

La Chine, après l'ère maoïste constitue encore une inconnue à de nombreux égards spécialement si l'on veut prendre en considération son développement économique.

Le désir des dirigeants actuels de bénéficier des technologies des pays occidentaux est manifeste. Il s'est traduit par un encouragement aux investissements étrangers et notamment aux accords de joint-ventures.

Des réglementations diverses ont été promulguées récemment en vue de favoriser cette politique.

Nous avons jugé utile pour l'information de nos lecteurs de reproduire la plus caractéristique d'entre elles qui s'intitule " Loi du contrat économique ".

Nous signalons en outre :

" The law of the people's republic of China on joint ventures using chinese and foreign investment ".

" The income law tax of the people's republic of China concerning joint ventures with chinese and foreign investment " ;

Un commentaire (très général) de ces textes a été publié par P. VERZARIU et Daniel D. STEIN sous le titre :

" Joint venture agreements in the people's Republic of China " par US Department of Commerce International Trade Administration (Washington US Government Printing Office , 1982 - 380 " 997/2318).

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APPENDIX M

ECONOMIC CONTRACT LAW

Adopted at the Fourth Session of the Fifth National People's Congress on December 13, 1981.

Chapter One. General Principles

Article 1. This law is specially formulated to protect the legal rights and interests of the parties concerned in economic contracts, safeguard social and economic order, improve economic benefit, guarantee the implementation of state plans and promote the development of the socialist modernization program.

Article 2. An economic contract is an agreement between legal persons for achieving a certain economic purpose and for defining each other's rights and obligations.

Article 3. Economic contracts, with the exception of those that are settled immediately, should be in written form. Documents, telegrams and charts related to contract revisions agreed upon by the parties concerned through consultations are also component parts of a contract.

Article 4. Economic contracts should be formulated in accordance with state laws and in conformity with the requirements of state policies and planning. No units and individuals are allowed to engage in illegal activities by means of contracts, disturb economic order, undermine state planning, violate state interests and public interests of the society or seek illegal earnings.

Article 5. Economic contracts should be formulated by implementing the principles of equality, mutual benefit, achieving unanimity through consultations and compensations of equal values. No one party is allowed to impose its will on another party. No one unit or individual is allowed to interfere illegally.

Article 6. An economic contract once drawn up according to the law has legal binding force. The parties concerned should fulfill all obligations stipulated in the contract. No one party is allowed to unilaterally alter or terminate the contract.

Article 7. The following economic contracts are invalid:

1. Contracts that violate the laws and state policies and planning;
2. Contracts signed by means of deception and under coercion;
3. Contracts signed by an agent who oversteps his authority or who signs the contracts, in the name of a principal, with himself or with other principals;
4. Economic contracts that violate state interests or public interests of the society.

Invalid economic contracts have no legal binding force from their inception. When a part of an economic contract is confirmed to be invalid and if the remaining parts' validity is not affected, the remaining parts will still be valid.

The power to confirm invalid economic contracts rests with the contracts administrative organs and the People's Courts.

Article 8. Stipulations of this law are applicable to contracts in purchase and sale, construction of projects, material processing, freight transportation, electricity supply, warehouse storage, property rental, money borrowing, property insurance, scientific and technical cooperation and other economic contracts.

Chapter Two. Formulating and Fulfilling Economic Contracts

Article 9. An economic contract is formulated when both parties concerned have achieved unanimity through consultations of the major articles of the economic contract according to the law.

Article 10. In formulating economic contracts on other's behalf, an agent should first secure power of attorney from the entrusting units and then sign the contracts in the name of the entrusting units according to the extent of their implied powers, only thus can the direct rights and obligations to the entrusting units exist.

Article 11. In cases of economic dealings concerning products and items prescribed in the state's mandatory plans, the economic contracts should be signed according to the targets set by the state. When no consensus could be reached at the time of signing, the matter shall be handled by the higher organs in charge of planning of both sides. In cases of economic dealings concerning products and items prescribed in the state's guiding plans, the economic contracts should be signed after considering the targets set by the state and taking into account the actual conditions of the units concerned.

