

China and Israel: Strategic Economic Ties under American Pressure

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Abstract

The Sino-Israeli relations have gone through several stages. These relations were important for China in the early stages to get access to the Western military and security technologies, and to benefit from Israel's growing multisectoral technologies later. In addition, the geopolitical position of Israel is important and strategic for China in the Belt and Road Initiative. Israel tries through its economic and security relations with China to diversify its allies and to open new markets; China is important in this dimension as the main power in Asia and the leader of the Asian markets and economies. Politically, Israel attempts to limit the Chinese support for the Palestinians and for Iran gradually through deepening its ties with Beijing. This paper aims to explore Sino-Israeli bilateral relations and its transformations. It also highlights the impact of the American pressure on these relations and the consequences of

upgrading Sino-Israeli ties for China's positions on the Palestinian cause. The paper also portrays the Sino-Israeli relations in the Mediterranean geopolitical context.

Keywords: *Israel, China, Palestinian issue, Middle East*

1. Introduction

Israel was the first Middle Eastern country, and one of the first non-communist countries to recognize the People's Republic of China (PRC) in January 1950, while China recognized Israel in March 1949 and supported the Israeli request to get the United Nations membership in May 1949. However, this relationship was hindered after the Korean War, when the United States put its pressure on Israel to freeze its diplomatic relations with China. Later, Israel was excluded from the Bandung conference in 1955 and China developed its political ties with Arab countries and supported the Palestinian cause (Zhu, 2019).

The Sino-Israeli relations were resumed unofficially by 1979, when the bilateral ties were built and designed by Shaul Eienberg¹ through transferring military technology from Israel to China. This relationship continued to be unofficial and conservative till 1992, when both countries established their official diplomatic relations. The turning point was the start of the peace process between the Arab countries and Israel. Earlier, China prioritized its relations with the Arab countries and the Palestinians due to economic and ideological determinants (Wang, 2020).

Before 2000, the bilateral economic ties concentrated on the military technology; during that period, Israel was not in a strategic economic position in the Chinese economic plans. Even though, such cooperation was not that smooth as Israel was under continuous

American pressure to restrict its economic relations with China. For instance, the bilateral relations deteriorated in 1996 after the Israeli backpedaling from its obligation of selling military early warning systems to China. Also, Israel, forced by US, confiscated Harpy attack UAVs that China sent for maintenance and upgrade in 2005 (*ibid.*).

The American pressure on Israel aimed to restrict and deter any transfer of advanced technology from the West to the East. However, the military technology was important for developing and advancing the Sino-Israeli mutual ties smoothly and gradually.

2. The Chinese Partnerships in the Middle East

The BRI confirmed the strategic importance of the Middle East in the Silk Road Economic Belt (SREB) and the Maritime Silk Road Initiative (MSRI). This importance was reflected through the “China’s Arab Policy Paper”, which emphasized on the strategic role and position of the 22 Arab countries in the BRI.

This policy paper came after deep cooperation between China and the Arab countries in general, and after institutionalizing these relations through establishing the China-Arab Cooperation Forum (CACF) in 2004, which introduced practical and strategic mechanisms for these ties (Ministry of Foreign Affairs of the People’s Republic of China, 13th January 2016).

The policy paper portrayed the Chinese policy toward the region by introducing its goals and determinants, which can be concluded by: maximizing the mutual benefits of this cooperation, supporting the peace process and establishing independent Palestinian state, enhancing the bilateral discussions and partnerships and developing the trade and investments in the BRI, energy, infrastructure, space technologies, agriculture, ... etc. (*ibid.*).

In his visit to the region in 2016, President Xi Jinping emphasized on the win-win development as a policy framework for the bilateral cooperation. In 2018, this cooperation was reflected by the “Two Wheels and Two Wings” approach, this approach specified the economic relationship by energy cooperation and technology as a core partnership domain. This relation with the key players in the region took further step in 2019 by signing the Comprehensive strategic partnership with five countries (Fulton, 2019).

The Sino-Arab economic ties evolve strictly around the BRI, the industrial park port interconnection is the empirical face for the MSRI. In this path, China invests in developing and connecting the key ports and industrial zones in the region, mainly in the Gulf Cooperation Council (GCC) countries, in order to establish its strategic chain of hubs and ports. This part includes five industrial zones in four GCC countries beside Egypt, and four ports in the United Arab Emirates (UAE), Oman Djibouti and Egypt. This line connects the Arabian Sea, the Red Sea and the Mediterranean Sea (*ibid.*).

