

# THE TIMES OF ISRAEL

## Matchmaking confab seeks to wed Israeli innovation to China's great wallet

Beijing sees Tel Aviv as a hotbed of technology and Israelis see the Chinese as a font of cash, but some warn that the relationship is not necessarily one made in heaven



Edouard Cukierman speaking at the GoForIsrael Conference in Jinan, China, on May 28, 2019. (Joshua Davidovich/Times of Israel)

JINAN, China — Yonatan Hourı says he has a cure for the smog that has choked Beijing and other cities for years. The Urecsys system won't do much for the air outside, but according to the company, it can filter the air inside a home orders of magnitude better than any other product on the market, at a fraction of the price.

After 4.5 years of development, the system, created by serial entrepreneur Kobi Richter and other researchers mostly based out of Jerusalem's Hebrew University, is finally reaching market, but only in Israel, for now.

"We don't want to make rich people's air cleaner, we want to make everyone's air cleaner," said Hourı, sitting at a table outside a large conference hall in China, where his product could likely make a larger impact than in Israel.

Houri was one of dozens of representatives of Israeli companies who traveled to China last month looking for investment money from a country that has led the world in recent years in pumping money outside of its borders. For many, the trip was also a way to enter the world's largest market — one that more than one Israeli businessperson said simply cannot be ignored, despite a surfeit of concerns, from intellectual property protection to trade war fears.

“Israel is tiny and China is huge, but if you put Israel and China together, we have one-fifth of the world’s population,” quipped Edouard Cukierman, the chairman of Cukierman and Co., which organized the GoForIsrael conference that brought together Chinese investors and Israeli businessmen in Jinan on May 28.



Israeli entrepreneurs, potential Chinese investors and translators holding one-on-one meetings during the GoForIsrael conference in Jinan, China on May 28, 2019. (Joshua Davidovich/Times of Israel)

Despite trade tensions with the US reaching fever pitch and a minefield of potential pitfalls business ties between Israel and China are growing.

In 2018, bilateral trade between the countries hit a record \$15.3 billion, up from just \$51.5 million in 1992, and \$13.1 billion in 2017, according to Ofer Peleg, head of the Israeli Finance Ministry’s mission in China — one of three such offices around the world.

There are no numbers tracking the exact size of Chinese investment in Israel, but experts say it is growing as well, as Beijing extends its global reach and looks to harness many of the technologies that have earned Israel a reputation as a world leader. On the flip side, many Israeli companies see having a Chinese investor as a golden door into the local market.

“You can see a lot of momentum. You can see a lot of Chinese investors going to Israel, and a lot of Israeli companies come to China,” said Benjamin Peng, who heads Cukierman’s China office. “Obviously Israeli technology companies are interested in the largest market in the world.”

Organizers said 108 Israeli companies participated, as did some 1,400 Chinese businessmen, with GoForIsrael founder Cukierman describing himself as a matchmaker arranging a *shidduch* between them.



Israeli entrepreneur Michael Chojnacki of sports tech firm Baseline Vision pitching his idea to Chinese investors in Jinan, China on May 28, 2019. (Joshua Davidovich/Times of Israel)

GoForIsrael was founded in 1997, originally focused on Europe. In recent years, however, it has shifted to China as economic ties have grown between the countries.

Political tensions between Israel and Europe have helped fuel some of growth, according to Cukierman and other experts, and many Chinese also view Israel as an alternative to the West, where political tensions and a looming trade war with the US have chilled political and business ties.

Some Israelis have expressed reluctance over doing business with China, out of both fears that it could endanger business ties with the US, should the trade war worsen, and concerns over protecting intellectual property.

“We are concerned about the conflict with the Chinese, because if it escalates, the Americans could ask us to take us a side,” said one Israeli participant who spoke on condition of anonymity because of the sensitivity of the subject.

Houri said his firm had concerns about its intellectual property, but had taken steps to heavily protect itself with a number of patents in the US and elsewhere. He said some Chinese companies had expressed interest in investing on condition that they divulge more information about their technology, but they had to refuse the offers.

“We’re trying not to divulge too much about our technology until we find the right partner who we know could protect the IP here,” he said.

Other Israeli entrepreneurs echoed the same concerns, but insisted that China had to be paid attention to, given the size of the market and the amount of money potentially on the table.

