December 28, 2016

**The Israel – US – China Triangle: Trends and Recommendations**

**Forward**

The following memo aims to capture the current state of affairs in the strategic triangular relations between Israel and its greatest friend and ally, and between Israel and China, with the two Great Power relations as the overarching context. Based on this situational and trend assessment, I will venture with some recommendations for relevant policies, from Israel’s perspective. The ideas are, of course, my own personal understanding, and do not represent an official government position.

**Triangular Framework**

A triangular framing of the subject is a first important step, as it breaks out of the prevalent stovepipe thinking, which usually divides the relations into three separate channels, seldom connecting in mind. My proposed framework tries to grasp **the three sets of relations** within a **comprehensive whole**, incorporating various geographic theaters, global power dimensions, and inter-connectivity between issues, parties and interests. A triangular structure certainly does not mean nominal equality or symmetry, and Israel’s part in this triangle is certainly and clearly modest in comparison with the two colossi.

**General overview**

The **US – China** **relations** are the oldest of the three, spanning over several centuries, and burdened with a mixed “baggage” of trade, coercion, conflict, warfighting (both direct and by proxy), collaboration, cooperation, competition, and rivalry. Since the 1970s, when the UN-China thaw was designed in the Cold War context, countering the USSR and distancing Beijing from Moscow, the US played a dominant role in integrating China into the global system, encouraging its growth and development, and introducing it into international fora and institutions, such as the UN and WTO. Indeed, the last three decades saw China’s economy taking off, growing at an average rate of 10% a year, and gradually placing itself as the second largest world economy, on the US’s heels. This speedy growth was accompanied by a larger Chinese appetite for political recognition and power, and by a substantial buildup of China’s military forces. The sheer scope of the two powers’ economies makes their bilateral ties the single most important, though not the simplest, relationship in the world today.

The **US – Israel** **relations** are the most critical relationship for Israel, based on common culture, shared values, a wide convergence of interests, and a long history of trust and stalwart strategic support, periodical disputes notwithstanding. As such, they are the most intimate, diverse and developing, sharing efforts and resources in defense, military, intelligence, commerce and sciences, as well as in people to people and cultural levels. This teeming theater of trustful exchanges and close cooperation is sometimes clouded by policy differences (e.g. JCPOA, Settlements), by commercial competition (e.g. defense exports) and by rare espionage incidents (e.g. the Pollard affair) but much more frequent suspicions. All that put together, Israel generally enjoys a wide bipartisan support in the USA, not the least thanks to the powerful role of US Jewry in the American economy and political life, but also with strong support by the Christian public. A central pillar in Israel’s defense is the ironclad support of the US in the diplomatic, defense, military and economic spheres, and its preservation and strengthening are very high at the top of Israel priority list.

The **Israel – China diplomatic relations** are the youngest of the three, officially celebrating 25 years in 2017, and intently focusing on the economy dimension. The last decades were witness to a steep rise in China’s focus on Israel, expressed in a leap in the yearly trade and investment volume to currently about $10 billion. China, bent on speeding its economy growth while trying to transform it from a production-export base to a more balanced consumption and services economy, finds Israel as a rare source of useful technologies and as a world-class innovation spring. The two economies enjoy a complementary nature, although scale and scope are utterly disparate. Israel’s prowess in Hi tech, food tech, medi-tech, water and agri-tech are all in high demand in China’s struggle to feed and advance its vast but aging populace. China’s spending and investment power, its vast production capacity and formidable markets are all potential growth engines for Israel’s economy. The fast growing relations between the two countries are encouraged by a generally positive predisposition towards Israel and Jews among the general public in China, and the stark lack of antisemitism in East Asia in general. Driven by its main national interests, China focuses its relations with Israel on economy, while maintaining a traditional, conservative, mostly pro-Arab posture in the diplomatic and public domains.

