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LAW FIRM

## "Establishment of Advisory Committee on Foreign Investment"

Translation of the article "In Israel, Advisory Committee Established to Monitor Foreign Capital, on Alert for Diversions Towards Chinese Military" / Nikkei, Japan, 31 October 2019\*\*

In Israel, Advisory Committee Established to Monitor Foreign Capital, on Alert for Diversions Towards Chinese Military.

On the 30th, the Israeli government decided to establish an advisory committee to investigate the propriety of investments into sectors such as new or cutting edge technology by foreign firms. The request to establish such a committee came from Israel's ally the United States, and it seems as if the emphasis will be on monitoring investment from China. America raised concerns that China was securing advanced technology from Israeli firms, which they'd acquired or invested in, and diverting that technology towards their military.

According to a statement from Israel's Ministry of Finance, the establishment of the advisory committee was spearheaded by the Ministry itself, in order to determine whether or not to permit foreign investments through the lens of security. The primary subjects for monitoring will be the communication, infrastructure, finance, and energy sectors, and the committee aims to start work in January of 2020. The committee's members will include representatives from the committees on finance, national defense, foreign affairs, and national security.

The United States is preparing to reevaluate their relationship with China with respect to Israel. During a hurried visit to Israel on the 28th, United States Secretary of the Treasury Steve Mnuchin met with Prime Minister Netanyahu to make final arrangements regarding the establishment of the committee. According to reports on the ground, President Trump warned Mr. Netanyahu that the US would be reconsidering military aid and information sharing with Israel unless Israel reevaluated their relationship with China.

The United States is especial sensitive to the possibility that China will acquire artificial intelligence (AI) or cyber security technology through the acquisition of an Israeli company. They also have concerns that China could provide technology to Iran.

Prime Minister Netanyahu has been moving forward with accepting Chinese investment. According to investigative service companies IVC Research Center and Jakore Ventures, Chinese investment into Israel's advanced technology sector was 76 million USD in 2013, but has rapidly ballooned, reaching a total of 325 million USD in just the first 9 months of 2018. During the same period, the entirety of foreign investment in Israel (in terms of monetary amount) declined by 30%.

China is expanding infrastructure investment as part of its Belt and Road Initiative, a concept encompassing broad economic blocs. The Shanghai International Port Group (SIPG), in which the Chinese Government owns a majority stake, has signed a 25 year contract to manage the Port of Haifa in northern Israel, starting in 2021. According to reports out of China, 2 billion USD has been sunk into construction expanding the port.



The US Navy's 6th Fleet docks for refueling near the Port of Haifa. America believes there is a danger China will engage in espionage activities using information gathering systems once they begin managing the port. Israeli media sources report that the US government has been trying to get Israel to reconsider the contract with China since summer of this year.

According to Simon Weintraub, a lawyer who has handled a great deal of investment negotiations with China, recently more and more Israeli companies are refusing investment from China. Weintraub points out, "They're very nervous about taking money from China and somehow being under scrutiny in the United States for activities vis-a-vis China."

The United States also encouraged Israel to respond to its changing policy towards the Middle East. Trump announced the withdrawal of US troops from northern Syria in a statement in early October. If the region loses its US military presence, a balancing force towards stability, there are concerns that Israel could face a greater threat from their enemy, Iran. It is speculated that Israel will accede to the United States' request in order to strengthen ties.

Following April's general election and the snap legislative elections in September, Netanyahu has failed in talks to form a coalition government. According to former Israeli Chief of the General Staff Benny Gantz, a member of Blue and White, a rival political alliance, further coalition talks are expected to be difficult, making the possibility of a third general election seem like more and more of a reality.

Dogged by allegations of corruption, Mr. Netanyahu has received indirect support from President Trump in the form of the United States moving its embassy to Jerusalem and recognizing the Golan Heights as part of Israel. It seems Netanyahu intends to draw even more support from President Trump towards securing his further re-election.

**\*\*This is an unofficial translation of the Japanese original article. To read the original click [here](#).**

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