

PEACE AND SECURITY

# BETWEEN A ROCK AND A HARD PLACE

The Israel–China Relationship amid  
the US–China Global Rivalry

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Within the Sino–Israeli relationship in the age of global rivalry between China and the US Israel is increasingly stuck between a rock and a hard place, pursuing a hedging strategy within certain limits.



At the same time, Israel's suspicions of China's intentions and actions in the Middle East – frequently perceived as one-sided to Israel's detriment – are growing.



While China is interested in furthering its cooperation with Israel, the latter is under increasing pressure from the US to limit this engagement. Alongside the intensifying rivalry Israel may either lose its partnership with the US or its collaboration with China.



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# INTRODUCTION

Israel was the first country in the Middle East to recognize the People's Republic of China (PRC), although they did not establish formal diplomatic relations until 1992. Since then, the bilateral ties have developed and grown, especially in economy, tourism, culture, and academic cooperation.<sup>1</sup> To better understand the development and various facets of the Chinese–Israeli relationship, this paper will highlight key factors determining it, including the close economic ties and Israel's positioning between China and the US.

The first section analyzes the history of relations between both countries, focusing particularly on the substantial economic incentives that have fostered close ties especially in the most recent past. The second chapter explores the dominant narratives in Israel, within politics and widespread popular perceptions, of China and its regional politics in the MENA region. Thereafter, the paper carves out the major strategic implications of Israel's relationship with China in terms of resulting challenges and opportunities, particularly with regard to its relationship to the United States, before the main findings and key challenges on the Sino-Israeli relationship are concluded at the end.

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<sup>1</sup> Chaziza 2018; Evron and Kowner 2023.

# HISTORY OF RELATIONS

The PRC's prime interest in Israel is advanced technology, as it sees Israel as a global powerhouse in technology and innovation in cybersecurity, bio-agriculture, and green technology. Within the broader context, particularly as part of the Belt and Road Initiative (BRI), Israel's geographical location is a potential node in the BRI scheme.<sup>2</sup> For Israel, the PRC's attraction lies not only in its vast, rapidly expanding economy, presenting infinite opportunities, but also because it has shown little interest in the politics of the Middle East. Israel seeks to expand its strategic, economic, and diplomatic ties with the PRC and diversify its export markets and investments from the US and Europe.<sup>3</sup>

Indeed, since normalizing diplomatic relations, the two countries have seen a dramatic expansion of commerce ties.<sup>4</sup> In 1992, trade between Israel and China was worth 50 million US dollars; in 2022, the figure increased 400 times to 21 billion US dollars.<sup>5</sup> China (excluding Hong Kong) became Israel's third-largest trading partner. Nevertheless, it remained behind the EU (48.5 billion US dollars in 2022) and the US (22 billion US dollars in 2022), although Israel's trade with the PRC exceeds its trade with any individual European partner.<sup>6</sup>

In recent years, the Sino–Israeli trade ties have been on a continuous and consistent upward trajectory, especially regarding goods. They rely primarily on Israel importing goods from China, which makes up around 70% of the total international trade in goods and services between the two countries. Nevertheless, Israeli exports to China are limited and need more diversity; it relies heavily on the exports of electronic components, especially microchips manufactured by Intel. However, exporting microchips and other advanced technological equipment from Israel to China could face difficulties in the coming years due to the US–China great powers tech race and Washington restrictions in these sensitive areas. Since the export of electronic components represents the core of Israeli exports to China, US restrictions could limit these exports to the PRC and lead to the non-realization of the Israeli export potential. Therefore, Israel must conduct trade with China

based on Washington's demands and take advantage of possible economic and commercial opportunities.<sup>7</sup>

As of 2022, only a very small percentage of China's foreign investment has been directed to Israel, although it has strengthened its average yearly investment since 2002, "from \$20 million to more than \$200 million".<sup>8</sup> According to the China Global Investment Tracker (2022), China's investments and construction in Israel from 2005 to 2022 reached 14.7 billion US dollars.<sup>9</sup> Most of China's investments, mergers, and acquisitions in Israel were overwhelmingly directed to the technology sector. According to data from the Institute of National Security Studies, 449 out of 463 deals were in the technology sector, with a reported value of 9.14 billion US dollars up to 2019.<sup>10</sup> Chinese state-owned enterprises (SOEs) made additional investments totaling 5.91 billion US dollars across eight infrastructure sector projects, four transportation projects, and two projects in the ports and electricity sectors.<sup>11</sup> Nevertheless, Chinese companies did not necessarily win infrastructure tenders due to preferential treatment by Israel but rather due to fewer foreign competitors.<sup>12</sup>

