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**Diplomacy and Foreign Policy**  
**Final Assignment**

*“Israel-China Foreign Relations:  
Opportunities and Challenges”*

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## **INTRODUCTION**

Israel recognized the People's Republic of China in January 1950, and was the first country in the Middle East to do so. This was followed by explorations from diplomats of both sides to establish diplomatic relations between the two countries. While these exchanges were on-going, the Korean War broke out in June 1950. The Chinese's intervention in the Korean War was subsequently met with condemnation from the United Nations in February 1951. Faced with heavy pressure from the US, the Israeli government suspended its efforts of cultivating relations with Beijing. Israel's exclusion from the Bandung conference in 1955 and China's expanded relations with the Arab nations further alienated the two countries. As a result, there was almost no attempt made by either side to establish diplomatic relations from then onwards. In the late 1970s, China started to adopt an 'open door' policy which led to an expansion of China's international economic relations. Trade between China and Israel then started and culminated in the establishment of full diplomatic relations in 1992.<sup>1</sup> Since then, the diplomatic relations between both countries have grown rapidly.

This paper reviews the bilateral relations between China and Israel since January 1992, when full diplomatic relations between the two countries were established. In the review, the opportunities and challenges in this bilateral relation will be examined. The paper will also highlight the future prospects of the Israel-China relations.

## **ISRAEL-CHINA RELATIONS IN THE EARLY YEARS**

### *The First Two Decades after Establishment of Full Diplomatic Relations*

Following the establishment of full diplomatic relations in 1992, the first two decades of the Israel-China relations grew predominately on economic and

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<sup>1</sup> Yitzhak Rabin, *Hide and Seek : Sino-Israeli Relations in Perspective*, Israel Affairs Vol 1 No.2, Winter 1994.

cultural ties. China was interested in Israel's advanced technologies, and was a big buyer of Israeli agro-technology, water purification and telecommunications systems.<sup>2</sup> By 2010, the trade volume between China and Israel reached \$7.65 billion, nearly 150 times of that in 1992.<sup>3</sup> Exchanges between the two countries in the cultural front as well as in the areas of education and academic also grew. In terms of cultural exchanges, the key highlights included the Israeli Philharmonic Orchestra's visit to Beijing in 1995 and the four months long exhibition on traditional China hosted by the Israel Museum in Jerusalem in 2001.<sup>4</sup> At the education and academic front, numerous student exchange programs have been established between Israeli and Chinese universities where Israeli students travel to China to study Chinese in various provinces while Chinese students study and conduct their respective fields of research in Israel universities.<sup>5</sup>

While bilateral relations and commercial ties between the two countries grew positively during this period, there were also setbacks in defense co-operations arising from the Phalcon and Harpy defense sales crisis in 2000 and 2005 respectively. Israel sought to sell military equipment to China in both sales, but Israel had to cancel both deals at the last minute following the US's voice of objection which Israel caved in to. Besides having to compensate China heavily for the cancelled deals, Israel also had to subsequently comply with a strict set of rules, dictated by the US, regarding the export of Israeli technology to China. The US's intervention in both episodes of defense sales between China and Israel as a result of security concerns were early signs that the strategic partnership between the US and Israel could have ramifications on Israel's

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<sup>2</sup> Aron Shai, *Sino-Israeli Relations: Current Reality and Future Prospects*, INSS Memorandum No.100, Sep 2009, Pp 25.

<sup>3</sup> China Daily, *China to expand economic ties with Israel*, 3 Mar 2011, [http://www.chinadaily.com.cn/china/2011-03/03/content\\_12106851.htm](http://www.chinadaily.com.cn/china/2011-03/03/content_12106851.htm)

<sup>4</sup> Aron Shai, *Sino-Israeli Relations: Current Reality and Future Prospects*, INSS Memorandum No.100, Sep 2009, Pp 29.

<sup>5</sup> Ibid.

foreign policy towards China. These incidents also highlighted the tight rope that Israel would have to walk on in its growing diplomatic relations with the two great powers.

### *Improvements in Relations*

Despite the fallouts from the failed defense deals, economic relationships between China and Israel proceeded independently and continued to strengthen owing to China's interest in Israeli's advanced technologies and Israel's interest in accessing the Chinese market. The growing Israeli-Chinese commercial relations were also accompanied by warming diplomatic ties at the leadership level. Prime Minister Netanyahu met President Xi Jin Ping of China in May 13 in Beijing. Prime Minister Netanyahu was again hosted to a visit by President Xi Jin Ping of China in March 17, and during this visit, the two countries signed ten bilateral business agreements at a total value of \$25 billion.<sup>6</sup> It was also during this visit that both leaders announced that relations between the two countries were upgraded to the status of Innovative Comprehensive Partnership.<sup>7</sup> Such high level visits underscored the fast-growing economic and political partnerships between the two countries.

