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Israel-China tech ties persist amid political tensions

Despite shifting geopolitics after October 7, Israeli tech companies continue to expand in China, leveraging government-backed innovation hubs and strong partnerships in AI, healthcare, and cybersecurity.

Ariela Karmel 09:17, 20.02.25

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In the heart of Jiangsu Province sits the China-Israel Changzhou Innovation Park - the main entry point for the growing number of Israeli tech companies flocking to form subsidiaries in China. Changzhou is the largest of China's government-funded innovation parks, built to attract foreign tech talent, and was established within the first Chinese province to sign a bilateral R&D cooperation agreement with Israel in 2011.

"We established a subsidiary in China in 2021. Chinese companies prefer to work with Chinese employees - partly due to the language," says Oren Bar-On, CEO of Foresight Automotives Asia and the company's Global COO. The company has a formal subsidiary in China with offices in India, South Korea and Japan, where they are also establishing a formal subsidiary. Foresight develops autonomous vehicle 3D stereo vision solutions.

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Oren Bar-On. (Credit: Foresight)

Foresight's subsidiary operates from the Changzhou Innovation Park where it was established in 2021. "The entire process was sponsored by the Chinese government though we had to inject some initial capital into the Chinese company. If we tried to establish the company independently it would have been extremely challenging, but everything we did was supported by the [park]. Within three months we had a legal entity operating and registered."



Israeli companies receive access to grants and financial incentives, subsidized office space and facilities (manufacturing space, laboratories, workshops), assistance in protecting intellectual property, support in hiring, subsidies for equipment, loans, assistance with permits and licenses, logistic management and other services intended to reduce the time and investment needed to penetrate the Chinese market.

The most obvious benefit of the Chinese market is its size. "The Chinese industry is constantly growing, developing and upgrading tech. Twenty years ago a tech company would go to the U.S. and Europe in part because the industry in China was not at the same level, but today that's not the case," says Ilan Maor, the former Israeli Consul General to Beijing. Maor currently serves as the President of the Israel-China Chamber of Commerce and is a managing partner and leading shareholder at Sheng Holdings, a joint Israeli-Chinese investment banking, corporate finance advisory, technology cooperation and business development group.

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Ilan Maor. (Credit: Courtesy)

"It's such an advanced market - even more than the U.S. or Europe. In cardiac technology, they have more projects than anywhere. They're investing a lot in healthcare. They've integrated AI in every healthcare company," says Einav Ehre, CFO at Arineta, an Israeli company which develops cardiac CT technology.

Founded in 2006, the company has raised over \$100 million in funding. This past year they announced a partnership with Shandong Yituo Medical Technology Development in Jinan, China with the establishment of a joint venture. They are one of a growing number of Israeli tech companies establishing Chinese subsidiaries.

"The process was so fast. After a year, we have a company established, offices and a factory," says Ehre. "The main challenge was finding employees who speak English and know the industry."

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While Chinese investment in the Israeli market has petered out amid the war, Maor says that it is returning, pointing to Chinese tech giant Lenovo's recent acquisition of Israeli enterprise storage company Infinidat, last valued at over \$1 billion. Lenovo plans to establish an R&D center in Israel to expand its presence in the region.

Economic ties continue

Israel-China economic and trade relations have grown significantly over the past two decades, with China becoming one of Israel's largest trading partners in Asia. Bilateral trade, which was minimal in the early 2000s, has expanded to billions of dollars annually, driven by China's interest in Israeli innovation in sectors such as artificial intelligence, cybersecurity, agritech, and medical devices. In 2022, trade between the two countries amounted to \$17.6 billion, not that far from the U.S., with which the volume of trade was \$22 billion. Most of the rising increase in trade is related to popular Chinese retail sites AliExpress and Shein, as well as Chinese vehicles.

China has also invested heavily in Israeli infrastructure development in recent years. Notable examples include the Haifa Bayport Terminal, built and operated by the state-owned Shanghai International Port Group (SIPG), the Ashdod Port expansion which is being built by a subsidiary of China Harbour Engineering Company, and the Jerusalem light rail which was mainly built by China Railway Tunnel Group.

While Israel and China's political relationship has appeared strained due to Beijing's alignment with Iran and Russia particularly since October 7th, Maor says that relations between Israel and China have more than anything been impacted by Israel's relationship with the U.S. "The ongoing trade war between China and the U.S. has played a more significant role in straining relations between Israel and China than anything else," says

Maor. Israel's close alignment with the U.S., bolstered in the last year and a half, influences China far more than its relations with Iran or other parties, he adds.

At the same time, he notes that whatever the political relations on the surface, economic and trade relations between China and Israel have continued, especially in tech, and particularly in energy, transportation, medical devices and agriculture. "We constantly are approached by Israeli tech companies who want to find Chinese partners. And there's always interest. There's been no change in that regard," says Maor.

"Anyone who understands China, knows that China isn't a part of anything other than China - they don't see themselves as aligned or allied with Iran or Russia or anyone else. There isn't great fondness between them - it's about joint interests," says Maor. "More than anything else, they are in semi-conflict with the U.S. and they are more directed by this issue than anything else. Israel is closely aligned with the U.S., so we are at opposing sides in that conflict."

For China, the Israeli market remains highly respected, says Maor, adding that, "It has been clear from government officials that they want to continue economic cooperation and support. Chinese companies constantly want to do business in Israel."

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