

GOLDENBERG: Hi, everyone. I think we are going to get started with this. My name is Ilan Goldenberg and for those of you who don't know me, I run the Middle East Program at the Center for New American Security. And today, we're going to be talking about something we've been working on together for a while with our colleagues at the Institute for National Security Studies in and Tel Aviv, INSS, as well as the Foundation for the Defense of Democracies here in Washington, which is looking at U.S.-Israel cooperation on issues having to do with China and technology. I should say, this is not the usual issues you talk about when you think about Israel and the U.S. Israel relationship. Everybody always goes first to the security bilateral relationship. There's other Palestinian issues, Iran, but this is an issue, I think, that's gaining more and more traction and importance, especially as you think about it in the broader context of U.S. policy competition towards China.

Even the State of the Union Address that President Biden gave yesterday where he stressed the importance of cooperation amongst democracies, the importance of the democratic model proving itself as the most effective governing model, and also talked about the importance of technology and leading on the most important technologies in the 21st century. So, this is an area where CNAS we've been doing a lot of work on, but usually people think about it in the context of the Indo-Pacific or Europe and things like that. But it has become more of an issue with Israel in the last few years and you've seen it both in some disagreements or tensions that you've seen play out between Israel and the U.S. as they try to work things out in terms of how they approach this issue, but also, as many of us, I think all of us, believe that there's actually a huge opportunity for cooperation here, and that Israel as a democracy and as a leading tech innovator can actually be an important and useful partner in this space. And so that's what we want to talk about today.

So, we have with us an excellent panel who know this issue well. First, we have Ambassador Dan Shapiro, the former U.S. Ambassador to Israel, and now a distinguished visiting fellow at INSS. We have Jacob Nagel, who is the former Israeli National Security Advisor and is a senior fellow at the Foundation for the Defense of Democracies. We have Shira Efron who is a senior research fellow at INSS, and also is with the RAND Corporation, and Martijn Rasser, who is a senior fellow in our Technology and National Security Program here at CNAS. So, Dan, I'm going to go first to you and maybe ask you to just start by speaking a little bit about how you see this from the U.S. perspective, and especially, since I think has become – when you were ambassador this was probably less of an issue and has really become more of an issue over the last few years. So, Dan, maybe you can weigh in on some of those ideas.

SHAPIRO: Sure. Thank you, Ilan. I hope everybody can hear me. I'm using my phone for sound because of some glitchy Wi-Fi, but I hope that's all right. It's going to be with CNAS and INSS and FDD colleagues and I really look forward to a good conversation. So, I'll start with a brief story. In 2014, when I was still U.S. Ambassador to Israel, the then Israeli Minister of Transportation, Israel Katz, came to me and he said, "Look, we're going to be rehabilitating our ports, the Haifa Port, in particular, and we want to encourage American companies to –

GOLDENBERG: Dan, I think you're muted for whatever reason on your phone.

SHAPIRO: Is that better?

GOLDENBERG: Yeah.

SHAPIRO: Can you hear me?

GOLDENBERG: Yes, we lost you for a few seconds there.

SHAPIRO: Okay. In the end, Israel chose a Chinese company in 2015 to rehabilitate the Haifa Port. And nobody in the U.S. Navy, nobody in the intelligence community, nobody in the Pentagon called me as U.S. Ambassador in 2015 and said, "Hey, this is a problem. We should let them know about it." Fast forward about three years, about 2018, and suddenly Israel was hearing all kinds of alarm bells going off from U.S. Navy, from the intelligence community, from all sorts of people in the U.S. defense community about the prospect of China being a major investor and an operator of a port in which the U.S. Navy operated. Now, I tell that story, which relates to infrastructure and Chinese investment infrastructure has been its own source of tension between the United States and Israel relating to desalination plants, railroads, and ports and the like, but I tell it because I think it illustrates something similar that's happening in the technology sector.

After the disputes that occurred between the United States and Israel over Israeli defense exports to China, the Falcon and the Harpy controversies of the late 1990s and early 2000s, the two countries reached an agreement in 2005 that there would be no Israeli defense or dual use exports to China. But meanwhile, there was a lot of expansion over the next decade of Israeli-China trade in civilian technologies, a lot of enthusiasm for Chinese investment and partnerships in Israel. China became the second largest Israeli trading partner. Fairly advanced talks in recent years on an Israel-China free trade agreement were taking place, but, of course, in that same period, the line between purely civilian and dual-use technologies has become increasingly difficult to agree on, especially in tools like cyber and AI, where Israel really excels and Chinese investment in Israeli technology companies remains unregulated.

So, in that same scope of four or five years from the Haifa Port story to when Israel started to hear about it from the United States there was this same period of an increasing U.S. sense of China as this global strategic rival that is seeking to acquire other countries' innovative technologies and often to use them for aggressive and repressive purposes: surveillance, censorship, and disinformation curtailing the rights of the Chinese people and enabling the spread of those illiberal authoritarian models in other countries. And that comprehensive strategy China is known for of military civil fusion of absorbing civilian technologies that they acquired through illicit means into the People Liberation Army's arsenal. And, of course, China also has been known to use economic investments to gain leverage over countries in which it invests and then use that leverage for coercive purposes. So, that's that fundamental change that's been taking place in how the U.S. sees Chinese investment at home and abroad, especially in these strategic technology sectors.

