



Navigating Asian Rivalries

Israel's ties with China and India

Nicolas Blarel

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: Chinese President Xi Jinping (L) and Indian Prime Minister Narendra Modi attending the group photo session during the BRICS Summit in Xiamen, China, on 4 September 2017. Kenzaburo Fukuhara/Pool/AFP

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Over the past three decades, Israel has increasingly pivoted towards Asia, especially in pursuing economic and defence relations with India and China. While much attention has been given to US criticism of growing China-Israel ties, especially in the sensitive spheres of defence and technological cooperation, there have been few studies of how Israel has carefully calibrated its rapprochement with the two Asian rivals over the past three decades, especially in the face of the varying pulls and pressures in an increasingly multipolar and competitive Indo-Pacific environment. How has Israel been able to hedge and gain from cooperation with both Asian rivals without being caught up in zero sum calculations?

While much emphasis in recent times has been on India and China's rapprochement with the Arab Gulf states or their relations with Iran, the two countries' growing ties with Israel have received less attention. The US media though has been increasingly concerned about Chinese investments in Israel. Over the past three decades, Israel has increasingly pivoted towards Asia, especially in the realm of economic and defence relations with India and China. China's

bilateral trade with Israel grew from US\$50 million in 1992 to US\$15 billion in 2020, making it Israel's largest trading partner in Asia and its third largest trading partner in the world after the European Union and the United States. From 2011 to 2021, the share of Israeli exports to Asia going to China rose from 25% to 42%.¹ India's trade with Israel too has grown, rising from US\$200 million in annual trade in 1992 to US\$7 billion in 2022, and these figures do not include India's important but more secretive defence purchases from Israel.²

Defence ties are an important dimension in this rapprochement, although it is India that has mostly benefited from close military ties with Israel, while progress in defence ties between Israel and China has traditionally been complicated due to the United States' close monitoring of this relationship. While much attention has been given to US criticisms of growing China-Israel ties, especially in the sensitive spheres of defence and technological cooperation, there have been few studies of how Israel has carefully calibrated its rapprochement with both these Asian rivals over the past three decades. For instance, in March 2017, Israel's then prime minister Benjamin Netanyahu signed a comprehensive partnership with China, just weeks before hosting prime minister Narendra Modi's maiden visit to Israel. However, the United States has also increasingly raised concerns about China's growing role in Israel's critical infrastructure and hi-tech sectors, and instead favoured Indian investments in Israel, notably through the new I2U2 minilateral partnership involving the United Arab Emirates, apart from the United States, India and Israel.

This paper looks at how Israel has been able to hedge and gain from cooperation with both these Asian rivals and the future challenges that Israel is likely to encounter as it seeks to maintain good ties with

¹ Ehud Eilam, "Israel and China: The Bloom Is Off the Rose", Middle East Institute (Washington DC), 1 December 2022, <https://www.mei.edu/publications/israel-and-china-bloom-rose>

² ANI, "India-Israel bilateral trade close to USD 8 billion, says Israeli envoy", ANI News, 8 December 2022, <https://www.aninews.in/news/world/asia/india-israel-bilateral-trade-close-to-usd-8-billion-says-israeli-envoy20221208235609/>

both countries in an increasingly multipolar and competitive Indo-Pacific environment.

Estrangement and Normalisation

After independence, the primary goal of Israel was to ensure its survival as a full-fledged state. One effort towards achieving this goal was military, i.e., ensuring its external defence, and the other diplomatic, i.e., gaining international recognition from a majority of states. Initially, India and the People Republic of China developed robust pro-Palestinian stances and neither of them established diplomatic ties with Israel until the 1990s.³ Notably, both condemned Israel for the Anglo-French-Israeli attack on Egypt during the Suez crisis in 1956. Earlier, in 1950, India had officially recognised Israel but it refrained from establishing diplomatic relations. Nonetheless, Israel lobbied India for improved ties and succeeded when India opened an embassy in Tel Aviv in 1992.⁴ By contrast, Israel did not see ties with China as a diplomatic priority, viewing China as a distant player at the political, military and economic levels.⁵

