IN-HOUSE

Still more questions than answers over Portugal's crisis reforms

Companies need to be prepared for dramatic regulatory and legislative change while keeping one eye on emerging opportunities

Businesses are still struggling to comprehend the legal reforms that will accompany Portugal's Rescue plan, even if many lawyers view the changes as necessary.

These were among the conclusions of the most recent series of special debates held by *Iberian Lawyer*'s In-House Club to address these new challenges. Over 50 senior lawyers participated in the "off-the-record" meeting, including Company Secretaries, Heads of Legal, and those responsible for Compliance and Audit, within some of the largest Portuguese and international businesses.

L-R: Tiago Cortes, PLMJ; Tiago de Melo, Brisa

Participants heard how, more than a quick fix, deep rooted structural change is being planned that will have a huge impact on business. Major legal changes are now likely within finance and tax, the courts and labour markets, among other areas, that were not already envisaged in the Government's own stability plan. This must all take place within a very strict, some say impossible, timetable.

The event was moderated by Rita Gomes, Head of Legal at Colgate Palmolive in Iberia, alongside Nuno Líbano Monteiro, who leads Dispute Resolution, Restructuring and Insolvency at PLMJ as well as Manuel Santos Vítor, the firm's co-Managing Partner.

Rita Gomes began by inviting the meeting to address the legal implications of Portugal's €78bn financial assistance package and the already difficult domestic economic environment, although participants explained that they currently have more questions regarding the legal detail of the reforms than answers.

Despite the current uncertainty, many suggested that the Government reforms, as agreed in a Memorandum of Understanding with the EU, ECB and IMF would ultimately be positive for the country.

As one participant suggested: "The reform of our employment law is crucial and welcome. It is always difficult to explain, within an international environment, the inflexibility of our regulation and day-to-day problems it causes our businesses." While there was consensus that reform was required, others however suggested that Portuguese labour law is more flexible than other European countries. "I welcome the reforms," said a second participant, "although it is a matter of concern that the proposed revisions will only apply to new contracts and not to existing ones."

While the Memorandum has outlined the direction required, a great deal of work, and more detail, is required. "There is an indication that Government expenditure must be contained, while raising further funds through tax changes," stated one participant. "How will this be done and how are the measures to be implemented?"

The meeting coincided with the announcement by the ratings agency Moodys that it was to downgrade Potugal's sovereign debt, which again deeply worried many. "This will inevitably have a very profound effect on the eligible assets of banks, all of whom will be affected, thereby raising their costs of borrowing and threatening their ability to come to the aid of the economy," said one participant. "Europe has to stop using rating agencies as a benchmark," echoed another.

On the other hand, the downgrading by Moodys can be used to leverage the need for reform and to strengthen the measures taken, said some.

Summarising, Manuel Santos Vítor, was upbeat about the reform process as a whole: "When I speak to law firms in other countries, I always get the message that Portugal is matching other countries' efforts to implement such measures. The involvement of the Troika should be viewed as an opportunity for businesses."