And so, there's been an increasing U.S. expectation that allies like Israel will take these U.S. concerns into account, even if that means limiting certain opportunities. So, that started really to play out during the Trump administration. Israel did create what's called a CFIUS-like review process for certain Chinese investments, but it's a work in progress. It's not in all sectors, including not really in technology sectors. It's not really enforcement. It's more voluntary, not really statutory. Many Israeli technology companies are aware of this sensitivity and are starting to be cautious about taking Chinese investment. There has actually been for the first time a decline in Chinese investment in Israeli technology. They're worried about losing access to the U.S. market. But there's still no enforcement on it. But Israel has some legitimate questions of its own. Washington has not yet been clear about how it defines these newly regulated emerging and foundational technologies under the Export Control Reform Act and how it expects American companies and allies to handle them. And our own CFIUS review process is evolving into oversight of investments in the U.S. technology sector.

So, Israel very understandably wants clear guidance from the United States on its own rules and it also has an expectation – Israeli companies will not be held to a higher standard than U.S. companies or the companies of other U.S. allies. So, I think the Biden administration, you alluded to it briefly in talking about the President's speech last night, he's spoken of the need to marshal the common efforts of techno democracies to ensure that, that group of countries

sets the standards and the rules and the norms and develops the innovative breakthroughs rather than the techno autocracies like China. But the United States still has work to do to establish that comprehensive set of its own rules, a comprehensive set of alternatives for allies like Israel who forego cooperation with China, and to build that collaborative technological innovation framework that builds on the cumulative strengths of the U.S. and its allies and benefits them all out while helping tip the balance in the technological competition with China.

It's early days yet. Today's the 100th day of the Biden administration so they're still ramping up their efforts to establish those frameworks. But as it does so, it's really going to be important to consult deeply and comprehensively with Israel to minimize friction, to maximize coordination and common understandings and opportunities, and make sure our efforts are mutually reinforcing. So, I'll stop there. I know our colleagues are going to discuss some of the proposals we have for what a consultation like that might look like, how it might be structured and operate. But I'll stop there.

GOLDENBERG: Thanks, Dan. And I should say for our viewers, if you have questions, you can start populating them into the Q&A section, the Q&A box at the bottom right-hand corner of your screen. I hope folks are getting me. My internet connection is going in and out a little bit. And then we'll get to Q&A in a little while. But Jacob, I want to turn to you and ask you, from the Israeli perspective, how does Israel see the China issue and how has it seen the past few years where you have had some of these public disagreements or different perspectives on these issues and how we might find a way to work together on these issues?

NAGEL: Okay. Thank you very much. I'm really glad being here with my friends. Now, I want to emphasize that Israel, like the United States, and especially now after COVID-19, it's helping us, because we have to really, really take a deep thinking and viewing of our relation with China, especially when it's connected to the United States. Now, when our relations with the United States are going on the table and everyone knows the United States is not hiding its positions against China and the United States knows how to forward those positions to its allies and what they expect from them. I don't think there should be any question mark in Israel how we have to work towards China. And it's not only because the United States is asking us or advising us what to do. Maybe, as you said, we have some differences with the United States about Iran. My friend now is in Washington. Everyone is there. I feel like the only one left in Israel.

I hope that in this case, the United States will change its view now or later, but when we come to talk about China, I don't think that we have too many different opinions, especially not with me. I'm not saying that everything I think is the same in Israel. Israel should think in this order: its own interests, what its best ally wants, why and how we can do things that won't help Israel and our allies, and if not, what will help us the least? Now, I think that I wrote about it several times. I think the United States and Israel in the Chinese issues, in some cases, we are too late. I think Europe is the same. In some cases, the horse has already left the stable. It's not saying that we don't have work to do. Our CNAS, INSS, FDD group exactly worked on this issue what we have to do forward, not to think about the already spilled water.

I, recommend first of all, to build a gate or a wall or a barrier so no more horses will go out and then maybe we can give some of the horses, after we are monitoring it and controlling it, some of them can go out and eat some of the food, but really in a very secure and monitored way. I will join, then, the story about the Minister of Transportation in 2014. I heard first and I didn't even know. I was the National Security Advisor, and I didn't know anything about this important info because this is the Israeli law. If it's not Minister of Defense, if it's not security, if it's not defense, or at least a dual-use technology, if it's a civilian one, it's not coming through our mechanisms through the MOD or through the NSA or the others.

