

Hong Kong billionaire: Only US can be Israel's friend in trade war

'It saddens me to see America doing foolish things.'

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Ronnie Chan, chairman of Hang Lung Group and subsidiary Hang Lung Properties.(photo credit: DROR SITAHKOL)

Caught in the economic crossfire of the raging US-China trade war, Israel's "only friend" can be the US, according to Hong Kong-based billionaire businessman Ronnie Chan.

"Israel does not have the luxury to choose between the United States and China –its only friend ultimately, is the United States," Chan, the chairman of Hang Lung Group and subsidiary of Hang Lung Properties, told *The Jerusalem Post* on Monday.

“The United States will no doubt put pressure on Israel. Is that rational? Oftentimes it is not, in my opinion. That said, Israel does not have a choice to choose. The US is [Israel’s] only guarantor of ultimate security which trumps everything else,” said Chan.

Outspoken real estate tycoon Chan has been a regular visitor to Israel since the 1970s. He spoke to the *Post* on the sidelines of the twenty-third GoforIsrael Conference in Tel Aviv, organized by Cukierman & Co. Investment House and Catalyst Funds.

“The trade war is a tertiary war, not even a secondary war. It is the front person, that is all,” said Chan, whose family foundation gifted a record \$350 million to Harvard University in 2014.

“It saddens me to see America doing foolish things. Abba Eban was right, and Winston Churchill repeated his words, that America will always do the right thing after exhausting all the alternatives,” said Chan.

1,000 attendees, including investors, entrepreneurs, and representatives of multinational corporations from Europe, China and the US.

Since 2018, China has become Israel’s second largest trade partner worldwide, with annual bilateral trade soaring from just \$50m. in 1992 – when diplomatic relations were established between the countries – to over \$13b. in 2017.

Chinese firms have increased their investments in Israeli hi-tech in recent years, investing almost \$1.5b. between 2013 and the third quarter of 2018, according to a recent report by IVC Research Center. Rising Chinese investor interest in software and life sciences sectors has largely mirrored mainstream trends.

Prolific investors have included Hong Kong-headquartered Horizons Ventures and CE Ventures, China-Israel fund GEOC and Hangzhou-based Alibaba Capital Partners.

“In the last seven to eight years, there has been so much interest from China. The interest is amazing and, on one hand, that is good. On the other hand, Israel always has to think ahead,” said Chan, who was awarded an honorary doctorate for promoting Sino-Israel relations by Tel Aviv University in 2014.

“Two years ago, I began to tell my Israeli friends to be careful because China is a big country. You can get overwhelmed by China quantitatively and that’s not good for Israel.”

While Chinese investors have the capability said, soaring investment in Israel can lead to both a domestic and American backlash. Instead, Chan says Israeli businesses should “only do transactions that are really beneficial,” and provide quality for the firm rather than quantity.

“For example, can we find transactions where the Israeli company or the founders can maintain equity control? Or, at least keep significant equity interest instead of selling outright – and, in exchange, open up this humongous Chinese market,” said Chan. “Now that’s what I consider to be a quality deal.”

Under persistent US pressure to monitor investments from their trade war adversary, Israel's security cabinet approved the establishment of an advisory committee in October to "examine national security aspects in the process of approving foreign investments."

Expected to commence work later this month, the decision to set up the committee follows increasing Chinese investment in recent years in sensitive Israeli infrastructure projects, including the Carmel Tunnel project in Haifa, the construction of the Tel Aviv light rail, and the ports in Ashdod and Haifa, as well as the sale of the food giant Tnuva to Chinese corporation Bright Foods.

"As businessmen, we are always suspicious. Back to what one Silicon Valley company CEO said, only the paranoid survives. Of course, as Ronald Reagan said, I trust but verify. It's the normal course of business and the sensible thing to do," said Chan.

"That said, you can also be irrationally suspicious. Then you are just unnecessarily troubling yourself and cutting down your own opportunities... We have to be cool-headed, to analyze things adequately, to know what is the best course of action for any country."

According to Haggai Ravid, the CEO of Cukierman & Co., the Chinese approach to investments in Israel has changed significantly since the first investors entered the market and "said yes to everything."

Investors "went through a learning curve themselves and actually learned that saying yes to everything may not necessarily be the right investment strategy," said Ravid.

Chinese investors are currently focusing their efforts, he said, on identifying innovative technologies in sectors including healthcare, artificial intelligence, IT.

"When it comes to industries which may be deemed sensitive and which potentially could have an impact on the Israel-US-China relationship, they are diplomatic enough not to go and be aggressive about it," said Ravid.

"They come here because they want to get to know us better, want to be friendly with us and want to learn what we are doing right. I believe this is their motivating factor. It is less about being an imperialist nation and being possessive. It is less about taking what we have and taking it for themselves, I actually think they are potentially great investors."