‘His image was already quite tarnished’

Fabian Schmiedel in Lisbon on the resignation of Prime Minister Costa, snap elections next year and a possible shift to the right in Portugal

Following the revelation of a corruption investigation, Portugal’s Prime Minister António Costa has unexpectedly resigned. But what is known about the background?

First of all, the public prosecutor’s office is not investigating Costa himself, but eight people, two of whom are in his immediate circle, namely his Chief of Staff Vitor Escária and his best man and long-time political companion Diogo Lacerda Machado. Both are currently in custody because they are at risk of absconding. They are accused of using their direct proximity to Costa to influence the prime minister in connection with the awarding of mining rights for lithium in northern Portugal and the construction of southern Europe’s largest data centre in the south-western city of Sines.

For months, Escária and Machado’s telephone conversations with other people were intercepted, including the chairmen of the IT company Start Campus. The company bosses and the mayor of Sines were also arrested as a result. In the case of the development of the lithium region, the public prosecutor’s office is questioning the award procedure for the mining rights from 2019. Here, too, it is being investigated whether the then Secretary of State for Energy João Galamba attempted to influence the prime minister via Escária in exchange for company services. In order to find out whether Costa was bribed or what role he played in these two cases, the police searched his office and official residence. This quickly gave the public the impression that Costa was corrupt. However, the public prosecutor’s office has not pressed charges against him and has so far refrained from directly accusing Costa.

But if Costa is not at the centre of the investigation, why did he resign?

That is a legitimate question. Costa himself said in his resignation statement that he had a clear conscience, was surprised by the investigations and was innocent. In my view, it is plausible that he was surprised by the searches. Employees throughout the *Partido Socialista* (PS) party headquarters were in a state of shock last Tuesday. Costa added in his resignation statement that the Portuguese deserved to have someone they could trust at the head of government. As long as it was not clear to the public whether and how he was involved in the corruption scandal, he could not fulfil the office of head of government. Hence his resignation. He has confidence in the rule of law and wants to co-operate with the judiciary.

However, the whole truth is that his *Partido Socialista* has had a number of compliance scandals over the past year, each of which Costa has missed by mere hair's breadth. His image was already quite tarnished. He certainly wanted to resign with dignity and thus avoid being sacked by President Marcelo Rebelo de Sousa, who, figuratively speaking, had been standing behind him with his index finger raised for months.

On Wednesday, President Rebelo de Sousa announced new elections for 10 March 2024. What's next for Portugal?

First of all, the national budget must be passed by 29 November. Rebelo de Sousa has emphasised this. Only on the following day will Costa's resignation and the dissolution of parliament come into force. A few announced measures will therefore still be initiated in the coming weeks. The increase in the minimum wage to €840 in January 2024 will almost certainly go through, as will the increase in civil servants' salaries from 2024, as well as state subsidies for tenants who have come under financial pressure. This law, which was supposed to be part of a major rental reform, was even signed by the president on Wednesday. However, it is precisely this major rental market reform and all other plans that would have taken a few more weeks to finalise that have now been left unfinished. These include the adjustments to income tax, which would have benefited middle-income earners in particular, or the further utilisation of money from the European rescue fund. The privatisation of the airline TAP, in which Lufthansa almost won the race recently, will also not be moving forward for the time being.

Within Europe's Social Democratic movement, the *Partido Socialista* is regarded as a flagship party. It has governed the southern European country for eight years with Costa at the helm. What impact will his resignation have on the party?

The *Partido Socialista* is now facing hard times. Until now, the PS has, with few exceptions, stood by Costa and presented a united front to the outside world. But now a trench war will certainly break out over Costa's successor as general secretary. Between the moderate wing led by Finance Minister Fernando Medina and Interior Minister José Luís Carneiro on the one side and the left wing led by former Infrastructure Minister Pedro Nuno Santos on the other. If there were to be a member vote, as was the case when Costa was elected secretary general in 2015, Santos would have a clear lead. He is vehemently in favour of forming a new government with the Left Bloc and the Communist Party. This could be difficult for Europe, as neither the Left Bloc nor the Communists supported the Russia sanctions. On the other hand, in a coalition with the conservatives, which the interior and finance ministers favour, the PS would not be able to continue the urgent expansion of the welfare state at the same pace as it has done over the past eight years. In both cases, the Socialists would therefore have to make unpleasant compromises.

However, I wouldn't write off the PS just yet. I could even imagine it being in government again because it was still leading in the polls until recently and is capable of forming a coalition with many parties. However, it is also clear that the crisis means a huge loss of confidence for the party, and it is probably only a matter of time before it is no longer the strongest party. Whether the liberal-conservative PSD would then form a right-wing majority together with the Liberal Initiative and the right-wing nationalist *Chega* party is admittedly likely but not yet a done deal. The PS has already surprised with good election results several times in the last few years, most recently with its absolute majority in January 2022.

The aforementioned right-wing populist party *Chega* has made significant gains since the last parliamentary elections in 2022. Is Portugal facing a shift to the right in the new elections?

In the last elections, it was a major shock when not just one but 12 *Chega* MPs were suddenly elected to parliament. *Chega* will clearly make gains this time, too, and will benefit from the loss of trust in 'those at the top'. However, the crucial question is actually for the conservatives of the PSD: will they tolerate the right-wing populists or even form a coalition with them? In the regional government in the Azores, they are already being tolerated by *Chega*, while in Madeira, the conservatives rejected the right-wing populists' coalition offer just a few weeks ago and are now forming a coalition with the animal rights party PAN. If the PSD does not clearly distance itself from *Chega*, the moderate voters in the centre will probably vote for the PS again, as they did in 2022. Incidentally, this was one of the reasons

that gave the PS an absolute majority back then.

Portugal is considered a great supporter of Ukraine in Europe. Is the aid possibly up for discussion under a new government?

I think it's possible that support for Ukraine could waver. The two mainstream parties PSD and PS are standing by Ukraine. But their potential coalition partners on the fringes, i.e. the Communist Party on the left and *Chega* on the right, are not distancing themselves from Russia. So, let's hope that the centre in Portugal remains strong in the future and does not allow itself to be put under pressure by the fringes.

This interview was conducted by Nikolaos Gavalakis.



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