

# *Global Challenges to Contract Law in the Economy and China's Strategic Response: Principles, Practice, and Policy Directions*

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**Abstract:** As the world's largest economy, China faces significant pressures from its rapid economic growth. These pressures require thorough analyses and strategic policy adaptations, especially in contract law. This topic uses the literature review method, comprehensively applies relevant policy documents and the research results of domestic and international scholars, and systematically researches the global challenges and countermeasures faced by China's contract law in the economic environment. In responding to the above-mentioned challenges, China has adopted a series of countermeasures in theory, practice, and policy, highlighting the important role of legal guarantees and contract implementation, and strengthening the formulation and improvement of contract law. The survey results show that after implementing the strategy, the legal completeness of 20 provinces has increased to 88%-96%, and the legal completeness can indeed be significantly improved.

## 1. Introduction

The current contract law has solved some problems in international commercial transactions and cooperation, and it has been difficult to adapt to the differences in legal systems and cultures of various countries. In order to adapt to this change, China has adjusted and improved its contractual legal system in order to achieve the sustainable development of contractual relations and protect the legitimate rights and interests of the parties. This thesis tries to analyze the countermeasures taken by the Chinese government through the exploration of the global problems faced by contract theory, with a view to providing certain reference significance for our country's theory and practice.

The structure of this article is to first comprehensively review and elaborate on the global challenges faced by contract law in the economy, including issues such as diversified contract forms, cross-border transactions, and data protection. Secondly, a detailed discussion will be conducted on the principles, practices, and policy directions adopted by China in addressing these challenges, revealing China's experience and practices. Finally, this article summarizes China's strategic response, and proposes insights and suggestions for policy formulation and practice in other countries and regions.

## 2. Related Work

Many scholars have studied contract law and the economy. Ban Z.X.J. analyzed the impact of the economy on traditional civil and commercial law, focusing on the impact of the economy on contract law, consumer rights protection, and intellectual property protection. She also discussed the development direction of civil and commercial law in the era of the economy, including establishing a specialized legal system in the field of economy, promoting international cooperation and legal coordination, and strengthening supervision and law enforcement [1]. Dong Leyi first explained blockchain technology, and then analyzed the relationship between smart contracts and traditional contracts. By studying relevant legal systems, he hoped to provide corresponding contract law guidelines for the improvement of the blockchain smart contract system [2]. Xin Meng mainly analyzed the causes of the obstacles to contract performance, combined with the factual phenomena caused by the causes and the subsequent legal effects, and explored the contract law solution mechanism for the systematic obstacles to contract performance [3]. Wu Zhiyu believes that under the liability system of no-fault liability for breach of contract, it is reasonable to assign liability according to the degree of fault. The final determination of the scope of liability also requires consideration of the force of cause, so as to more equitably distribute the responsibilities of the parties to the contract. This is the basic path to which the fault rule applies [4]. Liu Tong proposed that the application of the contract cancellation system and the risk burden rule should be selected on the basis of distinguishing the risk burden party and denying the right of contract cancellation under specific circumstances. The determination of force majeure shall simultaneously satisfy the three impossible conditions and distinguish the effect of different types of force majeure clauses [5]. Wu Y studied the impact of the employment contract, enterprise ownership, and social network on income [6]. Alizadeh A believes that adherence to ethics in contracts and adherence to ethics can reduce the probability of contract termination [7]. Latorre E.R.C. analyzed the impact of the COVID-19 Act on contract law [8]. Rodl F stated for the common law that exchange equity was a fundamental principle of contract law [9]. Retnowati M.S. proposed that contract law is necessary to protect the parties in a business relationship from losses that may occur at any time [10]. These studies have provided a great help to this paper, which will elaborate on the challenges of contract law and China's strategy in the economy.

## 3. Method

### 3.1 Challenge

Different countries and regions have different legal systems, cultural differences, and languages, which complicate the interpretation, implementation, and dispute resolution of contract law [11-12]. It should not only accommodate the differences in legal systems between different countries, but also provide effective cross-border contract solutions and promote international cooperation and trade development [13-14]. Emerging technologies such as e-commerce, blockchain, and smart contracts are changing the form and execution of contracts [15-16]. These new technologies have raised a series of legal issues, including the legal effect of electronic signatures, data privacy protection, and the enforceability of smart contracts [17-18]. Contract law needs to keep up with technological developments in a timely manner and formulate corresponding rules and guidelines to protect the rights and interests of parties and promote the development of the digital economy. Unequal contract negotiations and power imbalances are also an important challenge [19-20]. In some cases, one party's economic power, information advantage, or market position may enable it to manipulate contractual conditions to the disadvantage of the other party. Such unequal contract negotiations can result in unfair contract terms and unreasonable risk sharing. The contract law

needs to balance the rights and interests of the parties and maintain the fairness and legitimacy of the contract by strengthening information disclosure, prohibiting unfair clauses, strengthening consumer protection, and other measures [21-22]. Rapidly changing business models and economic conditions are also placing new demands on contract law. The rise of the sharing economy, online platforms, and emerging business models has brought new controversies and challenges to contract law.