As Israel and China mark three decades of diplomatic relations, it is evident that their bilateral economic and business ties are deepening. In 2021, the PRC officially surpassed the US to become Israel's most significant source of imports. To diversify its foreign reserves, Israel added the Chinese yuan currency to its central bank reserves for the first time in April 2022 while reducing its holdings of US dollars and euros. Finally, in the coming years, the two parties will likely have concluded a free trade agreement (FTA), which has been under discussion for several years.<sup>13</sup> However, this FTA agreement would significantly reduce Israel's tariff revenues. In periods of current economic uncertainty, it is hard to envisage that it would rush to give up the significant revenues resulting from increasing imports from China.<sup>14</sup>

<sup>2</sup> Zhu 2019; Harutyunyan 2020.

<sup>3</sup> Efron, Shatz, Chan, Haskel, Morris, and Scobell 2019.

<sup>4</sup> Chaziza 2018; Figueroa 2021.

<sup>5</sup> Israeli Central Bureau of Statistics 2023.

<sup>6</sup> According to Chinese figures, however, trade between the countries rose to 25.3 billion US dollars in 2022. The difference between the data presented by the two states is due to differences in calculation methods. China Customs Statistics 2023.

<sup>7</sup> Fadlon 2023.

<sup>8</sup> Interesse 2022.

<sup>9</sup> China Global Investment Tracker 2023.

<sup>10</sup> Ella 2021.

<sup>11</sup> Interesse 2022.

<sup>12</sup> Lavi 2022; Eilam 2022.

<sup>13</sup> Interesse 2022.

<sup>14</sup> Fadlon 2023.

## DOMINANT NARRATIVES: ISRAEL'S VIEWS AND PERCEPTIONS OF CHINA

In the last decades, the two countries have been in the process of rapprochement resulting from a change in concept and policy. Underlying this conception is a switch in Israel's foreign and economic policy from an almost exclusive reliance on the EU and the US to opening its financial and economic market and diplomacy to other continents, particularly emerging powers and giant economies, while maintaining a balance in ties with the rival forces in Asia (e.g., Japan, South Korea, India, Brazil, and Russia). Prime Minister Benjamin Netanyahu recently said in a classified briefing to Israeli lawmakers that the PRC's growing involvement in the region "could be useful" because it "will compel" Washington to increase its engagement in the Middle East.<sup>15</sup> Netanyahu is seen as the architect of Israel's China policy and has personally championed the "marriage made in heaven" between the two countries and the "comprehensive innovation partnership" agreement they signed.<sup>16</sup>

Israel has refrained from openly challenging the PRC policies in the Middle East. China has adopted a "friend-of-all" foreign policy in the region, emphasizing public cooperation while handling differences discreetly behind the scenes, employing a strategy of "strategic vagueness".<sup>17</sup> For instance, China's regular voting pattern in the UN Security Council (UNSC) presents a clear line against Israel and its interests, and simultaneously it has a fruitful trade relationship with Israel. Both sides have decoupled the trade ties from voting patterns on multilateral levels such as at the UN. Over time, the Israeli government has learned to live with the PRC's contradictory behavioral pattern. Most UNSC resolutions that are critical of Israel and its policies entail few actual consequences, except for their symbolic and reputational loss, and China's votes will be vetoed by Washington or its allies in the council. There is a silent agreement between the two countries that China could criticize Israel in international forums to gain sympathy with Muslim and Arab states and to achieve great-power status and influence. Still, the bilateral ties may remain cooperative, even friendly, in all other areas. Therefore, when China crosses the border, an Israeli reaction is expected to come as it did when it joined a declaration criti-

cizing China at the UN Human Rights Council (UNHRC) over human rights abuses against Muslim Uyghurs in Xinjiang.<sup>18</sup>

