

Sino-Israel Relations: Opportunities and Challenges

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The visit by Prime Minister Ehud Olmert to Beijing last January did not create major shockwaves in Israel or in China, but it indicated a thawing of the frosty relations that have existed since Israel canceled the Phalcon deal in 2000. This is a matter of no small importance, since the increase in China's presence in the Middle East and the international arena obliges Israel to consolidate its ties with this Eastern power.

However, strengthening relations with China entails challenges that Israel has not always met successfully. The crux of the problem is dealing with a dominant actor that lives and breathes a non-Western culture, and whose goals and moves are shrouded in secrecy: it is hard to know what its aims are, how it behaves, the nature of its relations with other actors, and its attitude towards Israel. Insights of this sort, which Israel has acquired in relation to the United States and European countries, are also necessary to understanding China. Without them, Israel may overlook valuable potential, and may even pay a considerable price for missed opportunities.

This article aims to present the common interests of the two countries, and to suggest ways whereby Israel can enhance its relations with China.

A Historical View of China's Position on Israel

The Israeli-Sino relationship is characterized foremost by the pragmatic and flexible approach adopted by China. The relationship began when business tycoon Saul Eisenberg forged ties with the Chinese leadership in the 1970s and succeeded in interesting China in Israeli technology. China, which was heavily involved in building its national infrastructure, was eager to import advanced tech-

nologies in the civilian and military fields. In 1979, Eisenberg arranged a secret meeting between the heads of the Israeli defense industry and Chinese defense leaders, which paved the way for several large arms deals. The ensuing military cooperation served both countries well and created close ties and great trust that still, at least to a degree, exists today.

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official ties due to concern over its relations with the Arab world. It was only in the early 1990s, after the collapse of the Soviet bloc, the PLO recognition of the State of Israel, and the Madrid Peace Conference that conditions were ripe for formalizing relations, and in January 1992 full diplomatic ties were established. These relations were extremely warm; high level diplomatic visits took place between the two countries, including a visit by the president of China to Israel in 2000, and numerous cooperation agreements were signed.¹

However, other than the actual diplomatic achievement, establishing ties advanced Israel's objectives only to a limited degree. China, for instance, did not stop selling arms to Israel's enemies. Despite its promises to Jerusalem, it continued exporting missiles and technology to Middle Eastern countries and in the 1990s even sold nuclear technology to Iran. While China moderated its rhetoric against Israel with regard to the Israeli-Arab conflict, it did not change its pro-Arab stance and did not become involved in the political process. In contrast, Israel kept adhering to China's position on Taiwan and Tibet. Similarly, in the technology sphere, China was the principal beneficiary in its acquisition of technological and scientific information,² while there were only meager accomplishments on an economic level.³

At the beginning of the 1990s the pattern of defense trading between Israel and China shifted. Following the Tiananmen Square episode in 1989 and the collapse of the Soviet bloc, relations between Washington and Beijing cooled and the United States imposed a military embargo on China. At the same time, China and the Soviet Union renewed ties, and with the breakup of the USSR, Russia became China's main arms

supplier. In the meantime, Sino-American relations continued to deteriorate, culminating with a military incident over the Taiwan issue (1995-96). This led to reduced Chinese demand for Israeli products and intensified American objections to Israeli defense exports to China. These developments were apparently not fully understood by decision makers in Jerusalem.⁴ In 1999, after details of the Phalcon transaction were exposed in the Israeli press, the United States began to express opposition to the deal, despite Israeli claims that the US had known about the deal and had even approved it in advance. Israel, which believed it could parry US pressure, promised the Chinese it would fulfill the transaction, but then in 2000 announced cancellation of the deal.

