



Axis of Convenience?
Israel and China
in a multipolar world

VUK VUKSANOVIC



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Introduction

Israel has traditionally been one of the most important allies of the United States in the Middle East. However, since 2013, Israel has been building a new partnership with China in the areas of trade, tourism, technology, infrastructure, and security. A recent report by the Rand Corporation¹ took into account this new strategic reality. The Israelis appear to be motivated by the changes in the country's strategic environment, its crisis in the relationship with the United States during the Obama years, and its economic and infrastructural needs. Nevertheless, Israel is still deeply anchored in the alliance with the United States, which will impose limitations on how far its partnership with China can grow. However, despite the fact that Israel will not replace the US with China as its main great power partner, this partnership attests to the new geopolitical reality in which even the most ardent US allies, like Israel, are hedging their bets and diversifying their partnerships by engaging China. This type of reaction to China's rise is particularly attractive as the Sino-American rivalry is becoming the dominant theme of the international system.

Israel Embraces the Dragon

The cornerstone of this partnership has been the Israeli Prime Minister Benjamin Netanyahu's May 2013² state visit to China, during which he met the Chinese President Xi Jinping. On that occasion, Netanyahu told Xi of Israel's respect for China's success and spoke of his desire to promote partnerships with China. "We view China with great admiration and we know that it is led by forward-looking leaders with great vision, great clarity and great openness," Netanyahu said at the time.

Troublesome Neighbourhood

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The partnership with China has also been motivated by the change in Israel’s regional and strategic environment. Namely, Israel has significantly altered its national security doctrine³ in order to adapt to its turbulent strategic environment in the past seven years. Historically, the Israeli foreign and security policy was based on what was referred to as the “the periphery doctrine,”⁴ or the alliance of the periphery. “The periphery doctrine” was developed by David Ben-Gurion, one of Israel’s founders and the country’s first Prime Minister. This foreign policy strategy and the doctrine that underpinned it were grounded in the notion that Israel is encircled by hostile Arab states that are supportive of Palestinians. Therefore, to generate new diplomatic and strategic options for itself and to overcome its Arab encirclement, Israel needed to form alliances with non-Arab states in its periphery, such as the Shah’s Iran and Kemalist Turkey.

It was in 2011 that a major change took place. At that point, Israel’s rivalry with Iran, its allies, and its proxies—namely the Assad regime in Syria and Hezbollah in Lebanon—had already been going on for two decades. The new strategic reality which kicked in for Israel was that relations with Erdogan’s Turkey was deteriorating just as much of the Middle East and North Africa found itself in turmoil after the Arab Spring. These trends forced Israel to revise its periphery doctrine so as to encompass a greater geographic area in order to form new alliances and partnerships with countries in Southeastern Europe, including Greece and Cyprus as well as Italy, Azerbaijan, South Sudan, and India. This was done both to compensate for the lack of reliable partner in Arab and non-Arab Muslim periphery and to create new opportunities for Israel in commercial, diplomatic and security terms as these countries all fear in one form or the other the turmoil in the Islamic world. Therefore, partnering with a

rising global power such as China was a logical choice for Israel as Israel wanted to expand its global partnerships in order to compensate for its unpredictable neighbourhood in the Middle East, North Africa and the Eastern Mediterranean.

Obama Years Leave the Bitter Taste

More importantly, the issues that emerged in Israel's relationship with the United States during the Obama years have played an even bigger role in the country's decision to get close to China. This is when the United States tried to re-orient its military capabilities and interest toward the Asia-Pacific in order to address the challenge of China's rise, embarking on a policy known as the "pivot" to Asia⁵. The policy implied that the United States would be paying less attention to other regions, including the Middle East, thus limiting Israel's ability to rely on the alliance with the US as the pillar of Israel's foreign and security policy. Israel was also displeased with the nuclear deal⁶ that the Obama administration brokered with Iran, as it mistrusted Iran. Israel also feared that the nuclear deal would lead to the opening of Iran to the United States⁷ in the long run, which would in turn mean that Israel would lose its privileged status as a major U.S. ally in the region.

Finally, Israel was concerned with the appointment of John Kerry to be the U.S. Secretary of State during Obama's second term. Allegedly bent on creating his own

political legacy, Kerry set out to resolve the Israeli-Palestinian conflict⁸ and reinstate the peace negotiations. Kerry's mission ultimately failed but it nevertheless irked the Israeli government and acted as one of the motives for Israel to seek out new partners. For Israel, China is a suitable partner due to its political neutrality, as it does not interfere in governance issues, human rights or political disputes that do not infringe on its core interests. This particularly came to the fore in regards to the Palestine issue. As one of Netanyahu's associates told Gideon Rachman,⁹ the foreign affairs commentator of the Financial Times: "We spent seven hours with the Chinese leadership. You know how long they spent on the Palestinians? Roughly twenty seconds." The partnership with China gives Israel flexibility that it lacks in its partnership with the US, as the Chinese reputation in the Middle East is not tainted with the Palestinian issue. This is in stark contrast to the way the US is perceived by Muslim populations as being an unconditional champion for the Israelis at the expense of the Palestinians.

