

Spending Time to Review Your Contract Can Save in the Long Run

TAGS

Contract

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A well-drafted contract is one of the elementary conditions for securing your position in business. Various factors such as geographical distance, language and cultural barriers, and a different legal system make concluding contracts in China, or with Chinese business partners, even more challenging. To help European SMEs with their business contracts, our Advice Centre now offers a contract checking service as part of its Technical Solutions. Companies get greater peace of mind and assurances over contract clauses, ultimately saving them time and money, and minimising risk. A few examples of the contracts that we have helped revise recently include:

- non-disclosure agreements for companies active in the design field
- contracts with local agents for distribution of products, including food and beverages
- employment contracts for foreign employees
- sales and purchase agreements on exporting products to China, including machinery tools

Most recently, an EU SME asked us to review one of their sales contracts which they had prepared with the help of lawyers in their home country. Though the contract appeared comprehensive and

was well accepted in Europe, it was drafted without knowledge of the Chinese law and local practices. Payment provisions were not clearly addressed, running the risk that the client would not receive money since the Chinese bank would not allow the Chinese partner to transfer payment in the foreign currency.

The contract had correctly included a clause on governing law – in this case foreign law – however a provision on dispute settlement was omitted. This would further complicate matters in case of a dispute, as it would likely mean that the local Chinese court would deal with the dispute being the default competent authority in this case. The local court would have to make its decisions following the foreign law with which it is unfamiliar.

In many of these cases, having advice from experts familiar with local regulations and practicalities of doing business in China is crucial for European SMEs' success in the Chinese market.

If you need help to review your business contracts, [contact our experts here](#).