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## Israel in Chinese Policy: Innovation and Strategic Importance

**Marcin Przychodniak**

*The significance of Israel in China's foreign policy is rising, especially as a source of modern technology in the IT sector and destination for infrastructure investment. The economic cooperation and political dialogue between China and Israel are also motivated by the protection of Chinese investment projects in, for example, Egypt and Iraq. China's engagement in the Middle East could also translate in a reduction of activity in the European part of China's Belt and Road Initiative (BRI). Enlargement of the Chinese military presence in the Middle East is also possible and could become a challenge for NATO.*

Israel and China re-established diplomatic relations in 1992 and since then have focused mainly on economic cooperation. Lately, both countries intensified their political contacts. Israeli Prime Minister Benjamin Netanyahu travelled to China in March 2017. In October 2018, the vice chairman of the People's Republic of China, Wang Qishan, paid a visit to Israel. The political dialogue is supported by the Chinese perception of Israel as a western country that, however, avoids criticising China on human-rights violations. The Israeli attitude towards China is influenced by the memory of Jews saved in Shanghai during the Second World War.

**Innovation.** For China, Israel is a key partner in the modern technology sector. Chinese authorities hope that cooperation in that area can be helpful in reducing complications caused by the trade dispute with the U.S. or the cautious EU approach to Chinese investment. The China-Israel interaction is supported by the Israeli position as a scientific and start-up centre. According to the Chinese, the cooperation between the states since March 2017 is described as an “innovative comprehensive partnership.” This cooperation is coordinated under the China-Israel Joint Committee on Innovation Cooperation, established in 2014, which held its latest, fourth meeting—chaired by PM Netanyahu and Wang Qishan—in October 2018.

China, among others, invests in the Israeli start-up sector. Between 2015 and 2017, it spent about \$600 million in the sector amounting to 12% of total capital raised by Israeli startups. The companies receiving the investments include those involved in artificial intelligence development and image (video) analysis. In 2018, funds oriented toward investment in Israel were announced by Alibaba (\$20 million), Xiamen Comfort Science (\$10 million), and Ogawa (\$10 million). Alibaba founder Jack Ma (Ma Yun) visited Israel in May 2018 and his enterprise bought Nextar (autonomous cars) and SQream (data gathering and big-data analysis), among others. Huawei has had an R&D centre in Israel and since 2016 it has shares in two companies— Toga Networks (networks) and HexaTier (cybersecurity). Chinese firm TCL, after the failure of the takeover of U.S.-based company Novatel, initiated cooperation with Israeli firm Freshub. In 2018, a Chinese-Israeli platform for the trade of intellectual property rights was established with the sale of four Tel-Aviv University patents.

**Trade and Infrastructure.** Trade exchange between China and Israel grew between 1992 and 2017 from \$50 million to more than \$13 billion. The intensification of cooperation is to be strengthened by a free trade agreement. Now, the fourth round of negotiations is ongoing and the Israeli side has declared its readiness to sign the agreement in 2019.

Chinese companies are also engaged in infrastructure projects. The Chinese authorities routinely include the projects in the sea parts of the BRI. An Israel delegation (headed by Tzachi Hanegbi, minister of communications and regional cooperation) took part in the BRI Forum in May 2017 in Beijing. Israel is also a founding member of the Asian Investment Infrastructure Bank (AIIB), despite criticism of the bank by the U.S.

In 2017, Chinese companies invested more than \$6.5 billion in Israel. In 2018, the Shanghai International Port Group took over for 25 years the management of the modernised Haifa port. China Harbour Engineering Company is renovating the port in Ashdod and another company is part of a consortium constructing the city railway in the Israeli capital. Chinese firms also probably will be building the high-speed train between Tel-Aviv and Eilat (which also will go through Ashdod). From the Chinese authorities' perspective, the infrastructure upgrades in Israel could be an alternative to the Suez Canal. In case of Egypt's destabilisation or costs in the canal zone become too high, the use of the Eilat port and railway transport to Haifa or Ashdod is possible.

Israel's importance in Chinese policy is increasing in part because of advancements in BRI projects. With problems financing BRI globally the necessity of China to continue to subsidise railway transport connections to the EU, a southern route could be more profitable. This means that benefits to the EU from Chinese deliveries and connectivity development could be reduced.

**The Importance of Israel in China's Middle-East Policy.** For China, Israel is also a major political partner. The main goal is to stabilise the regional situation to secure Chinese investment plans. The importance of China-Israel cooperation has risen with the inconsistency in U.S. President Donald Trump's Mid-East policy and the takeover of the Haifa port by the Chinese company, which gives China the possibility to increase its surveillance of the U.S. Navy, which used it as a base. It is worth underscoring here that, according to Israeli experts, the bidding procedure for the modernisation contract was not transparent. Israel's importance is also noted not only through investments but also by Chinese political gestures. For example, China, though lacking an extradition treaty with Israel, returned a suspect to be prosecuted on criminal charges there.

In its involvement in the Middle East, China consults many topics with Israel. In 2018, Israel was visited by special envoys Gong Xiaosheng, who discussed the Middle East (November), and Xie Xiaoyan, who reviewed the Syria issue (August). On Syria, China hopes stabilisation will allow it to be involved in the reconstruction of the country. To this end, with Israel it has common interests in neutralising radical Islamist forces (namely ISIS), which have contributed to the unrest in the Chinese province of Xinjiang. In 2012–2016, China consulted with Israel possible means (but without implementing them) to reduce the level of extremism in Islamic societies, to be used against the Uyghur minority in China.

**Conclusions and Perspectives.** Despite common interests, in Israel there is concern about deepening cooperation with China. This is connected to the access of Chinese companies to critical infrastructure and dual-use technology. There is also the influence of the U.S. (Israel's security guarantor) on reducing cooperation with China. On 7 January, U.S. National Security Advisor John Bolton supposedly openly demanded Israel reduce cooperation in specific areas, including Huawei's interest in 5G technology. In the Israeli National Security Council, a law is being drafted on the establishment of a government committee that would evaluate foreign investments (e.g., in telecommunications and financial services). The law is supposed to proceed to the Knesset early this year, although it might be delayed until after the April parliamentary elections. Separately, although China has kept its pro-Palestinian stance and support for maintaining the nuclear agreement with Iran, it does not raise these topics with its Israeli partners.

A strategic challenge for the U.S., EU, and NATO is the possible enlargement of a Chinese military presence in the Middle East. The controversial contract to manage the Haifa port together with the possible withdrawal of U.S. troops from Syria makes such involvement more probable, especially given that support of Assad is also in the Israeli interest. Chinese involvement could probably be oriented towards the security of investments in Egypt, Syria, or Iraq, or protection of BRI infrastructure. This form of Chinese military presence could stabilise the situation in the region, which is also in the interest of the EU, concerned with reducing mass-migration. But it is difficult to evaluate such a presence from the perspective of its actual impact on U.S., EU, or NATO interests. It could lead to rising U.S.—and Russian—interest in the region, which would reduce the pressure on the EU (and on NATO's Eastern Flank). China is both interested in supporting Assad in Syria and in helping in the fight against terrorism.

Israel's status as a key Chinese partner in the high technology sector stems not only from its growing start-up sector but also skilful promotion. Poland could gain from this experience. It is worth considering presenting the high level of Polish scientists and science, which could help attract Chinese investment and students.