

# Trends in Chinese Investment in Israel

Tomer Fadlon and Roy Ben Tzur | No. 2135 | May 3, 2026

In recent years, a profound shift has occurred in China's economic involvement in Israel, which, since 2020, has been reflected in a sharp and sustained decline in both the volume of investments and the number of transactions. Chinese investment hit its lowest point in 2023, totaling only 39 million NIS, about 0.12% of all foreign investment in Israel that year. This trend stems from several factors: intensifying great-power competition and US pressure to limit Chinese involvement in sensitive sectors; the establishment of Israel's foreign investment screening mechanism; the adoption of a more selective and cautious approach in Beijing's global investment policy, alongside the effects of the COVID-19 crisis; and the repercussions of the Swords of Iron war, which led to postponed deals, reduced business travel, and heightened political tensions. However, this shift does not reflect economic "disconnect," but rather a transition to a more limited and selective pattern of engagement: Chinese focus on minority investments in sectors considered relatively low in security sensitivity, such as fintech. Notably, Chinese state-owned enterprises have nearly disappeared from the Israeli market entirely. The data indicate that Chinese investments constitute a small share of total foreign investment in Israel and that the primary risks today lie not in direct ownership of strategic assets but in areas such as supply chain dependency, transfer of knowledge and technology, and information-related risks.

## Chinese Investments Worldwide

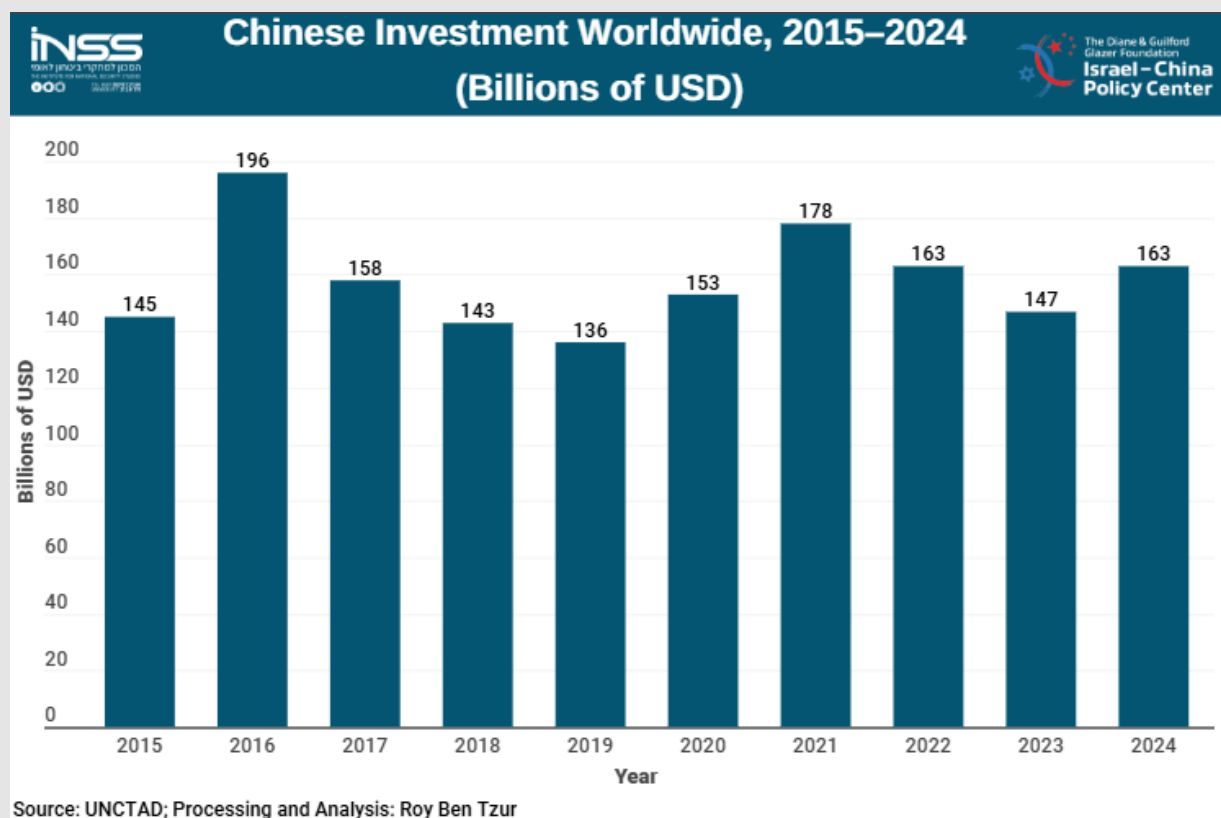
In recent years, China has established itself as one of the world's leading sources of outbound investment. Following the reforms introduced from the 1980s onward by its president, Deng Xiaoping, China became a major destination for foreign direct investment, which helped develop domestic

