



Israel and American-Chinese Rivalry

An Israeli Perspective

Ehud Eiran

Israel-Asia Relations: New Trends, Old Challenges?

Much of the scholarship on Israel's foreign policy focuses on its relations with countries in the West or with its Arab neighbours; the significant rapprochement between Israel and countries in Asia has been largely neglected. There have been many indicators in the past decade pointing to these burgeoning ties – from China's involvement in Israel's infrastructure (in particular, Haifa port), the rise of Israel-India economic and security cooperation, and the expanding trade between Israel and Indonesia to the recent establishment of a new quadrilateral forum, the "I2U2", comprising India, Israel, the United Arab Emirates and the United States.

Against the backdrop of these burgeoning relationships, the Middle East Institute at NUS convened a two-day workshop in February 2023 gathering together scholars from across the world – including Israel, China, the United States, Turkey, Indonesia, France and Singapore – to explore the depth of Israel's partnerships across Asia. The seminar delved into the political and economic drivers of these relationships as well as their scope (and limitations). Particularly, it discussed the evolution of Israel's policy towards China, India and Japan. It also looked into lesser known areas, such as Israel-Azerbaijan relations and the development of Holocaust studies in China. Altogether, the seminar shed light on a research topic – Israel's Asia policy – that is likely to expand in the coming years. This is one of the papers based on the seminar.

Cover image: Israeli Minister of Transport Yisrael Katzis (C-R) and Chinese Ambassador to Israel Zhan Yongxin (C-L) activating a digging machine on 19 February 2017 in the Israeli city of Ramat Gan, where the first tunnel for the Tel Aviv subway system was to be built by a Chinese company. Menahem Kahana/AFP.

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The rise and fall of great powers and great power competition have been central to Israeli foreign policy, and before it, to Zionist foreign policy. But Israel has not been a major front of the US-China power struggle although American concerns slowed down Israeli-Chinese relations in the 1950s, halted both countries' military ties in the early 2000s, and have recently placed limits on Israeli technology transfers to Beijing and to aspects of Israeli-Chinese economic ties. Israel and China have generally been effective in identifying new grounds for cooperation each time the United States blocked aspects of their cooperation, but whether they can continue to do so remains to be seen. Nevertheless, although there are conflicting pressures, Israel is generally far closer to the United States and is expected to remain so.

Israeli Foreign Policy and Great Power Competition

The fortunes of great powers – their rise and fall, as well as great power rivalry – have been a core concern for Israeli foreign policymakers, and before them, of Zionist foreign policymakers.

Zionism's initial efforts, in the late 19th century, were aimed mostly at the great powers in an effort to secure international legitimacy for the Jewish plight for land. Till today, Israel celebrates the British Balfour declaration of 2 November 1917, which viewed favourably the development of a Jewish national home in what was then Palestine.¹ Similarly, Israel sees the 29 November 1947 United Nations General Assembly Resolution 181 (II), which called for the partition of Palestine and the establishment of a Jewish state, as the main source of its international legitimacy. All these events resulted from great power competition and, indeed, in some cases, great power war. The Ottoman defeat in 1917 led to British control of the land. London's commitment, as formulated in the Balfour Declaration, paved the way for the Jewish immigration that followed and the creation of a set of proto-state institutions that would evolve into a fully recognised state in 1948. US and Soviet calculations in the context of the Cold War led both these powers to break with their confrontational pattern and vote in favour of the 1947 partition resolution, each believing that a Jewish state would serve its own interests.