Technology is one of the friction areas in the region, the policy paper identified satellite technologies as one of the emerging focus domains in this partnership. In 2017, China introduced the Digital Silk Road and the CACF launched the China-Arab States BeiDou Cooperation Forum, as a special platform to integrate Arab countries in the China’s BeiDou Navigation Satellite System (BDS) (*China Daily*, 9th December 2021; Xinhua, 10th December 2021).

In numbers, China trade with the Gulf Cooperation Council “GCC”, the key Arab economic block, increased from US\$10 billion in 2000 to \$115 billion in 2016, in the 6th place of China’s largest export destination and the 5th in term of the imports. The investments also are significant in this partnership, China invests around \$39 billion in the Kingdom of Saudi Arabia (KSA) and \$34.7 billion in UAE, which are

the top Chinese trade partners in the region (Qian and Fulton, 2017). However, the Sino-Mediterranean relations have three key regional players in specific, apart from Israel, each of KSA, Iran, and Egypt, has its own determinants for their relations, but all are interacting.

Even the Sino-Saudi diplomatic relations established in the late 1980s, China became the top Saudi's oil importer. Beijing was strategic destination for the Saudi leadership to diversify its military infrastructure, but this relation, was restricted, the same as the Sino-Israeli relations, with the American Concern. This military cooperation started by the first deal in 1986, by which KSA imported 50 Chinese CSS-2 missiles, with Chinese training for the Saudi crews. The American Administration asked KSA to remove these missiles immediately, but the Saudi Leadership refused and emphasized that these missiles are defensive, aim to protect the kingdom from any possible Iranian or Israeli attacks (Riedel, 2020).

This deal smoothed the way to resume official diplomatic relations between both sides in 1990. KSA imported later drones from China, but the Saudi military structure continued to rely intensively on the Western arms. Since 2005, KSA has intensified its economic cooperation with China, King Abdullah signed several strategic agreements in energy cooperation with China during his visit in 2006, which was followed by reciprocal visit by President Hu Jintao to Riyadh (*ibid.*).

After 2017, King Salman, and the Crown Prince Mohammed Bin Salman, turned partly to the East. China was on the top of King Salman's large Asian visit in 2017, while in 2019, the Crown Prince visited China during the tension in the Saudi- American relations. This visit was concluded by strategic agreement to build a joint refining petrochemicals complex in China. During the COVID-19 pandemic, around 500 Chinese experts came to the kingdom to run six laboratories, and KSA bought nine million test kits from China (*ibid.*).

This relation is growing to be strategic, the bilateral trade grew from \$413 million in 1990 to around \$73 billion in 2019. The Saudi investments, in China are around half of the Chinese investments in the kingdom, which reached \$3 billion. Both countries signed 30 major agreements in 2019, with \$28 billion estimated value. These agreements were important in the Saudi context of development, which is clarified in the Saudi Vision 2030 and the Saudi willing to diversify its economy. The agreements covered several domains, including energy, space, construction, technology, agriculture and environment (Zahran, 2019).

The deep bilateral economic ties led both sides to avoid any controversial issues or declare criticism to each other in regional or internal issues. The Sino-Saudi growing supports the 2030 Vision and the Sino-GCC growing partnership, which led the trade value to grow five times in the last 18 years (*ibid.*).

The second key polar in the region is Iran, the Chinese economic relations with Tehran is crucial in the political economy of the Iranian issue in the region, which led the bilateral trade value to reach around \$36 billion in 2020. China was the major Iranian path to minimize the impact of the western sanctions. For Beijing, the stability of Iran is important to avoid any regional instability. Thus, China used its position in the United Nations Security Council (UNSC) to keep control on the Iranian issue and reflected the minimal balance in this relation. The Afghani issue is also one of the determinants of the bilateral relations in terms of security and economy.

The strategic location of Iran and the nature of its policies gave China the opportunity to be Tehran's key partner. For this purpose, Beijing supported the Iranian profile in Shanghai organization, so Iran became member in this significant global organization in September 2021.

By 2008, China replaced Russia as the top military suppliers of Iran. Tehran depended on China in modernizing its military equipment and developing its nuclear program; in this context China assisted Iran in building Esfahan Nuclear Research Center, trained nuclear engineers and helped Iran in uranium mining. China's military supplies to Iran between 2002 and 2008 were mainly in anti-ship and anti-aircraft missiles. Also, China transferred military technology to Iran; in 2010 Tehran opened a Chinese-built plant for Nasr 1 radar guided anti-ship missiles, which is designed based on the Chinese C-704. China also supports the Iranian missiles program through the Asia-Pacific Space Cooperation Organization (APSCO) (Scobell and Nader, 2016).