industry and contributed to economic growth. Alongside the rise in inbound foreign direct investment, capital began to flow outward from China following policy changes in 2000. Under President Jiang Zemin, the government began encouraging Chinese companies to invest overseas under what became known as the “Go Global” policy. This strategy aimed to drive Chinese firms to expand their international presence, adopt advanced technologies, secure access to vital resources, and establish themselves as leading multinational corporations. At the launch of this policy, China’s outbound investments stood at only about \$1 billion annually; by 2008, they had reached approximately \$50 billion.

The global financial crisis in 2008 temporarily reduced capital flows worldwide, including Chinese outbound investment, but only briefly. The Belt and Road Initiative, launched in 2013 by President Xi Jinping, led to significant Chinese investments worldwide, peaking at \$196 billion in 2016 (second only to the United States). These investments deepened China’s integration into the global economy and, moreover, provided it with access and influence over national infrastructure, financial institutions, political leadership, and international organizations worldwide.

Following turbulence in China’s capital markets in 2015–2016, the government imposed restrictions in late 2016 and throughout 2017 on “irrational” outbound investments in real estate, hotels, film, entertainment, and sports clubs, aiming to regulate and curb capital outflows. At the same time, and despite these restrictions, which reduced Chinese investment globally as seen in Figure 1, China viewed overseas investment during the first trade war (2017–2018) as an effective way to bypass trade barriers. For example, Chinese investments increased in Mexico and Vietnam, particularly in manufacturing facilities, to circumvent tariffs on Chinese goods. A similar shift occurred in investments directed toward European countries to avoid potential trade barriers.

**Figure 1.**



In recent years, particularly since the COVID-19 crisis, there has been a shift toward a more cautious, focused, and selective investment strategy on the global stage. The technology sector has been especially volatile: Whereas Chinese tech companies previously pursued aggressive overseas expansion, tighter domestic regulation beginning in 2021 and restrictions on outbound investment redirected focus from acquisitions in consumer technologies to investments in manufacturing infrastructure, supply chain resilience, and securing strategic resources—reflecting China’s growing emphasis on economic self-reliance and reducing external technological dependence.

In 2024–2025, Chinese investment stabilized at relatively moderate levels, indicating a maturation of investment policy and a more calculated, selective approach. State-owned enterprises continued to play a central role in strategic sectors, while private firms faced increasingly complex regulatory environments, both domestically and internationally. At the same time, geographic diversification increased, with countries in the Global South receiving a larger share of Chinese capital.

