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By: TA | AP Brief

Chinese investor demands compensation from the UK over British Steel nationalization

The Chinese company that formerly owned British Steel demanded Sunday compensation from the U.K. government for investment losses following the nationalization of the manufacturer last week.

The British government took operational control of the company last year after Jingye Group said that it was considering closing the blast furnaces at its Scunthorpe plant in northern England, the last in the United Kingdom to make “virgin steel” from raw materials.

Jingye Group said in a WeChat statement that the nationalization move tarnished the credibility of the British government, spooked international investors and caused great losses to the company’s operation and British taxpayers' funds.

It also demanded that the U.K. government stop “trampling on international investment rules.”

The Chinese company announced it had initiated negotiation procedures under relevant bilateral investment agreements, reserving all rights, including to international arbitration.

Jingye said it will also represent British taxpayers seeking to hold the U.K. government and British Steel’s management legally liable. However, it did not specify how it would handle the case.

“The U.K. disregarded Jingye's continuous investment and significant contribution and was only willing to provide almost zero compensation,” it said.

An independent evaluation will be carried out to determine whether any compensation will be paid to Jingye Group, the U.K. government said last week.

Thousands of jobs

The Department for Business and Trade announced the move on July 17, saying it would save thousands of jobs and protect the U.K.’s national interest by ensuring a supply of domestically produced steel for major construction projects and the defense industry.

British Steel and its forebears have been making steel at Scunthorpe for more than 130 years, building on the U.K.’s development of improved steelmaking technology during the Industrial Revolution. The plant currently employs about 2,700 people.

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The Chinese Foreign Ministry on Saturday said the way the U.K. handles the issue would directly influence how Chinese investors view the British investment environment and the credibility of the British government.

“China urges the UK to earnestly respect market principles and the spirit of contract, and find solutions on compensation and other issues acceptable to both sides,” it said in a statement.

It added China supports enterprises in safeguarding their legitimate rights through legal means.