

# LISBON: A SAFE SHELTER FROM THE TURMOIL IN EUROPE - CAIADO GUERREIRO

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**Europe is in the midst of economic, political and social turmoil. Brexit, the migrant crisis, the sovereign debt crisis and anti-European Union (EU) parties winning support in several countries bringing uncertainty. Despite the presence of political strategies capable of defending the European project, there is a business perspective that should be considered.**

Considering that all economies are becoming more and more interdependent, in a changing environment the wording of the contracts is a powerful tool. In this context, it is relevant to identify the risks that uncertainty may bring to contracts. Before a certain transaction or during the execution of a contract, careful due diligence is recommended in order to identify potential gaps or risks as well as to understand which contracts might be affected and to what extent.

Key contracts should be the main focus as they are the most important to a company's business. Similarly in preparing and drafting contracts, cautious preparation of the contracts is always a valuable weapon. With instability affecting Europe, it is important more than ever to make a serious investment in preparing for adversity.

A Material Adverse Change (MAC) clause is recommended. This clause may, in certain circumstances, give room for an early termination of the contract or, in other situations, for adjusting some aspects of the contract – such as pricing – if certain adverse events occur. 'Force majeure' clauses are also an important safety valve which should be carefully drafted in order to enable effective application.

Material Adverse Change and Force Majeure clauses are narrowly applied, so in some political and social circumstances external to the relationship, it may be unlikely that there is an entitlement to invoke these clauses. However, such clauses may lead to the renegotiation of contracts every time there is an event that meets its requirements.

Conducting a solvency and liquidity analysis of customers and suppliers is also an important task. This analysis is recommended during the life of a contract. However, it is necessary to anticipate clauses capable of granting some protection against situations concerning a lack of liquidity or the insolvency of the other party.

Choosing a jurisdiction, the applicable law, as well as the venue for disputes are also important assignments. In fact all these aspects are as relevant as choosing a business partner. In this regard, Portugal is considered a safe shelter due to its solid public and private institutions and reduced level of bureaucracy. In fact, compared to other countries, Portugal has lower costs considering both taxation and other operational expenses. As an example, it is important to highlight the special full exemption from taxation granted to non-habitual residents.

Lisbon is making its path through this crisis. Government changes have not implied deviations from the commitment to EU goals. In fact, Portugal is committed to the European project and is taking significant steps towards adjusting its economy due to its European obligations.

Portugal plays an important international role as it is a country of origin of outbound investment, a receiver of inbound investment and a platform for countries with which Portugal has special ties. Lisbon is an important player in the EU and this position will not be forgotten. The Portuguese language is the official language of several countries such as Brazil, Angola, Mozambique, Cape Verde, Sao Tome, Guinea-Bissau and East Timor. It is spoken by approximately 273 million people. As such, Portugal is in a privileged position to do business with those countries. Portuguese laws and courts are especially appropriate for contracts involving those countries.

**Jorge Ribeiro Mendonça is a lawyer at Caiado Guerreiro & Associados. He can be contacted at [jmendonca@caiadoguerreiro.com](mailto:jmendonca@caiadoguerreiro.com)**