The conference in Jinan was Cukierman’s third in China, along with two held in Israel, and a third planned for Tel Aviv in early December, and is seen by those involved on both sides as helping drive closer business relations and stronger bonds. (Full disclosure: Cukierman and Co. paid airfare and accommodations for this reporter to attend the conference.)

Jinan Mayor Qun Xu told the forum he saw the meeting as a way to foster both business cooperation and “to promote better ties between our countries.” In 2013 and again in 2017, Prime Minister Benjamin Netanyahu visited China with much the same goal, and last year, Chinese Vice President Wang Qishan reciprocated, becoming the highest-ever official from Beijing to visit Israel.

“We want to marry our technology with China’s capacity,” Netanyahu said during the second visit, at an Israel-China innovation summit in Beijing, though his efforts failed to move the needle on a long-sought free trade agreement.

## **From Jerusalem to Jinan**

The name Jinan is hardly a household one in Israel, and some at the conference were hearing of the city of 10 million people for the first time.

But the boomtown, famous for its artesian springs, is also capital of Shandong, one of the fastest-growing provinces in China, both by population and GDP. Again and again, local officials described wanting to latch on to Israeli innovation to meet Shandong’s needs.

“We admire Israel’s spirit of innovation and we think that many of the industries that Israel is leading the world can match the... needs of Shandong’s industries,” said Wang Dongkai, the vice general manager of Shandong Guo Hui Investment Co., which was also involved in sponsoring the conference.



A park near the center of Jinan, China, on May 27, 2019. (Joshua Davidovich/Times of Israel)

Those industries range from agriculture and water technology to manufacturing, areas where Shandong has traditionally led the way, to newer fields such as information and communications technology, machine learning, and life sciences.

“We are a large province with a comprehensive industry platform. We think there is a great match. And if Israel R&D can concentrate more on the needs of Shandong, it can boost bilateral cooperation,” Wang said through a translator.



Chinese investments in Israel have traditionally leaned away from high-tech fields, with large bets being placed on dairy producer Tnuva and chemical concerns Makhteshim Agan and Adama Agricultural, with a smattering of large investments in Medtech and infrastructure projects as well over the last decade.

But China’s shift toward tech was underlined by the makeup of both the investors, who hailed from Shanghai, Beijing and other locales in addition to Shandong, and the Israeli companies, which ranged from aviation behemoth Israel Aerospace Industries, which already has joint ventures in China, to tiny startups looking for funding to get their ideas off the ground.

While some Chinese speakers mentioned wanting to do business with Israel in artificial intelligence, material science and communication technology, the Israeli firms tended toward medical, financial and green technology.



Workers roll up a red carpet after a welcome ceremony held by Chinese Premier Li Keqiang for Israeli Prime Minister Benjamin Netanyahu at the Great Hall of the People in Beijing, China, May 8, 2013. (AP/Alexander F. Yuan)

Former agriculture minister Yair Shamir, who is managing partner of a Catalyst fund together with the state-owned China Everbright Limited and was a major player in organizing the conference, said the makeup of the Israeli firms represented was not happenstance, especially given the evolving definition of technologies that could have defence applications.



“It has become a little more ambiguous, because there are many things that are dual use. There is no definition here, and the Israeli side should be very cautious about it. That’s why we are bringing biotech. We try not to bring some things to China,” he said. “We are a monkey in a jungle and there are two gorillas. We have to survive. We cannot just go with one of them. We have to play between the gorillas, so we have to understand where our borders are.

“We are a small country and we need China,” he added.

### **Great wall of misunderstandings**

There are no hard numbers on how many deals with China ultimately fall through, but according to several experts, the number is not insignificant.

“We need to look at the investments that have already been made. Is the money actually moving from China to Israel? We don’t have the numbers,” said Yoram Evron, an associate professor in the Department of Asian Studies at the University of Haifa.

The sale of Tnuva may provide a case in point. In July, the Israeli holding company that sold the dairy company to China’s Bright Foods for \$2.3 billion four years earlier attempted to buy it back for about half of that, reflecting years of losses for the enterprise.



Farmers protest against plans by Apax Partners to sell Tnuva to China’s Bright Foods outside Apax’s Tel Aviv offices. The demonstration took place a day ahead of an emergency meeting of the Knesset Economic Affairs Committee on the matter (Photo credit: Roni Schutzer/Flash90)

Oded Shenkar, a professor at The Ohio State University who was among the few critical voices to be heard at the conference, said Israelis were too quick to ignore important cultural cues, leading to misunderstandings that ultimately cause deals to fail.

