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<http://journal-neo.org/2016/11/07/israel-is-becoming-pivotal-to-china-s-mid-eastern-calculus/>

## Israel is Becoming Pivotal to China's Mid-Eastern Calculus

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While China is silently playing an important role in the mitigation of the conflict in the Middle East, which is an important market for the Chinese goods, continuously deteriorating security situation, marred by the presence of numerous jihadi groups in the region, the necessity for China to have a strong anchor in the region has become all the more evident today than it was few years ago. The so-called “Arab spring” has brought many changes in its wake. However, war being one of the most important outcomes of this “spring”, certain changes in the erstwhile foreign policy orientation of many countries, big and small alike, was expected. To this particular outcome owes the growth of China-Israel relations that continue to develop stronger and deeper every year.

Facts speak for themselves: China's total capital investment in Israeli high-tech deals involving Chinese businesses is expected to reach around \$500 million by the end of 2016, compared to \$467 million in 2014 and \$118 million in 2012. And as Times of Israel reported recently, Chinese acquisitions in Israel have dramatically increased in the last few years. In March 2015, China's Bright Food acquired Tnuva, one of Israel's largest dairy companies for approximately \$2.1 billion. Similarly, in July 2016, a Chinese consortium that included private equity firm Yunfeng Capital — founded by Alibaba Group founder Jack Ma — acquired Israeli social games company Playtika from Caesars Interactive Entertainment online games unit for \$4.4 billion in cash. In August 2016, ChemChina completed its takeover of Adama — considered one of the world's leading crop protection companies — for approximately \$1.4 billion.

The high level of growth is—and it is not a coincidence—running parallel to the intensification and geographical spread of the conflict in the Mid-East region, particularly in and around the Suez canal region. While Syria and Iraq are direct victims of terrorism, many important countries such as Egypt (read: Egypt's Sisi is building ties with Syria because of the fears of being the next target of jihadist militias) are only inches away from breaking down into shatters, pushing China to find an alternative route and construct an alternative geography of trade to steer its own business in the region.

Israel, as such, happens to be the best country in the region. Not only is it politically and militarily stable, but its geographical location also makes it an apt candidate to qualify for partnership in China's 'Silk Road' on its southern corridor, which is China's route to Europe.

Before the emergence of 'jihadi' groups in the Middle East, China depended on the Suez Canal to reach its largest export destination: Europe. With its trade volume standing roughly at €521 billion in 2015, and the volume of their bi-lateral trade crossing well over €1 billion a day, Europe undoubtedly remains one of the most important markets for the Chinese business, and with it remains the Mid-East the only geographical entity to facilitate this trade.

However, the presence of ISIS, Al Qaeda and other Islamic extremist groups in the Sinai are threatening China's maritime trade. With over 95% of global trade being seaborne and China now as the world's largest trading state, this is a serious challenge for Beijing's continued economic development.

The crisis in the Middle East is, therefore, directly threatening China's economic interest. And, while China has already stepped in the crisis (read: China's Rear Adm Guan Youfei recently visited Syria to boost co-operation with the Syrian army), this is not the only way it is following to protect its vital interests. This is where Israel becomes important for China.

The growing economic alliance between Israel and China is moving forward with a \$2 billion, 300 kilometre freight rail link connecting Eilat, on the Red Sea, with Ashdod Port, on the Mediterranean. The project, nicknamed the 'Red-Med,' was greenlit by Israel Prime Minister Benjamin Netanyahu's cabinet, and construction, which is expected to take five years, will begin within the year.

About the link, Netanyahu said, "It's the first time we'd be able to assist the countries in Europe and Asia to make sure they always have an open connection between Europe and Asia and between Asia and Europe."

While Israel is clearly poised to play a pivotal role in providing an unhindered and a secure trade route for European and Asia countries, China's primary motivation is not to merely to build a network of allies in the Middle East. For China, the primary concern remains, apart from its trade with the Mid-Eastern countries, access to Europe and the African continent via the Middle East. However, both of these concerns cannot be effectively satisfied when the entire region remains under crisis.

China, due to its fairly balanced approach to the crisis and the fact that it is perhaps the only global player that continues to enjoy equally good relations with such arch rivals as, for instance, Israel and Iran and Saudi Arabia and Iran, is an important country for the regional countries to look up to as a conflict mediator.

This assumption about China playing this role owes its existence to the geography of trade China is eyeing to build through the Mid-East. As an alternative to shipping through the crowded Suez Canal, China sees value in sending goods into the Persian Gulf, and shipping them overland to the Mediterranean via several lines that could cross through Saudi Arabia, Kuwait, Qatar or even southern Iraq before finally continuing through Jordan and Israel.

Will China eventually built this geography or not is a moot question. However, it is quite obvious that regional countries are open to it and know the potential benefits it can yield. Speaking at to the inaugural SIGNAL conference on Israel's China policy at the IDC in Herzliya in the last week of September, Capt. Yigal Maor, director general of the Israel's Transportation Ministry's Administration of Shipping and Ports, said that If China invests in building those paths, which he dubbed IGEC – the Israel Gulf Economic Corridor – it could push Gulf countries into more formal ties with Israel. "Maybe with the help of China there will be peace in that area," he said.

Whereas such prospects signal Israel's own elevation from the position of a US "protected" state to an important power, integrating the region, as also continents, the potential entry of the "dragon" in the region, connecting various countries into a whole, is likely to yield important results for the whole region. While we may have to wait a little to see what impact it leaves exactly, it is quite obvious that China is poised to become an important player in the Mideast security scene, and is already asserting its role economically, diplomatically and, to some extent, militarily.