



## **Mutual Allies of US, China are Geopolitical Sandwich Meat**

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### **Abstract**

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Israel and other Washington allies with friendly ties to Beijing are increasingly becoming sandwich countries – stuck between America on one side and China on the other, as the two powers intensify their trade war. With the onset of the Trump administration’s antagonistic posture towards China, countries with defense dependencies on Washington are now pressured to choose sides, whether for EU to boycott Chinese telecom companies or Israel to cancel Chinese investments in infrastructure projects. This especially poses a dilemma for small states such as Taiwan and Israel that have both economic and defense dependencies on larger states, which severely constrains their foreign policy freedom of action.

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## Analysis

Israel and other Washington allies with friendly ties to Beijing are increasingly becoming sandwich countries – stuck between America on one side and China on the other, as the two powers intensify their trade war.

After years of the Obama administration largely ignoring China’s overseas investment projects and the Belt and Road Initiative (BRI), with the onset of the Trump administration’s new trade war and antagonistic posture towards China, countries with defense dependencies on Washington are now pressured to choose sides.

### National security or trade war?

In Europe for example, the US is calling on European Union companies to boycott<sup>1</sup> Chinese telecom giant Huawei due to allegations of espionage, although this would hamper EU development of the 5G market. Huawei spent years investing in the technology while the US and EU neglected investment, and as such its 5G capabilities are well ahead of Sweden’s Ericsson, Finland’s Nokia and South Korea’s Samsung, analysts say.

In Israel, after National Security Adviser John Bolton expressed his displeasure at Chinese investments in Israeli infrastructure and warned that the US Navy would stop docking at Haifa Port, the government is now considering reneging<sup>2</sup> on the deal allowing China to manage the port beginning in 2021.

Interestingly, for many years the US allowed China to invest and operate terminals in three large ports in Long Beach,<sup>3</sup> Los Angeles<sup>4</sup> and Seattle without any issue. Chinese shipping company COSCO runs the Pacific Container Terminal at the Port of Long Beach under a lease expiring in 2022, as well as the West Basin Container Terminal at the Port of Los Angeles, a concession that ends in 2038.

However, against the backdrop of escalating Sino-US trade tensions, in November COSCO was pressured by the US government’s Committee on Foreign Relations in the United States (CFIUS)<sup>5</sup> to sell Long Beach Container Terminal (LBCT) to an unrelated third party, citing national security concerns. CFIUS<sup>6</sup> is an inter-agency body chaired by the Treasury Department that reviews foreign investments of strategic sectors in the US for any national security implications.

Shortly following Bolton’s visit, American mainstream media began to chastise Israel for being an ungrateful and bad ally<sup>7</sup> and jeopardizing its ties with the US Navy.<sup>8</sup> News outlets questioned Israel’s ability to “resist the

<sup>1</sup> “Mixed response in Europe to calls for Huawei boycott”, *Business Times (Singapore)*, January 14, 2019, <https://www.businesstimes.com.sg/technology/mixed-response-in-europe-to-calls-for-huawei-boycott>

<sup>2</sup> Herb Keinon, “After U.S. prod, ex-envoy to China says Haifa Port deal must be reversed”, *Jerusalem Post*, January 9, 2019, <https://www.jpost.com/Israel-News/After-US-prod-ex-envoy-to-China-says-Haifa-Port-deal-must-be-reversed-576756>

<sup>3</sup> Costa Paris, “To East U.S. Concerns, Chinese Shipper Cosco Offers to put California Terminal in a Trust”, *Wall Street Journal*, June 20, 2018, <https://www.wsj.com/articles/cosco-offers-to-put-long-beach-terminal-into-u-s-run-trust-1529519079>

<sup>4</sup> Costa Paris and Joanne Chiu, “China’s Cosco Puts Long Beach Container Terminal Up for Sale”, *Morning Star*, November 20, 2018, [https://www.morningstar.com/news/dow-jones/TDJNDN\\_201811206961/chinas-cosco-puts-long-beach-container-terminal-up-for-sale.print.html](https://www.morningstar.com/news/dow-jones/TDJNDN_201811206961/chinas-cosco-puts-long-beach-container-terminal-up-for-sale.print.html)

<sup>5</sup> Danny Crichton, “WTF is CFIUS?”, *Tech Crunch*, March 4, 2018, <https://techcrunch.com/2018/03/04/wtf-is-cfius/>

<sup>6</sup> U.S. Department of Treasury, <https://www.treasury.gov/resource-center/international/foreign-investment/Pages/cfius-members.aspx>

<sup>7</sup> Tom Rogan, “Israel is being a bad ally to the U.S. over China”, *Washington Examiner*, December 17, 2018, <https://www.washingtonexaminer.com/opinion/israel-is-being-a-bad-ally-to-the-us-over-china>

<sup>8</sup> Deborah Dannan, “Report: U.S. Navy Could Stop Docking in Haifa After Chinese Takeover”, *Breitbart*, December 16, 2018, <https://www.breitbart.com/middle-east/2018/12/16/report-us-navy-could-stop-docking-in-haifa-after-chinese-takeover/>



temptation of becoming part of China's imperial orbit<sup>9</sup> and condemned its past sin of selling the Phalcon and Harpy<sup>10</sup> systems to China, which would put US soldiers at risk if war breaks out over Taiwan.

