

**CHINA'S  
FOREIGN  
ECONOMIC  
LEGISLATION**

**Vol. II**

中国  
对外  
经济  
法规  
汇编

第二辑

# CHINA'S FOREIGN ECONOMIC LEGISLATION

Volume II

## 中国对外经济法规汇编

第 二 辑



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# THE ECONOMIC CONTRACT LAW OF THE PEOPLE'S REPUBLIC OF CHINA

*(Adopted and Promulgated by the Fourth Session of the Fifth  
National People's Congress on December 13, 1981)*

## CHAPTER I GENERAL PROVISIONS

**Article 1** This Law is formulated for the purpose of protecting the lawful rights and interests of parties to economic contracts, safeguarding the social economic order, increasing economic benefits, guaranteeing fulfillment of state plans and promoting the development of socialist modernization.

**Article 2** Economic contracts are agreements between legal persons for the purpose of realizing certain economic goals and clarifying each other's rights and obligations.

**Article 3** Economic contracts, except for those in which accounts are settled immediately, shall be in written form. Documents, telegrams and charts that relate to amendment of a contract and that are agreed upon by the parties through consultation are also integral parts of the contract.

**Article 4** In concluding an economic contract, the parties must comply with the laws of the state and must conform to the requirements of state policies and plans. No unit or individual may use a contract to engage in unlawful activities, disrupt economic order, undermine state plans, or damage the interests of the state or the public interest, seeking illegitimate income.

**Article 5** In concluding an economic contract, the parties must implement the principles of equality and mutual benefit, achieving agreement through consultation and making compensation for equal value. No party may impose its will on the other party (or parties) and no unit or individual may illegally interfere.

**Article 6** As soon as an economic contract is formed according to the law, it has legally binding force, and the parties must fully perform the obligations stipulated in the contract. No party may unilaterally modify or rescind the contract.

**Article 7** The following economic contracts are void:

(1) Contracts that violate the law or state policies and plans;

(2) Contracts that are signed through the use of fraud, duress or similar means;

(3) Contracts signed by an agent who exceeds the scope of his power of agency or contracts signed by an agent, in the name of his principal, with himself or with another person whom he represents; and

(4) Economic contracts that violate the interests of the state or the public interest.

Economic contracts that are void, from the time they are concluded, have no legally binding force. When a part of an economic contract is confirmed to be void, if the validity of the remainder is not affected, the remainder shall still be valid.

The power to confirm that an economic contract is void shall be vested in the contract administrative authorities and the people's courts.

**Article 8** The provisions of this Law shall apply to all contracts for purchase and sale, construction projects, processing, transportation of goods, supply and use of

electricity, storage and safekeeping, lease of property, loans, property insurance, scientific and technological cooperation, and other economic contracts.

## CHAPTER II THE CONCLUSION AND PERFORMANCE OF ECONOMIC CONTRACTS

**Article 9** An economic contract is formed once both parties have, in accordance with the law, reached agreement through consultation on the principal terms of the contract.

**Article 10** When an economic contract is to be concluded on behalf of another, before the contract directly gives rise to rights and obligations on the part of the authorizing unit, the agent must first obtain an authorization from the authorizing unit and sign in the name of the authorizing unit within the scope of the authority granted.

**Article 11** Economic contracts that concern economic dealings in products or projects under a mandatory state plan must be concluded in accordance with state-issued targets; if at the time of signing the parties cannot reach a common view, the matter shall be handled by both parties' higher-level authorities in charge of planning. Economic contracts that concern economic dealings in products or projects under an indicative state plan shall be concluded after taking account of state-issued targets and linking them to the actual conditions of the units involved.

**Article 12** An economic contract shall contain the following principal terms:

- (1) The object (referring to goods, labour services, construction projects, etc.);
- (2) The quantity and quality;
- (3) The price or remuneration;

- (4) The time limit, place and method of performance; and
- (5) The liability for breach of contract.

Terms that are stipulated by law or that must be included by virtue of the nature of the economic contract, and terms that one party insists upon, shall also be principal terms of an economic contract.

**Article 13** When currency is used to perform obligations under an economic contract, except as otherwise provided by law, Renminbi must be used for purposes of computation and payment.

Except for cases in which the state permits the use of cash to perform obligations, settlements must be made by means of transfers between bank accounts.

**Article 14** One party may pay a deposit to the other party. After the economic contract is performed, the deposit shall be returned or set off against the price.

If the party that pays the deposit does not perform the contract, it shall have no right to claim return of the deposit. If the party that receives the deposit does not perform the contract, it shall return twice the amount of the deposit.

**Article 15** If a party to an economic contract requests a guaranty, a guarantor unit may provide the guaranty. A guarantor unit is a concerned person that guarantees the performance of the contract by one party. When the guaranteed party does not perform the contract, the guarantor unit shall be held jointly and severally liable for compensating for the losses.

**Article 16** After an economic contract has been confirmed to be void, the parties shall return to each other any property that they have acquired pursuant to the contract. If one party is at fault, it shall compensate the other party for losses incurred as a result thereof; if both parties are at fault, each party shall be commensurately liable.