I heard it for the first time when I was National Security Advisor. When I understood that, when I was – our communications satellite just blown on Elon Musk, one of the missiles, and then I understood that there was talk about selling this company to Chinese, if it was going to be working, I was shocked. But again, I don't think that I propose is the most important, the one, the most dangerous. I'm more concerned about the underground in Tel Aviv or other things. And there are things that we can't do with others. I'll come to it in one minute.

And it's not a bureaucracy. I really suggest to my good friends from Israel to take the United States' conscious seriously. They see the Chinese as a central rivals, they threatening of them. And it's the same. I think Israel to take the Chinese very serious their ambitions to not concur, but to acquire some of our technologies, spending small money to get big technologies, to control some of our infrastructures, even sometimes critical infrastructures or very, very problematic technologies. There are some people in Israel, some of them, they have their own interests. They don't see the overall picture of the damage that can be caused. And sometimes they don't care because they have their own interests. It's very simple and it's important to do it sometimes for small benefits. Israel can have a big and huge damage the relations with United States but not only, it can be damaged to Israeli interest, academy, industrial, and government 11.

Now we have to understand one thing and I'm telling it in an open conference with the U.S People, Israel people, and probably others. United States is not going to invest or cooperate with no country and also Israel without full security. The disinvestment are not going to spill over to China or that the knowledge that will be working – worked out. In this corporation won't be controlled and won't go finally to China. We have to understand that in Israel, in Europe and in the world, this is the center, this is the art of the competition today, technology and other things. Maybe Israel do not want to be in the center of this conflict, and we don't want to be part of this world but we don't have a choice. If we want to be among the leaders in the world and to cooperate with the United States in 3D imaging, drones, AI, quantum data science, and deep learning, iBUYPOWER computer, FinTech and medicine, cyber, satellites, the infrastructure, water, electricity, and I can go on. We want to cooperate with United States. We have to understand there are things we cannot do with China.

Now, the biggest problem, and I think Dan mentioned it, is that today it's a big blur between – It was very simple in the past and after 2005 crisis in Israel, we know if there is a question, there is no question, but it's only for defense related technologies or dual use related technologies. When you come to civilian technologies, no one is looking. Every regulator have its own. And when I came to the people responsible when I was NSA, I started so-called this work, I don't know to call it work, it was only starting. I cannot say I accomplished what I wanted, but it started. And now we have its life – it's not good. I don't think it's right that we say it's limited. Not that it's not technology, it's not ITIC. And it's still against the record, and it's still voluntarily not by the law. I think it has to be wider.

I think if you look on the low language in Israel, you can see it's something that it will be looked off in one year. I'm sure that we have to think about mechanisms. And again, in our team, CNAS, INSS FDD, we talked about those issues or mechanisms of supplements. Would these investments from China – because in Israel, 15% of the investment comes from China. Some of them are okay. Some of them are very bad. And two more sentences about the academy, I'm coming from the academy. People in the academy, I'm telling you, I'm talking with them.

They don't understand what I'm talking about. They don't understand that for five, 10, million dollar someone can come say, it's not so important. It's just a low tech or it's civilian or it's medicine, or it's a FinTech. No, I'll go with him in AI, it is working in medicine and other can be diverted very simply to defense related. And we have to seek to understand that in China, there is no – some people tell me it's against the open market. It's a private money. There is no

private money in China. Everything is government owned enterprises. So, it's not an attempt to block the open market or the academy freedom. Now this is before we are talking about the agreements between China and Iran, the ways to overcome the assumptions on oil, on others. For me as an Israeli, there is no doubt that China will have to choose between Iran or Israel.

They will choose Iran, not Israel. Yes. There is now tension between Israel and onset with the Iranian issue. I hope it will be solved. I'm not sure. But still, coming to China, strategic decisions cannot be done by bureaucracies and cannot be done by local interest. Now, in this case, some people ask me, I don't think Biden is different from Trump. I think the United States in this issue with China, there is no change. Both of them understand that China is a rival. We have to take it into consideration. We have to understand that something should be done and what we did in our team, I think it's the beginning of things. We have some recommendation. I'm sure it will be published. It will be go out. We have some recommendations that I recommend everyone to read and to talk about those proposals. Thank you. I'm sure there'll be some questions I can answer.

GOLDENBERG: Well, thank you Jacob, and I should say we will have a public recommendations coming out, I think in a few months. We're still working on our report for folks, but we at a point where we thought it was important to do this first event and preview some of our ideas. And maybe with that, having heard both the perspective from the Israeli National Security Advisor and from an American ambassador who worked on this and from both sides, Shira, maybe I can turn to you to walk us through – At least preview some of the recommendations that we did come up with as a group. And then I think after that, we can have a broader conversation about that and also let others weigh in on the recommendations or what they thought were the biggest challenges. So, Shira over to you.