Israel also considers the PRC as a rising power in the region with possible influence over Iran and Saudi Arabia, which could potentially serve to advance Israel's economic and strategic interests.<sup>19</sup> Accordingly, Israel has urged China to exert its influence on Iran over its nuclear program.<sup>20</sup> However, in its diplomatic initiatives on the nuclear program, China mainly pursues its own interests with regard to Iran, showing little concern over Israeli security interests, and – assuming Israel does not join any diplomatic efforts – China sees little necessity to consult with it.<sup>21</sup>

Similarly, the signing of the Chinese–Iranian 25-year partnership in March 2021 has been met with substantial concern in Israel,<sup>22</sup> as it was expected to ease international pressure on Iran and support the latter's economic and military position, to the detriment of Israel and its security.<sup>23</sup>

The Israeli government believes that the Chinese-mediated détente between Iran and Saudi Arabia in spring 2023 could complicate US efforts to strengthen its regional alliance to counter Tehran and its expansion of the nuclear program.<sup>24</sup> The agreement comes as Washington has been trying to broker a normalization deal between Saudi Arabia and Israel, which would add to the growing ties between Israel and the Arab world. In this context, the prevailing sentiment about the Saudi–Iran rapprochement is negative within Israel, with scathing criticism especially from the opposition.<sup>25</sup> Yet, the government attempts to downplay the notion that the China-brokered Saudi–Iran rapprochement could harm the country's interests. According to the Netanyahu-led govern-

<sup>15</sup> Ravid 2023.

<sup>16</sup> Xinhua 2017.

<sup>17</sup> Dostri 2018; Cafiero 2023b.

<sup>18</sup> Gering 2021.

<sup>19</sup> Cafiero 2023b.

<sup>20</sup> Fazeli 2022.

<sup>21</sup> Propper 2021.

<sup>22</sup> In 2021, China and Iran signed the Comprehensive Strategic Partnership, an agreement that would bring substantial Chinese investments of 400 million US dollars to Iran, over a period of 25 years. See Fassih and Myers 2021.

<sup>23</sup> Harkov 2020.

<sup>24</sup> Bar'el 2023.

<sup>25</sup> The Times of Israel 2023b.

ment, the agreement could cause the Chinese to press Iran on taking actions that enhance regional peace and stability, which might help Israel, as Iranian intransigence will result in its international isolation. Moreover, the Israeli government also seeks to maintain that the agreement would not take the Israeli–Saudi normalization deal off the table.<sup>26</sup> Thus, the various reactions in Israel underline how deep the Israeli–Chinese relationship is linked to Israeli domestic politics and how both oscillate along political dynamics in the region.<sup>27</sup> The rapprochement between Israel and several Arab states as part of the so-called Abraham Accords, in turn, might serve as the basis for a closer relationship between China and Israel, given China's support for the diplomatic initiative.<sup>28</sup>

China sees Israel as an instrumental partner in achieving its foreign policy goals and expanding its strategic regional footprint.<sup>29</sup> First, Israel can contribute to its innovation and research and development (R&D) success. Second, Israel's experiences and technology in defense, security, cyber, and CT could promote its needs in military and domestic security capabilities. Third, China seeks to balance its historically close relations with other countries in the Middle East with increased ties with Israel as a regional power and important player and by making inroads with a key US ally in the region with the intent to undermine the global Washington alliance and partner networks.<sup>30</sup>

Fourth, the PRC sees Israel as an essential node in the BRI transportation networks linking the rest of the Middle East and Europe. Besides, Israel's stable political, economic, and social order and advanced technological base offer a relatively safe environment where China can operate and promote its soft power image.<sup>31</sup> Finally, China invited Israel to be a part of its three global initiatives: the Global Development Initiative (GDI), the Global Security Initiative (GSI), and the Global Civilization Initiative (GCI), but Israel has yet to respond or take an official stance on the three initiatives. Israeli support for these initiatives could undermine the US's security framework in the Middle East, which is its premier security provider, and serve China's interests at the expense of the West.<sup>32</sup>