Article 12. An economic contract should contain the following major articles:

1. Objective (referring to freight, service, projects, others);
2. Quantity and quality;
3. Prices or commission;
4. Time limit, place and mode of fulfilling the contract;
5. Responsibilities in case of violation of contract.

Other major articles of an economic contract comprise those articles that should be included as stipulated by the law or in keeping with the nature of economic contracts as well as those articles that any one of the parties concerned requests to be included in the contract.

Article 13. When money is to be used in fulfilling the obligations stipulated in an economic contract, renminbi should be used in computation and payment, except as stipulated otherwise by the law.

Unless the state allows the use of cash in fulfilling obligations, all accounts should be transferred through the banks.

Article 14. Any one of the parties concerned may pay a deposit to the other. After an economic contract has been fulfilled, the deposit should be returned or deducted from the price.

The party that pays the deposit has no right to ask for the return of the deposit if it does not fulfill the contract. The party that receives the deposit has to return twice the sum of the deposit received if it does not fulfill the contract.

Article 15. When one of the parties concerned in an economic contract requests a guarantee, the guarantee can be provided by a certifying unit that serves as an intermediate agent to guarantee that one of the parties concerned will fulfill the contract. When the guaranteed party fails to fulfill the contract, the certifying unit will be responsible for making up for the losses incurred.

Article 16. After the invalidity of an economic contract has been confirmed, the party concerned should return to the other party the property that the former has

acquired according to the contract. The party in the wrong should compensate for the ensuing losses incurred by the other party. If both parties are wrong in some ways, each will have to bear the corresponding responsibilities.

In case both parties purposely signed a contract that violates state interests and public interests of the society, the properties derived or due to be derived by both parties should be seized and turned over to the state treasury. If only one party is found to have intentionally committed such an act, this party should return the property acquired from the other party to the latter. The property derived or due to be derived by the unwitting party from the other party should be turned over to the state treasury.

Article 17. The following stipulations should be observed regarding product quantity, product quality, packaging quality, product prices and time limit for goods delivery in purchase-sale contracts (including contracts in supply, purchase, advanced purchase and combination, and cooperation and regulation of purchase and sale):

1. Product quantity: contracts should be signed according to the plans approved by the state and the higher departments in charge; in the absence of plans approved by the state and the higher departments in charge, the contracts will be signed by the supplying and receiving parties through consultations. Product quantity should be computed according to the methods stipulated by the state or the departments in charge; in the absence of stipulations by the state and the departments in charge, the methods will be worked out by the supplying and receiving parties.
2. Product quality and packaging quality: contracts in this respect should be signed according to state standards or professional criteria, if these are available. In the absence of these standards and criteria, contracts will be signed according to the standards set by the departments in charge. If the parties concerned have specific requirements to make, they should first consult each other and then sign contracts.

The supplying party should be responsible for the quality of the product and packaging and furnish the necessary technical documents or samples with which to determine the acceptability of the goods.

The methods of accepting and quarantining products quality-wise should conform to the relevant regulations approved by the State Council. In the absence of such regulations, the methods will be determined by both parties concerned through consultations.

3. Product prices: Contracts in this respect should be signed according to the prices (including state-fixed prices and floating prices) stipulated by all levels of departments in charge of pricing. If negotiated prices are allowed by the policy, the prices will be negotiated by the parties concerned.

Some products are pegged to the state-fixed prices. If the state prices have been readjusted during the period of delivery specified by the contract, the prices of these products will be computed at the price level at the time of delivery. If these products are overdue in delivery, then the original prices will be applied in case of price hike and the new prices will be applied in case of price drop. If these products are picked up or payments are made behind schedule, then the new prices will be applied in case of price hike and the original prices will be applied in case of price drop. If floating prices and negotiated prices are used, then the prices specified in the contract will be applied.

4. The time limit for delivering (picking up) goods as stipulated by the contract should be observed. Whichever party that wants to deliver (pick up) goods ahead of or behind schedule should first reach agreement with the other party and act accordingly.

Article 18. Contracts for construction projects should be signed in accordance with the procedures prescribed by the state and the investment plans, statements of projected tasks and other documents approved by the state.

