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After Biden-Bennett Meeting, Potential Israeli Action Against Chinese Investments

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The August 27, 2021 meeting between President Joe Biden and Israeli Prime Minister Naftali Bennett provided an important opportunity for the two leaders to discuss the threat posed by China, particularly its investment in Israel. However, reports reveal that their focus on China was surprisingly limited. Following his meeting with Biden, Bennett announced that he would bring under his authority a newly formed committee for reviewing foreign investment into Israel. While a welcome step, more work is needed in this area.

Both nations should make it a priority to develop a shared and cooperative approach to the common national security challenges that China poses, including intellectual property theft and acquisition of dual-use technologies, as detailed in a [February 2021 report](#) from The Jewish Institute for National Security of America (JINSA). Recommended first steps toward such a joint strategy, outlined here, include the sharing of best practices for conducting oversight of foreign direct investment, improved trade relations, and the creation of enhanced economic opportunities.

What Happened?

- CIA Director Bill Burns expressed concerns about Chinese investment to Bennett during a [visit to Israel in August 2021](#).
- Leading up to the Biden-Bennett meeting, Israel [delayed the tender](#) announcement for new lines on the Tel Aviv Light Rail that a Chinese company had bid upon
- After meeting with President Biden, Prime Minister Bennett [reportedly](#) has a better understanding of the Biden administration's concerns about Chinese investments in Israel and how the U.S. administration expects Israel to respond.
 - Bennett now plans to take action that addresses U.S. concerns, including possibly moving the committee overseeing major foreign investments from the Finance Ministry to the National Security Council, which he directly oversees.
- Nonetheless, on September 2, Israel inaugurated [a new shipping container terminal](#) in Haifa, operated by Shanghai International Port Group (SIPG), potentially enabling Chinese espionage at the country's largest port. The U.S. Sixth Fleet has docked there frequently for visits and joint training.

Why Is It Important?

- Israel's position as America's most important partner in the Middle East and as a global leader in the tech sector makes it a ripe target for Chinese economic exploitation and malfeasance.
- Given the de facto control the Chinese Communist Party (CCP) exercises over Chinese businesses, actions by Chinese investors to acquire control over key technologies, intellectual property, and economic sectors in Israel must be viewed through the prism of national security concerns.
 - China has a history of investing in foreign critical infrastructure, including ports, as part of its larger Belt and Road Initiative. It constructed a naval base in Djibouti mere kilometers from Camp Lemonnier (the primary base of operations for U.S. Africa Command in the Horn of Africa).
- Beijing is not Israel's friend and has also improved its relations with Israel's most dangerous rival, Iran.
 - In March 2021, Tehran and Beijing announced a twenty-five year partnership to improve their economic and military ties and planning to conduct joint maritime exercises alongside Russia in the Arab Gulf later this year or early 2022.
 - In August, cybersecurity firm FireEye [claimed](#) that Chinese hackers launched a long-term spying operation against public and private sector firms, including infrastructure and tech companies, in Israel and several other nations.
- Until recently, Israel has not taken enough precaution to protect itself from the threat posed by Chinese investment.
 - The 2015 agreement concerning Haifa Port between the Israeli Transportation Ministry and SIPG did not undergo basic interagency review until 2018.
 - Following pressure from the Trump Administration, Israel established an [advisory committee](#) tasked with reviewing foreign investments, but it is non-binding in nature and lacks specified criteria for investigating and reviewing transactions, unlike the U.S. Committee on Foreign Investments (CFIUS).
 - Now, Prime Minister Bennett's plan to relocate Israel's nascent advisory committee from the [Ministry of Finance](#) to the National Security Council (NSC) would place the foreign direct investment (FDI) oversight regime directly under the prime minister's authority.
- Rather than simply demanding that Israel cut off Chinese investment, the United States should provide Israel technical assistance in developing, and incentives for adopting, a comprehensive legal framework for protecting its economy.

What Should the United States Do Next?

- Immediate Action:
 - The U.S. State Department should encourage the Israeli government to empower its advisory committee currently overseeing FDI by categorizing the committee's recommendations to regulators as binding.
 - The U.S. State Department should compile a list of “best practices” for FDI oversight regimes and share such institutional knowledge with its Israeli counterparts.
- Long-term Action Items:
 - The Biden administration should encourage Israel to join the four multilateral export control regimes that monitor trade of critical technologies. In exchange, the United States could offer tier 1 Special Trade Authorization (STA-1) status to Israel, subject to annual review, an act that would enable access to critical U.S. exports without specific licenses.
 - The United States can creatively harness the interests of U.S. investors in order to mitigate any economic costs that Israel may incur from establishing an FDI oversight regime. Measures on the part of the United States might include the following:
 - Increasing U.S. government investment into Israeli technologies;
 - Updating the U.S.-Israel Free Trade Agreement (FTA), specifically by adding a formal Bilateral Investment Treaty chapter; and
 - Funding U.S.-Israeli research and development (R&D) projects.
 - Congress should encourage the creation of a U.S.-Israel Economic and Cyber Exploitation Prevention Working Group to facilitate coordination between the U.S. Commerce, State, Treasury, and Defense departments as well as relevant intelligence agencies about identifying predatory investments and promoting best practices for cybersecurity.
 - President Biden should strengthen its intelligence-sharing with Israel by sharing pertinent information that the United States already provides to its “Five Eyes” partners.

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