### 3.2 China's Strategic Response

While the above challenges are daunting, China has risen to the occasion of reform and improvement of contract law to prop up socio-economic development [23-24]. In 2017, China revised the *Contract Law of the People's Republic of China*, legally confirmed it, and adopted the *E-Commerce Law of the People's Republic of China* to better regulate it. China pays attention to strengthening international cooperation and coordination [25-26], resolving cross-border contract disputes and difficult problems between the legal system, actively participating in the research and formulation of international contract law, strengthening cooperation and exchanges with other countries and regions, promoting the establishment and improvement of the international contract legal system [27-28], and providing cross-border contract dispute resolution mechanisms to promote the facilitation of international trade and mutual legal recognition. China is committed to strengthening consumer protection and balancing the imbalance of power in contract negotiations. It has formulated the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, which clarifies the rights and interests of consumers and ways to defend their rights, restricts and combats unfair terms and unfair competition, and strengthens information disclosure requirements, requiring parties to contracts to provide sufficient information to ensure that consumers make informed decisions [29-30].

### 3.3 Smart Contract

In order to better solve this problem, we can also use smart contracts, which are a technical method of embedding contract conditions and execution rules on the blockchain, which can realize contract automation and credible transaction records. It ensures the accurate execution of contract conditions and the predictability of results, and improves the efficiency and reliability of contract performance. Traditional contracts may need to rely on third-party institutions or intermediaries to verify and enforce contract terms, increasing transaction costs and risks.

## 4. Results and Discussion

If we want to understand the level of economic change and the completeness of contract law in China after the strategic response, we need to achieve it through investigation. This survey randomly selected 20 provinces in China, and compared the data changes before and after the implementation of the strategy to determine whether the policy has had a corresponding effect. The specific survey objectives are the completeness of the law, the economic growth rate, and the proportion of economic GDP. The various evaluation indicators are integrated to obtain a comprehensive evaluation result of whether the strategic response of China to contract law in the economy is effective. In the survey, those who have not received a policy response will be regarded as Group I, and those who have received a policy response will be regarded as Group II.

## 4.1 Legal Perfection

Whether the legal framework of the economy contract law can adapt to and effectively deal with the challenges in the economy is an important aspect of measuring the strategic response. If the legal framework of contract law can be revised and adjusted in a timely manner to adapt to technological developments and changes in business models, then it can be argued that strategic responses have played a role. Figure 1 shows the comparison results:

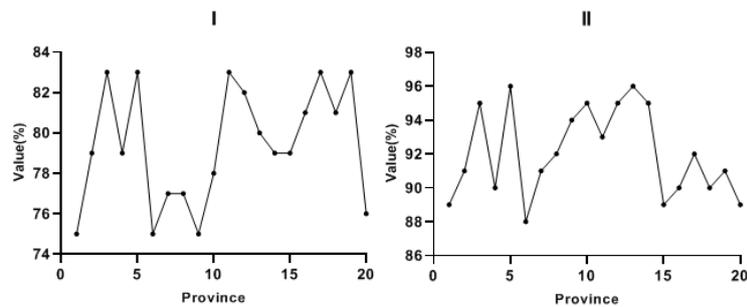


Figure 1: Legal perfection

By comparing the degree of legal perfection before and after the implementation of the strategy, it was found that the degree of legal perfection in 20 provinces before the implementation of the strategy remained at the level of 75%-83%, while after the implementation of the strategy, the degree of legal perfection in 20 provinces increased to 88%-96%. It can be seen that after the implementation of the response strategy, the legal perfection can indeed be significantly improved, and the improvement of the legal perfection can strengthen the protection of the rights and interests of all parties and regulate the contract behavior in the economy. A better legal framework can clearly define the rights and obligations of all parties and encourage compliance in economy contracts, reducing uncertainty and risk.