The work of a construction project, including survey, design, construction and installation, may be covered in a comprehensive contract signed by the construction unit with one contractor or in separated contracts signed by the construction unit with several contractors.

Survey and design contracts should specify the time for the two sides to provide basic survey and design data as well as various documents regarding design (including budgetary estimates) and should have provisions on the requirements regarding the quality of the design work and other terms of cooperation.

Construction and installation contracts should have provisions explicitly specifying the scope of the project, time required for construction, times for commencement and completion of intermediate work projects, quality of work for the project, cost of the project, time for furnishing technical data, responsibilities for supply of materials and equipment, appropriation of funds and final accounting, examination and acceptance of the project upon completion and cooperation between the two sides.

The examination and acceptance of a construction project should be based on the blueprint for the construction work and the related explanatory notes and on the standard specifications and quality criteria promulgated by the state for checking and accepting construction projects.

Article 19. Processing contracts should be signed on the basis of the projects or items required and quality demands set forth by the side placing the order and the capabilities of the contractor to undertake the processing work, fill the order and to repair as needed. Unless otherwise specified in the contract, the contractor should fulfill the main part of the processing work, the order or the repair job with its own equipment, techniques and labor and should not transfer the accepted work to a third party without the consent of the side placing the order. The side placing the order should receive the products made or the work completed by the contractor and give the latter remuneration for such work.

The contractor should promptly examine the raw materials and other materials provided by the side placing the order. If these materials are found not to conform with those specified in the contract, the contractor should immediately notify the other side to replace them or to supply what is lacking. The contractor should not replace of its own accord the raw materials and other materials provided by the other side, nor should it covertly change any parts of the items being repaired. Contractors violating this should be held responsible for making compensations.

In repairing houses or mass processing nonstandard products, the contractor should receive necessary examination and supervision by the side placing the order; however, the latter should in no way hamper the normal work of the contractor. If the side placing the order wants the contractor to keep secret the work covered by the contract with regard to duplication, design, translation or tests and examinations of product properties, the contractor should strictly comply with such a request.

If the side placing the order fails to take delivery of the products or items ordered more than 6 months after the prescribed time, the contractor has the right to sell the products or items and deposit the sales proceeds in the bank in the name of the side placing the order after deducting the remuneration and storage charges for the products or items.

Article 20. Cargo transportation contracts should be signed in accordance with the cargo dispatch plan, transportation capacity and transportation plan. Contracts for

transporting small lots of cargo should be signed according to relevant state transportation regulations.

Contracts involving transport should state explicitly the responsibilities of the two or more sides concerned and the method for the transfer of cargo between them.

When the goods consigned for transport require packaging according to the regulations, the consignor should package the goods according to the standards set by the state departments concerned. In the absence of a unified packaging standard, the consignor should package the goods according to the principle of ensuring safety in cargo transportation. Otherwise, the consignee has the right to refuse the consignment.

Article 21. Electric power supply contracts should be signed on the basis of the electric power consumers' requirements and the availability of electric power. The contracts should have clauses explicitly stating the electric power, electric quantity, time for using electricity and responsibilities to be undertaken in case of breach of the contract terms.

Article 22. Warehouse storage contracts should be signed between the cargo consignors and consignees after consultations on the basis of the former's storage plan and the latter's warehouse capacities. Contracts for storage of small lots of goods should be signed according to pertinent regulations on warehouse storage.

Warehouse storage contracts should have clauses clearly stating the names of goods to be stored, their specifications, quantities, storage methods, particulars to be inspected and methods of inspection upon receipt of such goods as well as the procedures for taking the goods into and out of the warehouses, standards for damage and loss, treatment of damage and loss, storage charges and methods for calculating such charges and responsibilities to be undertaken in case of breach of the contract terms.

Upon receipt of the goods to be stored in the warehouse, the consignee should check their outside packaging, the varieties of products, their quantities and quality according to the details specified in the contract. In case the goods received in the warehouse are found not to conform with specifications, the consignor should be notified immediately. However, the consignee should be held responsible for making necessary compensation provided that discrepancies between the goods received and the details in the contract with regard to the varieties of goods, their quantities or quality are found after the goods have been checked and accepted for storage by the consignee.

