

# Israel looks to India, not China, for Haifa Port

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*In July, Israel awarded the tender for the privatization of the original Haifa Port (separate from but located next to the new, Chinese-operated Haifa Bayport Terminal) to an Indian firm—despite competing Chinese bids for the project. This decision reflects a growing Israeli appreciation for U.S. concerns about the threat posed by Chinese investment in Israel. At the same time, the deal, the first-ever Indian acquisition of a Mediterranean port, highlights India’s growing geo-economic interest in the Middle East. Increased Israeli wariness of high-risk Chinese capital, coupled with an influx of lower-risk Indian investment, could provide a powerful counter to China’s intensifying efforts to penetrate the region, as well as a valuable opportunity for the U.S. to build common ground with India outside the Indo-Pacific arena even as tension persists between Washington and Delhi over India’s equivocation in its response to Russia’s invasion of Ukraine.*

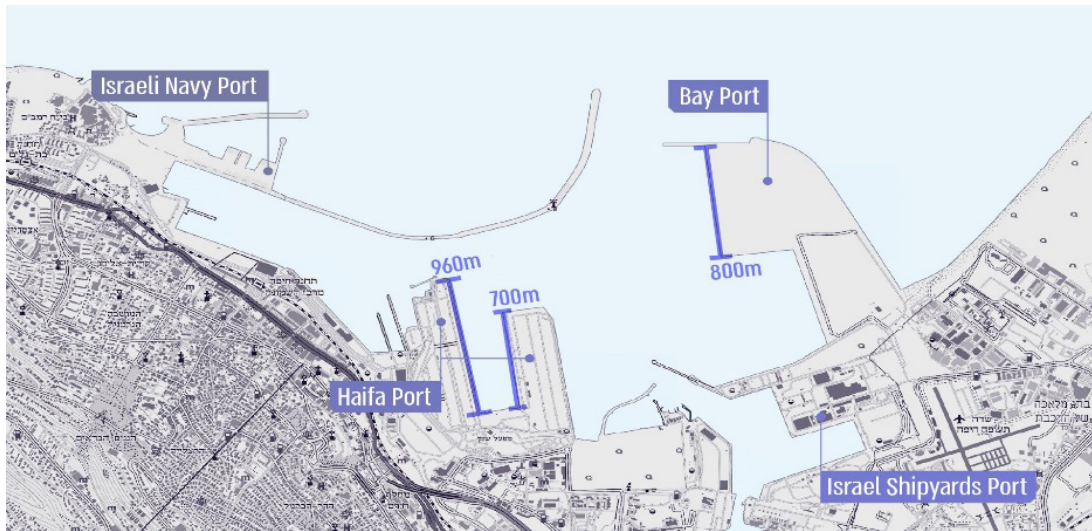
## What Happened?

- On July 14, Israel [announced](#) that the Indian conglomerate Adani Group had won a \$1.18 billion tender for the privatization of the Haifa Port in partnership with the Israeli chemicals group Gadot. The award came in the context of U.S. pressure not to accept Chinese bids.
- On the same day, during President Biden’s trip to Israel, Biden and Israeli Prime Minister Yair Lapid [met virtually](#) with their Emirati and Indian counterparts—UAE President Mohamed bin Zayed al Nahyan and Indian Prime Minister Narendra Modi—as part of the inaugural I2U2 summit geared toward expanding cooperation between those countries.

## Why Is It Important?

- In recent years, the United States has increasingly raised concerns about China’s growing role in Israel’s critical infrastructure and hi-tech sectors, including the threats—as described in a [JINSA February 2021 report](#)—to Israeli security, prosperity, and strategic cooperation with Washington.
  - » Adani Group’s acquisition of the Port of Haifa puts an Indian conglomerate in direct competition with the Chinese state-owned Shanghai International Port Group (SIPG), which [won a 25-year tender in 2015 to operate](#) the newly constructed Bayport Terminal at the Haifa Port in 2021 as part of China’s aggressive regional economic expansion.

- Adani Ports CEO Karan Adani [specified](#) that his group’s long-term vision is that Israel will become a vital hub for growing trade flows between India on the one hand and the Middle East and Europe on the other.