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Later, British and French decline in the Middle East led the United Kingdom and France to support Israel against its Arab foes,

¹ Knesset News, “Knesset to Hold International Conference Marking the 100th Anniversary of the Balfour Declaration”, 31 October 2017, https://main.knesset.gov.il/EN/News/PressReleases/Pages/Pr13611_pg.aspx; Knesset News, “Immigration Committee Marks 100th Anniversary of the Balfour Declaration; MK Neguse, Chairman: ‘We Had to Realize Our Connection to the Homeland on Our Own’”, 7 November 2017, https://m.knesset.gov.il/en/news/pressreleases/pages/pr13620_pg.aspx

culminating in a joint armed operation against Egypt in 1956. By the late 1960s, active Soviet support for Israel's Arab foes, Syria and Egypt, was an important driver of the Israeli-American alliance. The collapse of the Soviet Union in the 1990s strengthened Israel's position in the region and contributed to Arab willingness to negotiate with Israel in the Madrid and Oslo peace processes.

Against this background, it is clear that Israel's decision-makers would need to pay close attention to any change in the global balance of power, and specifically, the prospect of an American-Chinese confrontation. As I will show below, US pressure on Israel regarding the latter's relations with China has become more pronounced in the past few years. Perhaps all small states feel similar pressures. However, Israelis are particularly sensitive to such pressure for three reasons. First, for many years – though less so now – Israelis felt that their state was not fully legitimate in the eyes of large sectors of the international community and that any legitimacy they enjoyed was largely determined by the great powers.

Second, surrounded by armed foes, and fighting five major wars during its first 25 years, Israel saw great power military and political support as a core aspect of its national security doctrine. Finally, Israel defines itself as the nation state of the Jewish people, and some half of world Jewry resides in the United States, one of the great powers vying in the competition for dominance.

Israel's Relations with the United States and China

US-Israel Relations

The United States has been Israel's closest ally for at least five decades. The pre-state Zionist leadership understood the importance of American support for its quest for statehood during the 1940s and focused much of its lobbying efforts on Washington. Indeed, the United States was the first country to recognise Israel shortly after its establishment in 1948. However, the close alliance between the two emerged only in the late

1960s, driven by Israel's rise to regional power, Washington's Cold War calculations, and a more significant commitment of American Jews to support Israel.

Five decades later, the United States supports Israel militarily with generous aid, cooperates with it on regional security issues, and protects Israel diplomatically, mostly at the United Nations and in other arenas. The alliance is often described as built on three pillars. First, both countries share a similar view of the Middle East, with a preference for maintaining the status quo and preventing the rise of Iran and its proxies that challenge it. Second, both countries share a commitment to democracy and highlight its role as a common cement for their alliance. This pillar has been somewhat challenged in the last few years. The administration of President Donald Trump (2017–2021) was a close ally of Israel but seemed less committed to liberal democracy at home, and to democracy being a basis for America's relations abroad. Similarly, the current Israeli government is trying, as these lines are being written, to change aspects of Israel's constitutional order in a manner that is deemed by the administration of President Joe Biden as weakening Israel's commitment to liberal democracy. The third pillar of the alliance is the six million or so Jews who reside in the United States. Israel, seeing itself as the nation state of all Jewish people, has to be attentive to its relations with the United States, as it is the home of the largest Jewish community outside Israel. At the same time, the American Jewish community has played an effective role in lobbying the US government (mostly in Congress) to extend support to Israel.

Sino-Israeli Relations

Israel, under the rule of the socialist party Mapai, was the first Middle Eastern country to recognise the People's Republic of China soon after it was founded. However, the two countries did not move forward to establish diplomatic relations then. In the early 1950s, Israel was concerned that close relations with Beijing would not be viewed favourably in Washington, and by the mid-1950s China had become close to the Arab nations. In the late 1970s, Israel and China began

cooperating in secret, with Israeli arms industries assisting in the modernisation of the People's Liberation Army of China. Among other things, it is rumoured that the plans and technology for the scrapped Israeli jet, the LAVI, were sold to China and served as the basis for the latter's fourth-generation jet, the J-10.²

“Seen from Israel, the heart of its relations with China was, and still is, economics.”