At the same time, the close US–Israel relationship has been an obstacle for a long time. It has constituted a glass ceiling for deeper economic and diplomatic cooperation in Israel–China ties due to Israel belonging to the Western coalition. However, despite the difficulty and differing interests on several issues, relations between China and Israel are still crucial to both countries. Israel wants to strengthen its economic cooperation with the PRC, especially in technology, and it wants to be an essential station in the BRI.<sup>33</sup> Additionally, the

aim is to assist Israeli companies in expanding their economic engagements in China and to facilitate the importation of construction workers for infrastructure and residential projects. This is motivated by the perceived limitations in the capability and experience of the Israeli labor force in this sector.<sup>34</sup>

Therefore, Israel seeks to maintain civilian-economic cooperation with China in non-sensitive areas while balancing economic needs and strategic concerns (e.g., agricultural, environmental, medical, and other non-military fields). For instance, the Abraham Accords or normalization agreement with the Gulf states could lead to a new path of civilian-economic cooperation between the two countries, as the Gulf states could be a bridge for new projects with Israeli and Chinese partners, leading to broader civilian collaboration between the PRC and the region's countries (e.g., the India-Middle East-Europe Economic Corridor).<sup>35</sup> Chinese companies could benefit from the free trade and investment agreements that normalization facilitates and may even undertake infrastructure projects through the BRI framework, which supports regional economic integration.<sup>36</sup>

Meanwhile, former Israeli officials are comparing the enduring Washington support of Israel to China's lack of support as well as its systematic votes with Arab and Muslim countries in international forums, and they tend to believe that the PRC does not really understand or care about Israel's security concerns. This is particularly evident in issues related to Iranian influence in the region. Also, during the most recent and currently ongoing Gaza War, China promptly sided with the Palestinians, refrained from condemning Hamas' terrorist actions, and did not express sympathy for Israeli suffering.<sup>37</sup> In certain instances, aspects of the PRC's foreign policy in the Middle East seem to undermine Israel's perceived national interests (e.g., helping Iran circumvent the US sanctions, undermining the efforts to isolate and weaken the regime). Chinese diplomats take pride in maintaining concurrent relationships with Middle Eastern countries, even those considered adversaries. However, Israel does not perceive this positively, and any reports about strategic cooperation between China and Iran are a cause for concern.<sup>38</sup>

Once highly positive, the Israeli public's views of China have deteriorated to levels roughly consistent with those in the West. According to a 2019 Pew research poll, 66% of Israelis hold a favorable opinion of China against 25% who have an unfavorable view. However, a 2022 Pew Research poll found that the Israeli public was divided, with roughly equal shares

<sup>26</sup> The Times of Israel 2023a.

<sup>27</sup> Kuo 2023.

<sup>28</sup> Cafiero 2023b.

<sup>29</sup> Chaziza 2020.

<sup>30</sup> Efron et al. 2019.

<sup>31</sup> Chaziza 2022b.

<sup>32</sup> Gering 2023.

<sup>33</sup> Chaziza 2022c.

<sup>34</sup> Dostri 2018.

<sup>35</sup> Due to the Gaza war, it is currently difficult to foresee the further normalization between Israel and the Gulf states and the maintenance of the Abraham Accords. The main concern is that the Israeli–Hamas conflict will spread to other areas. While it is impossible to imagine Israel and Gulf states moving any closer to normalization while the war continues, they have left the door to normalization open.

<sup>36</sup> Gering 2020.

<sup>37</sup> Chaziza 2021, 2023a; The Times of Israel 2023.

<sup>38</sup> Fulton, Propper and Fahmy 2021.

holding negative (46%) and favorable views (48%). Israeli unfavorable views of the PRC have gone up by 21 percentage points.<sup>39</sup> Nearly half (48%) of Israelis feel that the PRC does not consider their country's interests at all, and another 33% say it does not account for Israel's interests much. About three-quarters (77%) of Israelis said the relationship with the PRC is good and China's worldwide influence is strengthening. The Israeli public is split as to whether China interferes in other countries' affairs, with 50% saying yes to varying degrees.<sup>40</sup>