The consignor should provide the consignee with necessary materials for checking the goods to be stored, otherwise, the consignee should not be responsible for making compensation in case the varieties, quantities and quality of the goods received do not agree with what is specified in the contract.

Article 23. Property lease contracts should have clauses explicitly stipulating the name of the property to be leased, its size, use, period of lease, rental, time for making rental payment, obligations for maintenance of the property during the period of lease and responsibilities to be undertaken in case of breach of the contract terms.

The lessor should give the property to the lessee for use according to the time schedule and the stipulation on the state of the property as contained in the contract. If the lessor transfers the ownership of the property to a third party, the lease contract will be binding on the new owner.

To meet the needs of work, the lessee may let a third party rent and use the property, but before doing so, the lessee should obtain concurrence from the lessor.

The rental should be determined in accordance with the unified criteria, if any, set by the state. In the absence of such criteria, the rental is to be determined through consultations between the two sides.

Article 24. Loan contracts are signed in accordance with state credit loan plans and appropriate regulations. The contract must include unequivocal terms on the loan's exact figure, use, deadline and interest rate; method for account-settling; and responsibilities for breach of the contract.

Interest rates for loans are prescribed by the state and controlled by the People's Bank of China.

Article 25. Property insurance contracts are signed in the form of insurance policies or insurance certificates.

An insurance contract must include unequivocal stipulations on the kind of insurance, exact location (or transportation means and distance), amount insured, insurance responsibilities, method for compensation, payments of insurance premiums and the beginning and expiration dates of the contract.

The policy holder must protect the safety of properties insured. The policy seller may conduct safety inspections of properties insured. If factors endangering the safety of properties insured are found during a safety inspection, the policy holder should be promptly notified to eliminate these factors.

If a third party is responsible for making good the losses or damages to insured properties, the policy holder may request the insurance unit to honor the policy according to stipulations in the contract. However, the policy holder must relinquish to the insurance units the right of demanding indemnity and must assist the latter in demanding indemnity from the third party.

Article 26. Scientific and technological cooperation contracts (including scientific research, trial production, popularization of research achievements, sales of technology and technological consultation services) are signed in accordance with plans formulated by higher-level departments in charge or other departments concerned. When no such plans exist, the two interested parties may sign a contract through mutual consultations.

A scientific and technological cooperation contract must include unequivocal terms on projects or items for cooperation, technological and economic requirements, rate of progress, method of cooperation, fund and materials budget, rewards and responsibilities for breaking contract.

Chapter Three. Change or Cancellation of Economic Contracts

Article 27. An economic contract may be changed or canceled under one of the following conditions:

1. When both parties agree by mutual consultation, and when the change or cancellation does not harm state interests or affect state plans;
2. When the state plan on which the contract is based has been revised or canceled;
3. When one party of the contract can no longer fulfill the contract because the plant or enterprise has closed down, stopped production or been converted to other uses;
4. When a force majeure or factors other than a party's own fault which are beyond the control of the parties involved have made it impossible to fulfill the economic contract; and
5. When one party breaks the contract, and it has become impossible to fulfill the economic contract.

When one party of the contract wants to change or cancel an economic contract, it must promptly notify the other party. The party suffering losses due to the change or cancellation of an economic contract or request by the other party may be absolved from any responsibilities according to law, but the party causing the change or cancellation must be responsible for paying the losses suffered by the other party.

When one party of a contract has merged with another unit or has become independent from a parent unit, the responsible party or parties after the change will be responsible for fulfilling obligations and will enjoy privileges of the contract.

Article 28. The notice or agreement on changing or canceling an economic contract must be in written form (including documents, telegrams and others). Before an agreement is reached, the original economic contract will still be effective.

Article 29. A change or cancellation of an economic contract, if involving products or items prescribed in the state's mandatory plans, should be reported for approval by the department responsible for issuing such plans before any agreement on the change or cancellation may be signed.

Article 30. Suggestions on changing or canceling economic contracts and responses to such suggestions must be made within the time limit agreed upon by both parties or that set by the concerned department in charge.

Article 31. An economic contract may be changed or canceled when its responsible persons or legal representatives are changed.