The unpleasant end to the deal generated pessimism in Israel with regard to continued relations with China. There were those who thought Beijing would suspend the operations of Israeli companies in China, freeze the possibility of future trade with Israel, and accelerate the proliferation of weapons to the Middle East.⁵ In practice, the forecasts were far different from the reality; notwithstanding a cooling of diplomatic relations, China continued to sustain a pragmatic approach and cooperate with Israel in the areas it considered beneficial. (For example, it asked Israel to repair the Harpy UAV it had purchased from Israel several years earlier.) Rather, it was Israel that led to a termination of the defense relations when it failed to comprehend the gravity of the US stance on China's acquisition of arms, and in 2005 it was forced to establish a tight control mechanism of defense exports and ban military trade with China.⁶

Israel-China commercial relations were also untouched. Between 2000 – when the

Phalcon deal was called off – and 2005, trade between the countries tripled, and in 2006 trading rose 40 percent over the previous year.⁷ Trade relations are in China's favor, and China enjoys a trade surplus of several dozen percent. With regard to proliferation of Chinese arms to the Middle East, from the outset relations with Israel had only limited impact in this area, as while the Chinese were careful not to engage in proliferation of Israeli technology,⁸ they did not curtail their extensive arms sales to states in the region.

Chinese Foreign Policy Interests

The main objectives of the Chinese leadership are to preserve the unity and sovereignty of the country and to increase its international prestige. These goals are above all debate, and China is highly sensitive towards any outside intervention in its domestic affairs or foreign relations. At the same time, it adopts a practical approach towards these fundamental issues. When China is faced with strong external pressures, mostly from the United States, whereby staunch resistance could endanger its internal stability and continued growth, it does not ignore these pressures outright but rather accedes to them, at least temporarily,⁹ for example, as in the case of US arms exports to Taiwan, or China's succumbing to American pressure in the area of missile technology proliferation.¹⁰

The principal means of achieving the national objectives is sustained economic growth, which in the last twenty years has reached an annual average of about 10 percent. At the same time, ongoing growth creates significant challenges, including the need to guarantee access to foreign markets and outside sources of raw materials, foreign investment, and advanced technologies. Among these, dependence on outside



Israel and Chinese delegations in the Great Hall of the People, Beijing, January 2007

sources of energy has become one of China's chief concerns, as imported oil now accounts for about 40 percent of its energy requirements.¹¹ The leadership is anxious that failure to ensure continued growth may erode internal stability.

China operates on several levels in order to realize its objectives. First, it tries to increase its influence within the international community, though without heightening anxiety among other states. To this end it is boosting its presence in regional and international frameworks, tightening its links with alternative poles to the US (Russia and the EU), making generous use of economic means to advance its political aims, seemingly increasing its military transparency (publishing white papers on defense subjects, carrying out military maneuvers with foreign armies), and frequently declaring that its aim is "peaceful rise," i.e., growth in conditions of peace.¹²

Second, China is striving to achieve a senior status in eastern Asia and to solidify relations with its neighbors. It is an active partner in regional organizations, holds meetings and conducts military coordination with

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armed forces of the region, and endeavors to settle old differences with its neighbors. It views a stable defense environment as an important condition for growth, but in addition, its neighbors (including Taiwan) are its main economic partners. The foreign direct investments (FDI) that flowed into China in 2004 from Japan, Singapore, South Korea, Taiwan, and Hong Kong accounted for 59 percent of all foreign investment that year, and China's trade with those countries comprised 41 percent of its foreign trade.¹³ Nevertheless, the ambition to achieve regional dominance may also increase tension between China and India – the other developing giant in the region – which, despite mutual moves towards rapprochement, are finding it difficult to bridge areas of strategic dispute between them.

Third, China is looking to tighten links with suppliers of raw materials and energy sources, most of which are developing countries in Africa, South America, and the Middle East. To this end, it establishes close diplomatic relations, invests in developing their energy infrastructures, and purchases long term franchises from them.

China's basic interests thus oblige it to maintain extensive diplomatic links. Its international presence has expanded considerably and it is involved in issues and regions where it was not previously active, a reality that creates difficult dilemmas. On the one hand, its global deployment is primarily motivated by economic considerations (except in Southeast Asia, which it views as "home turf"). On the other hand, consolidating its international standing and increasing its outside dependence require it to fill a more significant political role in the international arena.¹⁴ By way of compromise, China increases its involvement in issues that do not directly affect it and follows international

dictates, but endeavors not to adopt absolute positions and not to make significant investments (financial and otherwise) in these areas.