The negative trend suggests that Chinese soft power activities in Israel have yet to succeed. What is behind the shift in the Israeli public's attitude toward China? The growing media coverage of negative aspects of China's foreign policy, including the dangers of its involvement in Israel's economy and infrastructure, the COVID-19 outbreak, its stance in the Israeli–Palestinian conflict, and its close trade and political ties with Iran. All this brought about a change in the attitude of the Israeli public towards China.<sup>41</sup> For example, the PRC's government does not consider Hezbollah or Hamas as “terrorist” organizations, instead viewing these groups as legitimate representatives of segments of Lebanon and Palestine.<sup>42</sup> All this shows that while Israelis are generally open-minded about China, their views are determined by the steps it takes in the region. Thus, if the PRC proves it is a global player that promotes security and stability in the Middle East in the eyes of the Israeli public, the positive view in Israel will be stable or increase. Should the opposite occur, Israelis' views and perceptions could be expected to change accordingly.

Despite the quick growth in the Sino–Israel relationship across a host of sectors, several factors raise severe doubts about how committed Israel will be to this relationship: the PRC's foreign policy in the MENA region and its ties with Israel's foes, the great powers tech race, and Washington's pressure to cool its relations with the Asian giant.<sup>43</sup> Thus, Israel recognizes that the golden age of the previous decade is over, but it also understands that a great deal of mutually beneficial cooperation is still possible in civilian economic circumstances. A series of indicators show that the two countries are in a new relationship period, and commercial ties are now more complex and restrained. The Israeli government realizes that managing the PRC relationship involves assuaging Washington's concerns and facing direct challenges to its security by recognizing both the risks and the benefits.<sup>44</sup>

Meanwhile, the recent tensions between Israel and China over the Israel–Hamas conflict could further deteriorate into open conflict. China swiftly aligned itself with the Palestinians, refraining from condemning the terrorist actions of Ha-

mas and not expressing support for the suffering of Israel. In contrast, Israeli government officials openly criticized China's response. Concurrently, the Biden administration offered sympathy and practical support to Israel. The reaction by China to the Israel–Hamas conflict came to little surprise, its statements blending in well with the approach of Chinese foreign policy to the Middle East and beyond (solidarity with the Palestinians to win favor from the Muslim and Arab world).<sup>45</sup> Against this background, China's restraint to criticize Hamas and its efforts to express neutrality perceived as pro-Palestinian are only complementing this overall trend.

Considering the “pro-Palestinians” Chinese policy, voices are calling for the Israeli government to re-evaluate its relationship with China by sending a clear message that there is a price for its negative attitude.<sup>46</sup> While it remains to be seen how the war unfolds, it has already shown from which country Israel received most of its support (the US), the nature of the Sino–Israeli relationship, and where China's interests lie. It is important to note that Israel does not expect the PRC to resolve the conflict. Still, it would like China to demonstrate support and sympathy and hopes it could also use its power to weigh and influence some Middle Eastern allies.<sup>47</sup>

<sup>39</sup> Silver, Huang and Clancy 2022.

<sup>40</sup> Harkov 2023.

<sup>41</sup> Orion 2022.

<sup>42</sup> Cafiero 2023a.

<sup>43</sup> Cafiero 2023b.

<sup>44</sup> Orion 2022.

<sup>45</sup> Pike 2023.

<sup>46</sup> Wong 2023; Chaziza 2023b.

<sup>47</sup> Yang 2023.



# CHALLENGES AND CHANCES: US–CHINA GLOBAL RIVALRY

The US–China rivalry has become a defining feature of international relations, with implications across various regions, including the Middle East. The rise of the PRC as the potential challenger to the US-led Western dominance signaled the return of the central idea of global rivalry in a multipolar world. This multifaceted rivalry encompasses economic growth, technological supremacy, and geopolitical influence. This competition extends beyond the traditional military domain and includes economic, technical, and diplomatic dimensions. Both nations are contestants for power, wealth, and influence on a global scale and represent different models of political governance and economic development. Each side seeks to maximize its position on a global scale and liberty of action vis-à-vis the other.<sup>48</sup>

The Middle East has become a crucial arena most affected by the dynamics of US–China rivalry. This rivalry is escalating, encompassing multiple domains and geographies, and the technology dimension has become the heart of the global rivalry. There are warning signs that such rivalry has begun to extend to the Middle East, where the US has long served as the primary security guarantor for its allies and partners. Thus, the US–China strategic rivalry in the Middle East would become one of the most notable events in the 21st century as part of the dynamics in the global system and accelerate the power transition process in the competitive great power relationship.