As to contracts that violate the interests of the state or the public interest, if both parties have acted willfully, the property that has already been acquired or that has been stipulated to be acquired by both parties shall be recovered and turned over to the State Treasury. If only one party has acted willfully, the willful party shall restore to the other party any property acquired from such other party; the party that has not acted willfully shall turn over to the State Treasury any property already acquired from the other party or stipulated to be acquired.

**Article 17** The terms regarding the quantity, quality, packaging quality and prices of products and the time limit for their delivery in purchase and sale contracts (including contracts for supply, procurement, advance purchase, combination and coordination in purchases and sales, and adjustment) shall be implemented in accordance with the following provisions:

(1) The product quantity term shall be concluded in accordance with the plans approved by the state or the higher-level department in charge; in the absence of a plan approved by the state or a department in charge, it shall be concluded through consultation between the supplying and requisitioning parties. The method of measuring product quantity shall be implemented in accordance with provisions made by the state or the department in charge; in the absence of provisions made by the state or the department in charge, implementation shall be in accordance with a method agreed upon by the supplying and requisitioning parties.

(2) The product quality and packaging quality terms, where there are state standards or specialized standards, shall be concluded in accordance with such state standards or specialized standards; in the absence of state standards or specialized standards, the terms shall be concluded in

accordance with standards of the department in charge; if a party has special requirements, the terms shall be concluded through consultation between the parties.

The supplying party must be responsible for the product quality and packaging quality and provide the technical data or samples necessary for inspection.

The methods of ascertaining product quality through inspection or quarantine shall be carried out in accordance with the relevant provisions approved by the State Council, and, in the absence of such provisions, the methods shall be determined through consultation between the parties.

(3) The product price term shall be concluded in accordance with the prices prescribed by the various levels of pricing departments in charge (including state-fixed prices and floating prices). Where government policy permits a negotiated price, the price shall be decided through consultation between the parties.

In cases where a product is to be supplied on the basis of the state-fixed price, if the state-fixed price is adjusted before the time limit for delivery provided in the contract, the price shall be calculated according to the price at the time of delivery. In the event of late delivery, if the price has risen, the original price shall be implemented; if the price has dropped, the new price shall be implemented. In the event of late taking of delivery of goods or late payment, if the price has risen, the new price shall be implemented; if the price has dropped, the original price shall be implemented. In cases where products are to be supplied according to floating prices or negotiated prices, the price provided in the contract shall be implemented.

(4) The time limit for delivery (or taking delivery) of the goods shall be carried out in accordance with the stipulations in the contract. If any party requests advancement or

extension of the time limit for delivery (or taking delivery) of the goods, it shall reach an agreement with the other party beforehand and then implement it accordingly.

**Article 18** Contracts for construction projects must be concluded in accordance with procedures prescribed by the state and investment plans, planned project descriptions and other documents approved by the state.

In contracting for construction projects, including survey, design, building and installation, one general contractor may sign a general contract with the construction unit, or several contractors may separately sign contracts with the construction unit.

Survey and design contracts shall provide the time for delivery of the basic survey or design data and design documents (including an estimated budget) to be delivered by both parties, the quality requirements of design work, other conditions for coordination and similar provisions.

Building and installation contracts shall clearly provide the scope of the work, the construction work period, the time for beginning and completing intermediate construction projects, the quality of the work, the costs of construction work, the time for delivery of technical data, the responsibilities for supplying materials and equipment, the allocation of funds and settlement of accounts, the inspection and acceptance of the work upon completion, the mutual cooperation by the parties, and similar terms.

The inspection and acceptance of construction projects upon completion shall be based on work blueprints and written instructions, and on work testing norms and quality inspection standards issued by the state.

**Article 19** Processing contracts shall be concluded based on the ordering party's requirements as to the kind of goods, the items and the quality and on the contractor's



capacity to process, make to order or repair. Except as otherwise provided in the contract, the contractor must use its own equipment, technology and labour force to complete the principal part of the tasks of processing, making to order and repairing and, without the consent of the ordering party, may not assign accepted tasks to a third party. The ordering party shall accept the articles and the results of the work completed by the contractor and shall pay remuneration therefor.

The contractor shall promptly inspect the raw and processed materials supplied by the ordering party and, if it is discovered that they do not conform to the stipulations of the contract, the contractor shall immediately notify the ordering party to replace them or supply what is lacking. The contractor may not, without authorization, replace any raw and processed materials supplied by the ordering party and may not covertly exchange components of articles being repaired, and violators shall be liable to pay compensation.

When the contractor repairs a building or processes a batch of non-standard articles, it shall accept necessary inspection and supervision by the ordering party, but the ordering party may not obstruct the contractor's normal work. The contractor shall strictly comply with the ordering party's request to keep confidential the duplications, designs, translations, tests and inspections of the performance of articles, and other tasks contracted for by the contractor.

If the ordering party does not take delivery of the ordered goods within six months of the time limit for taking delivery, the contractor shall have the right to sell the ordered goods and, after deducting its remuneration and storage fees from the price obtained, to deposit the remainder in a bank in the name of the ordering party.