### **Chinese Investment in Israel**

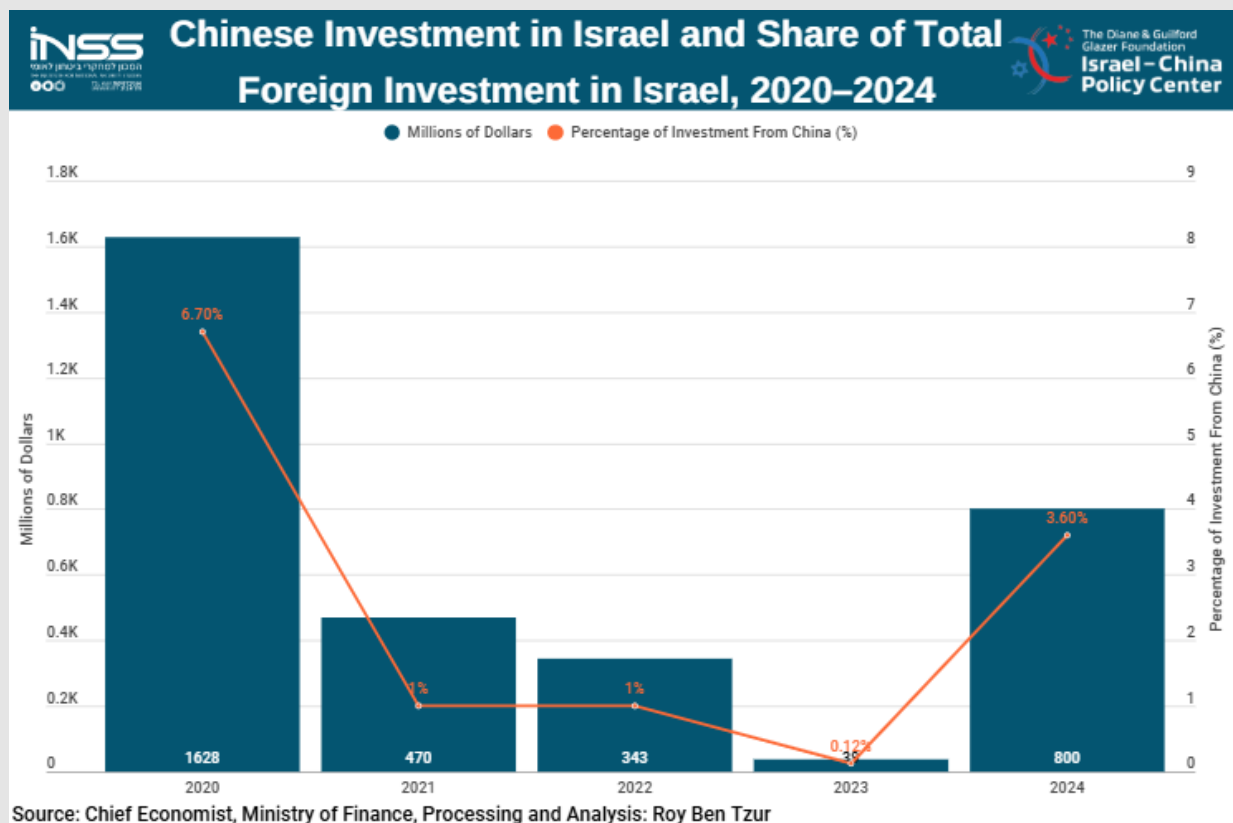
The global decline in Chinese investment is clearly reflected in Israel as well. However, the Israeli case has been shaped not only by global trends but also by changes in domestic investment policy, growing US pressure to limit Chinese involvement in sensitive sectors, and a deterioration in bilateral relations between Jerusalem and Beijing since October 2023, along with the effects of the Swords of Iron war on risk and uncertainty—factors that accelerated the decline.

US pressure on Israel intensified during President Trump’s first term, particularly following the publication of the 2017 National Security Strategy, which placed competition with China—especially in the technological domain—at the center of Washington’s priorities, alongside calls to limit Chinese involvement in investments, infrastructure, and technology. Against this backdrop, the Israeli government decided in late 2019 ([Decision B/372](#)) to establish an advisory mechanism to examine national security aspects of foreign investments—a step that expanded the concept of national security to encompass economic and civilian domains..

This trend continued under the Biden administration, which in 2022 issued a joint statement with then-Prime Minister Yair Lapid on establishing a strategic dialogue on advanced technologies, including a working group on Trusted Technology Ecosystems. Although China was not explicitly mentioned in either case, the broader context of great-power competition and the emphasis on “trusted” technologies and supply chains clearly reflected US concerns about Chinese influence. This approach has continued under the current Trump administration and continues to shape the operating environment for Chinese investors in Israel.

Figure 2, based on data from the Chief Economist Division at the Ministry of Finance, shows a sharp and sustained decline in Chinese investment in Israel alongside the launch of the foreign investment review mechanism. In 2020, Chinese investment totaled \$1.63 billion, representing 6.7% of all foreign investment in Israel. Since then, there has been a significant contraction: \$470 million in 2021 and only \$343 million in 2022 (about 1% of foreign investment).

