benefits to Israel. It attributes great importance to its relations with China, which could lead to disputes with the U.S., especially in the sensitive sphere of technological cooperation. The changes in Israel's policy in this area may prove beneficial to the European Union.*

In Israel, the foreign policy of Benjamin Netanyahu's government sees developing cooperation with the Asia-Pacific region as one of its top priorities. The intensification of the relationships applies both to Northeast Asia (China, Japan, South Korea) and Southeast Asia (India, Vietnam, Philippines, Singapore), as well as to countries with which Israel has not maintained close relations (Australia).

**Areas of Cooperation.** Economic issues are the main basis for Israel's focus on Asia. The developing populations and economies of Asian and Pacific states are a growing market for Israeli goods and services, seen by the 26% of Israeli imports and 22% of its exports in trade with Asia in 2016. Compare that to 43% of Israeli imports and 29% of its exports to the EU in the same period. Trade volume with Asia rose to about \$33 billion from \$23 billion in 2010.

Israel is negotiating free-trade agreements with China, India, South Korea and Vietnam. It also is trying to meet Asia's increasing demand for advanced technology, including in sectors such as agriculture (India), water management (Singapore) and high tech. Asian countries are an important partner in diamond trading, a significant part of the Israeli economy, valued at \$6.5 billion in 2015. In addition, foreign workers from Southeast Asia play a significant role in Israel's overall economy and especially in services. In 2015, their number was estimated at 26,500.

Asian states are most important to Israel's defence industry. In total, in 2016, Israel exported \$2.6 billion worth of armaments to Asia (total exports amounted to \$6.5 billion, with \$1.8 billion worth to Europe and \$1.3 billion worth to North America). Israeli defence companies also invest in on-site production; in recent years, arms factories have been launched in India and Vietnam. Cybersecurity remains an important area of cooperation. Israel signed agreements in this sector with Japan, China, and South Korea. Exports of weapons are growing because of the deterioration of security in the South China Sea and on the Korean Peninsula, as well as in tense relations between India and Pakistan. Israel's main import partner is India, which in April signed a \$2 billion contract—the largest in the history of the Israeli arms industry. It includes the delivery of Barak 8 anti-aircraft and missile defence systems to the Indian Navy and Land Forces and Spike anti-tank missiles. Vietnam, the Philippines, Singapore, and Thailand are also important buyers of Israeli defence equipment, mainly UAVs, missile defence systems and communications equipment, as well as modernisation services of post-Soviet weaponry.

**Political Aspects.** The development of economic relations between Israel and Asia-Pacific states is accompanied by closer political relations. In 2017, Prime Minister Netanyahu and President Reuben Rivlin visited Australia, China, Singapore, and Vietnam. The first visit of Indian Prime Minister Narendra Modi to

Israel is scheduled for July. A positive image of Israel is promoted by tourism and academic cooperation as well as humanitarian aid, e.g., after the earthquake in Nepal in 2015 or the typhoons in the Philippines in 2009 and 2013.

One of the reasons for Israel's pivot is the change in policy of various Asian states. In the past, their dependence on Middle Eastern energy resources meant they sought to maintain good relations with oil-producing countries in the region, which translated into support for the Palestinians and low-intensity relations with Israel. This approach has partially changed in recent years because of destabilisation stemming from the Arab Spring, the international sanctions on Iran, and the diversification of energy sources. Criticism of Israeli policies by Asian countries has largely been only declarative and does not affect mutual cooperation. An example is India, which after the victory of the BJP party in the 2014 elections, dropped its traditional pro-Palestinian stance, criticised Hamas activities, and abstained from voting against Israel in the UN General Assembly.

Israeli foreign policy has been affected by a deterioration of relations with its main partners—the European Union and the United States (especially during Barack Obama's presidency). Israel dislikes criticism from Western states on issues of human rights or violations of international law, such as the construction of settlements in the West Bank. Israel has been particularly concerned about the involvement of many European institutions and the public in the pro-Palestinian "Boycott, Divestment, Sanctions" (BDS) movement, which is practically absent in Asia-Pacific states. Their "pragmatic" approach to cooperation is, therefore, more attractive from Israel's perspective.

**Relations with China.** China has played a significant role in Israel's pivot to the region. In 2016, bilateral trade amounted to \$16 billion (in the same period, trade with the U.S. amounted to \$35 billion and with the EU, €34 billion). Israel has five trade offices in China and new consulates in Chengdu and Guangzhou in 2010 and 2014, respectively. Intense cooperation is developing in advanced technologies. The mistrust of Chinese capital in the United States has caused an influx of Chinese investments into Israel's high-tech sector, estimated at \$16.5 billion in 2016. China also invests in Israel's construction, pharmaceutical, and food industries. Despite opposition from the United States, Israel has joined the Asian Infrastructure Investment Bank, which supports China's "Belt and Road" initiative. Israel may become an important part of the maritime aspects of the project, mainly as an important logistic hub to complement the Suez Canal. This is the reason behind Chinese involvement in major infrastructure projects in Israel, including the construction of the Eilat-Ashdod railway connection and the expansion of the ports of Haifa and Ashdod. Another touted area of cooperation for both states is the fight against Islamic terrorism.

Israeli-Chinese relations are strongly influenced by China's rivalry with the United States. In the past, the U.S. has blocked the transfer of advanced Israeli technology to China, claiming it could potentially threaten U.S. security interests. Any possible tightening of U.S.-China trade relations by President Donald Trump's administration, especially if accompanied by a worsening climate for Chinese investment in the United States, could in the short term benefit Israel. In the long run, if the conflict were to lead to the destabilisation of global markets, it would jeopardise the export-oriented Israeli economy.

**Conclusions.** The role of Asia in Israeli foreign policy will increase. Israel's long-term goal is to translate economic relations into political support from Asian countries. This would mean in practice less criticism at the UN, the establishment of cooperation with regional organisations (ASEAN, Shanghai Cooperation Organisation), and, within "Belt and Road," an increase in the scope of cooperation with some Muslim countries. Good relations with Asia also strengthen Israel's position over Iran.

Growing Israeli involvement in Asia can affect its relations with the European Union and the United States. While Prime Minister Netanyahu has emphasised that the pivot to Asia does not mean a weaker strategic alliance with the United States, a stronger relationship with China may lead to future tension and conflicts of interest. In regard to the EU, although still Israel's main trading partner, its attractiveness as a political and economic partner may be dwindling. The EU should not, however, treat Israel's Asia pivot as a threat, but try to use it for new projects. The Union could consider launching multilateral cooperation with Israel and selected Asian countries, e.g., in relation to cybersecurity. These actions would not collide with pressure from EU states on Israel to respect international law, such as in its relations with the Palestinians.