In the late 1980s, Israel and China moved towards opening up diplomatic relations, first, through the Israeli consulate in Hong Kong, and by 1992 establishing full-fledged diplomatic relations. Seen from Israel, the heart of its relations with China was, and still is, economics. In the 1990s and early 2000s several military deals were considered, but these were halted under American pressure. In 2000, Israel withdrew from an agreement to supply China with a retrofitted Russian plane (the Phalcon) that would have provided Beijing with an advanced airborne early-warning capability. In 2005, Israel stopped servicing Chinese-owned Israel-made drones (the Harpy) under US pressure. As far as is publicly known, this episode sealed direct arms deals between Israel and China.

Economic relations between the two expanded throughout the 1990s and the first decades of the 2000s. Between 2000 and 2010, some 3,200 Israeli entities were engaged in exporting goods and services to China. In 2010, total Israeli exports to China amounted to US\$1.8 billion, while exports from China to Israel amounted to US\$4.7 billion.³

² Haaretz, “Pakistan Purchases Chinese Jets Based on Scrapped Israeli Lavi Fighter”, *Haaretz*, 5 January, 2022, <https://www.haaretz.com/world-news/asia-and-australia/2022-01-05/ty-article/pakistan-purchases-chinese-jets-based-on-scrapped-israeli-lavi-fighter/0000017f-f71b-d887-a7ff-ffffa08e0000>

³ Ministry of Trade, Industry and Employment, Israel, “Exports of Goods and Industrial Products from Israel to China, in the Last Decade”, 2010, <https://employment.molsa.gov.il/Research/Documents/X10560.pdf>

Once elected in 2009, the Netanyahu government sought to further expand its economic relations with Beijing, sensing that Israel was not taking full advantage of the vast China market. With enthusiastic support from both governments, Israeli-Chinese economic cooperation expanded dramatically. The Israeli cabinet took a number of decisions to this effect. In May 2013, it decided to expand support for the hi-tech industry so that it would be better able to compete in the Chinese (as well as Indian and Brazilian) markets.⁴ In the same month, Prime Minister Netanyahu visited China, and following his meeting with the then Chinese Premier, Li Keqiang, the Israeli cabinet decided on 19 May 2013 to prioritise economic relations with China. The cabinet decision set up high-level committees – involving both elected officials and senior civil servants – to lead and supervise this effort.⁵ In 2014, both states signed an agreement to advance joint projects in research, innovation, education, health and culture. The agreement was followed by the establishment of a bilateral forum intended to carry the vision forward.

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The forum – headed by the Chinese vice president and Israel’s foreign minister – met in early 2022 for the fifth time.⁶ In the same year, the

⁴ Prime Minister’s Office, Israel, “Decision 155: Strengthening Economic Relations with China, Brazil and India”, 13 May 2013, https://www.gov.il/he/departments/policies/2013_des155

⁵ Prime Minister’s Office, Israel, “Decision 251: Strengthening economic relations with China”, 19 May 2013, https://www.gov.il/he/departments/policies/2013_dec251

⁶ Ministry of Foreign Affairs, Israel, “The China-Israel Joint Committee on Innovation Cooperation Convenes for the Fifth Time”, 24 January 2022, <https://www.gov.il/en/departments/news/china-israel-joint-committee-on-innovation-cooperation-convenes-for-fifth-time-24-jan-2022>

cabinet's committee for the expansion of economic relations with China offered a detailed plan for achieving its goals.⁷

In 2016, both countries launched talks for a free trade agreement (FTA), which would eliminate tariffs on most goods traded between the two countries, further boosting trade and investment. However, the agreement has not been concluded yet, in part because Washington is signalling its concern over the implications of a possible agreement on the transfer of Israeli technologies to China.⁸ Following a meeting in 2017, Prime Minister Netanyahu and President Xi Jinping announced an innovative comprehensive partnership. The new partnership was aimed at expanding cooperation in agriculture, investment, finance and medical services. Special emphasis was given to environmental technologies, including pollution control, waste management, environmental monitoring, and water conservation and purification. Specifically, the partnership was envisioned to include exchanges among young technological personnel, cooperation in joint laboratories, innovation parks, the setting up of a global technology transfer centre, and an innovative cooperation centre.