The Sino–Israeli relationship has developed relatively smoothly compared to other bilateral relationships, partly due to the lack of historical baggage and direct conflicts of interest between the two countries. However, the relationship has not been without its challenges. One of the most significant challenges has been the issue of defense exports. The US, a major ally of Israel, has expressed concerns about the transfer of sensitive Israeli military technology to China. In some cases, the US has even pressured Israel to block the sale of certain weapons to China (e.g., the Phalcon early warning planes and Harpy drones defense exports). The US fears that the transfer of sensitive Israeli technology to China could help the PRC develop advanced weapons that could pose a threat to US interests in the region.<sup>49</sup>

Israel's long-standing alliance with the US has been crucial for its security, providing military support, intelligence sharing, and diplomatic backing. However, Israel's growing economic and technological ties with China have opened up new opportunities for cooperation in areas such as infrastructure development, innovation, and trade. Washington's concerns about the PRC's expanding influence in the Middle East have placed pressure on Israel to limit its engagements with China. This pressure has manifested in various ways, including warnings from US officials, restrictions on technology transfers, and requests for Israel to reconsider certain deals with China. Israel's dilemma lies in balancing its security needs with its economic interests. On the one hand, it must maintain its relationship with the US, its primary security guarantor. On the other hand, it also recognizes the potential benefits of its ties with China, a rising economic power with growing regional influence. Thus, Israel's ability to navigate this complex environment and maintain its hedging strategy will significantly affect its national security, economic development, and regional stability.<sup>50</sup>

Israel's strong innovation ecosystem and advanced technological capabilities have made it an attractive hub for Chinese companies seeking partnerships and investment opportunities. Huawei's R&D center in Israel, Toga Networks, employing a significant workforce across various research groups, exemplifies this trend.<sup>51</sup> Chinese companies have invested substantially in Israel's hi-tech sector, providing capital for innovation and job creation. They have also participated in major infrastructure projects, contributing to the country's development and growth. These investments have brought economic benefits to Israel, fostering economic cooperation and opening up new market opportunities for Israeli companies. However, the close ties between Chinese companies and the PRC government raise concerns about the potential for technology transfers and the misuse of dual-use technologies. The involvement of Chinese firms with links to the government or military in sensitive sectors raises questions about data collection, surveillance, and potential intellectual property infringement.<sup>52</sup>

<sup>48</sup> Lippert and Perthes 2020; Chaziza 2022a.

<sup>49</sup> Sela and Friedman 2019.

<sup>50</sup> Chaziza 2023b.

<sup>51</sup> Dor 2022.

<sup>52</sup> Orion and Lavi 2019; Efron et al. 2019.

In addition, the US has expressed significant concerns about the potential for Chinese companies to construct major infrastructure projects and acquire sensitive technologies or gather intelligence through their investments in Israel. These concerns stem from a broader apprehension about China's growing technological capabilities and potential military ambitions. Washington has specifically raised concerns about Chinese investments in Israel's hi-tech sector, particularly cybersecurity, satellite communications, artificial intelligence (AI), and robotics. These sectors are considered critical for national security, and the US fears that China could use access to Israeli technologies to develop military capabilities that could pose a threat to the US or its allies.<sup>53</sup>

In the 1990s and 2000s, Sino–Israel defense industry cooperation on the Phalcon and Harpy affairs fed tensions in Washington–Israel defense ties and led to significant restrictions over future Israeli arms sales to the PRC.<sup>54</sup> While defense relations remain restricted, primary concerns in Sino–Israeli ties revolve around investment, intellectual property matters, non-military technology, and construction projects. The Israeli government established an advisory panel on foreign investment in response to growing US pressure. However, reports suggest that this new panel lacks the authority to scrutinize investments in sectors like hi-tech, where a significant portion of Chinese investments in Israel is concentrated.<sup>55</sup> Recently, the Israeli government introduced a slightly enhanced mechanism with clearer definitions and policies to promote transparency among all stakeholders.

