



OPERATING IN TIMES OF REGIONAL DISRUPTION A SHARQ LAW FIRM PERSPECTIVE

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INTRODUCTION



Businesses operating in Qatar function within a highly interconnected regional environment, where political developments, economic shifts, and logistical dependencies extend well beyond national borders. Periods of instability whether arising from armed conflict, sanctions regimes, supply chain disruptions, or broader market volatility can quickly and materially affect commercial operations across multiple sectors.

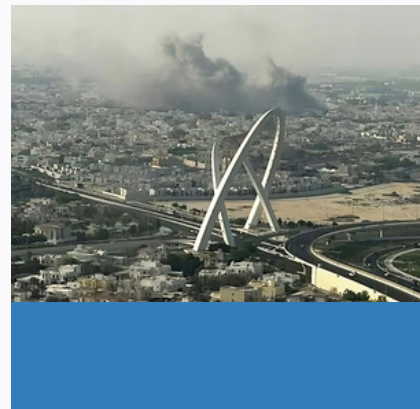
Such disruptions do not merely create operational challenges; they raise complex legal questions. Businesses must consider whether contractual obligations remain enforceable, how risks are allocated between parties, what protections may be available under the law, and how best to maintain continuity while limiting exposure.

This guide provides a structured interpretation of how Qatari law addresses these issues. Drawing on Sharq Law Firm's experience, it offers practical guidance to help businesses navigate uncertainty, preserve legal compliance, and safeguard their commercial interests.



UNDERSTANDING LEGAL DISRUPTION: A PRACTICAL FRAMEWORK

Any assessment of disruption under the laws of Qatar must begin with a fundamental principle: contracts are binding. Article 171(1) of Law No. 22 of 2004 issuing the Civil Code (the “Civil Code”) makes clear that agreements cannot be unilaterally amended or terminated simply because circumstances have changed. Parties remain obligated to perform unless they reach mutual agreement or can rely on a specific legal doctrine recognised by law.



This principle is particularly important in times of regional instability. Commercial pressure, increased costs, or logistical difficulty do not, in themselves, provide a legal basis to suspend performance. The law instead requires a structured analysis of the nature and effect of the disruptive event.

Within this framework, Qatari law recognises two primary exceptions that may become relevant during periods of crisis: exceptional circumstances, often referred to as hardship, and force majeure.

EXCEPTIONAL CIRCUMSTANCES AND CONTRACTUAL ADJUSTMENT

Article 171(2) of the Civil Code introduces a mechanism for judicial intervention where an unforeseen public event fundamentally alters the economic balance of a contract. The threshold is not simply inconvenience or reduced profitability. Rather, performance must remain technically possible while becoming so onerous that it exposes one party to significant and disproportionate loss.

Where this standard is met, the court is empowered to intervene, not to terminate the contract, but to restore equilibrium between the parties. This may involve reducing the affected obligation to a level considered reasonable in light of the circumstances. The underlying contract, however, remains intact. The emphasis is therefore on adjustment rather than release.



This distinction is central in practice. Many disruption scenarios particularly those involving increased transport costs, insurance premiums, or logistical delays fall within this category rather than constituting force majeure.

FORCE MAJEURE AND IMPOSSIBILITY OF PERFORMANCE

A more far-reaching legal consequence arises where performance becomes impossible. Under Articles 188 and 402 of the Civil Code, an obligation is extinguished if it can no longer be performed due to an external cause beyond the control of the obligor.

The standard applied by Qatari courts is strict. It is not sufficient to demonstrate that performance has become difficult, delayed, or commercially unattractive. The impossibility must be objective and complete, leaving no reasonable alternative means of performance.

Where this threshold is satisfied, the legal consequences follow automatically. The affected obligation ceases to exist, reciprocal obligations may fall away, and the contract itself may be rescinded, either entirely or to the extent of the affected performance.

In line with Sharq Law Firm's interpretation, the decisive element in such cases is causation. The party invoking force majeure must establish a direct and unavoidable link between the external event and the inability to perform.

WAR AND REGIONAL INSTABILITY: A QUESTION OF IMPACT



It is a common misconception that war or geopolitical tension automatically qualifies as force majeure. Under Qatari law, this is not the case. The classification depends not on the nature of the event, but on its actual legal and practical effect on the contract.

The same regional event may produce different legal outcomes depending on the circumstances. Where performance is physically or legally prevented such as through border closures or regulatory prohibitions the situation may meet the threshold of impossibility under Articles 188 and 402. Where performance remains feasible but significantly more burdensome, Article 171(2) may instead apply. In many cases, however, disruption will fall short of either threshold, leaving the affected party exposed to ordinary contractual liability.

This distinction is particularly important because an incorrect assumption of force majeure may constitute a breach of contract per se.

LIABILITY AND THE BURDEN OF PROOF



The allocation of liability in such circumstances is governed by Article 256 of the Civil Code.

Generally, a party is responsible for damages resulting from non-performance or delay unless it can demonstrate that the failure was caused by a foreign event beyond its control.

