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Hong Kong tycoon: Israel must pick US over China in trade war, but be cautious

Billionaire businessman Ronnie Chan predicts China will allow US to prevail to feed Trump's ego



Hong Kong billionaire businessman Ronnie Chan, chairman of property developer Hang Lung Group Limited, speaking at the GoForIsrael conference in Tel Aviv on December 3, 2019 (Dror Sithahkol)

Hong Kong billionaire businessman Ronnie Chan, chairman of property developer Hang Lung Group Limited, said that the ongoing trade war between the United States and China will be most detrimental for the smaller economies that will have to pick a side as the two titans battle it out.

After the clash is over, the economies of the US and China may emerge slightly battered but will still be standing, he told The Times of Israel on Monday. Those most affected will be those countries, "like Israel and everybody else," including Germany and Spain, that will be forced to choose whom to back: the US giant or the Asian powerhouse.

Speaking at the sidelines of the GoForIsrael conference in Tel Aviv, which he co-chaired, Chan said that Israel, of all countries, has “no choice” but to side with the US in the trade war because of “existential reasons,” as America has been its longtime strategic ally.

“That’s the sad thing,” he said. “I don’t think that it’s a good idea to force people to choose sides. Why not all participate in one market? We are reversing globalization, but globalization always goes in cycles, so there is nothing new under the sun.”

Chan is also the co-founder of Morningside, an international investment group established in 1986 with venture capital and private equity investments.



Participants at a panel at the GoForIsrael conference in Tel Aviv on Dec. 3, 2019 (Dror Sithahkol)

The US and China have been locked in a trade war and a contest for global influence, with Washington and other Western governments accusing the government in Beijing of using its commercial ties for espionage and intellectual property theft on a mass scale. A 2018 national security strategy produced by US defense agencies pointed to China as America’s main developing strategic challenger on the world stage.

On Tuesday, US President Donald Trump **alarmed** investors when he said he was in no rush to reach a trade deal with China, and perhaps best it would be best if a deal were reached after the 2020 election. While Israel values the US as its most important ally, it has been eager to develop **business ties** with China, and open the door to the world's second-largest economy.

Chinese firms have made major inroads in Israel, including the takeover of local food giant Tnuva in 2014 and deals to manage the key Haifa and Ashdod ports.

In 2018, bilateral trade between the countries hit a record \$15.3 billion, up from \$13.1 billion in 2017 and just \$51.5 million in 1992, according to Israel's Finance Ministry. VC investments and merger and acquisition activity reached \$14.2 billion in the past seven years as of October 2019, according to data provided by Catalyst Investments LP.



US President Donald Trump speaks on the US-Canada-Mexico trade agreement at Derco Aerospace Inc. in Milwaukee, Wisconsin on July 12, 2019. (MANDEL NGAN/AFP)

Israel's security cabinet, under mounting US pressure over growing Chinese investments in Israeli companies, particularly in technology firms, **announced** in October the formation of a new advisory panel on foreign investments. Its function is to help regulators to incorporate national security considerations in the process of approving foreign investments in the finance, communications, infrastructure, transportation and energy sectors.

Chan's advice to Israeli companies amid the current tensions is to continue working with Chinese firms, but pick their partners carefully and make sure they don't offend America. Israeli firms shouldn't go "for quantity" from China, he said, but for quality.

This can be done, for example, by not selling entire startups to Chinese firms but rather giving the Chinese partner a minority stake. This would procure access to the Chinese market while keeping control of the firm in Israeli hands.

US 'victorious'

The US will emerge as the winner in the trade war between the nations, but not by a knockout, he said.

"China will make sure that the US will be a winner, as long as Trump stays in power," to feed his "crazy ego," Chan predicted. "It is not that difficult to make Trump happy. Just make him look as if he won. Whether he won or not is secondary."

Chan acknowledged that Israel is too small of an economy for him to invest in, but said he nevertheless takes an interest in the nation, among other reasons because he is a Christian.

"I never invest in a city in which there are fewer than six million people," he said with a smile. The whole of Israel has a population of nine million.

But "Israel has a lot of technology that can benefit many countries in the world," he said. He visits the country leading delegations that may benefit from a relationship with Startup Nation.



Catalyst Investments L.P. managing partner Edouard Cukierman (Courtesy)

Israel is a nation with young people who “just keep inventing things,” he said. “That’s a pretty impressive thing. Instead of selling natural resources which tend to exhaust itself, you sell ideas, and ideas are unlimited. So when you have a small country devoid of natural resources, selling ideas is the best idea.”

The GoforIsrael conference in Tel Aviv was attended by some 1,000 investors, entrepreneurs and company officials from Europe, China and the US.

French-born Israeli businessman Edouard Cukierman, the chairman of Cukierman and Co. and founder of Catalyst Funds, has played the role of matchmaker for many in the Israel-China relationship, bringing Chinese investors and Israeli businesses together since first putting together a Go4China conference in Tel Aviv in 2012.

The fears over doing business with China are overblown, he told The Times of Israel ahead of the conference. “Despite all the noise, there is

an incredible opportunity for Israeli companies to get investments or potential buyers” from China.

The fact that Chinese firms face difficulties buying technologies from the US, due to the tensions between the nations, could be a “huge opportunity” for Israel, as it could become the go-to place for Chinese conglomerates hungry for new technologies.

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