Chinese Investment in Israeli economy



by Andrew Poole / August 1, 2015

Although the Israeli technology is benefiting from Chinese investment, but it's a threat for possible knowledge theft as well as the fear that Israel will have an economic dependence on a country having relations with Iran.

Known by most Israelis that SHL being the operator of intensive care ambulances was given the generic name SHL due to the company's dominance in this field. But over the past years SHL has been increasing its activity and succeeded in becoming a company, providing monitoring and telediagnosis to heart and lung patients. In recent years, it has succeeded in developing a technology to convert a simple smartphone into hospital-level electrocardiogram device.

The Chinese corporation wants its residents to get benefit from this technology developed by SHL. But this won't be the first purchasing of an Israel medical company's unconventional technology by a Chinese corporation. Last December, Natali was bought by a Chinese-owned SunPower.

It has been discussed frequently about the growing interest shown by Chinese companies in Israeli technology. For instace one can look into the complex case which involved the richest Chinese person in the world, Li Ka-shing, owner of Hong Kong-based investment holding company Hutchison Whampoa. His established foundation was one of the main beneficiaries of Google's acquisition of Waze last year, after it invested $30 million in the Israeli navigation application in 2011.

Sharing relations with Iran

Chinese after gaining a significant foothold in the Israeli food market, in higher education and in the insurance industry, now they are moving forward to the field of

national infrastructures. It was last March, when Shanghai International Port Group won a bid for operating a new private port built in the Haifa bay.

Moreover, many efforts are being made by Chinese construction companies to enter Israel's construction industry. Long talks were held by Former Finance Minister and Chairman of the Housing Cabinet Yair Lapid with different Chinese companies in a bid to bring them to Israel. But Israeli contractors condemned these attempts, saying that the Chinese arrival would set their construction workers to unemployment. Meanwhile, the government is attempting to bring Chinese laborers for Israeli companies.

Although most of the Chinese companies invested in Israel are private, but they operate with the encouragement of the Chinese government. The question is, does a small economy like Israel would be able to oppose the entry of a powerful economic force like the capital China?

The **Institute for National Security Studies (INSS)** covered this entire issue in April, asking the government to look into the matter seriously. "This examination should begin immediately as part of a regular mechanism which will be established for this purpose, while addressing all the diplomatic, strategic, economic and technological aspects involved in China's activity in Israel and in the region," the INSS stated.

"This shouldn't raise concerns that the actual examination will evoke resentment in China either. Such an examination is acceptable in different countries in the world which have economic relations with China – and China itself restricts certain foreign investments in its territory – and it is expected to ease the economic relations between China and Israel. It will make it possible to set clear measures for the approval of the activity of Chinese (and other) countries in Israel, locate the problematic cases and prevent a public debate regarding the activity of all other companies.

"Finally, it will prevent damage to the Israel-China relationship. The business sector in Israel acts faster than the government systems, and the Chinese corporations are learning the lessons of the past and improving their patterns of activity.

"The result is that as long as clear rules are not set regarding the activity of Chinese companies in Israel, future decision to change the moves that have been made and the facts have been established could claim a high price and seriously damage the relations between Israel and China."

Despite the public disapprovals, the government still considers that any economies relations with China are healthy for Israel's trade.

Fearing about the theft of patent

The startup nation can barely afford any theft of their ideas, as this is the most valuable asset they own. Since 60% of Makhteshim Agan was bought by ChemChina in 2011, Chinese companies have become extensively involved in Israeli industries. Although the Israeli economy getting plentiful of benefits from Chinese investments: Allowing the development of products from idea level to the marketing levels and

offering jobs in Israel. But again, there are some who are afraid that the Chinese might become thieves of their ideas and technology, as the Chinese have already gain fame for not being committed to copyrights and patent laws.

The case that ignited the debate over the Chinese involvement in the Israeli economy was Bright Food's decision to buy Apax Partners' stake in Tnuva. In this deal the Chine Corporation acquired 56% of the Israeli company's shares according to a company value of NIS 8.6 billion (about $2.3 billion) was completed in May. This evoked a major public protest, as Tnuva is positioned as one of Israel's leading food manufacturers.

This acquisition led to a discussion by the Knesset's Economy Committee, which called on the company to stop the sale. Addressing about the deal, former Mossad chief Efraim Halevy stated: "Israel should beware a situation in which a foreign element controls a strategic asset like Tnuva, Israel's largest food company which supplies more than 60% of fresh dairy produce."

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