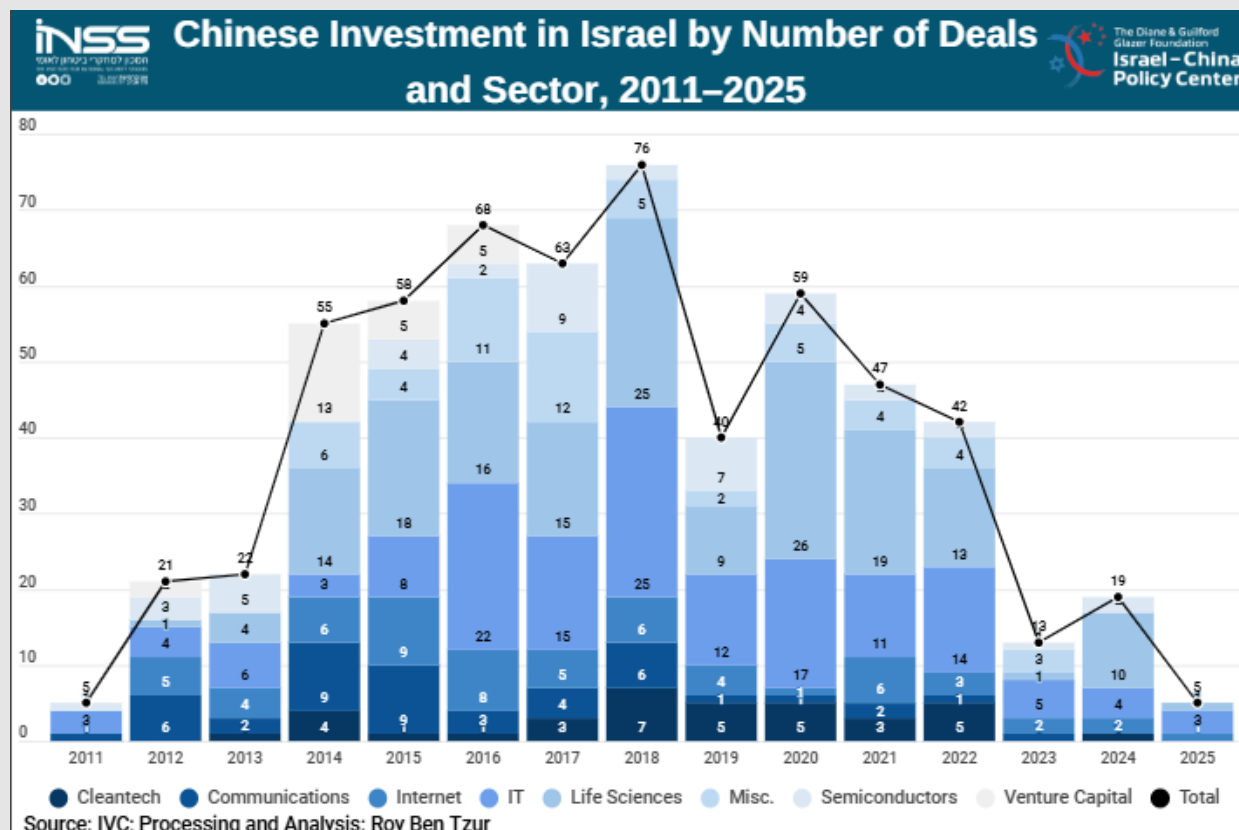
Figure 2.



In 2023, Chinese investment in Israel reached an exceptional low—approximately \$39 million, about 0.12% of total foreign investment. This sharp decline occurred against the backdrop of the outbreak of war in October 2023 along with increasing political and security uncertainty. Beyond the economic risks associated with a wartime environment, there was also a deterioration in bilateral relations: Beijing refrained from explicitly condemning the Hamas attack on October 7, emphasized Israel’s responsibility for escalations, and promoted a critical line against Israel in international forums. This stance contributed to a cooling of diplomatic relations and heightened public and political sensitivity in Israel toward Chinese involvement. In 2024, a partial recovery was recorded, with investments totaling approximately \$800 million (about 3.6%), but this was largely driven by a single major transaction in the gaming sector—the acquisition of SuperPlay by Playtika, an Israeli company under Chinese ownership, for approximately \$700 million. As such, it does not indicate a broad or systemic return of Chinese capital to Israel.