China's main problem is its relations with the United States. Since the 1990s and particularly in the current decade, various American elements have tended to view China as the US's main rival.¹⁵ For its part, China believes that the United States is trying to block its development and limit its international activity and as such, sees it as its main threat.¹⁶ This feeling has encouraged it in recent years to intensify its ties with numerous developing countries – for example, Iran, Sudan, and Venezuela – that possess some of the natural resources it needs and share a sense of hostility towards the United States.

Nevertheless, the mutual suspicion between the US and China also accommodates cooperation and mutual dependence. In the economic arena, for example, around 10 percent of China's total output is exported to the US market, and about 5 percent of reinvestment (as of 2005) comes from the United States.¹⁷ In the diplomatic arena, for instance, while the two powers are waging a struggle for influence in Southeast Asia, they also cooperate on stemming the developing nuclear capability of North Korea.

In these circumstances, Washington and Beijing are entwined in a complex relationship in a number of arenas, including the Middle East. For China, the Middle East is the principal source of energy, a market for its manpower and military products, and a source for investments and technology. Consequently, it is consolidating its links with countries like Iran and Saudi Arabia. Meanwhile, the United States is trying to enlist its support in opposing problematic regimes in the region, although China is trying to avoid

taking a stand. In addition, the American dominance in the Middle East is viewed by China as a potential threat to its freedom of naval movement and supplies of raw materials and sources of energy. To date, China has not tried to undermine the US position in the Middle East – it is also not capable of doing so – and is forced to kowtow to its dictates (for example, acceptance of a US freeze of the oil franchises that China acquired from the Saddam Hussein government and consent to sanctions on Iran). At the same time, it is not just waiting in the wings: it is consolidating its position among Persian Gulf states and is gradually raising its political profile in the entire region (for example, strengthening political ties with Saudi Arabia and diplomatic involvement on Iraq and the Iranian nuclear program). These moves, which are affected by other developments in China, the Middle East, and the global balance of power, may change Beijing's policy on the Middle East and thereby impact on Israel.

Opportunities and Challenges for Israel

For Israel, the focus is twofold: in which areas can China promote Israeli interests, and how can China's help be enlisted in this regard. The questions divide primarily along political, defense, and economic lines.

On the political level, the main issue is whether China will increase its involvement in Middle Eastern politics, and how can Israel recruit its help. China would prefer to steer clear of the political morass in the Middle East and to focus on the economic benefits. Nevertheless, its economic goals, particularly in the energy field, demand close ties with the relevant regimes and consolidation of its regional presence: China not only buys oil, but invests in developing suitable infra-



structures that will ensure its access to gas and petroleum for decades to come.¹⁸ Thus it is forced to take a stand on regional politics, and tends to side with forces that advance stability in the area. For example, against a backdrop of an escalation in Iran's nuclear position it seems that China is strengthening relations with Saudi Arabia and the United Arab Emirates.¹⁹

Under these circumstances, China's future conduct in the Middle East depends on developments that are beyond its control. First, an increase in tension with the United States or a tightening of Washington's dominance over the oil sources in the Middle East may force it to step up its involvement in regional politics. Second, an increase in tension between the United States and regional regimes may push these regimes into the arms of Beijing. Third, Russia's attempts to renew its standing in the Middle East can also impact on China. In such a situation, Beijing would likely try – as tradition has it – to gain from the middle ground and grab

Premier Wen Jiabao and Prime Minister Ehud Olmert review an honor guard at the Great Hall of the People.

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the spoils of the dispute between Washington and Moscow.

Though Israel's impact on these developments will be limited, it must follow them closely, as China may become a regular guest at the courts of the local rulers. Thus, and in particular if Israel undertakes a regional political move, it may be able to gain the support of China and even find common ground against extreme Islamic elements, which threaten regional stability and as such, Chinese interests as well. On the other hand, if a connection between the Islamic minority in China²⁰ and international radical Islamic activity exists, a cautious approach should be taken towards Beijing, which would be hard pressed to acknowledge the connection publicly and would try to manage it on its own.