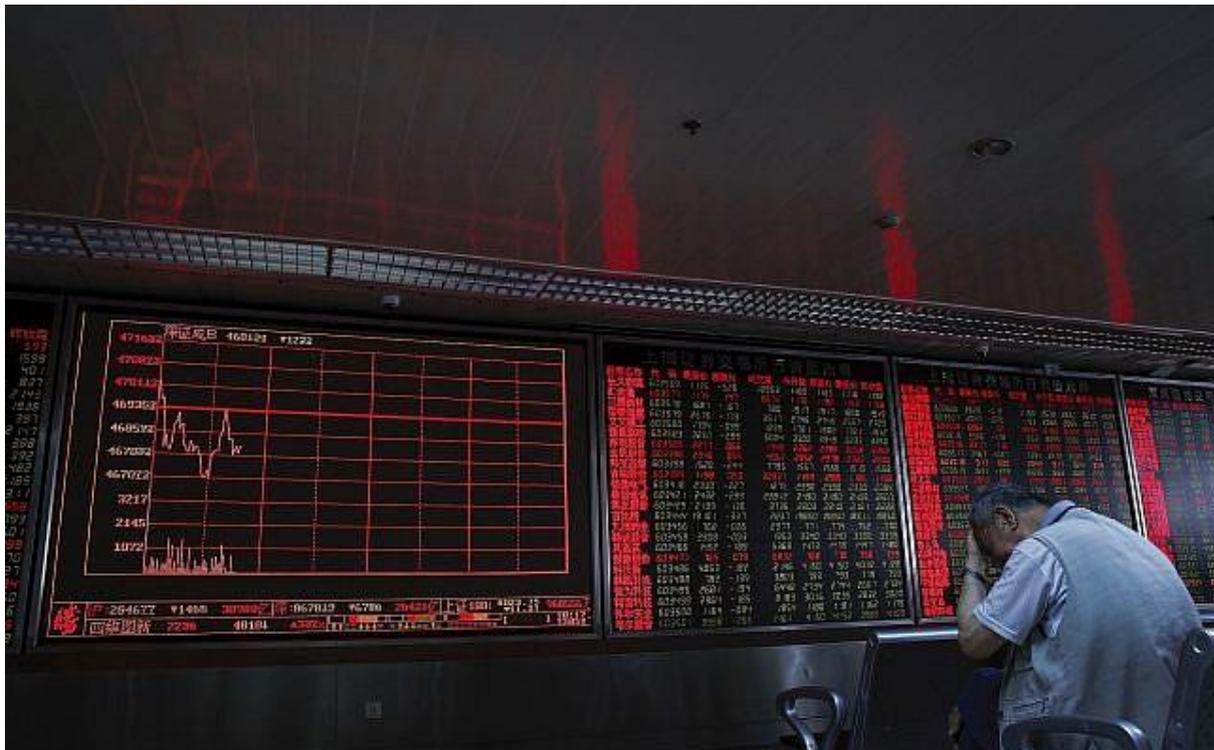
“Israelis tend to be overconfident ... My experience has been they will often rush into a transaction without having a full understanding of what is going on.” said Shenkar.

“On culture, one study after another will show you that this is a critically important factor. It’s often the most important factor,” he added.



Ariel Briskin of the Beijing-based Israel Chamber of Commerce in China said his group aimed to help companies looking toward China to be better educated about doing business there, including opening an office in Tel Aviv to influence business leaders before they reached Beijing or Shanghai.

“You see Europeans coming to China, they are more focused on how to do the business, and Israelis are just ‘let’s do the business,’” he said.



An investor reacts as he monitors stock prices at the brokerage house in Beijing Thursday, June 6, 2019. (AP/Andy Wong)

Wang, of Shangdong Gohui, said he thought the cultural differences could be overcome but complained that Israelis were too prone to pumping up their prices and being too aggressive.

“Based on previous experience, some investors will be discouraged by firms that are overpriced,” he said. “I hope the Israeli companies will have bigger ambitions and look deeper into China, which is an enormous market.”

“We really hope that we can adapt to each other. It’s not only that Chinese need to adapt to Israelis but the other way around. ... Chinese are not as direct as Israelis, I hope there will be a situation for the two countries to join.”