Chapter Four. Responsibilities for Breaking an Economic Contract

Article 32. If an economic contract cannot be fulfilled or can only be partially fulfilled because of the fault of one party, the party responsible for the fault must be charged with the responsibility of breaking the contract. If the fault is shared by both parties, they both must share the responsibility for breaking the contract according to the actual situation.

If an individual, because of dereliction of duty, malfeasance or violations of the law, has thus become directly responsible for a major accident or serious losses, the individual will be investigated for both economic and administrative responsibilities or even for criminal charges.

Article 33. If an economic contract cannot be fulfilled or can only be partially fulfilled because of the fault of a leading body at a higher level or the concerned unit in charge, then the leading body or the responsible unit should be charged with breaking the contract. The party breaking the contract must make a penalty payment for breaking the contract or pay damages to the other party in accordance with the proper stipulations, and the case will be handled by the leading body at a higher level or by the unit in charge which is responsible for the fault.

Article 34. If, because of force majeure, one party cannot fulfill an economic contract, it must promptly notify the other party of the reasons why the contract cannot be fulfilled, why its fulfillment must be delayed, or why the contract can only be partially fulfilled. If the party has obtained from the concerned unit in charge an approval on the postponement, partial fulfillment or total cancellation of the contract, the party may be partially or fully absolved from the responsibilities for breaking a contract.

Article 35. When one party breaks an economic contract, it must make a penalty payment to the other party for breaking a contract. However, if the losses caused to

the other party exceed the amount of the penalty paid, the responsible party must also pay damages to make up for what the penalty payment has failed to cover. If the other party demands continuous fulfillment of the contract, the responsible party must comply.

Article 36. Penalty payments for breaking contracts and payments for damages are to be paid from an enterprise's portion of the profits it shares with the state and must never be included in the enterprise's production costs. For administrative units or institutions, these payments are to be paid out of the surplus from their unit budgets.

Article 37. All penalty payments from breaking a contract and payments for damages must be paid within 10 days after the responsibilities have been ascertained, or they will be regarded as overdue payments. Neither side may arbitrarily withhold commodities or loans as mortgages against overdue payments.

Article 38. Responsibilities for Breaking a Purchase and Sales Contract.

1. Responsibilities of the supplier:

- a. When the commodities or their specifications, quantity, quality or packaging do not conform to those prescribed in the contract, or when commodities are not delivered within prescribed time limits, the supplier has to pay a penalty payment for breaking a contract as well as pay damages.
- b. When products are shipped to a wrong destination or delivered to a wrong unit (person), the supplier, in addition to having to reship them to the prescribed destination or unit (person), must also bear the added freight and other costs thus accrued. In addition, the supplier must pay a penalty for breaking a contract, if the commodities arrive on a date beyond the set time limit.

2. Responsibilities of the buyer:

- a. For canceling an order of commodities, the buyer must pay both penalty and damages payments.
- b. If payments are not made or commodities not picked up on dates set in the contract, the buyer must pay a penalty for breaking the contract.
- c. When requesting a change in the original destination where the commodities are to be delivered, the buyer must bear the additional cost thus accrued.

Article 39. Responsibilities for Breaching Contracts of Construction Projects.

1. Responsibilities of the contractor:

- a. If and when a survey and design are done poorly or the failure to deliver the survey and design documents on time results in a construction delay and causes losses, the surveying and designing unit shall continue to complete the design and reduce or forfeit the designing fee until the loss is made up.
- b. If and when the quality of construction does not conform with contract specifications, the party awarding the contract is entitled to demand repair, reconstruction or alteration. If and when repair, reconstruction or alteration causes a delay in delivery, the contractor shall pay for the breach of contract resulting from the overdue delivery.
- c. The contractor shall pay for breach of contract because of overdue delivery when the delivery time does not conform with contract specifications.