In terms of defense, proliferation of Chinese arms and Sino-Israeli military relations are the relevant issues. In the 1980s the Middle East was the principal export market for Chinese defense industries, but there was a gradual decline in the 1990s,²¹ particularly due to the poor quality of conventional Chinese arms.²² Clearly, however, an improvement in the quality is liable to fuel an upturn. Overall, advances in Chinese weapons R&D in recent years, and a decrease in China's commitment towards Israel (which in any case was limited) on arms proliferation following the severing of their defense ties is cause for concern.²³

Israel's main source of anxiety is the proliferation of non-conventional Chinese arms in the Middle East. Since the 1980s, China has supplied weapon systems and missile technology and, to an extent, nuclear technology and chemical weapons components to the Middle East (Iran, Saudi Arabia, Syria, Libya, and others). Some of these technologies have also leaked to other political enti-

ties in the Middle East and provide different opportunities for aggression against Israel (for example, the C-802 anti-naval missile launched by Hizbollah against an Israeli missile boat during the Second Lebanon War).²⁴ The principal motives for such exports are economic, and thus economics hold the key to blocking the exports. Like any other field, Chinese arms exports are connected to the economic growth objective, and over the last two decades China has learned that taking its place in the international arena and playing by its rules serve it better than specific arms exports.²⁵ This understanding, in tandem with regular pressure exerted by the United States, have made China moderate its exports of non-conventional arms, even against its will. For example, it published three white papers on arms control, disarmament, and non-proliferation of arms, and signed related international treaties and agreements (including the NPT, MTCR, and CWC). On the other hand, its adherence to these treaties is limited, as it has refused to ratify some, has only partly signed others, and has applied some selectively.²⁶

For Israel, a crucial test of China's conduct and an opportunity to advance cooperation with it is the issue of Iran's nuclear program. For now, it appears that the regional tensions fueled by Iran's nuclear program and the pressure exerted by the US have persuaded Beijing to withdraw its support for Tehran and side with imposing international sanctions. Meanwhile, China is not at the forefront of the struggle and opposes the use of force. In fact, China appears to be seeking the golden mean between pandering to US demands, containing possible hostility from Tehran, and ensuring oil supplies. In the face of such serious interests, Israel's scope for action vis-à-vis China is considerably limited.

At the same time, the Chinese administration has long recognized the fact that short term gains do not prove their worth and is striving to achieve regional stability in the Middle East. Israel must make the most of the prevalent view in China with regard to dealing with the challenges in the Middle East, and work with the government institutions and semi-official frameworks in Beijing (research institutes associated with the Chinese government, corporations), especially given existing ties, which are stronger than they may seem. These contacts are not only designed to focus Chinese parties on the damage that can be caused by the current situation, but also to assess the various motives and constraints on the Chinese government with regard to the Middle East. This will make it possible to identify areas of common interest for both countries, and possibly also for other countries that join the process, as China can be encouraged to adopt the desired policy only with tangible and defined incentives.

The reverse side of arms proliferation is importing military technology. China's close look at regional wars in order to study military developments in the world was joined by its view of Israel as a source of advanced military technology. However, since 2000, the Israel channel has almost entirely been cut off, and thus the relevant questions today are how to renew defense trade, and can Israeli military technology continue accessing China. The first question largely depends on US policy, which itself is dependent on quadrilateral relations between China, the US, Russia, and the EU. The US administration is subject to heavy pressure from American arms manufacturers and European countries to lift the military embargo on China. An escalation in tension between the US and Rus-

sia, and Washington's wish to draw China over to its side can moderate its policy in this area. However, even if the embargo is relaxed, Israel will have to operate in fiercely competitive conditions and adhere to American limitations.

Regarding the second question, in view of the military embargo China is showing a great deal of interest in dual-use military technology. It is purchasing communications and computer systems, units, and components all over the world, and integrates them in its military developments. Technology is obtained by purchasing the products through a variety of channels and acquiring companies that develop them.²⁷ As China is showing great interest in Israeli electronics and technology companies, not only should the products' military potential be considered, but also the nature of the Chinese companies involved in the deals. On the other hand, while the defense exports constraints should not be breached – the ensuing economic benefit will in no case whatsoever compensate for the damage resulting from upsetting relations with the United States – Israel must not fail to define the boundaries of the new controls regime. In other words, it must not be prevented entirely from engaging with China in attractive technological areas or lucrative deals. Chinese companies and organizations currently place limited faith in Israeli companies, and rehabilitating this faith is an important condition of advancing cooperation between the countries.