This places a clear evidentiary burden on the party seeking relief. It must show not only that a disruptive event occurred, but that the event directly caused “the failure to perform” and that no reasonable alternatives were available. Courts will not accept general assertions of disruption. Evidence must be specific, contemporaneous, and closely tied to the contractual obligation in question. Increased cost or commercial difficulty, without more, will not be sufficient to exclude liability.



NOTICE AND PROCEDURAL COMPLIANCE

In addition to substantive legal thresholds, procedural compliance plays a decisive role. Articles 260 and 261 of the Civil Code establish that compensation is generally contingent on formal notice being given to the defaulting party, although judicial proceedings may in some cases substitute for such notice.

In practice, contractual notice provisions often impose stricter and more detailed requirements. Failure to comply with these provisions can undermine an otherwise valid claim or defense. Timely communication, clear documentation, and adherence to agreed procedures are therefore essential components of any legal strategy during disruption.

FORCE MAJEURE UNDER THE QATAR FINANCIAL CENTRE



A different but complementary framework applies to contracts governed by the Qatar Financial Centre. Article 94 of the QFC Contract Regulations (Version 2, 2024) adopts a more structured and expressly defined approach to force majeure.

Under this regime, a party affected by a force majeure event is relieved from liability for non-performance or delay to the extent that the event prevents performance. The emphasis is not on termination, but on temporary protection. Obligations are typically suspended for the duration of the event, allowing the parties to resume performance once conditions stabilize. This suspension operates on a reciprocal basis. Where performance is affected, the corresponding obligation to make payment is also deferred, although payment remains due for work already completed. Notably, the QFC framework does not generally provide for additional compensation arising from force majeure. The principle is one of risk allocation rather than financial redistribution.

The regime also imposes clear procedural obligations. The affected party must notify the counterparty promptly, provide sufficient details regarding the event, and take reasonable steps to mitigate its impact. Where disruption continues for an extended period typically beyond six months the unaffected party may elect to terminate the contract.

APPLICATION TO SERVICE AND OPERATIONAL CONTRACTS

In service agreements, the legal analysis often becomes more nuanced. Such contracts frequently include detailed performance metrics, response times, and service level obligations. During periods of instability, the issue is not always whether performance is possible, but whether it meets the agreed standard.

The same statutory framework applies, including Article 256 on liability and Articles 171 and 188 on hardship and force majeure. However, courts will closely examine whether the disruption genuinely prevented performance or simply made compliance more difficult.

This distinction is critical in determining exposure to delay penalties or performance deductions. A service provider must demonstrate more than general operational strain; it must establish that the specific obligation could not be fulfilled due to factors beyond its control.

CONSTRUCTION CONTRACTS AND PROJECT RISK

Construction projects in Qatar are particularly sensitive to regional disruption due to their reliance on international supply chains, labor mobility, and coordinated logistics. The legal framework remains grounded in the Civil Code, but its application is often shaped by complex contractual structures, including EPC and FIDIC-based arrangements.

As with other sectors, the central issue is classification. Where disruption renders performance impossible, Articles 188 and 402 may apply. Where it significantly increases the burden of performance, Article 171(2) may allow for adjustment. In many cases, however, the impact will fall somewhere in between, requiring careful factual and contractual analysis.



Relief in construction disputes often takes the form of extensions of time, suspension of obligations, or, in more extreme cases, termination. However, entitlement to such relief is rarely determined by legal principles alone. It depends heavily on compliance with contractual procedures, including notice requirements, record-keeping, and the demonstration of causation and mitigation.

INSURANCE CONTRACTS: THE REAL RISK SHIFT

Ever since global emergencies began arising, claims of force majeure or exceptional circumstances have flooded the legal landscape. Consequently, insurance increasingly becomes the decisive mechanism for allocating financial loss. While allocating risks and liability contractually through force majeure clauses may resolve conflicts in theory, industry practice demonstrates that actual recovery ultimately hinges on the scope and enforceability of insurance coverage.

In addition to the *pacta sunt servanda* principle under Article 171, insurance contracts are governed by strict principles of contractual stability and good faith. Articles 772 and 773 of the Qatari Civil Code define insurance as a binding contractual obligation whereby the insurer assumes specified risks in consideration for premium payment, making the contractually agreed coverage the primary reference for liability. In line with general contractual principles under Articles 171 and 172, contracts must be performed in accordance with their contents and in good faith, preventing insurers from unilaterally modifying policy terms or introducing new exclusions after the risk has materialized – although, in practice, this is not always observed.

Qatari law further requires that any limitations or exclusions of coverage be clear, mutually agreed, and documented in writing. To protect the weaker party in standard-form contracts, laws and courts have established that ambiguous provisions, particularly concerning liability or exclusions, are generally interpreted against the insurer.



Conversely, insured parties remain subject to statutory and contractual duties. Pursuant to Articles 781 and 782, the insured must disclose material information, comply with policy conditions, notify the insurer of insured events, and take reasonable steps to mitigate loss. Failure to meet these obligations may justify reduction or denial of claims, particularly where claims exceed the scope of insured risk (i.e., over-claiming).