Despite the sanction, China intensified its military relations with Iran; in 2014 the Chinese warships docked in Iran for the first time and conducted naval exercises. This relation pushed the American Treasury to sanction eight China-based companies for their role in the Iranian's missiles proliferation activities. Moreover, Iran contributed by 2014 in 10% of the Chinese oil imports, between 2000 and 2009, the Chinese imports of the Iranian oil doubled. Also, the Chinese companies took the advantage of international companies withdrawing from the Iranian market, and by 2007 China passed the EU and became the largest trade partner (*ibid.*).

Since 2004, China has become a key investor in Iran. In total, the Chinese investments in Iran reached between 2005 and 2021 to \$4.72 billion in total, including \$4.37 billion in energy sector. Which reflects the Chinese economic priority in Iran (AEI, 2021). While the trade value reflects the importance of China for Iran, from the \$12.2 billion Iranian exports in 2020, China was the destination for around \$6.4 billion (*Trade Map*, 2021).

The third important polar in the region is Egypt, which is introducing new development model with mega projects since 2014. China has 65 years of the official diplomatic relations with Egypt and both countries have deep political and economic ties since 1956. Thus, President Abdelfattah Al-Sisi met his Chinese counterpart President Xi Jinping six times since 2014, more than any other leader in the region. Currently, the Sino- Egyptian trade value reached around \$12 billion in 2020, with 12.2% increase from 2019 (*Al-Ahram*, 13th January 2021). While the Chinese total investments in Egypt since 2005 is \$5.57 billion (AEI, 2021).

Egypt got increasing Chinese attention in the BRI as a major Arab and African country in term of population, size of economy and geopolitical position. The importance of China for Egypt also increased, and the ties strengthened in parallel with a decline in the American-Egyptian relationship, which was strategic since 1970s. The gradual development in the Sino-Egyptian relationship advanced and reached to be comprehensive and strategic.

The fast-growing Egyptian economy offered opportunity for around 1500 Chinese firms to work in Egypt. The new state – led Egyptian capitalism and its attempt to be the main industrial regional hub introduced opportunity for these firms to work in mega projects and industrial reform spaces such as the industrial zones, free trade zones, the financial centers and construction projects. Now, China is the major investor in the Suez Canal Corridor and its industrial zone.

Both parts worked on matching the needs and goals of the BRI and Egypt's Vision 2030. Thus, in 2017, China Railway Group was selected to build a light railway surrounding Cairo and linking it with the industrial cities and the seaports, including Suez Canal. Also, the Chinese companies are working in several projects in sustainable energy, manufacturing systems and 5G technology (Calabrese, 2020)

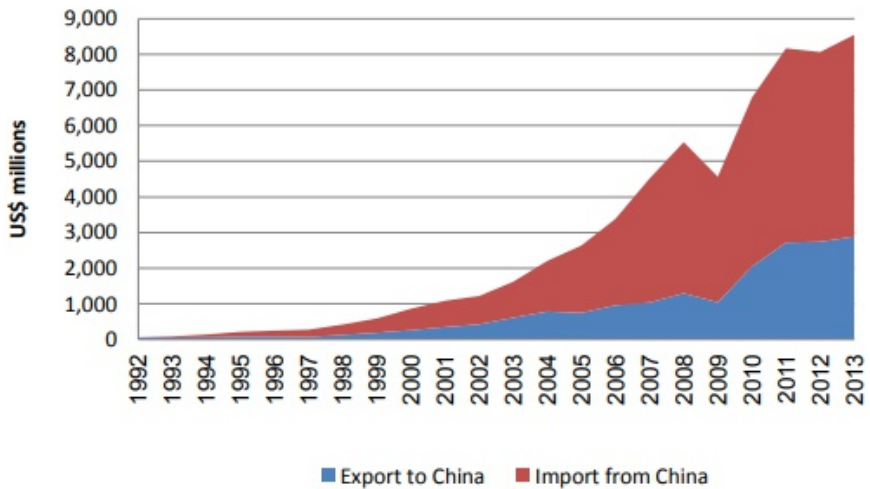
As the BRI is moving forward, the Chinese partnership in the Middle East is moving to be more advance and strategic with more partners. This relation is challenged mainly by three major points: the American rejections, the regional instability, and the conflict of interest among the key players. Importantly, Israel appears in these conflicts, mainly and Iranian issue and its subsequences.

3. Israel and China: From Unofficial to Strategic Ties

Israel managed its military-economic cooperation with China before 1992 through a private company, which was established and registered in Hong Kong called “COPECO”. Several Israeli ministries were involved in this indirect and unofficial cooperation, mainly in agriculture and military technology. This company was closed in 1992, after establishing official diplomatic relations between both sides (Evron, 2017).