EFRON: Sure. Thanks Ilan and good to be here with everyone. Thank you, first I'll say the opportunity to be part of this initiative and the discussion today, which I think is quite unique. And maybe we should just start with that. This group represents institutions and experts that don't see eye to eye on many Middle East issues. Many issues that concerned with Israel and Jacob just mentioned Iran, I'll just say one. But what was really interesting in the many conversations and discussions we had in this group and at least on the American side, that there was no daylight between the people and experts on both sides of the aisle in the U.S which I think says a lot. So, I commend the participants, those present here, those that are signed on the document that we will eventually get a release after we shared with the government officials and everyone else who we promised to keep their names confidential, but we couldn't have done this without them.

I think the assumption and why we went into this is very clear. I think Jacob sounding the alarm represents an unusual, very welcome, but an unusual view in Israel today. It's very clear that the U.S. and Israel still have quite different approaches to China and consequently, different approaches to the technological competition with China. On the other hand, we know that the U.S. and Israel have great technological and defense and other partnerships, which can be elevated. Assuming the first issue doesn't constraint, this potential. We held multiple discussions with people across the political arm with government, private sector representatives, different think tank experts and our assessment wasn't coming to their recommendations. Our assessment was that the bilateral Israeli discussions on China and the different manifestations with China have so far been pretty ad hoc and spread across different ministries and agencies in both countries.

And we believe that in order to systematically address this issue, align perspectives to the extent possible, maybe enhance the potential for technological partnership and prevent a crisis that we are all aware of happened between the U.S. and Israel and the history. We proposed that the United States and Israel established a new bilateral inter-agency working group on China. Because of so many cross cutting issues, we believe that it should be led by both countries

national security councils with different representations. And we have some specific recommendations in the paper itself to what level and who should be in charge. This big overarching working group, in turn, should be informed by three subgroups. And each of which should be managed at a different level by different agencies. And I won't go into the weeds on that, but the idea is that those will not be just discussion groups, so they would meet frequently, they would have defined taskings and they would come with ideas for proposals and solutions, and recommendations.

We'll crudely divide them into the strategy group, the regulation group, and the economic and technological incentives group. So, why these groups? What's rationale? What we want them to do? I think starting with strategy, that would be the one that's most intuitive to me, and say that Israelis and Americans think quite differently about China. I'm sure others here can expand on it. And Dan Shapiro in his introduction explain the view from Washington. And there's consensus in Washington. The Chinese, a global strategic competitor, some would say rival militarily, economically and technologically. And meanwhile, Israel for the most part, sees China primarily as an economic opportunity. And there are many reasons for these different threat assessments. Size, Israel's very far from being a great power. Geography, it's far, its diplomatic ties with China are less than three decades old.

There's no Chinese Jewish population in either country. And there – Israel's foreign policy has traditionally been focused for very understandable reasons on the Middle East, the United States and Europe. So, China is very low, I should say on the Israeli intelligence community priority list. Now Israel is well aware of the U.S. concerns, but it is our assessment that it underestimates the concerns to Israel itself and also doesn't understand quite well why the U.S. is so – the U.S. perspective. I think there's no expectation that Israel and the U.S., even after being as part of this group, would align their perspective that they would be completely on the same page on China. But the idea is to prevent misunderstandings and to bridge some of these gaps.

The honesty would have to be on the U.S. because we know that the intelligence sharing on this issue has already improved. And that is great, but it would have to grow. The U.S., I see, would have to be more forthcoming in terms of its threat assessment. And I must say, this is not just an Israel specific issue. *Politico*, the website, the paper reported just three days ago, that in response to a memo signed by nine, four star generals pleading the intelligence community to declassify some documents so that they can shore up allies support dealing with China and Russia. I think this is something that we're going to see more into. That brings me to the second group, which would be the investment regulation group, both Dan and Jacob mentioned the investment screening differences in Israel and in the U.S., we can't call it the Israeli CFUSE, which started in Israel January 2020 because it's quite different.

CFUSE connects exports controls with investments screening in Israel. Those are two separate things. The Israel investment screening, in addition to being non-binding, voluntary and all those other things that were mentioned explicitly excludes technology and yeah, it's high technology, but it only focuses on sectors that already have regulators in them. Now we have to say – I think it's taking the U.S. – It started with the Trump administration – it's taking the U.S. a long time to come to its own definitions of foundational and emerging technologies and critical technologies. But I think domestically, now we can say that there is a clear understanding of what these mean. However, some of the categories are still way too broad. Look at the critical technology list. It has agricultural technology, aggrotech. This is not a category. Are we talking about sprinklers or are we talking about agricultural drones? Those are two different things. The second thing is the U.S., and Dan mentioned this, has not been explicit about its red lines.

What is in the kosher box and what is not? What do we expect our allies not to sell or share knowledge on with China? But then we come to the other side, if the U.S. becomes a little bit more clear on those things and provides itemized lists and specific requests, it would be incumbent on Israel to address U.S. concerns. And I don't think it's going

to be that easy, because Israel is reluctant to regulate technology at all. And for very good reasons we can arguably say that one of the successes of Israel's high-tech industry, in addition to how innovative it is, is also that it's not regulated. But we hope that with this group there could be ideas of how this challenge can be overcome. Which brings me to the very final group, the incentives group.