In the economic field, Israel's objective is to increase trade with China while reducing its commercial deficit and encouraging Chinese investment in the local market.²⁸ This means not only improving Israel's balance of payments but also promoting political ties with China since, as the military field shows,

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China is ready to grant considerable rewards in return for the technologies it needs. Putting this into practice is not easy, as Israeli companies have to contend with China in very difficult competitive conditions and business environments. On the other hand, identifying the unique areas in which Israel can help China (e.g., desertification prevention, alternative energy sources, and water desalination) can serve as an important lever for developing relations. This will be enabled by boosting cooperation between Israeli

companies and the relevant government entities in Israel, as otherwise it will be hard to achieve results in this area. This cooperation is no trivial matter, and it requires a change in existing modes of operation. In particular, the relevant bodies in Israel must start viewing economic-commercial activity as a means (and a goal) of generating diplomatic-political activity, and not as a separate area of activity. Though not a simple task, this may pave Israel's way back to favor with decision makers in Beijing.

Recommendations

How Chinese involvement in the Middle East will evolve is uncertain, but it may be assumed that China is interested in boosting regional stability and its own influence in the area. Therefore, Israel should treat it as a power with regional influence and strengthen its ties with it, though not at the expense of its relations with Washington. China's pragmatic approach, to which Israel is of little benefit, complicates this challenge. Thus, Israel should cultivate measures that enhance its interaction with Beijing, including:

- Holding more frequent high level official visits between the countries that will address vital issues, particularly stability in the Middle East. Moreover, Israel's importance with regard to regional stability should be emphasized to Beijing, and ongoing dialogue should accordingly be maintained at professional levels.

- Appointing persons with political prestige to the role of ambassador to China (like ambassadors to the US), and not professionals. This will indicate that China is part of the circle of important countries for Israel.

- Keeping persons who have been in touch with China in relevant areas "in the loop," both because of the valuable knowledge they have accumulated and because the Chinese attach importance to long term personal relationships.

- Boosting technological cooperation with China (including attracting investments), with significant involvement in processes by Israeli diplomatic and political entities. This will advance agreements and will allow use of the economic field to promote political goals. Relevant areas include communication technologies, utilization of energy sources, water desalination, desertification prevention, and advanced agriculture. Involvement in infrastructure projects and public tenders in China, such as compensating trade agreements, is also of major value.

- Defining military technology boundaries as part of an export control mechanism, and adopting a decisive approach regarding export permits issued to companies. In particular, a situation in which an export permit is withdrawn from companies during negotiations should be avoided, as this would severely damage trust and trade relations.

■ Finding ways of boosting intelligence cooperation between Israel and China, particularly if China increases its participation in the international effort against Islamic terror. However, a delicate approach should be taken toward Beijing if a link is found between the Islamic minority in China and radical international Islamic movements.

■ Exercising caution over defense cooperation in eastern Asia, in order to prevent the appearance of damage to Chinese interests. In particular, military links should not be maintained with Taiwan, and relations be-

tween China and India should be closely examined before extensive defense agreements are made with India. This self-restraint need not be comprehensive, but it should be pragmatic in nature so that it serves Israel as a bargaining chip in its contacts with China over distribution of arms in the Middle East.

■ Establishing ongoing ties and cooperation between Israeli universities, policy centers, and research institutes and their counterparts in China, and in particular those associated with the government institutions in Beijing.