In 1970s and 1980s, Israel was important source for China to get military technology for two reasons; its affordable price and the Israeli willing to transfer technology. Thus, China benefited from Israel in upgrading its military systems, which were basically soviet. Israel contributed to upgrade the Chinese tanks, aircrafts, and air-to-air missiles. In sum, the bilateral cooperation resulted around 60 military transactions with around \$1-2 billion.

The economic ties before 1992 had its limited political reflection; during the 26th General Assembly of the United Nations. Israel voted for the dismissal of Taiwan and restoring the China’s seat at the Security Council, while Chine supported the Egyptian steps of 1977 to solve the conflict and settling peace with Israel. Besides. In 1982 China allowed individual scholars visits, while several meetings between officials from both sides were held in several third countries.

Figure 1 Israel-China Trade, 1992-2013

Source: Evron (2017).

Israel benefited from the Western sanctions on China after the Tiananmen Square incident in 1989 and increased its military indirect sales. This led to a gradual development in the mutual relations that continued in 1990 by opening office in Tel Aviv for the “China National Travel Service”, while Israel opened liaison office for “Israel Academies of Science and Humanities” in Beijing. In 1992, the two countries announced establishing diplomatic relations when the Israeli foreign minister David Levy and his Chinese counterpart Qian Qichen signed the agreement of establishing diplomatic relations in January 1992 on ambassadorial level (Xiao, 2016).

Both Economies have grown rapidly after 1992, in parallel, the biliteral trade value also increased to high levels. However, the American concerns restricted cooperation in military technology.

For instance, Washington suspended cooperation with Tel Aviv on the F-35 joint striker fighter program during the Harpy incident (Efron *et al.*, 2020). The US also forced Israel to get American approval on any military of dual- use exports to China. As a result, Israel put new Export Control Law, which restricted arms and dual use technologies by more requirements (Xiao, 2016).

4. After 2013: Netanyahu, the Road and Belt Initiative, and the US

In May 2014, the China's Bright Food Group bought 56 per cent stake of Israeli dairy conglomerate Tnuva in a \$2.5 billion deal. This was different deal as Tnuva was one of the major national firms, and one of the national economic symbols. Thus, members in the Israeli economic affairs committee opposed this deal and dairy farmers protested in Tel Aviv and Jerusalem against this purchase as this company also dominated around 80 per cent of the local market at that point (*The Times of Israel*, 22nd May 2014).

Apart of the Israeli privatization policy, the official position was not against the Chinese domination of Tnuva, which was directly related to the food security. Israel did not foster local investors to compete the Chinese state-owned company on this deal, which reflected an Israeli decision to establish strategic non- military relations with China.

Israel worked on improving its economic relations with China as a part of its desire to diversify its economic relations and benefit from the fast-growing of Asian economies. Also, China is one of the attractive environments for mutual relations in Research and development (R&D) and academic cooperation for Israel, which offers important economic opportunities for joint innovative projects. China is characterized by its low-cost labor and highly qualified human capital, with its large-scale market, which is not available in any competing economic environment.

In 2013, the Chinese president Xi Jinping announced the Road and Belt Initiative (“BRI”), which aims to build and expand Chinese economic network globally. The initiative connects China with Asia, Europe, and Africa, and includes large scale infrastructure network, connected with roads, railways, seaports, electric networks, oil and gas pipes (Harutyunyan, 2020).

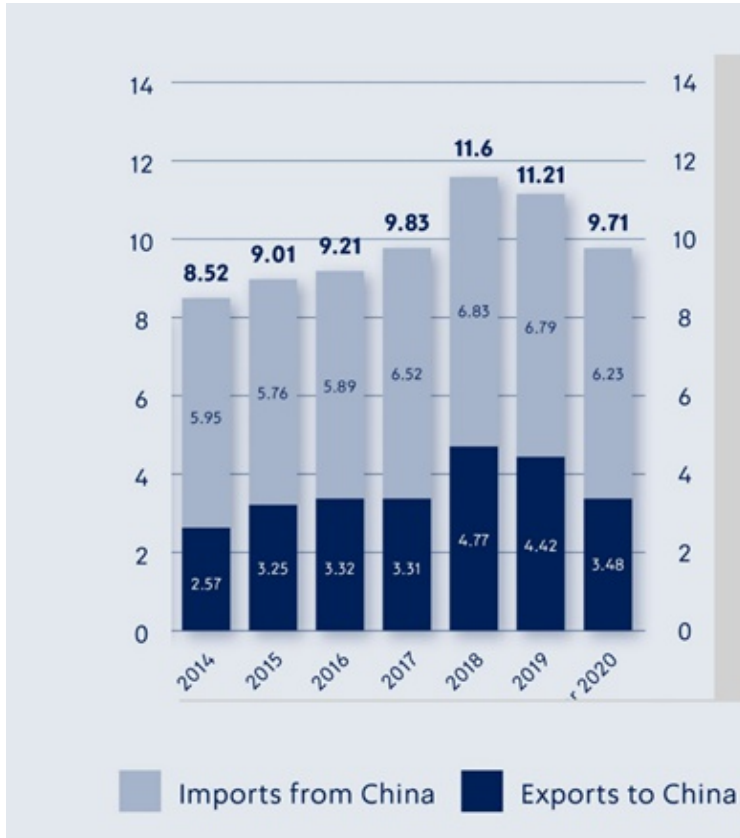
In October 2014, Israel became member in this initiative, immediately after launching the Asian Infrastructure Investment Bank “AIIB”. In 2015, the Israeli Prime Minister Benjamin Netanyahu signed the Israeli declaration of accession of the AIIB and Israel became one of the 57 BRI members at that point. This membership allowed Israel to work with several Asian partners under this initiative in its subgroup, mainly South Korea, Mongolia and Uzbekistan. Israel also shared by \$150 million of the AIIB total registered capital of \$100 billion, with pledges in \$600 million.