### **CHINA'S INTERESTS IN ISRAEL**

Firstly, China continued to be attracted to Israel's advanced technologies and its main interest in Israel economy is in the field of innovation. In May 2014, the Israel-China Joint Committee for Innovation Cooperation, a government-to-government level mechanism, was established between the two countries to promote cooperation in the field of innovation. During China's President, Xi Jinping, meeting with Israel's Prime Minister in March 2017, he also said

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<sup>6</sup> Ariella Berger, *The Rising Strategic Value of Global Technology Assets and Its Impact on Sino-Israel Relations*, Sino-Israel Global Network & Academic Leadership Perspectives, 27 June 2017.

<sup>7</sup> Hagai Shagrir, *Israel-China Relations: Innovative Comprehensive Partnership*, INSS Memorandum 194, August 2019, Pp14.

“Israel is a world-renowned innovative country, and at the same time, China is also pushing forward innovation-driven development, so innovation has become the common focus of our two countries. It is also the priority for our cooperation.”<sup>8</sup> As China continues its economic expansion and military modernization, it sees Israel as a source for transfer of new and advanced technology to boost its innovation and R&D capabilities.

Secondly, China also sees Israel as an important partner in its Belt and Road Initiative for geo-economics reasons. This sentiment was expressed by the Chinese Ministry of Commerce during one of the negotiations meetings in January 2019 between Israel and China on free trade agreement, where it said, “Israel is an important partner in the Middle East and along the Belt and Road.”<sup>9</sup> Due to its strategic geographical location, Israel can serve as a useful node in China’s grand vision of linking itself to Africa and Europe via the Mediterranean. This could be seen in China’s infrastructure investments in construction at the ports of Haifa and Ashdod.

Thirdly, the Middle East region is crucial to China’s overall energy security.<sup>10</sup> From a geopolitical dimension, China views Israel also as a partner to its overall Middle East policy as it sought to maintain good relations with all countries in the region.

### **ISRAEL’S INTERESTS IN CHINA**

For Israel, its interest in advancing the Israel-China bilateral relations stemmed from the potential that China’s powerful and still developing economy could

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<sup>8</sup> An Baijie, Xi: Innovation is ‘Common Focus, China Daily, 22 Mar 2017, [http://www.chinadaily.com.cn/china/2017-03/22/content\\_28633164.htm](http://www.chinadaily.com.cn/china/2017-03/22/content_28633164.htm).

<sup>9</sup> Daniel Estrin & Emily Feng, *There’s A Growing Sore Spot In Israeli-U.S. Relations: China*, NPR, 11 Sep 2019, <https://www.npr.org/2019/09/11/757290503/theres-a-growing-sore-spot-in-israeli-u-s-relations-china>.

<sup>10</sup> Shira Efron, Howard Shatz, Arthur Chan, Emily Haskel, Lyle Morris, Andrew Scobell, *The Evolving Israel-China Relationship*, RAND Cooperation, 2019.

advance Israel's economy, by serving as another source of capital and investments, and as another important market for Israeli goods so as to diversify its export markets from the US and Europe. Diplomatically, given China's support with Palestine, Iran and other Arab nations not friendly to Israel, Israel also aimed to promote its political interests with China by seeking its neutrality in the Middle Eastern conflict. As in the case with the Israel-India bilateral relations, Prime Minister Netanyahu hoped that broader economic relations with China would also translate to more political alignment at the UN, whereby China would change its previous pattern of voting with Arab states against Israel in the UN system.

## **POSSIBLE OBSTACLES IN THE ISRAEL-CHINA RELATIONS**

### ***US Apprehension in the Israel-China Relations***

Although relations between China and Israel are growing, there exist challenges in advancing the bilateral ties. In the Israel-China relations, Israel sees an opportunity to engage China so as to access the world's second-largest economy, but the United States sees China's growing influence in the Israeli economy as security threats posed by its main adversary.

Against the backdrop of improving Israel-China co-operations in high-tech industry, the US has concerns with the high level of Chinese investments in Israel's technology sector. In light of the US-China rivalry, the concerns stemmed primarily from the potential transfer of defense-related high-end technologies from Israel to China, and other dual-use technologies and capabilities such as Artificial intelligence and cybersecurity products that could strengthen China's military edge. The US's concerns were not unfounded given the previous Phalcon and Harpy episode. Then, the US had to pressure Israel to cancel the deal due to security concerns related to transfer of military technologies. In both instances, the US has shown that it will not hesitate to

intervene and the intervention could be harsh. In the case of the Harpy deal, the US suspended Israel from the Joint Strike Fighter (JSF) project and also demanded the resignation of General Amos Yaron, the Israeli Defense Ministry's director general. Subsequently, the Defense Ministry also had to establish a department for overseeing defense exports.