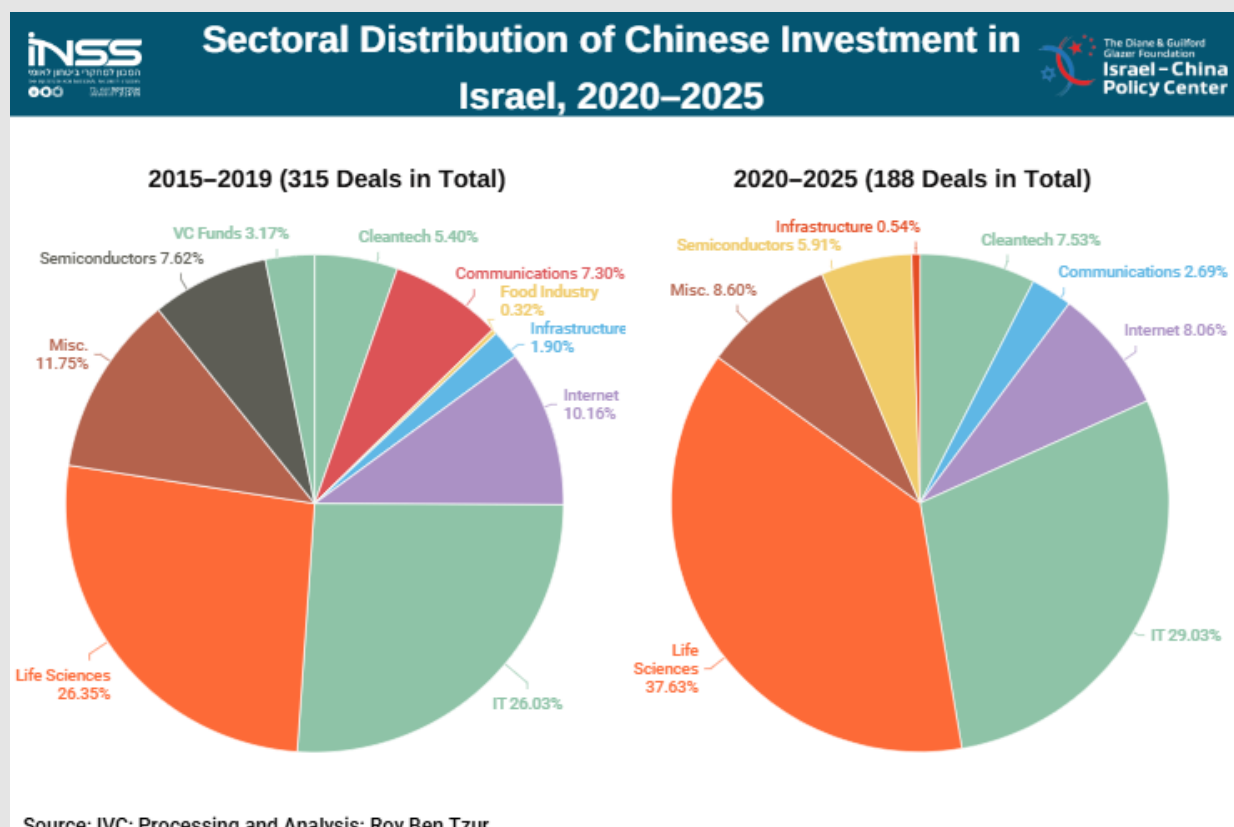
Data from the IVC Research Center complement this picture, showing a decline not only in investment volume but also in the number of transactions (Figure 3). After peaking at 76 deals in 2018, the number fluctuated downward: 40 deals in 2019, a slight rise to 59 in 2020, followed by declines to 47 in 2021 and 42 in 2022. In 2023, only 13 deals were recorded. In 2024, there was a partial recovery to 19 deals, while in 2025 (based on available data), only five deals were recorded.

Figure 3.



Recent patterns of Chinese investment in Israel are characterized not only by a sharp decline in the scale and number of deals but also by clear sectoral concentration. Most investments are now focused on life sciences, medical technologies, and fintech—reflecting not only external constraints but also China’s strategic priorities in allocating capital in Israel. According to IVC data for 2020–2025, life sciences dominate with about 40% of total deals, followed by IT and software with about 31% (Figure 4). Startup Nation Finder data for 2022–2025 show that about one-third of Chinese investment in Israeli high-tech was concentrated in health-tech and life sciences, with fintech ranking second at about 20%. Together, these two sectors accounted for roughly half of Chinese investment in Israeli high-tech during this period.