Despite the absence of diplomatic ties in the 1960s and 1970s, the Indian and Chinese militaries and defence industries developed an appreciation for Israel's national defence systems and doctrines, whose effectiveness was demonstrated in the Arab-Israeli wars despite long periods of military embargoes. This appreciation led to small-scale arms procurements from Israel: India acquired mortars and ammunition during its conflicts with Pakistan, and China reportedly cooperated with Israel on missile and aviation technology.⁶ Military sales to China partly

³ Nicolas Blarel, *The Evolution of India's Israel Policy: Continuity, Change, and Compromise since 1922* (Oxford University Press, 2015).

⁴ Blarel, *The Evolution of India's Israel Policy*.

⁵ Yitzhak Shichor, *The Middle East in China's Foreign Policy* (Cambridge University Press, 1979).

⁶ Blarel, *The Evolution of India's Israel Policy*; Shichor, *Israel's Military Transfers to China and Taiwan*, *Survival* 40 (1998): 68–91, doi: [10.1093/survival/40.1.68](https://doi.org/10.1093/survival/40.1.68)

helped Israel's defence-industrial complex address the rising costs of its indigenous military output.

A series of political developments in the early 1990s, such as the Gulf War and the emerging Oslo peace process, encouraged India and China to establish diplomatic relations with Israel within a few days of each other in January 1992. Normalisation of ties helped the two Asian powers develop stronger defence and economic relations with Israel. In parallel, some of Israel's defence industries pushed for stronger ties with China and India to make up for the loss of orders from NATO and South Africa: NATO's West European members drastically cut their military acquisitions following the collapse of the Soviet bloc, while South Africa's post-apartheid government chose to dissociate itself from Israel.

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Meanwhile, in the post-Tiananmen context, the United States was closely monitoring Sino-Israeli military ties. Since Israel benefited from important financial and technical support from Washington, the United States was a de facto veto player over Israeli defence sales to third countries. Israel was then accused of unauthorised and even illegal transfers of technology supplied or funded by the United States, notably Patriot anti-missile technology, to China, an allegation which was directly investigated by the United States. Citing security threats to American forces, Washington also blocked China's planned US\$1 billion purchase of Israel's Phalcon airborne warning and control system (AWACs).⁷ In

⁷ Shichor, *Israel's Military Transfers to China and Taiwan*.

2000, Israeli prime minister Ehud Barak announced the cancellation of the deal.

In contrast, Israel's defence ties with India had no such constraints but moved at a slow pace in the 1990s due to domestic political opposition within India to engaging too closely with Israel. However, the electoral victory of a coalition led by the Bharatiya Janata Party (BJP) in 1998 and the 1999 Kargil war led India to accelerate defence transactions with Israel, culminating in the purchase of nine Barak-I AMD systems and missiles from IAI (Israel Aerospace Industries) and Rafael Advanced Defense Systems in February 2001. In 2003, three years after the United States had blocked the sale of Phalcons to China, Israel, in coordination with the United States, started negotiations for the sale of three such AWACs to India. Washington's positive attitude towards New Delhi has enabled Israel to develop a substantial defence partnership with India and to become its third largest defence supplier. The increase of Israeli arms sales to India over the past two decades has also made India the largest export market for Israeli defence products and a partner for the joint production of defence systems.⁸

Israel's Asia Pivot

Over the past two decades, China and India's dependence on petroleum and other raw materials from the Middle East, as well as their sustained economic growth, has gradually made the two countries a major destination for exports from Middle Eastern states. China has also become an important source of investment in the region – as has India, albeit to a lesser extent. China has become the most important trade partner for most countries in the Middle East, mainly as a supplier of goods. Sino-Israeli economic relations have also progressed over the past decade, now exceeding US\$15 billion, while China reportedly invested a

