China Contracts: Why Choice of Foreign Law is So Often a Bad Idea

Investors wanting to sue Chinese companies in U.S. courts for corporate governance violations – using contractual provisions requiring litigation in their home country to replace what they see as "unfair" Chinese laws – may be disappointed in their options, writes Dan Harris in the **China Law Blog**.

"What will actually happen is that the parties will be required to prove Chinese law in a U.S. court, a difficult, time consuming and expensive process. This is usually exactly the opposite of what the U.S. party assumed would happen in this situation," he explains.

"A contract provision calling for disputes to be resolved in one country's court has little to no influence on the law that court will apply to the case. Most importantly, it is difficult to imagine a thoughtful American judge applying U.S. corporate governance law to a transaction that took place wholly in Mainland China and that involves Chinese entities," Harris adds.

Read the article.