“As is the case with many other states that trade with China, Israel suffers a trade deficit, with only a third of the trade being Israeli exports.”

These initiatives may have led to the dramatic expansion in trade between the two countries that has been evident in the past few years. At the beginning of the new millennium, two-way trade amounted to about

⁷ Prime Minister's Office, Israel, "Decision 1687: A Plan to Expand and Enhance Economic Relations Between Israel and China, 5 June 2014, https://www.gov.il/he/departments/policies/2014_dec1687

⁸ Sean Mathews, "US-China Tensions Cloud Israel Free Trade Deal", *Middle East Eye*, 10 October 2022, <https://www.middleeasteye.net/news/US-China-tensions-cloud-Israel-free-trade-deal>

US\$1.07 billion. By 2020, the figure was more than tenfold higher, at US\$11.9 billion, or about 10% of total Israeli trade with the world.

“Yet, with all the Chinese engagement, investments from China amounted to just 6% of total foreign direct investments in Israel between 2012 and 2021, compared with 64% for US investments.”

As is the case with many other states that trade with China, Israel suffers a trade deficit, with only a third of the trade being Israeli exports.⁹ Chinese investments in Israel show patterns that are evident in both the developed and developing worlds. Chinese companies were engaged in the construction of infrastructure such as the tunnels under Mt. Carmel, a section of the Ashdod harbour, and a light rail project (the red line) in Tel Aviv. They also operate infrastructure, most notably, a portion of the Haifa harbour. Chinese companies have also invested directly in Israeli companies. They bought traditional corporations such as Tnuva (dairy) and Machteshim-Agam/Adama (chemicals). There were also significant Chinese investments in Israeli start-ups and venture capital firms, although this trend seemed to have peaked in 2018 and has been on the decline since then. The decline may be due in part to concerns among many Israeli companies that Chinese involvement might create future difficulties for sales in the American market. Yet, with all the Chinese engagement, investments from China amounted to just 6% of total foreign direct investments in Israel between 2012 and 2021, compared with 64% for US investments.¹⁰

⁹ Doron Ella, “Trade in Goods and Services Between Israel and China in the Era of COVID-19”, Institute for National Security Studies (INSS), December 2021,

¹⁰ Government of Israel, “The Consultative Committee for Vetting Aspects of National Security in Foreign Investments”, September 2022, https://www.gov.il/BlobFolder/reports/publish-adviser-committee-activity-2021/he/Publishes_publish-adviser-committee-activity-2021-file.pdf

Beyond the economic focus, China took some limited steps in the political arena. It convened Israeli-Palestinian “seminars”, which were, in effect, high-level track-two efforts to keep the Israeli-Palestinian political engagement going. The meetings, however, caught little attention and seemed mostly to reflect Beijing’s interest to project an image of a responsible international player, rather than commit the resources to enter the complicated Israeli-Palestinian arena. Israel presumably also follows the emerging relationship between China and Iran, the latter being Israel’s main regional challenger.¹¹ However, there are very few public statements about the matter,¹² possibly indicating that Israel understands that it has little leverage over Beijing in this matter.

US-China Competition and Israel’s Response

Starting in the late 2010s, US-Chinese competition grew more pronounced. The Trump administration designated China as a challenger to US dominance and began executing policies intended to contain Beijing. The Biden administration has followed suit and similarly defined China, in the words of Secretary of State Anthony Blinken, as the “most serious long-term challenge to the international order”.¹³ After it had successfully put a halt to Israeli-Chinese arms deals in the early 2000s, Washington moved to curb aspects of Chinese economic activity between Israel and China. As in the early 2000s, American concerns revolved mostly around possible technology transfers from Israel to China.

