

# THE JERUSALEM POST

## SECURITY CABINET TAKES UP CHINESE INVESTMENT QUESTION

Senior US official to Post: Israel better in tune with US concerns than in past.

BY HERB KEINON OCTOBER 30, 2019 01:08



*Previous transportation minister Israel Katz and employees of the China Railway Engineering Corporation take part in an event in 2017 marking the beginning of underground construction work of the Tel Aviv light rail, using a Tunnel Boring Machine (TBM). (photo credit: BAZ RATNER/REUTERS)*

Reflecting the tremendous sensitivity of Chinese investment in Israel, the Prime Minister's Office kept a tight lid on deliberations in the security cabinet on Tuesday that dealt with creating a mechanism for vetting foreign investments in Israel – a euphemism for monitoring Chinese investments in key Israeli infrastructure projects.

Discussions on this matter have been going on now for nearly three years, with Israel caught between its allegiance to the US – which is concerned that Chinese investments in critical projects here, such as Haifa Port, pose intelligence risks to its own interests in the country – and China, which is a huge market for Israel and is very keen on expanding its business ties with the Jewish state.

In addition, another backdrop to the story is the fact that the two superpowers are engaged in a trade war.

According to a report in TheMarker, the proposal on the table is for the establishment of a body that

would only advise on potential investments in companies critical to the economy or national security, such as financial institutions, telecommunication companies and military industries.

Deliberations on creating a way to oversee investment from China has emerged as one of the few points of friction between Jerusalem and Washington under US President Donald Trump.

In June, a major spending bill in the Senate – the National Defense Authorization Act – included language warning Israel against Chinese investments in sensitive infrastructure projects.

A senior US official told The Jerusalem Post days before the security cabinet meeting that Washington feels that Israel has come a long way in understanding the US concerns on the matter, more so than in the past.

The issue was raised in a meeting earlier this month between US Secretary of State Mike Pompeo and Prime Minister Benjamin Netanyahu, and is believed to have been an issue discussed in a meeting on Monday between Netanyahu and visiting Treasury Secretary Steven Mnuchin.

There are currently two schools of thought inside the Prime Minister's Office on the matter. National Security Council head Meir Ben-Shabbat – who has been on the receiving end of conversations with senior US officials warning of consequences if Israel does not take steps to oversee Chinese investment – favors a strict mechanism to placate the US, according to government officials.

On the other hand, Avi Simhon, head of the prime minister's National Economic Council, lobbied for a more lenient mechanism not to scare off potential investors, not only from China but from other countries as well.

The Prime Minister's Office provided no information after the security cabinet meeting on what was decided.

Simhon's concerns that too strict a mechanism would hurt potential investments were echoed by Edouard Cukierman, chairman of Cukierman & Co. Investments House and managing partner at Catalyst funds, which deals heavily with Chinese investors.

Cukierman said that he did not believe that a decision to vet foreign investments in the private market could be implemented.

"I don't see a situation where the Israeli government can interfere in blocking any transaction in the private sector, in non-regulated markets," he said.

Cukierman said there were numerous problems in such a plan.

"Who is going to take liability if – for example – you have an offer to raise \$10 million for your company, and because the government is opposed, the company is going to go bankrupt?" he said. "Who is going to pay for the damages associated with that – are there any funds available in the government to provide some security, or alternative financing to raise money?"

Regarding US intelligence concern about Chinese investment in the ports where US ships dock, Cukierman recalled a panel he participated on recently where one of the participants said that it was

strange for Israel to get instructions regarding the ports from the Americans, while many of the US ports are managed and owned – and were built – by the Chinese.

“So why should they force Israel to do things they are not doing in their own country?” he asked.