⁸ Rahul Singh, "India, Israel to Work on 10-year Roadmap for Defence Cooperation", *Hindustan Times*, 29 October 2021.

total of US\$12.9 billion in Israeli infrastructure.⁹

India and China's growing key interests in the Middle East have been forcing them to rethink the tools they can develop to support their interests and roles in the region in a more expansive way. It is critical to understand this role transition for India and China and how it has interacted with Israel's own foreign policy aspirations over the past decade. Under Netanyahu's extended stint as prime minister from 2009 to 2021, Israel embraced growing engagement of developing markets like China and India to diversify its export destinations and limit its traditional dependence on ties with Western partners. However, given the deadlock in the negotiations for a free trade agreement (FTA) with India since 2010, Netanyahu's government launched free trade negotiations with China in 2013, notably to ensure greater access for Israeli companies to the Chinese market and to ease Chinese foreign direct investments in Israel.

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Israel's focus shifted to cooperation with China in less sensitive economic and technological sectors rather than defence ties, which were under close US scrutiny. The two countries established the Israel-China Joint Committee on Innovation Cooperation. Netanyahu travelled to Beijing in March 2017 to mark the 25th anniversary of the establishment of diplomatic ties and both countries agreed to raise the status of the relationship to a "Comprehensive Innovation Partnership". Netanyahu declared during the visit that good ties between the countries were like "a

⁹ Shira Efron, Karen Schwindt, and Emily Haskel, *Chinese Investment in Israeli Technology and Infrastructure: Security Implications for Israel and the United States*, RAND Corporation, 2020, https://www.rand.org/pubs/research_reports/RR3176.html

marriage made in heaven”. (Interestingly, Netanyahu used the same label to frame India-Israel ties during his visit to New Delhi in January 2018).

In reaction to these outreach initiatives from Israel, China increasingly saw Israel as a source of innovative R&D technologies and as a strategic outpost in its regional interests – a small but vital stopover under its Belt and Road Initiative (BRI), a land bridge connecting trade and energy routes between East Asia through the Middle East and North Africa and onto Europe. As a result, Chinese companies have expanded their investments in Israeli infrastructure projects since 2009. The involvement of China Civil Engineering Construction Corporation in the construction of the Carmel tunnels and a railway line from Eilat to Ashdod, and the involvement of Shanghai International Port Group in the management of the Northern Haifa Bayport Terminal have helped connect the Red and Mediterranean Seas, providing an alternative route to the Suez Canal for China. Beyond these infrastructural investments, Chinese agro-business companies have also acquired Israeli firms. China National Chemical Corporation acquired Israeli pesticide manufacturer Adama Agricultural Solutions in 2011 and Bright Foods acquired Tnuva, Israel’s biggest food processing cooperative, in 2014.

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In reaction, Washington has expressed concerns that China is gaining too much ground in Israel’s infrastructural projects and sectors involving dual-use technologies. Under American pressure, the Israeli government formed an advisory committee to weigh the national security

aspects of prospective foreign investments in Israeli companies.¹⁰

In light of these pressures from the United States and in an effort to diversify Israel's Asian partnerships, Netanyahu pushed for increased engagement of India, building on a perceived window of opportunity linked to the election of a pro-Israel Narendra Modi in 2014.

A more benign perception, especially in Washington, of India's increasing presence in the Middle East has permitted Israel to actively promote economic relations and invest in India, but also to develop strategic and defence ties.