Source: [INSS](#)

- » Beyond the Haifa Bayport Terminal, China has achieved a significant degree of geo-economic entrenchment in the Israeli transportation and seaport sectors, including:
  - The [construction](#) of the Ashdod Port’s Southern Terminal by the Chinese state-owned Chinese Harbour Engineering Company Ltd (CHEC); and
  - The construction of the Tel Aviv light rail’s redline by two Chinese state-owned, U.S.-sanctioned companies (the [CRRC Changun Railway Vehicles Co.](#) and the [China Civil Engineering Construction Company](#)).
- » In 2018, the U.S. Navy acknowledged that it would potentially have to [cease docking](#) its Sixth Fleet at the Haifa Port upon the commencement of Chinese operations at the nearby Bayport facility in 2021, due to concerns about Chinese espionage.
  - During visits to Israel, National Security Advisor John Bolton in 2019 and Secretary of State Mike Pompeo in 2020 [issued stern warnings](#) that China’s growing role in strategic sectors of Israel’s economy risked harming U.S.-Israel security ties.
- » America has also [raised concerns](#) over Chinese investment in Israeli dual-use high-tech sectors, which China has exploited at times to enhance its military, intelligence, and domestic surveillance capabilities.
- There is growing evidence that, in response to U.S. concerns, Israel has started to shift its approach to China and begun taking more systematic steps to scale back potentially risky Chinese critical infrastructure and hi-tech investments.

- » In 2018, Israel [implemented](#) an informal ban on the utilization of critical infrastructure equipment from major Chinese telecoms giants Huawei and ZTE.
- » After reaching a high point in 2018, Chinese investments in Israel’s hi-tech sector have reportedly been [on the decline](#).
- » In May 2020, Israel [rejected](#) a Chinese bid to build the Sorek 2 desalinization plant in favor of a local Israeli bidder.
- » In September 2020, the Chinese telecom firm Hutchinson [abandoned](#) its bid to retain Israeli mobile carrier Partner after the Israeli Communications Ministry failed to respond to Hutchinson’s application for the requisite control license.
- » In September 2021, after a meeting with President Biden in Washington, then-Israeli PM Naftali Bennett claimed to have a better understanding of U.S. concerns about China and announced his intention to move a recently formed oversight committee on foreign direct investment (FDI) under the authority of the National Security Council.
- » In January 2022, it was revealed that Israel [had recently agreed](#) to run all major Chinese foreign direct investment deals by the U.S. in order to avoid tensions with its main security partner.
- » In February 2022, all of the multiple Chinese companies bidding on the tender for the Tel Aviv green and purple lines were [rejected](#).
- » In July 2022, Washington and Jerusalem [announced](#) the launch of a joint strategic interagency dialogue on technology, furthering bilateral coordination on dual-use technologies. The forum will focus on cooperation and scientific exchange across multiple critical domains, including pandemic preparedness, artificial intelligence, climate change response, and quantum computing
- A rise in Indian FDI in Eastern Mediterranean critical infrastructure has the potential to mitigate the deluge of Chinese FDI that has swept the region over the past two decades.
  - » The Adani Haifa Port acquisition is the first significant manifestation of India’s growing economic interest in the Middle East, specifically in Israel, in the context of the expanded opportunities for regional cooperation made possible by the Abraham Accords.
    - Prominent Indian [news outlets](#) and [think tanks](#) have speculated widely on the potential strategic value of Indian integration with the Abraham Accords, framing the Abraham Accords as “[India’s West Asia bridge](#).”
  - » India’s global FDI has been growing in recent years, giving it the potential to become an important competitor to China’s massive FDI campaign.
    - As of 2018, China was the fourth largest source of FDI in Israel [standing](#) at 2.9 percent of total FDI inflows, over 75 percent of which was [concentrated](#) on critical domains such as transportation, ports, and minerals.

- The Adani Haifa Port acquisition, alongside the formalization of the I2U2 framework, signals India's increasing interest in partnering with the U.S. and its strongest Middle East security partners in critical strategic domains.
  - » The [inaugural meeting](#) of the I2U2 leaders represents the culmination of months of growing coordination and [bilateral economic ties](#) between the respective party states: Israel, India, the United States, and the UAE. During the virtual summit, the leaders reaffirmed their collective commitment to the Abraham Accords and agreed to concertedly mobilize their capital and expertise to promote a number of shared interests ranging from green energy transition to Middle East-South Asia interconnectivity.
  - » This presents a crucial opportunity for the U.S. to build on its expanding strategic coordination with the traditionally non-aligned India. The I2U2 forum could become the Middle East counterpart to the Quad in the Indo-Pacific, a forum that fosters cooperation between the U.S., India, Japan, and Australia in the face of a rising China.
  - » This opportunity comes amidst heightened U.S.-Indian tensions due to India's [equivocal response](#) to the Russian invasion of Ukraine, including its abstentions on key UNGA resolutions. The dynamic is also complicated by India's ongoing significant reliance on Russian arms imports.
- The advent of high-level Israel-India economic partnership also increases the economic value of cooperating with Israel—both bilaterally and multilaterally—heightening the incentives for other regional players to engage with Israel bilaterally or via multilateral fora such as the Abraham Accords.