2. Responsibilities of the party awarding the contract:

- a. If and when the party awarding the contract fails to provide the contractor with raw and other materials, facilities, construction grounds, funds and technical data in accordance with the contract-specified times and requirements, the party awarding the contract shall compensate the contractor for the resulting losses in work stoppage or idleness in addition to accepting the construction delay.
- b. The party awarding the contract shall take measures to make up or minimize the losses if and when it stops or puts off construction. At the same time, the party awarding the contract shall pay the contractor for the losses and actual expenses resulting from a work stoppage or idleness, a layoff of workers, the moving of machines and equipment and the overstocking of materials and components.
- c. If and when the party awarding the contract changes its original plan or provides inaccurate data, or if it fails to provide the necessary conditions for surveying and designing tasks and this results in redoing or stopping these tasks or revising the design, it shall pay the contractor for the additional work actually done.
- d. If the party awarding the contract uses the construction project in advance without checking and accepting the project and finds quality problems, it shall shoulder all responsibility.
- e. If the party awarding the contract checks and accepts the construction project or pays the construction fee later than the contract-specified date, it shall pay a breach of contract fee because of the delay.

Article 40. Responsibilities for Breaching the Processing Contract.

1. Responsibilities of the side contracting for processing:

- a. It is this side's responsibility to pay for the damage or loss of the materials or goods provided by the side offering the contract for processing if the damage or loss is caused by carelessness on the part of the side contracting for processing.
- b. If the processing job entrusted by the offering side is not done in accordance with the contract-specified quality and quantity, the contracting side shall make repairs and make up the quantity without remuneration or accept a pro rata reduction in payment. If a serious defect is found in the processing job, the contracting side shall assume responsibility for paying for it.

2. Responsibilities of the side offering the contract for processing:

- a. It is this side's responsibility to pay for a work delay resulting from its failure to provide the contracting side with raw and other materials according to the specified time, quality and quantity.
- b. It shall pay the side contracting for processing a storage fee if it fails to pick up the processed goods on the specified date.
- c. It shall pay the breach of contract fee if it fails to pay the processing fee on the specified date.

Article 41. Responsibilities for Breaching a Shipment of Cargo Contract

1. Responsibilities of the shipper:

- a. It shall pay the party awarding the contract a breach of contract fee if it fails to ship the cargo by vehicles (or vessels) according to the time and requirement specified in the cargo shipping contract.

- b. It shall transfer the cargo to the right destination or person without remuneration if it has shipped it to a wrong destination or person. It shall pay a breach of contract fee if the cargo delivery date is overdue.
 - c. It shall pay for total or partial loss, deterioration, pollution or damage of cargo sustained in the course of transportation in accordance with the actual loss (including packaging and freight and other miscellaneous expenses).
 - d. For the total or partial loss, deterioration, pollution and damage of cargo sustained in the course of coordinated transportation which is the responsibility of the shipper, the terminal shipper shall first bear the responsibility of compensation according to contract specifications and then obtain this compensation from the responsible midpoint shipper.
 - e. The shipper shall have no responsibility for breach of contract when the cargo is transported in accordance with the law and contract stipulations and when the total or partial loss, deterioration, pollution or damage is caused by (1) a force majeure, (2) the nature of the cargo itself, (3) reasonable wear and tear and loss, and; (4) fault of the party sending or receiving the shipment.
2. Responsibilities of the consignor:
- a. It shall pay the shipper the breach of contract fee if it fails to hand over the cargo for shipping according to the stipulations and requirements set in the shipping contract.
 - b. It shall be responsible for paying for such mishaps as breaking the chain sling, damaging cargo due to falls, overturning cranes, or causing explosion and corrosion because it hides dangerous goods in ordinary cargo without reporting it or because it misreported the weight of cargo.
 - c. It shall be responsible for paying for pollution, corrosion and damage to other cargo or the transport means or personal injury or death because of defective package, which causes breakage of cargo.
 - d. It shall pay the shipper for loss if the cargo has been loaded by the consignor at its own exclusive loading point, or at an exclusive point at a public harbor or station, or at its own exclusive railway loading point and if damage or shortage is found at the unloading point while the coach is perfectly sealed and there are no abnormal conditions whatsoever.
 - e. It shall pay the shipper's unloading, storage and breach of contract fees if it hands over the cargo to the shipper without accompanying certificates for quality specifications or laboratory examination reports, making the receiver unable to unload the cargo.