In his visit to Beijing in 2017, Netanyahu tried to attract China through the Israeli competitive advantages in innovation. So, Israel and China signed several agreements during this visit under the “Comprehensive Innovative Partnership”, both sides agreed on improving partnership in air pollution control, waste management, environmental monitoring, water conservation and purification and hi-tech fields. Netanyahu called for involving Israeli infrastructure companies in the BRI projects (Tiezzi, 2017).

This visit reflected the determinants of the Sino-Israeli relations; the first is to advance the economic ties with avoiding any confrontation with the US, the second is to develop a mutual benefit relationship evolving around the high-tech related investments. The third is to eliminate any political or security conflicted issues in this relation. Thus, the visit of Netanyahu to China did not discuss the Palestinian or Iranian

issues, and the announced deals did not include security and sensitive technology agreements.

Figure 2 Trade in Goods between Israel and China, 2014-2020 (in billions of US\$)



Source: INSS².

For China, Israel is an important logistic hub for the BRI as it connects its routes between the Far East, Middle East, African and Europe. The Chinese companies are involved in several infrastructure projects in Israel, and the bilateral trade in goods reached \$11.6 billion in 2018.

Around 51% of the Israeli exports to China between 2015 and 2018 were electronic components, while 8% were measurement and systems control equipment, this reflects the nature of the mutual economic relationship. The Chinese investments in Israel increased after 2014, and it reached around 464 deal worth in total around \$19.444 billion, \$9.138 billion of are in technology sector, mainly in software development and IT companies. 8 of these deals were in infrastructure sector with around \$5.916 billion, which included two projects in sea ports, one in agriculture sector, one in minerals sector and two in electricity sector. In these deals, China tried to benefit from the Israeli potentials in life sciences sector through 122 deals, including medical technology, biotechnology, biochemistry and pharmaceuticals (Ella, 2021). In total, the bilateral trade increased from \$50 million in 1992 to around \$13.5 billion in 2018. China has become the second trade partner to Israel after the United States since 2019, without including the Israeli arms sales to China (*ibid.*). These increases fostered bilateral negotiations on the Free Trade Agreement, which is now in advanced stages.

MTP, the medical engineering and applications center, is an example for the Chinese interest in the Israeli techno market and the start-ups opportunities. This center was established in 2015, by Chinese direct investment from the Chinese Food and Drug Administration and the Chinese Development and Investment Center. This investment was described by Beijing City Science and Technology Committee as the base of “Beijing’s strategic industrial achievement”. This center was important for China in developing its drugs technologies; Thus, China,

through the MTP, invested around NIS (new Israeli shekel) 50 billion (US\$15.6 billion) in seven innovative Israeli start-ups, 50% of the Chinese foreign related investments globally (*Tekdeeps*, 28th August 2021).

China is interested in investing and implementing project in infrastructure sector for several reasons, the first is related to the geopolitical importance of Israel in the BRI, while the second is related to the Chinese interest in improving its image as a trusted partner in infrastructure mega projects in the West. China tries to develop its soft image in the developed countries through Israel, as most of the Chinese infrastructure companies used to work in low- and middle-income countries (Efron *et al.*, 2020).

In sum, the Chinese investments in constructional-infrastructure projects in Israel are estimated by around \$4 billion, from around \$12.9 billion, which is the total Chinese investments in Israel. These investments are mainly in seaports and rail and led by Chinese state-owned companies. Besides, the Chinese companies participate in vital infrastructure tenders, mainly in water and electricity sectors (*ibid.*).