Sino-Israel Partnership Pays Off

Trade¹⁰ between China and Israel is flourishing. In 2018, the total trade between the two was estimated at close to USD 14 billion as opposed to 2014 when it was USD 10.9 billion. For the sake of comparison, in 1992, this number amounted to USD 50 million, showing that the improved political dialogue between

the two has been followed by growing trade ties as well. In the meantime, there are talks of a new free trade agreement¹¹ between the two countries which have been ongoing since 2016. China has been a major source of revenue¹² for the Israeli tourism sector. Even though in 2018 there has been a drop in the number of Chinese tourists over the security concerns caused by Trump's decision to move the US Embassy to Jerusalem, the number of Chinese tourists in the first half of 2019 jumped by 67% compared to the same period in 2018. As the Washington-based Middle East Institute¹³ stated: "Outbound tourism has emerged as an instrument of China's soft-power strategy in the Middle East. The number of Chinese workers, tourists, students, and businessmen overseas are increasing, and interaction with local populations plays a considerable role in shaping China's image to the outside world and promoting understanding among its counterparts in the region."

Israel has in turn been a particularly attractive partner in the domain of technology¹⁴ investments for both the Chinese state and Chinese conglomerates such as Alibaba. China is trying to learn from Israel's economic model,¹⁵ which is based on technology and innovation, as the country wants to move away from its own model that is based on manufacturing. For advanced countries like the US, Canada and the EU member states, this would mean increased global competition from China for the technology market share, and it also means that China is trying to develop its own internal market as

opposed to being overly dependent on international markets. The Israeli hi-tech company IRP Systems,¹⁶ specializing in aviation-related technology, wants to supply China with its products, particularly the aviation propulsion systems.

In the domain of infrastructure,¹⁷ Israel is considering the possibility of joining the Chinese Belt and Road Initiative (BRI), as the Israeli population is predicted to double in size in the next thirty years, thereby generating a need for a USD 200 billion increase in its infrastructural capacities. This creates an opportunity for China to use its capital, technology, and manpower through state-owned enterprises in order to implement these projects in Israel. In Haifa and Ashdod,¹⁸ the Chinese company China Harbor Engineering is constructing two billion dollars' worth of seaports in the proximity of the U.S. Sixth Fleet in the Mediterranean, causing concern¹⁹ in the United States over the possibility of espionage and strategic maritime infrastructure control. Moreover, Ashdod is the central hub for the Israeli maritime trade, and China would gain a significant economic advantage by asserting itself in the maritime trading route in the Eastern Mediterranean, especially in light of its ambition to penetrate the European market.

The list of infrastructure projects does not end there. In July 2019²⁰ a plan was announced by the Israel Electric Corp (IEC) to sell its Alon Tavor power plant to a consortium that involves China Harbour Engineering, a subsidiary of Chinese state owned enterprise (SOE), the China

Communications Construction Company, Ltd. (CCCC). The China Railway Tunnel Group²¹ has also won a tender for the design and construction of tunnels and auxiliary electronic systems for a new Tel Aviv rail line worth approximately USD 1.4 billion. This project is deemed as a major infrastructural endeavor for Tel Aviv given the growing number of population in Israeli urban centers that will be required to rely on the use of city's infrastructure. The total value²² of Chinese investments and construction projects in Israel between 2005 and 2019 is estimated to be USD 12.19 billion.

Apparently, the United States has objected to the investments into Israel made by powerful Chinese tech companies, Huawei Technologies Co. and ZTE Corp., viewing them as potential threats. The U.S. concern is rooted in the belief that Huawei and ZTE²³ may open the path for Chinese surveillance in the countries in which they do business. For their part, the Chinese have dismissed these concerns as "ridiculous,"²⁴ in words of Hua Chunying, the spokeswoman of the Chinese Foreign Ministry. Their presence in Israel would boost the competitiveness of Chinese tech companies in expertise and technological capacities if they were to pair their manpower and growing technological clout with the renowned technological expertise of their Israeli counterparts. Israel is already tempted by the prospect that its own tech sector might profit²⁵ in terms of commercial gains and overall growth from the on-going Sino-American tech war.

Indeed, in December 2019,²⁶ Pricewaterhouse Coopers (PWC) estimated that the total value of exits for Israeli technology startups in 2019 jumped by 102% to USD 9.9 billion, with the US as the largest investor for 60% of the deals in the Israeli tech market. On the other hand, according to the Israeli data,²⁷ Chinese investments in Israel's high-tech sector grew from next to nothing to around 50 investment deals per year on average. Aware of its value in the global tech market, as well as the fact that both the US and China perceive Israel to be a highly attractive technology partner, Israel is tempted to stand aside in the US-Sino tech war in order to see how to navigate itself in this competition.

Troubles Ahead: Can Beijing Remain Politically Neutral?