**Israel’s strategic purpose** of its relations with China aims at the following components:

* Maximize the economic benefits in China’s huge potential (capital, products, markets) for Israel’s own growth in the short, medium and long terms
* Leverage the economic relations with China to advance diplomatic interests
* Maintain Israel’s strategic independence and freedom of maneuver
* Avoid damage to the strategic and critical Israel-US relationship

**Interest Maps: Geography**

Geography plays a major role in shaping the dynamics between the three countries. Israel is a **Middle Eastern** country, most directly affected by its nearest neighbors in the military dimension, while economically and politically oriented westwards to Europe and America. China is a prominent Asian country, with traditional **land-locked** worldview, a keen interest on its all-around and numerous immediate neighbors and a special focus on **East Asia**. The US is a **global** superpower with a deep rooted **maritime** perspective which demonstrates itself in the economic, political and military powers it wield worldwide, and specifically, as it plays a leading security provider role both in **East Asia** and in the **Middle East**. In our context, it is initially sound to assume that the main areas of encounter and interaction will be by **US and China in East Asia**, and by **US and Israel in the Middle East**, the two bilateral axes hardly connecting. This initial typology is indeed a good starting point, but it needs to be complemented by recent trends and developments.

Seeking new horizons and lessening its dependence on European trade, Israel marks a clear economic growth vector towards fast growing Asian markets (“tigers”). This is the context in which to understand the aforementioned swell in trade with China. At the same time, Israel has little, if any, skin in East Asian geo-strategy.

Aiming to match its newfound economic prowess with appropriate political and military powers, **China** is widening its sphere of influence in its immediate neighborhood in East Asia, seeking a recognized status as a **great power**, and as it seems, to decrease America’s sway in the vicinity. Its **geo-economic** thrusts seek a more balanced global posture, which accounts for its “**marching West**” efforts, such as the One Belt One Road (“OBOR”) infrastructure development initiative, the Shanghai Cooperation Organization, incorporating Central Asian countries and Russia, and a massive investment campaign in transportation facilities and infrastructure all the way from the West Pacific to Northern Europe, with Africa gradually becoming a Chinese sphere of influence.

Aware of China’s trajectory, the **US government** launched the “**rebalancing to Asia**”, also coined “the **Pivot**” policy, which was supposed to offset the decrease in America’s perceived power posture in the face of China’s rise.

The **Middle East** is a unique theater in our context. As explained, Israel sees utmost importance in the region it lives in, and to which it is unavoidably committed. One of Israel’s most important power sources in the region is the strong and unflinching support of the US, backed by the latter’s substantial military presence in the region and its willingness to use it to defend its interests and its allies.

The US plays a critical role in the region since WWII, as the strongest superpower and the main guarantor of security and stability to numerous Middle Eastern countries and to global goods and commons in the region. However, since the beginning of this decade and against the backdrop of the **regional turmoil**, America’s perceived power and reputation in the region suffered, following the outgoing administration’s Middle Eastern policy: its perceived betrayal of President Mubarak; its perceived support to Iran on its quest for the JCPOA at the expense of the KSA and the Sunni pragmatic states; the apparent surrender of the Syrian theater to Putin’s Russia and finally the abovementioned “pivot to Asia”, which was seen as a sign of US withdrawal from the Middle East, in growing fatigue and disinterest, following America’s newfound energy independence based on shale oil. This **erosion in the US image** in the region occurred in spite of the actual US force deployed and employed in the region, exceeding all other world players’ put together.

**China’s** approach towards the Middle East recently earned its name as the “Wary Dragon” policy, playing as an **economic heavyweight, diplomatic lightweight and military featherweight**. China focuses on its economic interests in the region, headed by safe and uninterrupted **energy supplies** and followed by other sorts of trade and investment, carefully **avoiding entanglement** in the political and military conflicts and in the political divides plaguing this tumultuous region. Hence, it’s policy intently leaves the costly and bloody military heavy lifting to the two traditional powers since the cold war, US and Russia. China benefits from the US provision of global public goods such as navigation security and open sea lines, and does not seek to replace America in the region, which it perceives as the ”Great Power Graveyard”. However, **China’s geo-economic development trends show a constant rise in its Middle Eastern interests**, which call for a gradual future growth in its capability to protect those interests, including militarily. Such indicators may be found in China’s ongoing military and naval activity within UN and international missions in the region (e.g. counter piracy operations), as well as a growing number of potentially dual use port and base facilities, such as Gwadar (Pakistan) and Djibouti.