It has merit on its own, but especially if Israel is expected to forgo some Chinese investments. So, the purpose is to increase U.S. economic and technological cooperation, which we should say is already very vast and comprehensive. And in addition, I think to different ministries, it must include representatives from the private sector. I'm sure Martijn can elaborate on this because there are many lessons learned from also other countries, work that he's done on, and Dan Kleiman from CNAS did great work on this. But I think the easiest thing is to say, well Washington should encourage American companies and investors to collaborate more with Israel and invest more in Israel. In addition to that, I think we can talk about including Israel in different multilateral innovative forums, which Israel should be interested in joining. And also on the bilateral front, there are existing platforms today that can absorb more and be more targeted.

I'm talking about BIRD and the Binational Science Foundation, which can be repurposed or maybe have a channel that would be much more strategic in those areas that we would deem as areas critical to national security. There's the OPSEC group that's already up and running the Brad Bowman from FDD developed, but I think that one's dedicated more to mature technologies. Then you can think of taking it to the next level and having an accelerator for early stage technologies in those areas. There are more ideas, but the hope is that a group like that would think about these creatively and make sure that it's really a win-win situation for both countries. Thank you.

GOLDENBERG: Thank you, Shira. I want to turn to Martijn and then I want to come back and we can – as we're also getting Q&A's from the box, which I encourage folks to continue to throw in there, and we can also dive deeper with others on some of the recommendations you just laid out. But Martijn, I mean, you've done a lot of work in this space more globally, right? Also, looking at broader global U.S. multilateral alliances on issues of technology. And I'm interested to hear how this fits in with the broader American strategy, and also maybe how some of the things we're proposing in a bilateral way between Israel and the United States. You and I have also talked about how some of those ideas can be applied more globally, or even with other countries in a bilateral fashion. So, over to you to give us your take on that.

RASSER: Yeah. Great. Thank you, Ilan. And it's great to be here with everyone. What I've found really exciting about this effort was that in essence we created an adaptable framework that is repeatable. And to your point, Ilan, could be used for a whole range of bilateral relationships. There's obviously a lot of appetite within the Biden administration to create better tech policy relationships with U.S. allies and partners, and we're already starting to see some of those initial efforts bearing fruit. So, with the quadrilateral security dialogue, which is Australia, India, Japan, and the United States, they set up an emerging tech working group to start talking through some of the issues that we discussed in our effort. I think the best example of what these types of discussions could lead to is the U.S.-Japan Competitive and Resilience Partnership that was announced just a couple of weeks ago.

And here you have a really comprehensive approach tackling supply chain diversification, you have joint R&D efforts, other collaborative efforts to harmonize and align tech policy. What I think our framework can contribute to this is providing the U.S. government a real blueprint for how to expand these relationships. There's a draft bill in the Congress right now called the Strategic Competition Act. And one of the provisions in that Act is to create a technology partnership office within the Department of State. So, our framework could be a very useful tool for that new office to then start engaging with a whole host of countries on these issues. And so, as Dan and Jacob and Shira had already mentioned, there are distinct differences with how various countries view technology issues, the relationship with China,

the nature of the strategic competition. Our framework can help bridge some of those differences, not to achieve full alignment ultimately, but really to get countries on the same page so that they know where the differences are, and then you can figure out good solutions and how to address them.

And ultimately, what I see these constellation of bilateral efforts and many lateral efforts leading towards is ultimately you want to create a true tech alliance. Where you have a core group of tech leading democracies really aligning themselves on some key issues. We've already talked about supply chain diversification, for example, but imagine more effective pandemic response in terms of vaccine development and other mitigation efforts. That's ultimately what we should be building towards. And I think by focusing on a straightforward framework on how to build those relationships, we can not only expand the number of players in such a tech alliance, but probably also accelerate us getting there.

And I think that essence of time is very important if you consider the urgency of getting this tech competition right. Right now China is arguably in the lead in terms of formulating how it's going to navigate these waters because the tech leading democracies have been rather disjointed in their approach on these issues. We had some unforced errors in how we approach issues, such as 5G telecommunications. Ultimately, the framework that we worked on I think would be a very good stepping stone to getting the ball rolling on more effective multilateral policy making on a whole range of tech issues. And that I think is a particularly exciting development, and one that I hope both the U.S. government and Israeli governments take action on, as well as other allies and partners.

GOLDBERG: Martijn, can I ask you just one or two follow up questions? One is, you've written a lot about these multilateral alliances, and there's ideas out there for a T10 and a T12. I mean, do you see Israel as potentially down the line a player or a partner in that? Maybe that's one question I have for you. And I had another, but it just skipped my mind. So, I'm just going to give you that question and then we'll circle around and maybe at some point I'll remember.