Article 42. Responsibilities for Breaching the Contract for Power Supply and Consumption

1. Responsibilities of the power supplier:

The power supplier shall—in a safe manner—supply electricity according to the state stipulated standard and contract specifications. It must notify the power consumer in advance if the supply of electricity has to be limited for legitimate reasons. If the supply of power is limited without legitimate reasons or if power outages, which occur due to fault of the power supplier, cause losses to the power consumer, the power supplier shall reimburse the consumer for the loss.

2. Responsibilities of the power consumer:

The power consumer shall consume electricity according to the contract specifications. It must notify the power supplier in advance if—under particular circumstances—it has to use electricity in excessive amounts or at times not

specified in the contract. If the power consumer does so without legitimate reasons, it shall pay a breach of contract fee.

Responsibilities for breaching water and gas supply and consumption contracts are similar to those stated in this article.

Article 43. Responsibilities for Breaching Warehousing and Storage Contracts

1. Responsibilities of the warehouse or statehouse:

- a. It shall pay for total or partial loss, deterioration, pollution and damage of goods in storage due to its carelessness. It shall be responsible for paying for the loss or deterioration of goods caused by packaging not in accordance with contract specifications or by overstaying the goods' effective storage time.
- b. It shall have the responsibility of paying for damage or loss of dangerous and perishable goods caused by handling not in accordance with regulations or by careless storekeeping.
- c. It shall pay the consignor the shipping and breach of contract fees in accordance with contract stipulation if goods are squeezed out of storage or cannot be stored due to its fault.
- d. It shall pay the consignor a late-delivery loss fee if it fails to deliver the stored goods at the stipulated time. If it delivers the stored goods to the wrong destination, it shall pay the consignor any loss caused by the delay in addition to transferring the goods to the specified destination according to contract.

2. Responsibilities of the consignor:

- a. It shall clearly spell out in the contract the flammable, explosive, poisonous and other dangerous goods as well as perishable goods with necessary information supplied. Otherwise, it shall have the responsibility of paying for material damage and personal injury or death caused by such goods including the criminal responsibility as the case may be.
- b. It must pay an oversorage fee and a breach of contract fee if the quantity of goods exceeds the contract specified quantity or if the stored goods are not picked up on time.

Article 44. Responsibilities for Violating a Property Lease Contract

1. The responsibility of the lessee:

- a. The lessee is responsible for making repairs or paying for any damage or loss to the leased property due to the improper use, storage or maintenance of such property.
- b. The lessee is responsible for paying for losses to any house, equipment, machinery or other property that has been dismantled or altered without proper authorization.
- c. The lessor has the right to cancel a contract if the lessee subleases, without authorization, the leased property or if the lessee is engaged in illegal activities.
- d. The lessee must pay for violating the contract and pay additional lease fees for failing to return the leased properties within the prescribed period.

2. Responsibilities of the lessor:

- a. The lessor must pay for violating the contract if he fails to provide the property for lease at the time specified in the contract.
- b. The lessor is responsible for paying for the losses incurred if the quality of the property he offers for lease is below that specified in the contract.

- c. If the lessor fails to provide the equipment and its accessories according to the contract so that the lessee is unable to make use of such equipment and accessories in time, the lessor must pay for breaking the contract while he must make up by providing all such equipment and accessories as specified in the contract.
- d. In the case of the lease of large means of transportation such as ships and vehicles, the lessor must pay the lessee, according to the contract and the regulations concerned, for breaking the contract if the lessee must extend the lease due to the improper operation by the lessor or the mistakes of lessor's service personnel.

Article 45. Responsibilities for Violating Loan Contracts

1. The responsibility of the lender:

The People's Bank, specialized bank and credit cooperatives must pay for breaching the contract if they fail to provide the loan on time according to the contract.

2. The responsibility of the borrower:

The borrower must pay additional interest, according to the regulations concerned, if he fails to use the loan as specified in the contract. In this case, the lender reserves the right to recall part of all of the loan ahead of time.

Article 46. Responsibilities for Breaching a Property Insurance Contract

1. The responsibility of the underwriter:

The underwriter is responsible for paying, within the amount of insurance coverage, for the losses and expenses incurred by an accident covered by the insurance.