Notes

- 1 For a description of the extensive diplomatic activity, see: Moshe Jaeger, *The Long Journey to China: A Chapter in the History of Israeli Diplomacy* (Haifa: University of Haifa Press, 2004), pp. 280-82.
- 2 Examples of this include establishment of a model agricultural farm in Beijing and professional instruction in different fields by Israeli experts in China. See Jaeger, *The Long Journey*, pp. 280-81.
- 3 It was only in 1999 that trade between the two countries exceeded half a billion dollars. See "The Central Bureau of Statistics," *Israeli Statistics Yearbook, 2000* (Jerusalem, 2000).
- 4 Aluf Benn, "The New Falcon Laws," *Haaretz*, December 25, 2001.
- 5 See, for example, Aluf Benn, "Barak Acts to Renew the Falcon Deal," *Haaretz*, January 31, 2001; Alex Fishman, "Raising the Clause," *Yediot Ahronot*, Weekend Supplement, December 24, 2004.
- 6 Ze'ev Schiff, "Israel Succumbs – A Team Will Leave for the US Today to Formulate Restrictions on Defense Exports," *Haaretz*, June 26, 2005. On the control mechanism established, see Uzi Eilam, "Defense Export Control in 2007: State of Affairs," *Strategic Assessment* 9, no. 4 (2007): 58-65.
- 7 Based on figures from the Central Bureau of Statistics, "The Foreign Trade Statistics Monthly," March 2007, www1.cbs.gov.il/reader/fr_trade/ftmenu_h_v1_new.htm.
- 8 Yitzhak Shichor, "Israel's Military Transfers to China and Taiwan," *Survival* 40, no. 1 (1998): 78.
- 9 Chong-Pin Lin, "Beijing's New Grand Strategy: An Offensive with Extra-Military Instruments," *China Brief* 6, no. 24 (December 2006): 3-5.
- 10 On the subject of missiles, see Wendy Frieman, *China, Arms Control, and Nonproliferation* (London: RoutledgeCurzon, 2004), pp. 108-9. The facts speak for themselves with regard to acceptance of arms exports to Taiwan.
- 11 International Energy Agency (IEA), www.iea.org/Textbase/stats/oildata.asp?COUNTRY_CODE=CN
- 12 See *China's National Defense in 2006* (Beijing: Information Office of the State Council of the People's Republic of China, 2006), www.china.org.cn/english/features/book/194421.htm.
- 13 China Statistics, www.allcountries.org/china_statistics/foreign_trade_and_economic_cooperation.html. Taiwan and Hong Kong are officially separate economic entities from mainland China, and this will remain so even if Taiwan merges with China.
- 14 Lin, "Beijing's New Grand Strategy," p. 5.
- 15 Michael T. Klare, "Revving Up the China Threat," *The Nation*, 24/10/05, internet version: www.thenation.com/doc/20051024/klare.
- 16 Susan L. Craig, *Chinese Perceptions of Traditional and Nontraditional Security Threats* (Carlisle, PA:

- SSI, US Army War College, 2007), pp. 27-58.
- 17 Keith Bradsher, "China Leans Less on U.S. Trade," *New York Times*, April 18, 2007; The US-China Business Council, www.uschina.org/statistics/fdi_cumulative.html.
- 18 Yitzhak Shichor, "China's Upsurge: Implications for the Middle East," *Israel Affairs* 12, no. 4 (Oct. 2006): 678.
- 19 Shichor, "China's Upsurge: Implications for the Middle East," p. 677.
- 20 According to official Chinese figures there are about 15 million Muslims in China, most in the province of Xinjiang in the west of the country. The Muslim minority in China tends to nationalist separatism, which is occasionally reflected in action.
- 21 On average, arms exports to the Middle East in the 1980s accounted for 57 percent of all Chinese arms exports. Between 1982 and 1988 this rose to 75 percent. In the 1990s, Chinese arms exports to the Middle East comprised on average only 20 percent of total Chinese arms exports. Estimates are based on data from SIPRI Arms Transfers Database.
- 22 *SIPRI Yearbook 1998: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 1998), p. 297.
- 23 United States Department of Defense, *Annual Report to Congress: Military Power of the People's Republic of China 2007* (May 2007), pp. 26-29, www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf.
- 24 The missile launched against the Israeli missile boat, manufactured in Iran and using technology from China, was subsequently passed on to Hizbollah. See GlobalSecurity.org, www.globalsecurity.org/military/world/china/c-802.htm.
- 25 Frieman, *China*, pp. 56-57.
- 26 Shirley A. Kan, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, CRS Report for Congress (Washington, DC: Congressional Research Service, 2007), pp. 1-2.
- 27 *Annual Report to Congress 2007*, p. 29.
- 28 While trade with China has grown steadily (in 2006, China, not including Hong Kong, was Israel's sixth largest trading partner and its largest in Asia), the trade deficit is the second largest and in 2006 was \$1.4 billion. See the Central Bureau of Statistics, *Foreign Trade Statistics Monthly*, March 2007, www1.cbs.gov.il/reader/fr_trade/ftmenu_h_v1_new.htm.