RASSER: Yes, that sounds great. Yeah, absolutely. I think Israel is a very logical candidate to be part of such a broader tech alliance. If you consider the tremendous amount of technological capabilities and know-how that Israel possesses, it would be fantastic to see Israel being a key player in such a grouping. Just a few things off the top of my head, like autonomy and robotics, Israel's life science industry holds great potential. And Israel's also an important player in the global semiconductor industry. But I think there's a lot of opportunity to really have Israel be a part of a more concerted effort to address global chip shortages, introduce greater diversity and resilience in the global semiconductor supply chain. These are the types of things that we should be focusing on too. It's not just about the U.S.-Israel bilateral relationship, of course. But it really strengthens Israel's role in the global technology landscape in a way that I think would have tremendous economic benefits, and of course a very important national security benefit as well.

GOLDBERG: Yeah. And I should say, one of the things, I'll walk off of my moderator role for just a minute to opine on a couple of the things, of our ideas. And I think the whole philosophy behind so many of these ideas is that ultimately if you can align the U.S. and Israel on this, there's benefits to both sides. There's benefits to, if you can align U.S. and Israeli regulatory frameworks, you can create greater access and easier access for Israeli companies into the American market. Right? If you align U.S. and Israel technology cooperation, you can create new joint investment opportunities, things that can compensate also for some of the financial losses, or that Israel takes by bypassing other opportunities it might have otherwise taken.

So, I think that's kind of the philosophy behind all this. Not only are we cooperating strategically, but at the end of the day there's a win-win economic benefit for all sides as well. So, I'm going to start going to some of the Q&A's, I'm

going to mix those in with some of my own additional questions. So, Jacob, I actually think I'll come back to you first. Because there's a question specifically about Iran and whether, from a strategic Israeli perspective, if the U.S. goes back into the nuclear agreement and Israel is deeply frustrated with that, is there a possibility that Israel starts to build a deeper strategic relationship with China as a way to compete with the China-Iran relationship and offset that? And I have my own views on how realistic that is, but Jacob, I wanted to hear your perspective on this question.

NAGEL: I couldn't ask for a better question than this one to talk on my really favorite subject. But first of all, someone before say it was good the Israeli National Security Advisor was talking. I want to make sure that I am talking on behalf of Jacob Nagel, not on the behalf of the Israeli national security. Again, I'm a senior fellow at FDD, but still, it's not an Israeli official view. Even so, it's my view and I even support it. Now about the Iranian issue. First of all, I still think that maybe some are who come into senses and not going back to the nuclear agreement, the horrible nuclear agreement from 2015. But there's no decision. But assuming that what is going on now when the same people that orchestrated this deal in 2013 to '15, who signed in the upcoming few weeks on coming back to this agreement that you cannot come even physically to.

I don't think that what you said, it's even worth being raised up as an opinion. Because still, the United States is the biggest ally of the State of Israel. And I think now it's out, so it's not the secret anymore. Most of the biggest, I call it, challenge of the people that are now in the Washington, that Meir Ben-Shabbat and Yossi Cohen, and the intelligence guy, and even our chief of staff, if he was coming. And of course, Ambassador Erdan, others to tell you that we agree not to agree about the nuclear agreement on Iran. But all the others, there are so many other things, the Iran behavior in our early the cooperation between the United States and Israel on lots of other things. Really, the deepest cooperation that we have ever in intelligence. And what justice Shira mentioned, again, what Brad Bowman and Anna and me myself did about this joint working group that it's even in the American law.

It's not only that it's a mature technologies, we are talking about cooperation on really, really big opportunities and challenges. But for the first time not to look for the gaps that Israel have, and now we can use American money. We want to see in this working group, what are the gaps that the United States have? And of course if Israel have the same gaps, let's join hands, let's take the technology from both sides and work together to fill up those gaps for Israel and United States. Now working with China will never give us the opportunity to do it. So for very small money, maybe if someone thinks that Israel can, and again I don't even want to say this word, but I will say it, revenge in the United States by working with China. You don't understand the way that Israel is working. No way that someone would think, I hope so, again I'm not in official position. I don't think that there is some even think of someone because what going on with Iran. Okay, let's go and work with China. No way, no way, no way. Thanks.

GOLDENBERG: Yeah. And I should say, we're demonstrating right now that even though somebody like me, I have a very different perspective on the Iran issue. And –

NAGEL: I know.

GOLDENBERG: We can still work together on a lot of things. And the relationship itself is still strong and has lots of opportunities for cooperation, even if we don't see everything the same. And even on Iran we have the same object –

NAGEL: Yeah, exactly. I think this is the people – Look, let's agree that we don't agree about the 2015 agreement. Okay, let's continue to do a lot of other good things.

GOLDENBERG: Exactly. Exactly. I want to throw this question, I'll kind of throw this question to everybody. But Dan, I might look to you first. And it's a question about the Israeli private sector, and given that you're base there. And the question is, and you've also just done a lot of commercial diplomacy as ambassador as well. You did. Making clear, yes, that both Dan and Jacob are former officials speaking in their own capacities. But one of our questions is, does this work if it's only government to government? How do we bring the private sector into these conversations? And how do you see it at least? How do you think, to the extent you're engaging with folks there, the Israeli private sector sees this issue? Maybe I'll start with Dan, but really anybody else can also jump in on this question. Shira and Jacob, I think, might also have views.