Breaking with their previous caution in drawing attention to the partnership over the past decade, the two leaders have actively publicised their commercial and defence relationship. In July 2017, Modi notably became the first sitting Indian prime minister to visit Tel Aviv. This visit was soon reciprocated by a visit by Netanyahu to New Delhi in January 2018. A more benign perception, especially in Washington, of India's increasing presence in the Middle East has permitted Israel to actively promote economic relations and invest in India, but also to develop strategic and defence ties. For instance, Israel awarded the tender for the privatisation of the original Haifa port (separate from but located next to the Chinese-operated Northern Haifa Bayport Terminal) to the Indian conglomerate Adani Group despite competing Chinese bids for the project.¹¹ Defence ties between India and Israel have also expanded

¹⁰ Steven Scheer, "With Eye to China, Israel Forms Panel to Vet Foreign Investments", Reuters, 30 October 2019, <https://www.reuters.com/article/us-israel-investment-panel-idUSKBN1X926T>

¹¹ Azad Essa, "Haifa Port, Gautam Adani and Israel's Plan for the Middle East", *Middle East Eye*, 10 March 2023, <https://www.middleeasteye.net/big-story/israel-india-haifa-port-adani-what-tells-middle-east-plans>.

under Modi's tenure, with India buying 250 SPIKE 2000 bombs from Rafael as well as surveillance drones and Spike anti-tank guided missiles.¹²

Looking Forward: Transactional Pivot or Strategic Hedging?

Since the Israeli government changed its policy towards China in 2013, much of its diplomatic efforts have been directed towards promoting economic relations: the rising trade volume and the diversity of Chinese investments indicate strengthening economic ties. The relationship has been mainly based on narrow national interests and not on common values or shared regional or international interests. Similarly, while Netanyahu and Modi have advertised their personal and ideological chemistry, the relations have not diversified beyond defence procurement and some cooperation in the agricultural sector. Negotiations for a FTA have remained deadlocked for more than a decade (in contrast to India's quick and successful Comprehensive Economic Partnership Agreement (CEPA) negotiations with the UAE). This demonstrates that while Israel is dependent on the Indian defence market to support its costly indigenous defence R&D and production, it also needs the Chinese market and investments to sustain its economic and infrastructural development. Consequently, Israel's pivot to Asia has been limited and transactional in nature: partnerships with China and India have been limited to specific sectors of cooperation in order to maintain Israel's strategic leverage and to ensure that the Israeli leadership does not have to explicitly take sides in the US-China or India-China rivalries.

For both China and India, closer ties with Israel have not led to close diplomatic alignments. In fact, China recently welcomed the

¹² Amrita Nayak Dutta, "India Stocks up Missile Arsenal as it Prepares for Another Tense Summer in Ladakh", The Print, 31 December 2020, <https://theprint.in/defence/india-stocks-up-missile-arsenal-as-it-prepares-for-another-tense-summer-in-ladakh/576386/>

Palestinian Authority's president, Mahmood Abbas.¹³ Likewise, the Indian government has regularly reasserted its support for the Palestinian Authority, including by inviting Abbas to New Delhi in 2017, and by regularly donating to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. This is in spite of India's abstention from supporting Palestine-sponsored resolutions against Israel at the UN Human Rights Council or the International Court of Justice, and Modi's deliberate decision to avoid making a stop in Ramallah when visiting Israel in 2017.¹⁴ Both India and China have continued to vote for UN General Assembly (UNGA) resolutions condemning Israel's occupation since 1967 of Arab lands, including East Jerusalem, and in 2017 supported the UNGA vote against then US president Donald Trump's unilateral declaration of Jerusalem as Israel's capital, judging that this decision went against international law and previous UN Security Council resolutions.

Israel's pivot to Asia has been limited and transactional in nature.

For both Asian powers, the increasing peripheral nature of the Palestinian cause is reflected in the greater priority they accord to deepening ties with Israel. However, a wholesale change from the historical positions taken in multilateral fora will not happen for the two commitment-averse actors. In this context, both Asian powers have welcomed the Abraham Accords. The understanding was that the

¹³ Bethan McKernan, "China's Palestinian Moment is about Global Standing rather than Peace", *The Guardian*, 11 June 2023.