The other risks lie in the possible intellectual property violations by China in the technology transfer from Israel, thereby enabling China to gain access to significant proprietary technologies. The US expressed this concern and also the repercussions it would subject Israel to when Secretary of State Mike Pompeo said in an interview with Israeli television: "If certain systems go in certain places, then America's efforts to work alongside you will be more difficult, and in some cases, we won't be able to do so" and "Intelligence sharing might have to be reduced, co-location of security facilities might have to be reduced. We want to make sure that countries understand this and know these risks."<sup>11</sup> As long as Israel-China high-tech cooperation efforts are clearly in civilian fields, there is likely to be minimal conflict of interests between the United States and Israel.

The US is also concerned about the current infrastructure investments that China has made in Israel. The Haifa commercial port is one such example. The Israeli naval base in Haifa is a frequent port of call for the US Sixth Fleet. As the Haifa commercial port is near the naval base docks where the US warships would anchor, the US is wary that the state-owned Chinese companies operating the Haifa port would spy on Israel's and the US sensitive military equipment and potentially threaten the US and Israel's national security.<sup>12</sup> In sum, the US's

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<sup>11</sup> Gary Willig, 'US could reduce intelligence ties with Israel over China ties', Arutz Sheva, 21 Mar 2019. <http://www.israelnationalnews.com/News/News.aspx/260723>

<sup>12</sup> *Israel's ties with China are raising security concerns*, The Economist, 11 Oct 2018.

apprehensions in the export of Israel's advanced technology and China's investments in Israel could hinder the progress of Israel-China bilateral ties.

### *China's Contradicting Geopolitical and Economic Interests with Israel*

As part of China's broader strategy to expand engagements in the Middle East, it has also cultivated ties with all major actors—including various Arab states, Iran, and Turkey, in the region. China's energy dependence in the Middle East puts it on close alliance with Israel's adversaries. This should be of concern to Israel as China's political positions and objectives in the region conflict with Israel's interests. Also, Israel's growing economic ties haven't fostered much Israel-friendly political change in China as it continues to be on opposing sides of the votes against Israel in international forum such as UN.

## **FUTURE PROSPECTS IN THE ISRAEL-CHINA RELATIONS**

### *Walking the US-China Tight Rope*

Israel will need to finely balance both the Israel-US and Israel-China relations by being sensitive to US's security concerns as it continues to build trade and economic ties with China. As Israel is still very dependent on the strategic alliance with US, it should not jeopardize security ties with the US in order to expand relations with China. At the same time, Israel should also ensure that it does not damage its strategic interests with China while preserving this special relationship with the US. The US-China relations are becoming increasingly competitive and complicated, judging by the current trade war between both great powers. This situation will only add to the complexity Israel faces in formulating its foreign policy towards China. Israel will therefore need to walk a tight rope of advancing relations with both US and China amidst the US-China rivalry, delicately balancing its economic ties with China and security ties with its biggest ally, the US.



### *Advancing Israel-China Relations in Mutual Comfort Zone*

China's continued support for the Palestine cause and its friendly relations with Israel's adversary nations in the Middle East posed limitations to a stronger Israel-China partnership. Both China and Israel would need to keep their economic ties separate from their relationships with other regional nations and avoid highlighting their differences in political opinions. This would then allow bilateral co-operations to progress in mutual comfort zone.

Overall, relations between China and Israel are broadening and deepening on multiple fronts. Although bilateral relations appear not to be especially close in some areas, they are booming in others. The political ties between both countries are cordial but not particularly warm, with each side having other, more preferred partners. Defense co-operations continued to be limited in scope due to the US's security concerns. In contrast, the economic ties are strong and have grown dramatically. There has been an increase in trade between the two countries, as well as growth in Israeli patent applications and grants in China, and Chinese investment in Israel.<sup>13</sup> There have also been other forms of cultural outreach, from cultural appreciation events to Chinese institutions working to promote a positive image of their country as a rescuer of Jewish refugees during the Holocaust. These trends could suggest how relations between Israel and China will evolve in the future, where bilateral ties in "soft" areas such as economics, education, and tourism would continue to strengthen while maintaining the status quo in "hard" areas such as politics and defense.

## **CONCLUSION**

In conclusion, the strategic partnership between the US and Israel remains irreplaceable for now and will continue to wield strong influence in Israel's

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<sup>13</sup> Shira Efron, Howard Shatz, Arthur Chan, Emily Haskel, Lyle Morris, Andrew Scobell, *The Evolving Israel-China Relationship*, RAND Cooperation, 2019, Pp94.

foreign affairs with China. Israel's dependence on the US for military equipment, aid, and international support will constrict its freedom of movement as it navigates its relations with China. Israel will therefore need to play a fine balancing act between the great powers in order to continue to still benefit economically and strategically from a closer relationship with China.

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