SHAPIRO: Sure. Can you hear me?

GOLDENBERG: Yep.

SHAPIRO: Yeah. So, I would say that the Israeli private sector is well aware of this tension between the two governments and increasingly adopting a certain amount of self-regulation. I mentioned earlier that Chinese investment in Israeli technology has actually declined in the last year or two. I think it's directly connected to the awareness that this discussion, which was taking place during the Trump administration and is continuing in the Biden administration, has taken hold among many Israeli technology companies. And their own cautions, not necessarily Chinese caution, it's that their own caution leads them to conclude that if there's any risk of losing access to the U.S. market because of the kinds of questions that are raised when they take Chinese investment, and questions are raised, I do speak with a number of Israeli companies who, when they come and bring their technologies to the United States, especially to federal agencies, one of the first questions they get is, "Tell us, do you have any Chinese investment on your cap table and what intellectual property understandings do you have with any Chinese investors?"

So, they are increasingly very cautious about that. Obviously it varies in the sensitivity of the technology, but I think that awareness exists and it produces a certain amount of self-regulation. It was certainly emphasized to us by our Israeli colleagues in the course of this undertaking that there are very few instances in which an Israeli company faced with that choice will choose the Chinese market over the U.S. market. And so that's where some of the incentives, and some of the joint technology efforts, and some of the insuring alternative investment streams can actually be helpful in reorienting them, on their own desire and their own basis, to make that decision to sort of steer away from China toward the U.S. We have proposed, as part of our set of working groups that Shira laid out, a private sector advisory group.

There's naturally no question that particularly the last of the three working groups, the one that is designed to enhance U.S.-Israel technological cooperation and investment opportunities, needs to be informed by those private sector groups. There's a lot of extremely sophisticated thinking in that sector, but of course that doesn't replace certain standards that the U.S. as it develops its own and solidifies its own should be, and we also expect, in the other working group, we'll be working with Israel to try to harmonize as much as possible for those cases where self-regulation is not sufficient.

GOLDENBERG: Yeah. And I should say that definitely is something that I feel has been a positive development, because we've found just the existence of this dialogue in and of itself is changing Israeli private sector behavior, as Dan explained.

NAGEL: Ilan, just one sentence. Again, the private sector –

EFRON: Can I –

GOLDENBERG: Can we actually go to Shira first and then over to you? Because she also had her hand up. Thank you.

NAGEL: Ladies is first always.

EFRON: Thank you. Good to be a lady. I just want to say that I agree a hundred percent with everything that Dan said there. I think the public statements coming from the Trump administration had their own cooling effects, and I think that a lot of high-tech companies in sectors like cyber and other were very aware of U.S. sensitivities to China even before that, and whoever can get investment from the United States or Europe, we have to say Europe is also a big player in this, will choose the U.S. and Europe. And in fact, when we look at the numbers, and I highly recommend you reading a great in-depth report that Daron Eilat did for INSS on Chinese investments in Israel where he unpacked the data itself. We're talking now in '19 and 2020 about seven to 10% of investment in Israel is coming from China.

Now we've seen a growing trend up until 2018. There was a peak then. 2019 was one year where we started seeing the decline and it probably had to do with the Trump administration, his approach to this. And then 2020 with COVID, it's been such a weird year so I don't think it's really not something that we can count, but we'll have to see if this trend continues. But, I think we can definitely say it had an effect. The question is, in terms of the seven to 10%, what are the strategic sectors? It's not just the quantity and the numbers, it's which sectors are we talking about, which Israeli entities are we talking about, and which Chinese entities are we talking about? As Jacob said before, it's hard to say the Chinese private sector entities are really private sector. We know that there are ties to different entities of the Chinese government, Chinese Communist Party, and the PLA. And then when you look at the actual investing entities, they raise some questions.

But that brings me to another question. For seven to 10% share that could even decline maybe, we don't know, is it worth it for Israel to fight for these investments, to maintain them? Is it really worth the risk, or is it more important to continue expanding and trying to get more investment from the U.S. and Europe? And I think we'd have to look at this after this year. So far, the Biden administration has not been speaking about Israel in the context of China. He's been talking about different allies in Europe, East Asia. Israel has been absent from the conversation. Is this going to have a more warming effect? It's only a hundred days. We don't know. Israel can become part of this conversation, but for now it hasn't been. It would be very interesting to see if this is reflected also in private sector activity or not.

GOLDENBERG: So, Jacob, I think you also wanted to hop in here.