¹⁴ Sakshat Chandok, "Support for Palestine Dwindles as India Refuses to Vote against Israel at the UN", *The Quint*, 5 January 2023, <https://www.thequint.com/news/world/india-abstains-un-resolution-icj-opinion-palestine-rights-israel-occupation>; ANI, "India Extends Support to Palestinian People, says PM Modi," 29 November 2022, <https://www.aninews.in/news/world/asia/india-extends-support-to-palestinian-people-says-pm-modi20221129234559/>

accords can lead to a reduction of regional conflicts and further facilitate China's and India's political and commercial ventures in the region, while not having to take sides in intra-regional conflicts. Nevertheless, while both India and China welcomed the agreement, both also reiterated their support for the Palestinian cause.

As Netanyahu returned as Israel's prime minister in 2022, questions arose over Israel resuming a policy of balancing the different relationships and extracting dividends from partnerships with both Asian powers.

Growing economic ties with Israel have also not led to a change in China's position with regard to Iran. China initially encouraged Iran to seek an agreement with Europe and the United States aimed at limiting its nuclear weapons capability in exchange for the lifting of economic sanctions and the possibility of developing civilian nuclear research. Following President Trump's decision to leave the nuclear agreement, the Joint Comprehensive Plan of Action (JCPOA), China and Iran signed an economic and security partnership, clearing the way for Chinese investments in Iran. Beijing also recently brokered the normalisation of ties between Saudi Arabia and Iran, thereby undercutting efforts to isolate the Iranian government.

As Netanyahu returned as Israel's prime minister in December 2022, questions arose over Israel resuming a policy of balancing the different relationships and extracting dividends from partnerships with both Asian powers. For instance, in a recent meeting with members of

the US Congress, Netanyahu mentioned a “projected visit” to China without disclosing when the trip would take place.¹⁵

Over the past five years, tensions between China and the United States, but also between India and China, have intensified. Not only have President Trump’s sanctions on China remained in place under President Joe Biden, but they have been escalated to unprecedented levels. US concerns over Israel’s hi-tech cooperation with China have increased, especially in areas like artificial intelligence and chip design. Israel is conscious that 60% of its trade is still with the United States and that if China-Israel relations deepen, China’s leverage on Israel will grow. In addition, in pursuing ties with China, Israel will have to consider how such ties are perceived by India. For most of the past decade, Indian leaders did not see the power balance between India and China in zero sum terms. But in the context of deteriorating India-China relations since their border standoff of 2020, India has been paying closer attention to Israel’s relationship with China.

In this increasingly complex international environment, Israel would need to be more careful in its dealings with China or look for strategic hedging alternatives vouched by the United States. Israel has therefore encouraged an influx of lower-risk Indian investments to effectively hedge against China’s intensifying efforts to penetrate the region. In addition, Israel has been able to seize the opportunity initiated by the United States to build common ground with India to counterbalance China, such as through the I2U2 minilateral. ◆

* Nicolas Blarel is Associate Professor of International Relations at the Institute of Political Science, Leiden University. His research focuses on foreign policy-making processes in India, the international politics of South Asia, and India’s relations with the Middle East. He

¹⁵ Associated Press, “Netanyahu says China Has Invited Him for a State Visit”, 27 June 2023, <https://apnews.com/article/israel-china-netanyahu-invitation-us-3a11ee2a1a23e9e415f400ad39772f2e>

published his first book, *The Evolution of India's Israel Policy: Continuity, Change, and Compromise since 1922*, with Oxford University Press in 2015. More recently, he co-edited with Crystal Ennis *The South Asia to Gulf Migration Governance Complex* (Bristol University Press, 2022).



29 Heng Mui Keng Terrace
Block B #06-06
Singapore 119620
Tel: +65 6516 2380; Fax: +65 6774 0458
Email: contact.mei@nus.edu.sg
www.mei.nus.edu.sg