All this put together, **the Middle East is potentially a region of converging interests to the two great powers**, partially overlapping Israel’s national interests.

**Interest Maps: Issues**

**Economically**, the **US-China relations** combine mutual **dependence** and **benefit** with sharpening **competition**. Allegations of **economic espionage** and **intellectual theft** by China are prevalent in the US, as in other countries. Other complaints include non-reciprocal and unfair obstacles to foreign business in China, as well as China’s habitual use of its economic power for strategic purposes (“checkbook diplomacy”), and the Chinese government involvement in allegedly private business corporations.

**Diplomatically**, China seeks to integrate into the world order and institutions, while at the same time aiming to reshape them to fit its current needs. In China’s eyes, somewhat shared by Russia, the current system and world order were put in place with a paramount US role, when China was weak, and so they are ill fit in reflecting its present power in economy and in the political level.

**Militarily**, China seeks to be able to assert its rights and protect its interest across the world, and to match its global trade posture with a maritime power capability. This trend, although only in its infancy, often puts China and the US at odds, as possible (and some say, unavoidable) **military rivals**.

This latter mindset of **military rivalry** was the background to one of the few converging vectors in the triangle, in which the first decade of this century saw a trilateral crisis around **Israeli defense exports to China**. Under US pressure, Israel cancelled several large sales of defense systems, much to China’s disappointment, several Israeli defense seniors were removed from office, and a new mechanism for defense export supervision was put in place. Since then, Israel generally refrains from defense exports to China, prioritizing its US alliance and paying close attention to American concerns about possible risk to US forces by China.

China and the US generally collaborate on global **proliferation** efforts, such as the JCPOA and Syria’s CW disarmament, but also go through rough patches pertaining DPRK nuclear and ballistic development and sabre rattling.

**Recent Trends and Events**

Keeping the above background in mind, the following developments are shaping the current juncture in time:

* President Xi’s defining year: November 2017 will see the defining moment in shaping the CCP standing committee, with five of its seven members stepping down and being replaced. This will be a great trial for Xi’s power and ability to mold his inner power-circle.
* Against this backdrop, and with China’s economic growth rate slowing down (towards 6.5%), China’s leadership’s stake at upholding its image as a guarantor of national interests and pride are skyrocketing.
* South and East China Sea are the first theater of nationalistic overtures, demonstrated in claiming China’s rights by island-building, militarizing, maritime and air-power saber-rattling and eco-power politics. This is an evident friction area between China, its neighbors and the United States, more so after China dismissed the international arbitration verdict repudiating its claims for sovereignty.
* President Trump’s administration is a **policy enigma** at this point, when China, much like the rest of the world, is trying to figure out its policy outlines. Following an incoherent and somewhat erratic campaign messaging, China looked forward to a pragmatic, if tough, negotiator and dealmaker. However, a quick succession of events and reactions began cascading after the president elect transgressed the accepted policy, accepting a phone call from the president of ROC. This was followed by Trump’s suggestion to use the “One China” policy as a bargaining chip on trade relations and conditions. China responded by public denouncements and military gestures at sea and on air, feeding a growing tension between the two, with frequent talk of a looming “trade war”. Given the great stress by Mr. Trump on advancing US economy, and his choice of China “hawks” to key positions, it is reasonable to assume growing tensions on the geo-economic level between the powers.
* DPRK nuclear and ballistic provocations put the US and China at odds about the adequate response, whereas the deployment of THAAD systems in ROK and Japan’s stronger defense posture are sharpening the dispute among the great powers.
* In this context, another problematic aspect of China’s ME policy is to be found in its relations with **Iran**, which while focusing on energy and economy, include Chinese defense exports to the Islamic Republic and support to its military and weapon production capability development. This venue resulted in Iranian missiles of Chinese design hitting an Israeli navy ship in 2006, and targeting US ships in 2016.
* Against this background, and under sanction pressure following its aggression in the Ukraine, Russia and China are growing closer, coordinating their efforts to counterbalance the US on the global theater, and to remold the international system in a way more suiting their own interests.