The underwriter must pay the insured according to the contract for a reasonable fee charged by the insured for any rescue, protection, rearrangement or lawsuit action aimed at avoiding or reducing the losses to the insured property. The underwriter must shoulder the responsibility for breaching the contract if he fails to pay such a fee within the prescribed time.

2. The responsibility of the insured:

If the insured conceals the true conditions of the insured properties, the underwriter reserves the right to cancel the contract or refuse to pay.

The insured is responsible for his own losses and the underwriter is not responsible for any payment if the insured discovers a dangerous situation that poses a threat to the insured property but takes no action to remedy such a situation which causes an incident.

Article 47. Responsibilities for Violating Science and Technology Cooperation Contracts

1. The responsibility of the consignee or the party that transfers the technology:

The consignee or the party that transfers the technology should return, on the basis of specific conditions, part or all of the amount of the consignment fee or transfer fee paid by the consignor or the party that accepts such transfer, if such a consignee or such a party that transfers the technology fails to fulfill the contract.

That party must also pay for the extra expenses incurred from any delay of the transfer procedure.

2. Responsibility of the consignor or the party that accepts the technology transfer:

The consignor or the party that accepts the technology transfer cannot get a refund of the paid consignment fee or transfer fee if it fails to fulfill the contract. It is also liable for all the expenses paid by the consignee or the party that transfers the technology for dealing with the ensuing problems.

Chapter Five: Mediation and Arbitration for Economic Contract Disputes

Article 48. When there are disputes over an economic contract, the interested parties should consult with each other on time to settle the disputes. When they fail to reach an agreement after consultations, any one of the parties concerned can request that organ governing contracts assigned by the state for mediation and arbitration. It may also directly bring a suit against the other side at the People's Court.

Article 49. If an agreement has been reached after mediation, the parties concerned must implement such an agreement. If an adjudication is made in the course of arbitration, the organ governing contracts assigned by the state will work out a written judgment for arbitration. If one or both parties concerned are not satisfied with the arbitration, they may bring a suit at the People's Court within 15 days after receiving the written judgment. If no suit is brought within the prescribed period, the adjudication is then legalized.

Article 50. The litigants of an economic contract must submit their request to the organ governing contracts for mediation or arbitration within 1 year from the date when it knows or should know that its rights have been infringed upon. No case will be handled if such request is submitted beyond the prescribed period.

Chapter Six: Management of Economic Contracts.

Article 51. All business departments and the administrative departments of industry and commerce should carry out supervision and checkups of the economic contracts concerned and set up the necessary management system. All business departments should assess the implementation of the economic contracts as an enterprise economic target.

Article 52. The people's banks, specialized and credit cooperatives should supervise the implementation of economic contracts through the management of credits, loans and accounts.

The people's banks, specialized banks and credit cooperatives should close accounts according to the accounting system, and also handle cases such as payment on order, payment refusal, payment deduction and delayed payment.

If the litigants of an economic contract refuse to implement, on their own and within the prescribed time limit, the written mediation note, the written judgment for arbitration or the verdict of a court, the people's banks, specialized banks and credit cooperatives should deduct payments from the litigant's accounts or transfer funds from such accounts to make payments. This should be done after they received notice from the People's Court asking them to help implement the above-mentioned documents.

Article 53. As for those who sign false economic contracts, sell economic contracts at a profit, make use of economic contracts to carry out speculation, sign subcontracts to reap unfair gains, illegally transfer such contracts, offer and accept bribes and carry out other illicit activities that harm the interests of the state and the public interests of society, the administrative departments of Industry and commerce are charged with the responsibility for handling such cases. Cases that need to pursue criminal liabilities should be referred to judicial organs for proper handling.

Chapter Seven: Supplementary Article.

Article 54. Individual businessmen and rural commune members should sign economic contracts with juridical persons with reference to this law.

Article 55. The regulations governing foreign economic and trade contracts will be formulated separately with reference to the principles laid down by this law and the international practice.

Article 56. The departments concerned under the State Council and various provincial, municipal and autonomous regional people's governments may work out regulations to implement this law subject to the approval of the State Council.

Article 57. This law becomes effective on 1 July 1982.