The Chinese major infrastructure projects are the expansion of Ashdod port, the partial construction of a new terminal in the Haifa port “with operation rights for 25 years, the construction and operation of the Tel Aviv light rail, and the digging of the Carmel tunnels. In addition, there are several proposed strategic projects, the main is the rail line between the Red Sea seaside resort of Eilat and the Mediterranean, with estimated cost of around \$2 billion (*ibid.*).

Beside the motivations of both sides to enhance their mutual economic ties, the nature of these projects reflects the desire of both parts to build a long term- deep strategic relation. Security has been always the major concern for any foreign investments in Israel, but the Israeli government neglect the internal security fears when it comes to

the Chinese investments. For Tel Aviv light rail is an example on the “Chinese exceptionalism”, it runs close to the Israeli military headquarters, the same is related to Haifa port, which is has a military dock for the Israeli military marine.

Also, both countries signed an agreement in 2016 to allow Chinese construction workers to enter the Israeli market. Israel used to depend on local and Palestinian labor in this sector, and this step brings a comparative labor with lower wage rate. But it also breakthrough in the Israeli policies and preferable, in which the external labor was not preferable.

Agricultural cooperation between China and Israel is considered as a “soft cooperation” and far from the restrictions of the US, and this led such cooperation to achieve great progresses. The bilateral agricultural cooperation developed gradually through specialized committee which was supported by several agreements and high-level meetings between 2000 and 2021. In 2015, Ministries of Agriculture in both countries jointly issued the Action Plan on Strengthening Agricultural Cooperation (2016-2020). In 2017, both countries signed the “Call for Joint Agricultural Research Projects” (Ministry of Foreign Affairs of the People’s Republic of China, “China-Israel relations”).

Sino-Israeli agricultural cooperation includes production and training projects. For example, in 1993, the China-Israel International Agricultural Training Center was established at China Agricultural University. In 2004, the center changed its name to the China-Israel Center for International Agricultural Training and Research, noting that it also takes an interest in scientific research during training. According to the director of the center, Huang Guanhua, the center has held 86 advanced training courses on new modern agricultural technologies, covering 12 professional fields from 31 provinces, municipalities, and autonomous regions (Zhu and Han (eds.), 2000).

In 2014, Anhui Langkun Company established the "Cooperative Alliance for Enterprises to Go to Israel", which has more than 20 members and has become an important carrier for the bilateral agricultural cooperation (Commercial Section of the Israeli Embassy and Consulates in China, 29th March 2018). In 2014, the Sino-Israeli demonstration farm was opened in Fuzhou, as the first comprehensive agricultural technology demonstration farm between both countries (Xinhua, 30th August 2018).

For China, innovation drives the "Five New Development Concepts of China's Thirteenth Five-Year Plan", which is the core of the country's overall development. The development of agricultural modernization in China has always adhered to the concept of innovation, focusing on supply innovation, technology innovation and institutional innovation, and focused on forming a technology strategy and innovation-driven development strategy for grain storage.

In terms of agricultural export-oriented development, China regards opening-up as a necessary path for agricultural modernization and emphasizes two-way opening. It is not only focuses on China's high-tech and agricultural exports but also encourages the introduction of world-leading agricultural technologies. Israel has advanced technology and management experience in China's major foreign cooperation areas, such as the agricultural asset industry and food industry, diversified crop varieties and the advantages of collecting agricultural characteristics from all over the world are essential for Israel, and this integration is also a necessary condition for foreign agricultural cooperation between the two countries and promotes agriculture to become an important tool for strengthening bilateral relations (*ibid.*).

Israel now is one of the major Chinese partners in the Middle East, the Chinese Ministry of Commerce recorded around \$36 billion Sino-

Iranian trade, \$21.6 billion Sino-Turkish trade, and \$13.9 billion Sino-Israeli trade. These growing numbers puts Israel in strategic place compared to its regional competitors, despite the fact that the Sino-Arab trade reached around \$244.3 billion for the total 22 Arab countries (Lons *et al.*, 2019). The importance of the Sino-Israeli economic ties comes from its value and the Israeli comparative advantage in high-tech and technology sectors as mentioned before.

5. The American Challenge

The American considerations were always part of the deterrents for the Israeli international relations. The American restrictions were more restricted when it came to the Sino- Israeli economic ties, especially in term of the military technologies. The Phalcon warning system deal and its consequences in 1996 and 2005 was the first American objection on such Sino-Israeli economic cooperation, at that point, China was not in direct competition with the United States.

The increasing Sino-American conflict pushed the Israeli Institute for National Security Studies to introduce the Sino-Israeli relations among the top three disagreements between Washington and Tel Aviv that threaten the strategic partnerships between both sides (Eran and Stein, 2021).