¹¹ Ehud Eiran and Martin Malin, “The Sum of all Fears: Israel’s Perception of a Nuclear-Armed Iran”, *The Washington Quarterly* 36.3, 2013, pp. 77–89

¹² For an exception see Ministry of Intelligence, Israel, “The Minister of Intelligence in the Opening of the Israel-China Center: We Expect China to Help Against Iran”, 1 August 2022, <https://www.gov.il/he/departments/news/china010822>

¹³ Anthony J. Blinken, “Speech: The Administration’s Approach to the PRC”, 26 May 2022, <https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china/>

Under American pressure, the Israeli cabinet announced in October 2019 that it would be setting up a board to vet foreign investments in the Israeli economy. The decision did not refer to any specific country, but it was aimed primarily at Chinese investments in Israel. In its original formulation, the board's remit was rather limited in scope. Israeli regulators could choose whether to refer matters to the board, and its function was only consultative. Regulators were not committed to acting upon the board's recommendations.¹⁴ In October 2022, the Israeli government strengthened the authority of the board. Earlier, in July 2022 President Biden and Israel's then prime minister, Yair Lapid, announced the establishment of a "strategic dialogue on advanced technologies" headed by their respective national security advisers.

“The United States also signalled its displeasure with Chinese investments in Israeli infrastructure projects. ... In the last few years, Chinese companies did lose at least two major bids for infrastructure projects in Israel.”

The United States also signalled its displeasure with Chinese investments in Israeli infrastructure projects – most notably, over the fact that a Chinese operator, Shanghai International Port Group (SIPG), will be operating a portion of Haifa port. American displeasure, and possible pressure, did not lead to a change in Israeli policy in this case. However, in the last few years, Chinese companies did lose at least two major bids for infrastructure projects in Israel. In 2020, a Hong Kong-based corporation, Hutchison Water, lost a tender for a large desalination project (Soreq 2). Shortly before the decision, the then US secretary of state, Mike Pompeo, visited Israel and seemed to have signalled an

¹⁴ Ministry of Finance, Israel, “The Consultative Committee for Vetting Aspects of National Security in Foreign Investments, 23 January 2020, <https://www.gov.il/he/departments/policies/foreign-investment-board>

American preference for the Chinese company not to be awarded the tender.¹⁵ In early 2022, a Chinese company, China Railway Construction Corporation Limited (CRCC) was disqualified from a bid to develop two light rail lines together with Israeli partners. This was despite the fact that the company was already engaged in the development of another section of the light rail project and had in fact submitted the lowest bid. In the legal proceedings that unfolded later, it emerged that Israeli officials were indeed concerned by the involvement of the Chinese company, although it is not clear whether the concern was a result of American pressure or internal Israeli concerns.¹⁶ Israeli observers suspect that American pressure manifests itself in other ways. For example, some analysts argue that the American pressure to limit Israeli cyber companies involved in developing offensive technologies is motivated by fear that their technology would be used by China against the United States and its allies.¹⁷

“Israel’s approach, at least under the previous Netanyahu governments was to try to hold the stick on both ends: remain a close strategic ally of the United States, but also strengthen economic ties with China.”

Israeli policy regarding competition could be summarised as follows. First, almost 20 years ago, Israel accepted the American demand

¹⁵ Amiram Barkat, “IDE wins Sorek 2 Desalination Tender amid US Pressure”, 26 May 2020, <https://en.globes.co.il/en/article-ide-wins-sorek-2-desalination-tender-after-us-pressure-1001330178>

¹⁶ Golan Hazani, “The State reveals how much It Feared the Chinese Winning the Light Rail Tender in Tel Aviv”, YNET, 31 May 2022, <https://www.ynet.co.il/economy/article/sk1qtjqo9>

