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## **Israel and China: Toward a Comprehensive Innovative Partnership**

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On March 20-21, 2017, 25 years after the establishment of diplomatic relations, Israeli Prime Minister Benjamin Netanyahu will visit China, his second visit there during Xi Jinping's presidency. The visit will take place against the backdrop of the growing economic relations between Israel and China; China's heightened interest in the Middle East; and the dynamic developing among the three world powers at the outset of Donald Trump's presidency. The upcoming visit, therefore, is a good time to examine the growth of Israel-China relations since Netanyahu's previous visit in 2013 and the direction they may be taking.

This analysis is best made as part of a broader look at China's interests in the Middle East and its Middle East policy. Given China's declared policy of non-intervention in the internal matters of other states and its cautious risk-aversion, most Chinese activity in the Middle East is economic in nature: China's political involvement in the region is minor and its small military presence is limited to peacekeeping missions. More than half of China's oil imports come from the Middle East, and as part of its One Belt One Road (OBOR) initiative, is investing heavily in transportation infrastructures, such as roads, railroads, and sea ports. The initiative is meant to connect China to European and African markets, and is financed in part by the establishment of the Asian Infrastructure Investment Bank (AIIB), which Israel joined as soon as it was founded. In 2015 alone, China invested close to \$5.7 billion in infrastructures in the Middle East and Africa, and in 2016 this sum jumped to \$21.5 billion. China is also involved in building infrastructures in Israel, such as digging the Carmel tunnels in Haifa, laying the light rail in Tel Aviv, and expanding the Ashdod and Haifa seaports. China is likewise entering the residential construction industry.

Alongside these investments, China's main declared interest in Israel is in the field of innovation. In China's view, Israel, despite its small size, stands out for its scientific achievements, its number of startups, and the number of its Nobel Prize laureates. Given China's critical need for advanced technologies and innovative solutions for its large and aging population, China is investing in Israel's hi-tech, agriculture, food, water, med-tech, and bio-tech industries. According to Economy Ministry estimates, China's total investment in Israel in 2015 reached more than half a billion dollars. China is also encouraging the establishment of Israeli innovative

enterprises in China, such as Shouguang's Water City, which incorporates Israeli water technologies. The establishment of a technological academic institute in Guangdong by the Technion, financed with a \$130 million donation by billionaire Li Ka-shing, is an example of the role Chinese businesspeople are playing in promoting bilateral relations. Indeed, since 2013, Israel has seen a heavy stream of delegations from the Chinese business community interested in innovation in fields prioritized by the Chinese government as of particular interest, and in 2016 alone the Israeli Embassy in Beijing issued more than ten thousand visas to Chinese businesspeople.

China's focus on the economy is convenient for Israel, whose strategic relationship with the United States forms a cornerstone of its national security policy. Israel's prior relations with China in the field of security were a source of tension and even crisis with the United States, and thus since the previous decade, Israel has been careful to focus its ties with China on the economic level. Accordingly, with Netanyahu's previous visit to China, it was decided that the government would make a concerted effort to strengthen economic ties between Israel and China to realize the economic potential inherent in the bilateral relations, and trade in fact rose from \$8 billion in 2013 to \$11 billion in 2016. As with China's many trade partners around the globe, Israel trades with China at a deficit: in 2015, Israel's trade deficit to China's stood at \$3.386 billion, a 12 percent increase since 2010.

Given the impressive growth of economic relations between the two states, Israel's relative weakness in academic and applied research about modern China as a knowledge base critical to sound decision making processes is a glaring lapse. To support actual, responsible continued growth based on the formulation of a policy and the development of broad, productive business relationships that have long term potential, the Israeli government and the Israeli market need more experts on modern China in a range of topics, such as the economy and business administration, law, foreign relations, and more. The dearth of experts on these issues in government ministries and academia hinders the accelerated development of economic relations.

Ties between Israel and China embody significant growth potential for the Israeli economy that must be maximized while taking every precaution to preserve Israel's strategic relationship with the United States. The intention during Netanyahu's upcoming visit is to define the relations between Israel and China as a "comprehensive innovative partnership," a definition expressing both sides' understanding of the center of gravity of their relations. The two have clearly agreed to avoid calling the partnership "strategic," as in the background are Israel's relationship with the United States and China's relationship with other Middle East states.

In this context, what follows are recommended goals for the Prime Minister's upcoming visit to China.

*On the bilateral level:*

- a. To continue promoting optimal conditions for expanding cooperation in the fields important to China where Israel has a relative advantage, such as hi-tech and innovation, agriculture and food, water technologies, med-tech, and bio-tech.
- b. To include Israel in OBOR: encourage further Chinese investments in infrastructure projects in Israel, and propose Israeli solutions and involvement in leading areas that are relevant for promoting the initiative, such as security, fighting terrorism, and communications.
- c. To stress the importance of a senior Chinese leader's visit to Israel (e.g., the President himself or the Prime Minister), in light of the blatant gap between the level of representatives in China's state visits to Israel compared with visits to other regional states.
- d. To expand exchanges of delegations of senior businesspeople and to encourage visits by senior members of the Chinese business community to Israel.
- e. To promote mutual knowledge and learning to accelerate the development of relations (China studies in Israel, Israel studies in China, expanding the dialogue between research institutes and think tanks) with government encouragement (a joint fund? incentives, budgeting, investments).

*On the regional level:*

While China has the proven capacity and surplus supply in building economic and transportation infrastructures, and in development, and the Middle East has tremendous demand for precisely these capabilities, the region's fundamental instability and insecurity are hindrances to Chinese involvement. Israel is an island of stability and security in this region, and as such it is recommended:

- a. To encourage China to help promote Israeli-Palestinian relations by means of investing and promoting infrastructures in the PA and the Gaza Strip with Israel's blessing and its guarantee for security, and establishing "economic peace" with the Palestinians. Inter alia, it is possible to build infrastructures that would provide services to Gaza (also on Israeli territory, which could possibly be included in future land swaps), such as renewable energy, naval transportation infrastructures and desalination plants, and – in the West Bank – infrastructures for overland transportation, industrial and business zones (including hi-tech), and so on.
- b. China's policy in the Middle East has a proven ability to conduct fruitful ties with a range of players in the region, and even maintain parallel relations with bitter enemies (Iran and Saudi Arabia; Israel). Based on this potential, it would be appropriate to promote joint initiatives for China, Israel, and the pragmatic states, so as to maximize existing and developing potential and highlight China as a significant player in advancing regional stability by means of an economic strategy that incurs limited risks.

- c. To express concern over China's relations with Iran in the defense field (visits by senior officials, military cooperation, especially Chinese assistance to Iran's defense industries), when Tehran remains committed to the destruction of Israel, supports terrorism, and still strives to acquire nuclear arms. It should be stressed that Iranian models of Chinese weapon systems, such as the anti-ship C802 missile, find their way to terrorist organizations like Hezbollah and the Houthi rebels in Yemen, and end up harming naval vessels of China's other partners in the region, including Israel itself, Saudi Arabia, and the UAE.

Finally, China has undoubtedly noticed Prime Minister Netanyahu's closeness to President Trump and his access to President Putin. While China gropes for channels to the new White House, and while the trio of world powers are engaged in tension-filled processes of re-design, it would be appropriate for Israel to test, delicately, the possibility of making a humble contribution in the transmission of messages and discreet mediation among the powers.