Nevertheless, China is faced with the difficult prospect of balancing its relationship with Iran and Israel. If Chinese diplomacy wants to be more active in the Middle East, it will have to deal with the ever-growing rivalry between Israel and Iran, as well as the rivalry that exists among other players across the region. This has already become apparent in January 2019,²⁸ when China reacted to Israel targeting Iranian military positions in Syria, calling on the involved parties to find a political solution. This need to maintain a balance in Chinese relations with local nations brings forth major challenges for Chinese relations with Israel, as well

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However, Chinese diplomacy will be faced with a challenge of having to focus and engage diplomatically in local geopolitical rivalries. This will become more acute as one long-term presumption of China’s economic rise will be its energy dependence on the Middle East.

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as for China’s policy in the region. As a report by the European Council on Foreign Relations (ECFR)²⁹ on Chinese foreign policy in the Middle East stated: “China still has a limited appetite for challenging the US-led security architecture in the Middle East or playing a significant role in regional politics.”

However, Chinese diplomacy will be faced with a challenge of having to focus and engage diplomatically in local geopolitical rivalries. This will become more acute as one long-term presumption of China’s economic rise will be its energy dependence on the Middle East. This scenario would not only force China to become more active within the region, but it would also force China to reexamine its traditional position of political neutrality in regards to many regional issues including Israel.

Another big question which remains is whether China will be able to be politically neutral on Palestine. In 2013,³⁰ Chinese President Xi Jinping made a four-point proposal for the resolution of Israeli-Palestinian conflict to the Palestinian President Mahmoud Abbas that involved: 1) the establishment of the Palestinian state; 2) negotiations as the only acceptable course of action, 3) application of the principle of “land for peace”, and 4) the international community providing guarantees to both parties during the peace process. In 2014,³¹ China appointed its diplomat Gong Xiaosheng as the Special Envoy on the Middle East Issue. However, neither one of these two diplomatic initiatives—managing Israel’s relations with Iran as well as Israel’s relations with Palestine—was pursued forcefully by Beijing. The balance³² that Beijing maintains between Israel and Palestine will be difficult to sustain as Beijing finds Israel an attractive country for its BRI project, but Beijing must also be mindful of the Palestinians in order to guard its name in the Arab world.

The Eagle in the Room: The United States

That said, the biggest challenge in the Sino-Israeli partnership will be the United States. Despite the upward trend in Israel's relationship with Beijing, the United States remains its central partner, as this alliance is one of the pillars of Israeli security.

Given that the United States is becoming more and more engaged in a geopolitical rivalry with China for global supremacy, it will therefore not allow Israel to benefit from tight ties with China. This has already begun happening, as in January 2019 when former US National Security Adviser John Bolton³³ visited Israel and warned his host that the United States did not support Israel giving China advanced technology, did not support China building the Haifa Port, and opposed the presence of Chinese technology companies in the country such as Huawei and ZTE. Shortly thereafter, in March 2019,³⁴ US Secretary of State Mike Pompeo also cautioned Israel that the US might reduce the "intelligence sharing and co-location of security facilities" unless Israel re-evaluates its relationship with China.

During his visit to Israel in July 2019, John Rood,³⁵ the US Undersecretary of Defense for Policy, also referred to the plan for the sale of Alon Tavor power plant. On that occasion, Rood noted that while the US is not against all forms of cooperation with China, he warned his hosts about China's "predatory economics" seen "elsewhere in the world". That same summer, the

US defense bill, the National Defense Authorization Act for Fiscal Year 2020 (NDAA)³⁶ noted that the US "has an interest in the future forward presence of United States naval vessels at the Port of Haifa in Israel but has serious security concerns with respect to the leasing arrangements of the Port of Haifa" while urging Israel to "consider the security implications of foreign investment in Israel."

Conclusion

Israel will not ignore China, as it is aware of its growing relevance in international affairs, but the imperative of maintaining the alliance with the United States will impose limits on any Israel-Sino partnership. Nevertheless, Israel's growing partnership with China is a sign of a new geopolitical trend. As the Sino-American rivalry becomes the dominant trend of the international system, the key dilemma for many smaller states will be how to leverage that rivalry in order to extract as many concessions for themselves from the two competing powers. US allies, like Israel, will not sever their ties with the US as they are aware that China at this moment in time will not assume the diplomatic and security burden of becoming their main patron. However, Israel and other countries around the world will be involved in the strategy of hedging and diversifying their partnerships by engaging the rising China in order to create new options for themselves. ■

Notes

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Despite being one of the most important allies of the United States in the Middle East, Israel has been building a new partnership with China since 2013. The repositioning is motivated by changes in the country's strategic environment, its crisis in the relationship with the United States during the Obama years, and its economic and infrastructural needs. However, Israel is still deeply anchored in its alliance with the United States, which will impose limitations on how far its partnership with China can grow. For now, nevertheless, this relationship attests to the new geopolitical reality of the 21st century in which even the most ardent US allies, such as Israel, must hedge their bets and diversify their partnerships by engaging China.

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