¹⁷ Amos Harel, “The Iran File Is Being Transferred to Netanyahu and Galant, but the Worrying Signs Are Coming from a Different Direction”, *Haaretz*, 1 January 2023, <https://www.haaretz.co.il/news/politics/2022-12-30/ty-article/.highlight/00000185-5f99-d819-a995-ffb908ae0000>

to halt any sales of security-related items, mostly technology, to China. Second, Israel's approach, at least under the previous Netanyahu governments (2009–2021) was to try to hold the stick on both ends: remain a close strategic ally of the United States, but also strengthen economic ties with China. However, three trends are complicating the ability to maintain this strategy. First, the growing enmity between Washington and Beijing led to US pressure on Israel to restrict aspects of its economic engagement with China. The second is the securitisation of privately developed technologies. As Israel's appeal to China, at least in part, is the former's technological prowess, and because Washington sees its competition with China also as centred on technologies, Israel is bound to face even growing US pressure regarding business with China. Third, and to a lesser degree, the war in Ukraine has contributed to the American depiction of its competition with China as having an ideological element: the free world vs. the powers that aim to disrupt it and threaten freedom. Israel was able to remain on the sidelines in the Ukraine context, but the further the global competition is coloured in ideological claims, the greater will be the pressure on Israel to restrict relations with China.

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One manifestation in Israel of this tension arising from growing US-China enmity is the different responses to US pressure. The dominant voices, reflecting the proximity of the Israeli foreign and defence establishments to the United States, tend to accept American concerns. As a leading analyst on the issue, Brig Gen (Res) Asaf Orion wrote recently, “Jerusalem doesn't have to choose between Washington

and Beijing, because it's already chosen the former.”¹⁸ Some even suggest that China can be an intrinsic threat to Israel, separate from American concerns. Others, in the same vein, accept the American concerns but warn against following Washington blindly, or would like to secure some American side payments in return for limiting economic (mostly technological) engagement with China.¹⁹ On the other hand, some voices in the economic arena suggest that Israel should continue to engage China economically and try to benefit from its rise, especially regarding deals that were already agreed upon.²⁰ Indeed, this approach was generally accepted regarding the Chinese operation of a portion of Haifa harbour, which despite US displeasure, is still operated by a Chinese company.

Conclusion

The evolution of Israeli-Chinese relations highlights three issues. First, since the early days of Israel-China interactions in the 1950s, the United States was a central factor in Israeli decision-making in this regard. American concerns slowed down Israeli-Chinese relations in the 1950s, halted both countries' military ties in the early 2000s, and has now placed limits on Israeli technology transfers to Beijing. Israel and China were generally effective in identifying new arenas for cooperation that did not challenge the United States. It remains to be seen whether they will be able to continue doing so now, in the face of American pressure to limit exchanges on technology between the two.

¹⁸ Assaf Orion, “No, Israel Isn't Falling Into China's Orbit”, *Mosaic*, 6 September 2022, <https://mosaicmagazine.com/essay/israel-zionism/2022/09/no-israel-isnt-falling-into-chinas-orbit/>

¹⁹ Yitzhak Shichor, “The US is Wrong in its Approach to China – and Israel Might Pay the Price”, *Ha'Zira*, July 2022, <https://www.arenajournal.org.il/single-post/issue11-shichor-israel-china-usa>

²⁰ Shlomit Lan, “The Chinese Are Not Overtaking Israel's Ports”, *Globes*, 15 December, 2018, <https://www.globes.co.il/news/article.aspx?did=1001264448>

Second, although Israel faced American pressure over the years regarding its relations with China, the issue had not become a major front of the American-Chinese competition. This is in contrast to the heydays of the Cold War, when hot wars between US and Soviet proxies – Israel and major Arab states, respectively – threatened to drag the world to a global, possibly nuclear, exchange.

Finally, although some seasoned analysts frame the question as that involving “Israel between China and the United States”,²¹ Israel is not expected to move away from the American camp. For now, China cannot serve as a substitute to US support for Israel. Moreover, with about half of the Jewish people outside Israel residing in the United States, the latter will remain a central focus of Israeli foreign relations. ◆

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²¹ See, for example, Ilai Saltzman, “Israel Remains Caught Between China and the United States – Opinion”, *Jerusalem Post*, 7 October 2022, <https://www.jpost.com/opinion/article-719076>



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