In recent years, US officials have made notable efforts to prevent Chinese companies from accessing or participating in establishing major Israeli infrastructure and communications projects, which could complicate US–Israel cooperation. The US's primary concern regarding this investment is that it could further Chinese foreign policy objectives in the Middle East. One of the most striking examples of this concern is the US opposition to Chinese companies Huawei and ZTE establishing a 5G communications network in Israel. The US government has warned Israel that such involvement could jeopardize US security assistance and cooperation due to potential risks of espionage and cyberattacks.<sup>56</sup> Similarly, the US has expressed concerns about the Chinese company Shanghai International Port Group (SIPG) ownership in the new Haifa Bayport Terminal. The Trump administration specifically warned Israel that such involvement could jeopardize the continued use of the port by the US Navy's Sixth Fleet, which regularly docks there.<sup>57</sup>

Moreover, rapid geostrategic developments and the COVID-19 pandemic outbreak have significantly impacted the Sino–Israeli relationship. The halt in state visits and official dialogues between the two countries, coupled with the less

favorable conditions for Chinese companies in Israel, have led to a decline in Chinese investments and a more cautious approach from both sides, contributing to more negative Israeli public perceptions of China. Chinese investments in Israel have experienced a notable decline since their peak in 2018, primarily attributed to two factors: first, China has implemented stricter regulations on capital outflows, aiming to control and manage the movement of funds from within the country. These regulations have made investing abroad, including in Israel, more difficult for Chinese companies. Second, the political and diplomatic environment surrounding Sino–Israeli relations has become more complex, particularly in the context of US concerns about Chinese involvement in sensitive sectors, discouraging Chinese companies' participation in infrastructure projects and other investment opportunities in Israel. These factors have led to a significant drop in Chinese investments in Israel's high-tech sector. From representing 9% of all foreign investments in 2018, Chinese investments have declined to an estimated 2.5% in 2021.<sup>58</sup>

In President Biden's visit to Israel in July 2022, both countries founded a "tech strategic partnership".<sup>59</sup> They also launched a bilateral dialogue on advanced technology, reflecting common understandings about the tech race rivalry with the PRC.<sup>60</sup> This is a change of approach by the Biden administration from applying pressure and threats to a method of constructive technological cooperation. In the past, the Trump and Biden administrations have pressured Israeli governments to reduce technical cooperation, halting involvement in infrastructure and transfer of advanced technology to China.<sup>61</sup> Thus, the new "tech strategic partnership" aims to foster technology exchange, safeguarding Israel's technological edge and limiting China's access to sensitive technologies.<sup>62</sup>

<sup>53</sup> Kampeas 2022; Efron, Schwindt and Haskel 2020.

<sup>54</sup> Kumaraswamy 2013.

<sup>55</sup> Chaziza 2019.

<sup>56</sup> Reuters 2020.

<sup>57</sup> Kampeas 2022.

<sup>58</sup> Ella 2021.

<sup>59</sup> The strategic technology cooperation agreement exists only between the US and three of its closest and most advanced allies – Britain, Australia, and Japan – and focuses on "research and development efforts in four fields: pandemic preparedness; artificial intelligence for optimization in transportation, medicine, and agriculture; climate change response, including water, waste, and clean and renewable energy technologies; and scientific exchange programs in quantum computing and other areas." See Orion and Efron 2022.

<sup>60</sup> Orion and Efron 2022.

<sup>61</sup> Chaziza 2022b.

<sup>62</sup> Chaziza 2022a; Orion and Efron 2022.

## CONCLUSION

The escalation that is now taking place in the match between the two powers leads Israel to make painful decisions (e.g., preventing Chinese companies from winning infrastructure tenders, such as the Green and Purple Line Tel Aviv light rail project and Sorek 2 desalination plant, or aligning with the US in the tech race rivalry) that undermine economic-technological cooperation with China. Israel's decision to keep the Biden administration informed about future deals with Chinese companies shows its willingness to cooperate with the US on this issue. This transparency suggests that Israel is committed to maintaining its relationship with Washington at the expense of its commercial relations with China and is prepared to make concessions.<sup>63</sup> Moreover, the Israel–US technology dialogue closes the door on Sino-Israeli future collaborations in cutting-edge technologies and focuses on technology cooperation in non-sensitive areas, e.g., energy sources, agriculture, development of transport technologies, life sciences, and more.