**The Big Picture: Opportunity & Challenge**

2017 will be an especially sensitive year in our context, combining China’s critical leadership shaping phase with the new administration’s first year in office and first steps on the world stage, as several world crises await eruption. The US and China will try to draw new rules of conduct between them, using the transitional period to test each other’s limits and to maximize opportunities. Growing tensions in East Asia, certainly at sea, are probable. The economic arena will be a contested, and competition may be more flagrant than collaboration, until a new equilibrium is found.

In general, this means greater potential for splinters from the great power competition flying towards Israel, and hence a tighter rope for it to walk between its closest ally and its new great economic partner.

China holds a great potential for Israel’s economic growth, assuming the latter assures appropriate returns for its contribution to China, and effectively hedging against its trade partner becoming a major competitor. The US experience can substantially accelerate Israel’s learning curve in this respect. A similar advantage can accrue from Israel learning lessons from US business in China, where Israel meets similar difficulties, as well as by drawing on US experience in setting a foreign investment review mechanism (CFIUS).

China’s Middle East policy is mostly complementary to the US’s (except on Iran), although China can do more in burden sharing on provision of public goods. A great potential for untapped contribution to Middle East stability lies in China’s proven capability and capacity in building infrastructure, at a time when the regional demand is compounded by insufficient development exacerbated by devastation and fighting.

Israel has great potential to support the two great powers’ efforts in the Middle East, based on its long regional expertise, its unique military and counter-terrorism capability, and on the growing appreciation of its contribution as a partner among regional players.

**The Way Ahead: Recommendations**

The world theater is entering a new chapter in which the US and China are adapting themselves to new conditions. Israel, as a small country with special relations with each of the great powers, needs to prepare itself to the emerging state of play.

Preserving and strengthening the **Israel-US relations remain Israel’s top priority**. Advancing the relationship with China, mainly in economic aspects, is an important national prospect. With these two goals in mind, Israel should seek to maximize both, while mitigating potential for negative effects between them.

Israel should include the China aspect in its ongoing dialogue with the US, ensuring “no surprises” and addressing mutual concerns at early stage, before they develop into crises. This means that Israel and the US should be discussing China and East Asia, cyber, defense and economic concerns within the government to government strategic dialogues, and can also try to address and influence China’s more problematic policy choices, such as in Iran and weapon proliferation.

“Track II” channels (between think tanks, etc.), may allow freer exchange of views and concerns without policy and protocol limitations, preparing the ground for official discussions when they ripen. This is a recommended venue for Israel both to augment the Israel-US communication, and to engage China on ME and other policy issues.

China should be encouraged to play a greater role in ME stabilization efforts, mainly through development of economic infrastructure. A natural first in this aspect can be development projects of Gaza and of Judea and Samaria, to advance economic stabilization of the Palestinian population, and to support improved security reality. Additional areas of possible Chinese development can be Egypt, Jordan and Southern Syria, in which humanitarian stabilization can improve border security for both Israel and the Hashemite Kingdom.

Counter terrorism can be a possible common ground for cooperation between all three nations, and it calls for some common frameworks for discussion and coordinated efforts. Counter proliferation, although more complicated, can also be addressed favorably.

Israel should sharpen its skills and preparedness to dealing with China as a major trade partner, addressing its unique characteristics and challenges, opportunities and potential, to include IP protection, maintaining competitiveness, strategic independence, etc. To allow this, Israel should augment its contemporary China knowledge and enhance expertise support to its national decision making. This should be done by nurturing a growing community of excellence both in the academy and practitioner communities. The US experience and scholar community should be a first resort in this respect, complemented by lessons from Singapore, Australia and other seasoned China interlocutors.

Finally, based on an intimate understanding with the USG, Israel can be instrumental advancing common goals with China, where distancing and US deniability are sought for.

**Conclusion**

The strategic triangle of relations between the US, China and Israel is entering a new epoch, mostly due to the great powers dynamic. Now is the time for Israel to prepare to this new phase, mainly by deeper engagement with its US ally, and by adapting to the special tenets of China’s unique character.