NAGEL: Yes. Again, it's good that I'm talking after Shira, because some of my comments also what she said. Look, I am agreeing with almost everything that Shira and Dan said, with one exception. At the end, I don't care about the quantities. I care about the qualities. I don't care that 30% of Israeli investments will be in China, I will even be glad, if it will be in the areas that I want them to invest. Look, I just bought, I don't know, electricity bulbs to my home, or LED stripes to my apartment, I don't care it's coming from China. I don't care even the Chinese will invest in Israeli food chains or Nuvar or others. I don't want them to invest in – Again, it's not high-tech, I don't want them to invest in critical technologies, in infrastructure, and in sensitive technologies, not only different security, but also those that are like civilian but are not really civilian.

So, I don't care that Chinese will invest in Dead Sea minerals, like cosmetics and others. So there are a lot of areas that they can invest. I don't want them to invest in transportation, in Albalos, in communication, in banking, and therefore in lots of other things.

Now our private sector, as they both said, it's right, they know the tensions, they know – but it depends who you are. This is why I don't want to ask them. I think the government should control, should give them some regulations. Again, I don't want to call it regulations, but they have to understand what are the boundaries, what they can do, what they cannot do. And so some companies, yes, they cannot get money from the Chinese if they want to work with the United States or Europe or others. They have to understand it. The same for the academy.

And there are companies, if you cannot stay on your feet without getting Chinese money, so don't stay. Or go to other areas. There are areas that you're not supposed to get funds or to get support. Now, even those private sectors that understand what I'm saying, it depends what is their background or what is their overall finance view? So, what Dan said and what you said and what others said, if we'll build, in our working group, and it's not only in the government level, it can be other levels, it can be NGOs, it can be other, if we can work on a mechanism that someone can get those not so high investments in his ideas, not from China in those sensitive issues, not from China, it will be very good.

Of course, if it's coming to defense and security, we are not even close to China. It's not secret anymore. We should do it with United States, with other allies. Of course, sometimes it can be Europe or even some other countries that the United States can connect us both. Israel can do it on its own, or a tri-lateral cooperation. We have a lot of other ways to do it. Not China.

GOLDENBERG: So, I think, Martijn, I'm going to give you the final question here. And it's kind of – One observation I had through this entire process was, especially when we brought in folks like you and others who are, for example, experts on the Indo-Pacific and the China relationship, is that this process that Israel and the United States are going through here is not at all unique. In fact, it has quite sort of similar to similar experiences we've had with other partners and allies. We ourselves have been evolving on what we constitute okay economic activity versus what we see as a potential threat and problem. And many of our friends and partners in Europe and in Asia all started out with a sort of economic engagement, across the board, this is the way to bring China in, and have been evolving over time. And so I'm just curious to ask you, how does the experience you've had in these discussions with Israelis compare to some of the other experiences and discussions you've had with European and Indo-Pacific partners and whether you see kind some of those analogies.

RASSER: Yeah, absolutely. There's a lot of similarities to the discussions that we had in the U.S.-Israel context versus the discussions with Japanese counterparts, South Korean counterparts, colleagues in the European Union. Again, to Shira's point earlier, there's a lot of differences on a whole host of these issues. But what's important to realize is how much more unites us than divides us on these issues. And I would also emphasize that we shouldn't expect that everyone will harmonize all their policies, but what we can do is, in particular, focus on the areas where there is a need for common ground, because there is a lot of that, and focus on the areas where we share acute problems and where we have a collective interest in solving those problems in an effective and time-effective manner. Again, the supply chain issues, that's something we're all dealing with, whether it's semiconductors or rare earth elements. There are just certain areas where we are very vulnerable to Chinese dominance and coercion, so there's some very good incentive to focus there.

But if you look at European Union, very much aligned with the United States on a whole host of issues, but issues of data governance, the United States and Europe have very different views on what the best way forward is. But what's important about the effort that we've done and other efforts that are ongoing now is to at least start a dialogue so that we can, while we're focusing on areas where we can work together in relatively short order, at the same time we're talking about these bigger issues where we do have differences. And yeah, we can probably close that gap quite a bit over the course of having constructive conversations, especially if we can show that we can effectively work together on a whole host of other issues.

So, I see this as the first step in a long-term iterative process where we come closer and closer to not full agreement, but at least sufficient alignment that we can have consequential action that works in our collective favor. Because that's what it's ultimately about, right? It has to be a win-win for all parties involved. And I think our effort is one good step in that direction. There's a lot more work to be done of course, but I'm very encouraged by the progress that we made in the timeframe of this initial phase of our working group. So, I'm very optimistic about the future on these issues.

GOLDENBERG: Great. Well, I think that's a great way to close it out. And I can speak from personal experience that I think all of us have learned a lot through this engagement and have also come closer together in how we view these challenges and what we see as the challenges, and that's really the key and the point. And the U.S. and Israel have a long history of viewing things differently but trusting each other and having good relationships and deep professional dialogues and being able to use that to really align a lot of their policies. This is a consistent theme, I think, in the U.S.-Israel relationship over years and I think one we can definitely apply to this. So, it's got both precedents in the U.S.-Israel relationship and precedents in the international arena as well. So, I would like to thank everybody for joining us. I would like to thank our panelists and our partners at INSS and FDD.