

**CHINA-ISRAEL RELATIONS: PAST,
PRESENT AND PROSPECT**

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Executive Summary

1. The Jewish and Chinese people have a long history of interactions. A Jewish community existed in China at least since the Northern Song Dynasty (960–1127) and some say earlier.
2. In modern times, China and Israel built a special relationship because China sheltered European Jews during World War II. Israel was the first country in the Middle East and one of the first non-communist countries to recognise the People's Republic of China (PRC).
3. China's participation in the Korean War and US pressure, however, hindered the establishment of diplomatic relations between the two countries. Israel's exclusion from the Bandung conference in 1955 and China's support of Arab nations further set the two countries apart.
4. Trade between China and Israel started in the late 1970s and the two countries finally re-established diplomatic relations in 1992.
5. As China restructures and upgrades its economy, it will need assistance in many areas in which Israel is strong. These include preventing desertification, refining water desalination, improving agricultural capacities and integrating high-tech into its economy.
6. China also considers Israel a potential node in the Belt and Road Initiative. With easy access to the Mediterranean Sea, Israel's strategic location can help China expand trade and influence in the Middle East.
7. Israel recognised China as a complete market economy in November 2005. The two countries plan to complete a free trade agreement (FTA) in 2019 and China plans to invest more in Israeli infrastructure, including new ports and a light rail.

8. Bilateral trade between China and Israel increased from \$50 million in 1992 to \$13 billion in 2017. However, compared with the US-Israel trade volume of about \$48 billion in 2017, China's trade with and investment in Israel are still very small. The US-Israel FTA was established in 1985, the first FTA the United States entered into.
9. The United States is concerned about growing Chinese investments in key Israeli infrastructure, particularly the port of Haifa, and expanding influence in Israel and the Middle East. The new port of Haifa, to be completed in 2021 and managed by a Chinese company for 25 years, is only one kilometre from docks frequented by the US Sixth Fleet warships.
10. Strong US-Israel alliance and China's solidarity with Israel's hostile neighbours such as Palestine and Iran place constraints on the future of China-Israel relations.
11. Israel, like other third parties that are indirectly involved in the great power competition, is caught between the United States and China as their rivalry intensifies.
12. Recognising the constraints in Israel's foreign and security policies, China and Israel should be realistic about how far their bilateral relations can go while aiming to develop the relationship to its fullest potential.