Alon Pinkas, former Israeli Ambassador in New York, quotes a member of Congress, a member of the House Intelligence Committee telling him “You ignore it, you underestimate it, or you do not understand how significant it is to us, and it is a recipe for trouble”, in describing the Sino-Israeli relations... “and you act as if you do not understand what the problem is”, he added (*Haaretz*, 21st July 2021).

Pinkas added, “In the past two weeks I have met in Washington 15 elected members of the House and two senators. Everyone talked a bit

about the nuclear deal with Iran, asked about the political survival of the new government, asked to hear about its policy towards the Palestinians. Four to five minutes were devoted to all this. The rest was about China.”

The American considerations toward China increased in the period of the American President Donald Trump; the United States designed a monitoring system to prevent any highly sensitive technology, software, or equipment from reaching China. This step was new challenge for the Sino- Israeli economic exchange. However, it seems that Israel desired to balance the advancement its economic relations with China and its strategic relations with the US as well. Last March, Israel refused an American request, from President’s Joe Biden Administration, to inspect the Chinese project in Haifa port. Earlier, Trump’s administration asked Israel in 2020 to make a security check to the new port and warned Israel to limit its economic cooperation with China (*Breaking Defense*, 3rd February 2021).

The Trump’s administration’s pressure came also through the US secretary of the state Mike Pompeo, who visit Israel in his first overseas trip to urge the Israeli government to minimize its relations with China. This visit was extraordinary and neglected the restrictions of travel during COVID-19 beak in 2020. In this trip, Pompeo tried to restrict the Chinese investments in the Israeli infrastructure sector. Two weeks later, an Israeli company won a construction tender to establish a major desalination plant in Israel after eliminating its Chinese competitor (Yellinek, 2020). This plant was sensitive for US as it is close to an important Israeli missile test and satellite lunch facility (*The Diplomat*, 23rd August 2021).

Internally, the Israeli military and security top officials are conservatives when it comes to the bilateral relations. China, for these officials, is not a friend or allying state, and it could not replace the American support for Israel. For Efraim Halevy, the former director of

the Israeli intelligence Mossad, the Chinese investments in Israel weaken the national sovereignty and limit the Israeli choices in any potential escalation in the conflict with Iran. The Head of the Israel Security Agency (SHABAK) Nadav Argaman shares with Halevy the same fears, the increasing Chinese influence in Israel for Argaman is “dangerous”, because it comes to strategic infrastructure projects (Abu Amer, 2021).

The Chinese 5G technology became a new point of tension between US and Israel. In 2019, the American-Chinese tension witnessed a new escalation when the American government targeted the Chinese telecommunication giant Huawei, as part of Trump’s policy of reviewing the trade relations with China from one side, and to confront the Chinese 5G technology. Huawei was the leading global pioneer in the 5G technology, it had advanced negotiations with Israel on this part.

Israel was working on bringing the needed equipment from Huawei of ZTE Chinese Giants, while the internal debate about the national security and these investments continued. The relevant American officials and their Israeli counterparts raised this issue in their meetings, including the former National Security Advisor, John Bolton, who raised the American concerns of the Chinese telecom equipment in his visit to Israel in January 2019. Israel announced that it would issue the related tender in summer 2019, while media reports Said that the SHABAK did not approve Chinese companies to work on the telecom infrastructure for security reasons (Efron *et al.*, 2020).

The reports also said, neither Huawei nor ZTE could win the mentioned tender, the Israeli ministry of communication authorized three local telecommunication companies to start using this technology in September 2020, after a governmental tender (*The Times of Israel*, 29th September 2020). The Israeli government blacked out the resource of the equipment’s, weather it was Huawei or not (Fitch Solutions, 29th March 2021). In last October, Israel and US established a joint

committee to develop the 5G technology, away from China (*i24NEWS*, 24th October 2021).

These indications show that the American pressure on Israel to minimize its economic cooperation with China will increase, media reports said that a top-level meeting conducted in October 2021, between high level officials of President Biden's administration, and the Israeli National Security Advisor Eyal Hulata, discussed this issue. The American officials called Israel to conduct a more serious and stronger foreign investments monitoring system. Top Israeli security officials called for a new supervision committee to control the foreign investments, to decide mainly in the Chinese proposed investment. This suggested committee came to cover the new investing areas that the current committee of the ministry of finance does not cover, mainly in telecommunication and infrastructure sector. Under these internal and American pressures, the Israeli government postponing announcing the results of a light railway tender (*The Jerusalem Post*, 7th October 2021).