WORKFORCE MOBILITY AND EMPLOYMENT LAW CONSIDERATIONS

Periods of regional instability often have an immediate impact on workforce availability. Employees may leave the country unexpectedly due to safety concerns, encounter travel restrictions, or become unable to return to work due to logistical disruption. While these situations present genuine operational challenges, the legal position under the labor laws of Qatar remains structured and fact-specific.

The starting point is that employment obligations, including notice requirements, continue to apply unless there is a legally recognized justification for non-compliance. The mere existence of war or regional instability does not automatically release employees from their contractual or statutory duties.



The applicable legal framework is set out in Law No.14 of 2004 issuing the Labor Law (the “Labor Law”), particularly Articles 39, 49, and 61.

Article 39 of the Labor Law governs termination during the probationary period. It permits termination by either party, subject to notice requirements that vary depending on whether the employee is transferring employment within Qatar or leaving the country. Where an employee departs without complying with these requirements, the employer may be entitled to compensation equivalent to the notice period, and immigration consequences may also arise.

Once the probationary period has been completed, Article 49 of the Labor Law applies. This provision allows either party to terminate the employment relationship without cause, provided that written notice is given. The required notice period is typically one month for employees with less than two years of service and two months thereafter. Failure to comply with these requirements may give rise to compensation claims.

A separate but related issue arises under Article 61, which addresses unlawful absence. This provision allows an employer to terminate employment without notice and without end-of-service benefits where an employee is absent for more than seven consecutive days or fifteen intermittent days in a year without a legitimate reason.

WORKFORCE MOBILITY AND EMPLOYMENT LAW CONSIDERATIONS

In the context of regional disruption, the concept of a “legitimate reason” becomes particularly important. Courts will assess whether the employee’s absence was genuinely beyond their control. Factors such as flight cancellations, border closures, or credible safety risks may support justification. However, the analysis is highly fact-dependent. Where communication remained possible and the employee failed to notify the employer or attempt to regularize their position, legal protection may be limited.

The distinction between inability and inconvenience is again central. As with contractual performance, the legal test is not whether circumstances were difficult, but whether compliance was objectively prevented.

For employers, this requires a measured and structured response. Immediate classification of absence as misconduct may not always be appropriate. Instead, a sequential assessment should be undertaken, considering notice compliance, the reason for absence, and the availability of supporting evidence. Proper documentation and adherence to procedural requirements are essential to maintaining a defensible legal position.



HOW SHARQ LAW FIRM SUPPORTS CLIENTS DURING DISRUPTION

Periods of regional instability demand more than reactive decision-making. They require a coordinated legal strategy grounded in a clear understanding of contractual rights, statutory obligations, and evidentiary requirements. Sharq Law Firm supports clients through this process by providing structured, commercially focused legal guidance tailored to rapidly evolving circumstances.

A central aspect of this support involves detailed contractual analysis. This includes reviewing force majeure clauses, hardship provisions, and risk allocation mechanisms to determine whether relief may be available under Articles 171, 188, or 256 of the Civil Code, or under applicable regulatory frameworks such as the Qatar Financial Centre. The objective is not only to assess legal position, but to identify practical options for preserving commercial relationships while protecting legal rights.



Sharq also advises on the strategic invocation of force majeure and hardship. This involves evaluating whether the legal thresholds are met, assessing causation, and ensuring that any reliance on such doctrines is properly substantiated. Particular emphasis is placed on avoiding premature or unsupported claims, which may expose clients to allegations of breach.

In sectors such as construction and infrastructure, the firm provides support in relation to extensions of time, delay claims, and variation disputes. This includes aligning contractual entitlements with project documentation, ensuring compliance with notice provisions, and preparing claims that meet both contractual and legal standards.



From an employment perspective, Sharq advises on workforce mobility, termination rights, and absence management under the Labor Law. This includes helping employers navigate sensitive situations involving employee departures, ensuring that responses are both legally compliant and commercially appropriate.

Beyond advisory work, Sharq plays a critical role in dispute avoidance and resolution. The firm assists in drafting legally robust notices, managing communications with counterparties, and structuring negotiations aimed at achieving practical outcomes. Where disputes cannot be avoided, Sharq represents clients in arbitration and litigation, with a focus on presenting clear, evidence-based arguments aligned with Qatari law.

Underlying all of these services is a consistent approach: combining technical legal analysis with practical commercial insight. In times of disruption, this combination is essential. Legal rights must not only be understood, but preserved, evidenced, and exercised in a way that supports long-term business continuity.

CONTACT US

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If your business is affected by ongoing regional disruptions, or if you are considering invoking force majeure or adjusting contractual obligations, it is advisable to seek legal advice before taking any action.

For further assistance or to discuss your specific circumstances in confidence, please contact Sharq Law Firm at BD@Sharqlawfirm.com or info@sharqlawfirm.com



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