Figure 4.

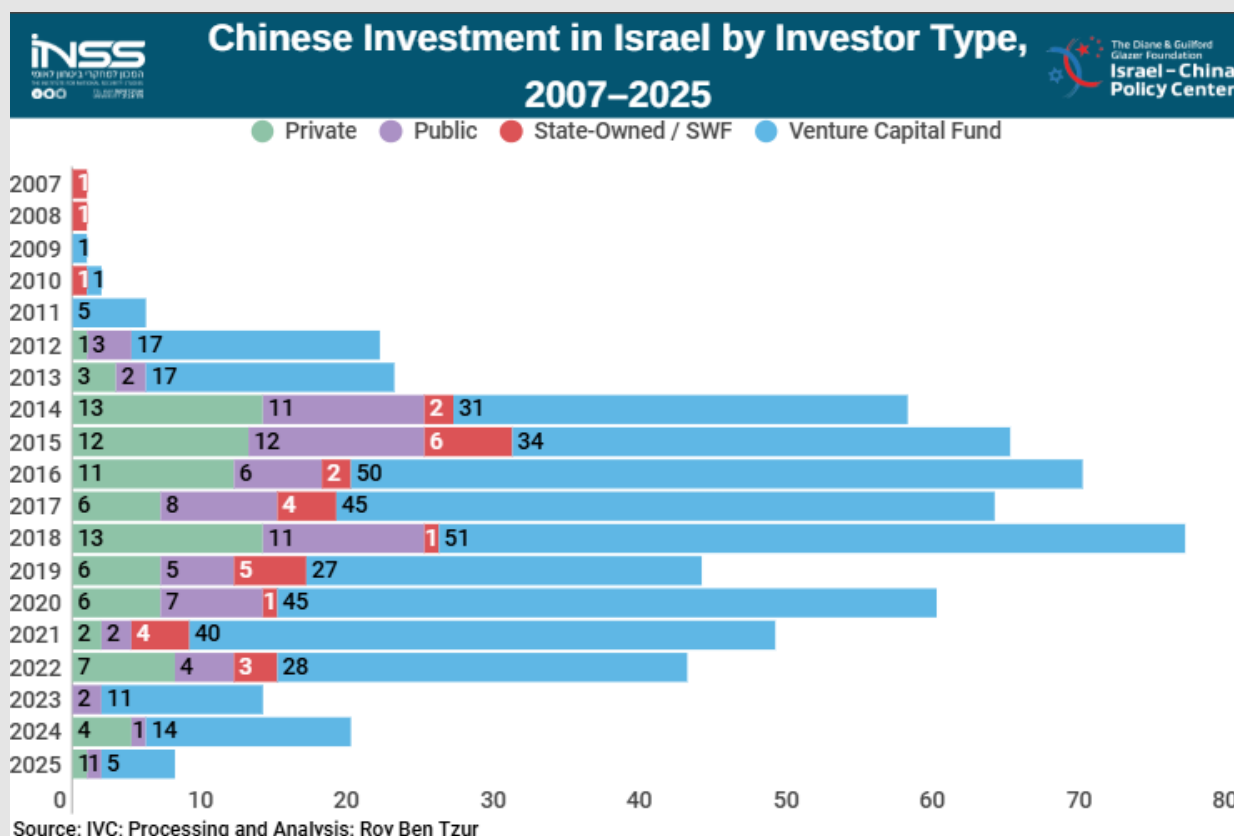


At the same time, awareness of risks associated with foreign investment in life sciences has increased. The United States has taken regulatory steps to review foreign investments in biotechnology and life sciences, recognizing their dual-use potential and associated security risks. In the United States, this is reflected in the Foreign Investment Risk Review Modernization Act of 2018, which took effect in 2020, while in the EU the issue remains under examination.

Other sectors—such as internet, cleantech, semiconductors, and communications—play a secondary role, while transportation and infrastructure investments have nearly disappeared in the past five years. This dominance of civilian sectors reflects a clear preference for areas perceived as relatively low in strategic sensitivity but with high global commercial potential. These are sectors where minority investments can be made without control over physical assets or critical infrastructure, thereby reducing regulatory and security friction with Israel and its strategic partners, particularly the United States.

