SUMMARY

Resulting from China’s rapid economic development since its reform and open-door policies in early 1980, its construction market has been one of the most active and attractive markets in the world, and this situation is believed to continue for many years. Especially its impending access to WTO and increased foreign investment will keep on a huge emerging construction market that has attracted many foreign developers, consultants and contractors worldwide. Foreign companies are keen in venturing into the market, but many of them have had bad experiences in contracting projects there for various reasons; many projects were delayed in schedule and overrun in budget. One of the key reasons is that they failed to understand the construction contracting customs and practices and especially the implication costs incurred due to these factors and the relatively incomplete conditions of contract prevailing in China for construction projects, i.e. the China Construction Contract 99. These implication costs, if not properly managed, will result in the increase of construction cost as well as the design fee and supervision fee as they are calculated as percentages of the construction cost.

This dissertation therefore aims at providing foreign investors/developers, especially design consultants who are entrusted by foreign clients to manage construction projects in China, the knowledge of the implication costs associated with construction in China and the ways to improve their management of the costs.

The dissertation identified firstly all the possible implication costs embodied in the contract clauses of the China Construction Contract 99 through on examination the clauses in detail. The implication costs and their relevant clauses were tabulated for easy reference for foreigners. Possible improvements to these clauses were also proposed for better allocation and management of the implication costs. The dissertation then analyzed the existing problems in China construction contracting practices to further reveal other factors that may incur the implication costs. It demonstrated and emphasized further through a case project that the detailed tender document preparation is very important for foreign clients and consultants. It could help them to minimize the implication costs by defining clearly cost-related clauses and planning properly a cost budget so as to minimize possible disputes and enhance variation cost control. It could also be of help to them to collect relevant information and get familiar with Chinese construction characteristics and environment especially when they firstly enter the market.

The dissertation finally proposed, based on the foregoing results, an easy-to-follow and practical framework for foreign clients and design consultants to manage the implication costs of construction projects in China. Some recommendations for further study were also proposed.