## 4.2 Growth Rate of Economy

The growth rate of the economy is an important indicator to measure the vitality and innovation capacity of the economy. In the economy, China's strategy should be able to promote the development and growth of the economy, promote the application and innovation of digital technologies, and thus increase the growth rate of the economy. The higher growth rate of the economy may mean that policy measures have achieved some success in promoting innovation and development of the economy. Figure 2 shows the comparison results:

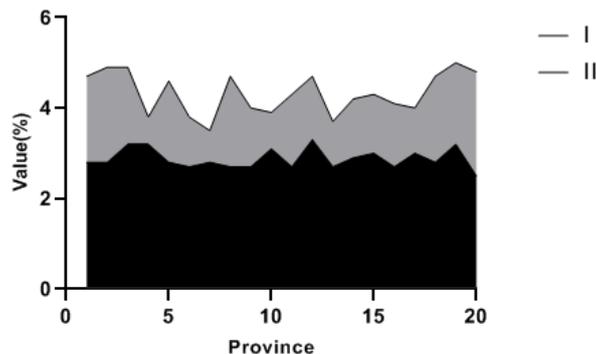


Figure 2: Comparison of growth rates

In the test of growth rate, the growth rate of Group I was between 2.5% and 3.3%, while the growth rate of Group II was between 3.5% and 5%. It can be seen from Figure 2 that after the implementation of the strategy, the growth rate of the economy has increased to a certain extent. The implementation of the strategy may improve the business environment of the economy and provide a more stable, transparent and predictable legal and institutional environment. Such improvements have helped attract more businesses and investors to participate in the economy sector, thus driving the growth of the economy.

### 4.3 Proportion of Economy GDP

The economy GDP ratio is an indicator to measure the importance and contribution of the economy in the overall economy. Table 1 shows the comparison of the economy GDP of a certain province before and after the implementation of the strategy in the past five years:

Table 1: GDP comparison

Year	GDP Before Implementation (in billion USD)	GDP After Implementation (in billion USD)
2018	500	520
2019	530	550
2020	550	580
2021	570	610
2022	590	640

The economy includes economic activities in areas such as digital technologies, the Internet and related services. China's strategy should be able to boost the development of the economy and make it a larger share of the national economy. Figure 3 shows the result:

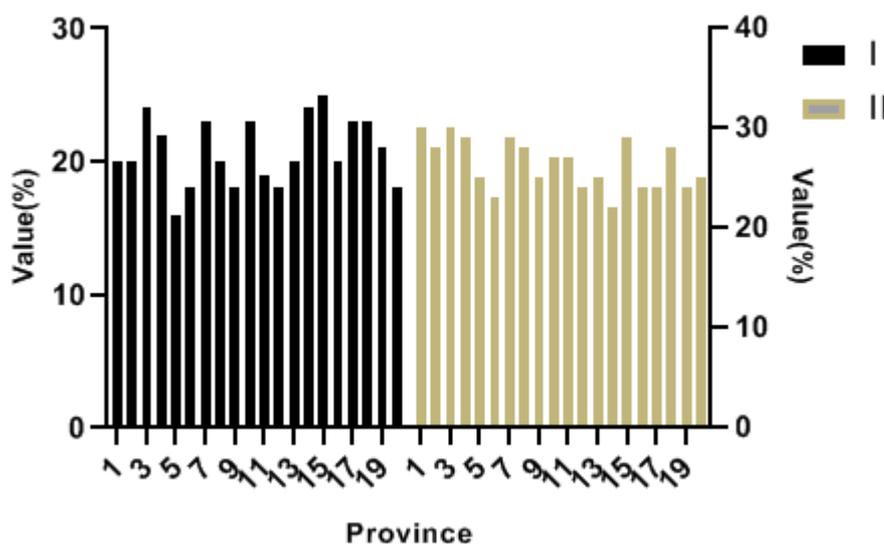


Figure 3: Proportion

In the survey of the proportion of the economy in GDP, before the implementation of the strategy, the proportion of the economy in GDP of each province was as high as 25% and as low as 16%, while after the implementation of the strategy, the proportion of economy in 20 provinces reached 22%-30%. Compared with before, the proportion of FDP has increased slightly, which is because the implementation of the strategy provides more policy support and incentive measures to promote the development of the economy, including financial and tax incentives, innovation funds, talent training and other aspects of support, can attract more enterprises and investors to participate in the field of economy activities, thereby increasing the proportion of economy in the overall economy.

## 5. Conclusion

China's strategy is based on principles, practices, and policy directions, and aims to promote economic development and protect the rights and interests of all parties. These strategies include strengthening legal protection, promoting innovation, improving the business environment, and strengthening international cooperation. Through these efforts, China has provided positive responses and solutions to contract law issues in the economy. While promoting the application and innovation of digital technologies, it also proposes innovative solutions to contract law issues involved in the economic field.

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