Another key aspect concerns the identity of Chinese investors. Analysis shows a sharp shift: Whereas in the previous decade state-owned enterprises and public corporations were significantly involved, since 2023 direct investment by Chinese state-owned firms and funds has nearly disappeared (Figure 5). Most activity now occurs through Chinese (and sometimes Hong Kong-based) venture capital funds and private investors, enabling a “softer” presence and greater institutional distance from the state and the Communist Party.

Figure 5.

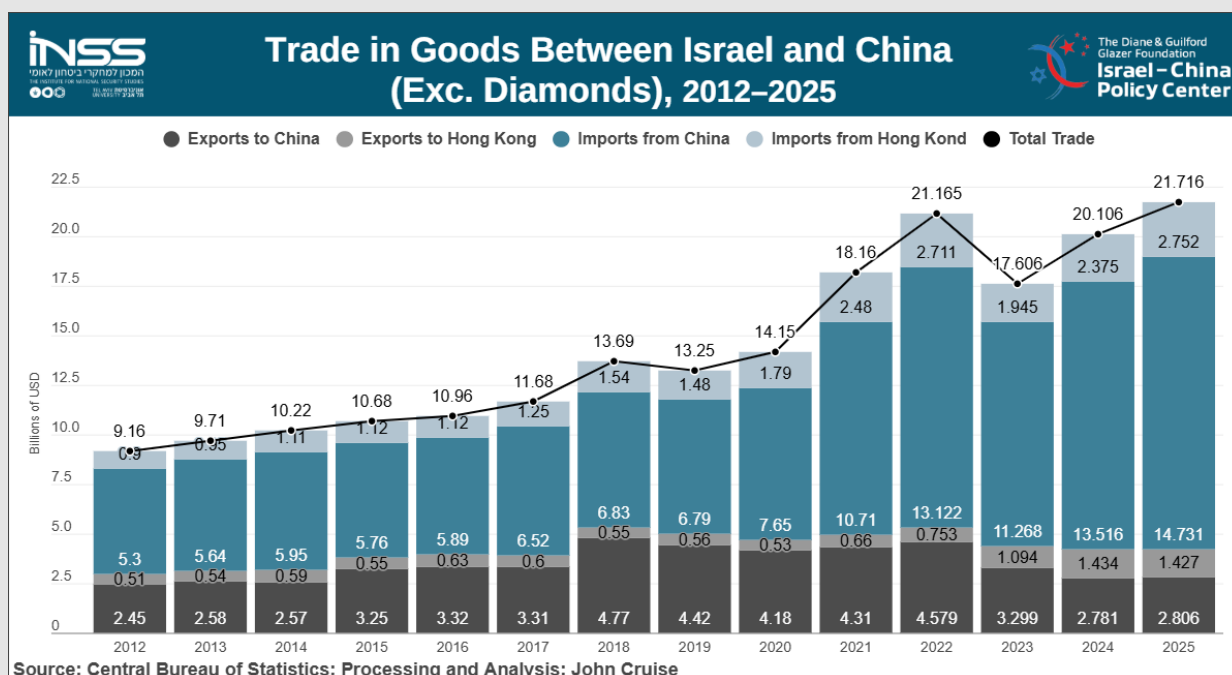


This pattern reflects a clear adaptation of Chinese capital to a more stringent regulatory and geopolitical environment, as well as growing sensitivity in Israel and the United States toward direct involvement by Chinese state actors. Thus, the change is not only a decline in investment but also a transformation in its nature and structure, aimed at reducing exposure to scrutiny, screening, or regulatory blocking.

Despite the sharp decline, the Chinese presence in Israel has not disappeared entirely. Chinese companies continue to seek a foothold through civilian and contracting projects, particularly via EPC (engineering, procurement, and construction) contracts. For example, in 2025, major agreements were signed with Chinese firms to build power plants for Dalia Energy, totaling approximately 7 billion NIS. By contrast, attempts to participate in infrastructure and transportation projects—considered more sensitive, such as light rail—have faced obstacles, likely as part of security screening mechanisms within the National Security Council and the Ministry of Finance, even when such decisions are not publicly declared.