In the era of global rivalry, Washington expects that its allies around the globe may have to make stark and brutal choices between the two great powers.<sup>64</sup> Israel, Washington's close ally in the Middle East, has decided to align with the US in the global tech race rivalry. The special relationship between Israel and the US is rooted in shared values and deep and practical cooperation in almost every field, from military and security to diplomacy and commerce. As seen in the Gaza War, Washington provided Israel with sympathy and practical support and sent aircraft carriers to the region to deter Iran and Hezbollah from further escalation. For China, which is well aware of the intimate nature of the US–Israel relationship, this makes Israel both more and less attractive as a partner. With a rapidly evolving regional and geopolitical landscape, Israel must safeguard its special partnership with Washington while considering its unique national security challenges and other issues.

Therefore, Israel must continue managing a foreign policy based on a hedging strategy within certain limitations, namely, developing its economic and technological collaboration with China while maintaining a security partnership with the

US. As Prime Minister Benjamin Netanyahu said, “there is a limit to how much we can open ourselves up to being dependent on non-like-minded states. We're all drawing the lessons from that with the supply chain issues during Covid. Yes, I enthusiastically opened Israel up for trade with China and economic enterprises with China. I suppose I'll continue to do that. But matters of national security are also uppermost in our minds as they are in the minds of others. We'll continue to work with China, but we'll also protect our national interests”.<sup>65</sup>

The Israel– Hamas conflict has highlighted the limitations of the Sino–Israeli relationship. China's stance on the conflict, particularly its lack of condemnation of Hamas and its anti-Israel rhetoric on Chinese state media and social media, has raised concerns in Israel about China's reliability as a partner. This is especially concerning given the growing US–China rivalry, which has led China to strengthen its ties with Iran and its proxies while downplaying its relationship with Israel. The continuation of the Israel– Hamas war and the potential expansion of the conflict to other arenas could further strain Sino–Israeli relations. Israel is increasingly aware that it cannot rely on China as a close partner, and this realization will likely shape Sino–Israeli ties in the coming years. Thus, the future of Sino–Israeli relations is still being determined. The two countries can bridge their differences and find a way to cooperate on issues of mutual interest. However, the relationship's trajectory will depend on several factors, including the evolution of the Israel– Hamas conflict, the dynamics of the US–China rivalry, and China's strategic priorities in the Middle East.

<sup>63</sup> The Times of Israel 2022.

<sup>64</sup> Fontaine 2023.

<sup>65</sup> Weiss 2022.

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## LIST OF ABBREVIATIONS

BRI	Belt and Road Initiative
FTA	Free trade agreement
GCI	Global Civilization Initiative
GDI	Global Development Initiative
GSI	Global Security Initiative
PRC	People's Republic of China
R&D	Research and development
SIPG	Shanghai International Port Group
SOE	State-owned enterprises
UNHRC	UN Human Rights Council
UNSC	UN Security Council

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## BETWEEN A ROCK AND A HARD PLACE

### The Israel–China Relationship amid the US–China Global Rivalry



This paper seeks to understand the future of the Sino–Israeli relationship in the age of global rivalry and how Israel views and perceives China’s role and influence in the Middle East. It argues that Israel is increasingly stuck between a rock and a hard place.



Thus, Israel pursues a hedging strategy within certain limitations. Additionally, suspicions of China’s intentions and perceptions in the Middle East are growing, particularly towards Israel.



While China is interested in furthering its economic, technology and infrastructure cooperation with Israel, the Israeli government is also under increasing pressure from the US to limit its engagement with China, especially its technological collaboration, and the intensifying rivalry pressures the Israeli government to side with one of the two powers. As a result, it may lose the security partnership with the US or the economic-technological collaboration with China.

Further information on the topic can be found here:

<https://mena.fes.de/index.html>