Ironically, while the ports in California and Israel were immersed in controversy, Taiwan appears to have allowed COSCO to take over its large Kaohsiung port<sup>11</sup>. Similar to the small Jewish state, the small island of Taiwan needs investment and money, and its comparative advantage is the high-tech sector and export-oriented trade that is closely tied to a large neighbor, China.

### **Military dependency or economic dependency?**

Whereas much ink has been spilled over China's rise and the risk of countries falling into a "debt trap" and economic dependencies with Chinese investments via the BRI, there has been little focus on how US military aid and the American security umbrella also create defense dependencies.

This is especially a dilemma for small states such as Taiwan and Israel that are price takers and not price makers in both the economic and security realm, which severely constrains their foreign policy freedom of action.

Too small to have economies of scale for developing their products, both states need to attract foreign investments and export-oriented trade for economic growth. As such improved transport infrastructure and enlarged ports can improve a trading state's competitiveness as an international hub.

As one of the numerous ports in the Mediterranean, Haifa on its own is not very competitive, and renegeing on the deal with China to maintain good relations with the US Sixth Fleet may ultimately be less costly for Israel. Similarly, Ashdod port is also not competitive on its own compared to Egypt's Port Said or Greece's Port Piraeus, but when linked with Eilat on the Red Sea via the Med-Red rail, this becomes a competitive transport corridor with the potential to transform Israel into an important trade logistics hub between Europe and Asia<sup>12</sup>.

In addition to dependencies on larger economies as both export markets and sources of investment, small states that are military protectorates also have defense dependencies on their security guarantor, whether Belarus and Armenia with Russia in CSTO or Poland and Greece with the US in NATO.

However, while Japan and South Korea enjoy mutual defense treaties with the US, Taiwan – like Israel – has no such treaty and therefore no official security guarantee. Both states do receive military aid and reassurances from time to time, but their freedom of action is restrained by Washington's interests.

Thus, with a seemingly fickle US ally that is at times unreliable, as Israel witnessed during the Obama administration, small garrison states need an alternative source of security guarantee. As such it is not surprising that Israel became an undeclared nuclear state<sup>13</sup>, and why in the midst of tense relations with the Bush administra-

<sup>9</sup> Arthur Herman, "Israel and China Take a Leap Forward—but to Where?", Hudson Institute, November 5, 2018,

<https://www.hudson.org/research/14663-israel-and-china-take-a-leap-forward-but-to-where>

<sup>10</sup> Yigal Chazan, "Amid trade war tension, is Israel getting too close to China for America's comfort?", MSN, January 1, 2019,

<https://www.msn.com/en-my/money/news/amid-trade-war-tensions-is-israel-getting-too-close-to-china-for-americas-comfort/ar-BBS8fCs?li=BBR8Mka>

<sup>11</sup> Lauly Li, "Taiwan quietly lets Chinese state company take over port area", *Nikkei Asia Review*, September 17, 2018,

<https://asia.nikkei.com/Business/Companies/Taiwan-quietly-lets-Chinese-state-company-take-over-port-area>

<sup>12</sup> Mordechai Chaziza, "The Red-Med Railway: New Opportunities for China, Israel, and the Middle East", BESA Center

Perspectives Paper No. 385, December 11, 2016, <https://besacenter.org/perspectives-papers/385-chaziza-the-red-med-railway-new-opportunities-for-china-israel-and-the-middle-east/>

<sup>13</sup> Daniel DePetris, "Israel's Nuclear Weapons Program: Everything You Need to Know", *The National Interest*, May 1, 2018,

<https://nationalinterest.org/blog/the-buzz/israels-nuclear-weapons-program-everything-you-need-know-25638>; Adam Entous,

"How Trump and Three Other U.S. Presidents Protected Israel's Worst-Kept Secret: Its Nuclear Arsenal", *The New Yorker*, June



tion, Taiwan's pro-independence Chen Shui-bian administration also considered launching a nuclear weapon<sup>14</sup> program, and eyed Israeli assistance according to a former Taiwanese defense official.

But the ultimate question remains – do US allies need to choose between the US and China, or between military dependency and economic dependency?

Perhaps there is a third option. During the Cold War, India and others formed the Non-Aligned Movement to retain the freedom of choice to further their own interests, and not be sandwiched between the US and the USSR with a binary choice to further one or the other's interests. Thus, it remains to be seen whether a similar movement would arise in the face of a new Cold War between the US and China.

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**Remarks:** Opinions expressed in this contribution are those of the author. This article was first published in *Asia Times* on January 31, 2019.

### About the Author of this Issue

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<sup>14</sup> "Does Taiwan need nuclear weapons?" *Taipei Times*, September 14, 2010, <http://www.taipetimes.com/News/editorials/archives/2010/09/14/2003482847>