6. Chinese Foreign Policy and the Palestinian Question

Politically, China was committed ally to the Arabs, especially to the Palestinians. China was the first country to accommodate the Palestine Liberation Organization (PLO) embassy immediately after the foundation of the organization in 1965, this was part of the Chinese commitment toward the liberation movements globally (Israeli, 1998). Such support extended to include militarizing and training Palestinian factions and unquestionable support to the Palestinian cause in the international organizations.

Since 1978, when Egypt signed its peace treaty with Israel, China started to move in its views toward the Palestinian cause and slowly developed its ties with Israel. In 1984, China proposed to hold a peace

conference, under the umbrella of the United Nations Security Council (UNSC). The Chinese diplomacy involved in supporting the peace process in Madrid Peace Conference in 1991, and designed its fixed position toward this issue by supporting establishing an independent Palestinian state alongside Israel.

In September 2019, the Chinese ambassador in Palestine Guo Wei, introduced the Chinese position from the Palestinian question, this position is still the same since 1991 and characterized by; supporting the establishment of a Palestinian independent state, with East Jerusalem its capital, on the 1967 borders (Azem, 2019). This was part of the steady Chinese policy toward this issue, which was reflected in the China's Arab Policy Paper as a Chinese commitment, reciprocated by Arab support to the Chinese position in the Taiwan (Ministry of Foreign Affairs of the People's Republic of China, 13th January 2016).

In May 2021, Chinese State Councilor and Foreign Minister Wang Yi, reemphasized the Chinese peace initiative, which was initially introduced in 2017, with four major points; the first is urging both sides to immediately stop military and hostile actions, and any action that deteriorates the situation, the second is to urge Israel to fulfill its obligations and lift all blockade and siege on Gaza, and guaranteeing the safety and rights of the civilians in the occupied territories, with access to humanitarian assistance, which should be provided by international community (Xinhua, 17th May 2021).

The third point, the UNSC must take more serious role in this conflict to support the two-state solution, while the last point is calling both sides to resume their negotiations on the base of the two-state solution aims to establish an independent, sovereign, and peaceful Palestinian state on the 1967 borders (*ibid.*). China suggested a sustainable mechanism to manage development cooperation to achieve social and economic recovery and endure peace on regional level, with

focusing on the conflict parties (Ministry of Foreign Affairs of The People's Republic of China, 26th March 2021).

This Chinese vision started in its early version during the visit of the Palestinian President Mahmoud abbas to China, in 2013, and developed in parallel with the developments in the Israeli Chinese economic cooperation. In 2017, the Chinese Ambassador to the UN Liu Jieyi stated "China views both Palestine and Israel as important partners in the Belt and Road initiative. China is willing to work under the concept of development for peace in order to promote Palestine and Israel in engaging in mutually beneficial cooperation." (Shuaibi, 2017).

These sings reflect China's attempts to contribute to solving this conflict as part of its rising presence in Middle East. Besides, the increasing Chinese investment in Israel makes China one of the losers of any escalation or instability. At this point, PLO welcomes the Chinese role as a mediator, to replace or balance the American domination in this profile, while Israel does not confront the Chinese initiative or political positions sharply, due to economic considerations.

7. Conclusion

The level of the Chinese and Israeli economies gives both sides more advantages of the mutual cooperation, such cooperation is becoming strategic for both sides. For China, Israel is an important partner in technology, security and innovation, it also important player in the Road and Belt initiative. For Israel, China is an important and crucial market to expand the scale of the Israeli economy, Also, by this relation China is winning a partner who is a US ally, while Israel is expanding its presence in the West, which was pro-Arab region before 1991.

The Palestinian cause is one of the possible and important contribution domains for China in the Middle East, The Sino-Israeli

relations and the Chinese historical relation with the PLO makes China acceptable mediator in this conflict. Beijing sent signs in this issue by its initiative for peace, but the coming years can make the regional situation more proper for a serious and advanced Chinese role.

The American and internal pressures on the Israeli government slow down the development of the Sino- Israeli economic cooperation, mainly in security and sensitive technology, but it does not threaten this relation as both sides are interested in its sustainability. However, the American-Chinese escalation of tension may impact the Sino-Israeli relations and push Tel Aviv to choose between both sides as the balance in such relation will be more difficult.

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1. Shaul Eiezenbrg was one of the 25000 Austrian Jews who escaped to China in 1938 from the Nazi occupation and settled in Shanghai as refugees.
2. "Chinese investments in Israel: Developments and a look to the future", *Special Publication*, 1st February 2021, by Doron Ella, a Research Fellow in the Israel-China program at the Institute for National Security Studies (INSS), Tel Aviv, Israel <<https://www.inss.org.il/publication/chinese-investments/>>. The 2020 numbers cover the January-October trade.

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