Alongside declining investment, trade trends tell a different story: In 2025, trade in goods between Israel and China reached a record high of \$21.7 billion, driven mainly by increased imports from China, while Israeli exports to China have been at their lowest level since 2015 (Figure 6). This indicates not economic decoupling, but rather a shift in the nature of the relationship: less Chinese capital flowing into Israel and a reorientation toward trade in goods rather than investment and sensitive technologies. Thus, while public and regulatory attention focuses largely on Chinese investments, it may overlook the broader picture: Israel’s growing dependence on imports from China.

Figure 6.



From the Chinese perspective, the active role of the embassy in Israel since the appointment of Ambassador Xiao Junzheng in late 2024 reflects an effort to curb the erosion in relations. For Beijing, Israel remains an area of interest in innovation, healthcare, and civilian technologies, even if it is no longer a major destination for large-scale investment. Accordingly, even if bilateral relations improve and no additional political shocks occur, Chinese involvement is likely to return gradually and cautiously, focusing on minority investments, venture capital funds, and civilian projects while avoiding past patterns of involvement in critical infrastructure or dual-use technologies.

### Implications for Israel

The data point to a structural shift in China’s economic engagement with Israel: reduced capital investment, a focus on civilian technologies in life sciences and fintech, the near disappearance of Chinese state-owned enterprises, and a parallel effort to maintain a presence through civilian and contracting channels that do not cross thresholds of strategic sensitivity. This pattern reflects the complex balance Israel seeks to maintain between economic openness and innovation on the one hand, and growing security and geopolitical constraints on the other, both domestically and internationally.

The shift stems from the intersection of three axes: adjustments by Chinese investors to the Israeli market (with the foreign investment screening mechanism acting as a significant barrier in regulated sectors, alongside business actors’ reluctance due to perceived risks); intensifying great-power competition and US pressure for systematic rejection of Chinese investments in sensitive areas; and the bilateral axis, which has been significantly affected since October 7 by the war and China’s responses to it.

Over the past decade, Israel has established a strategic infrastructure for managing national security risks in the economic sphere: the creation of an advisory mechanism for reviewing foreign investments and the strategic dialogue with the United States on advanced technologies mark a shift from a narrow security perspective to a broader concept of economic security and resilience against technological risks. Israel's signing of a strategic cooperation agreement with the United States on artificial intelligence and its recent participation in initiatives such as PAX-Silica and international forums on critical minerals further reflect deeper integration into the US-led global architecture of supply chains while reducing dependency risks and limiting the operational space of actors perceived as potential risks in sensitive domains.

Contrary to some narratives in Israeli security and media discourse that portray Chinese investments as a growing systemic threat, the data tell a different story. Chinese investments in Israel are limited and constitute a very small share of total foreign investment, as shown in Figure 2. Compared to other countries, in the past three years, China's level of economic involvement in Israel has been similar to that of Sweden, France, and India. By contrast, the United States remains by far the dominant investor. For example, in 2024, about two-thirds of foreign investment in Israel came from the United States, compared to only about 3% from China.

At the same time, even as involvement shifts from direct investment to more indirect channels, risk mapping is still required across four dimensions: dependency and foreign influence, disruption, technology transfer, and information risks. The decline in investment mainly reduces ownership-related risks but may leave exposure to disruption and operational dependence via supply chains, as well as risks of knowledge and information transfer through commercial engagements, equipment supply, or services. Therefore, alongside investment screening, complementary measures are needed in data protection and access management, cybersecurity checks for suppliers and systems, and supply chain risk management.

In conclusion, against the backdrop of changes in the global geo-strategic system, heightened scrutiny of foreign investments entering Israel is required, especially in sensitive strategic sectors. Israel should therefore continue to strengthen its review mechanism of foreign investments and carefully assess incoming ones while maintaining close coordination with the United States, which is critical in evaluating investments from China. At the same time, Israel should not forgo Chinese investment altogether; rather, it should clearly define the sectors open to such investment in coordination with the United States. Low-risk civilian sectors—such as fintech and certain areas of life sciences—currently constitute the bulk of Chinese investment and do not inherently carry high security sensitivity. In these areas, Israel can focus on and encourage Chinese investment that enables productive cooperation between Israeli and Chinese firms. Most risks today are more concentrated and manageable through screening mechanisms and complementary tools, but they still require consistent oversight to prevent spillover risks, particularly in information, technology, and operational dependency, even in channels that do not involve direct capital investment.

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Editors of the series: Anat Kurz, Eldad Shavit and Ela Greenberg