Former Portuguese Prime Minister Sócrates held on corruption charges

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In what are extraordinary circumstances, former Portuguese Socialist Party (PS) Prime Minister José Sócrates was arrested in front of hordes of reporters and photographers after he landed at Lisbon airport on Friday.

Sócrates was detained in jail for several days, along with long-time businessman friend, Carlos Santos Silva, lawyer Gonçalo Ferreira, and Sócrates' driver João Perna, accused of "suspected crimes of tax fraud, money laundering and corruption." Under the Portuguese legal system, formal charges only come at the end of an investigation which can last months. As a result, the attorney-general's office would only say that banking transactions had taken place "without known justification or legal admissibility."

This vagueness has led to all sorts of speculation by the press. Reports range from a small sum related to the purchase of a €3 million house in Paris in which the former prime minister resided after resigning in 2011, to accusations of up to €25 million being stashed away in a secret Swiss bank account. Various activities while Sócrates served in government are also being questioned again, including his decision to allow the construction of a shopping mall on protected land.

The main weekly newspaper, *Expresso*, opined, "This is a political earthquake for the Socialist Party and one of the biggest challenges in the party's history."

Current PS leader António Costa declared, "We are all shocked by news of the detention of José Sócrates," then insisted, "We mustn't let personal feelings of solidarity and friendship impede the [party's] political action."

Mário Soares, twice PS Prime Minister and former Portuguese President, condemned the "abnormal apparatus" used to arrest Sócrates and the way the press had been told of the impending arrest—resulting in trial by media and "violating the secrecy of justice." He said treatment of Sócrates was "an event that left all democrats immensely worried" and "cannot pass in vain."

Sócrates may indeed be guilty of corruption, but the timing of his arrest and the manner in which it was conducted suggest political motivations of a right wing, anti-working class character involving possible collusion between the government and the police.

After years of austerity measures, support for the Social Democratic Party (PSD)—Peoples Party (CSD-PP) coalition government has slumped from around 50 percent in 2011 to 34 percent. In contrast, until the latest events at least, the PS has risen from 28 percent to 39 percent and is expected to win next year's elections.

Sócrates's arrest took place the day before António Costa was formally appointed PS leader and ahead of next week's PS Congress.

The action taken against Sócrates recalls events leading to his downfall in April 2011, when after weeks of denials, he announced that Portugal, facing bankruptcy, would be requesting financial assistance from the so-called "troika"—the International Monetary Fund (IMF), European Commission and European Central Bank. After seeking to avoid intervention by imposing austerity measures, he was forced to change course, because Portuguese banks were put under pressure from the troika to refuse to lend any more money to the state.

The imposition of a €78 billion bailout, added to the collapse in support for the PS as a result of its own austerity measures, led to the election of the present rightist government.

Since 2011, further troika-dictated austerity measures, including a record €3.9 billion cut in the 2014 budget, have been dutifully implemented by the PSD-led coalition that have worsened the economic crisis and slashed the living standards of the Portuguese working class and youth. There have been deep cuts in public sector jobs and wages, lower pensions, unemployment benefits and redundancy payments, higher income taxes and value-added tax and increased health charges. The working week has been extended, without any increase in pay, and holiday entitlement slashed. Official unemployment remains around 15 percent, and 35 percent for young people.

The arrest of Sócrates also serves to deflect attention away from the government's own ongoing corruption scandals.

Last week, the Minister of Internal Affairs Miguel Macedo resigned faced with corruption charges. Macedo and 11 other people, including the head of the immigration service and president of the Institute of Registries and Notaries, are accused of corruption, money-laundering, influence-peddling and embezzlement in connection with the issuing of visas.

Again last week, the Portuguese Congress began hearings into the collapse of the Espírito Santo business empire, one of the biggest European financial failures of recent years. The founder and president of Banco Espírito Santo (BES), Ricardo Espírito Santo Silva Salgado, known in Portugal as "Dono disto tudo" or "Owner of everything," was treated with kid gloves compared to Sócrates. He was released on €3 million bail, a pittance for Portugal's once third richest man, and now lives quietly in a mansion outside Lisbon.

In August, almost €5 billion had to be injected into BES to stave off collapse, leaving investors with losses estimated at €10 billion. The bank was split into a Novo Banco, which kept its healthy operations, and a "bad bank" to keep its toxic assets, mostly related to "financial irregularities" linked to the Espírito Santo family.

The BES collapse made a mockery of the government's May 5 announcement that Portugal had made a "clean exit" from the bailout agreed with the troika. The financial regulators are being asked why they failed to detect what Bank of Portugal Governor Carlos Costa now declares was a type of Ponzi scheme "in clear violation of Bank of Portugal rules." BES passed the European Union banking stress tests and was the only major Portuguese bank not needing support from the bailout programme.

Spanish economist Marco Antonio Moreno explained, "Banco Espírito Santo's problems are longstanding, and the financial gymnastics between holding companies is well known to investors. They wager that the European Central Bank will always step in and inject money, after which they start a run, leaving the bank in an even worse position. This is just the tip of the iceberg, and there are more banks in [Europe in] a precarious situation: a financial tsunami could be unleashed..."

Recently, the IMF accused the government of "backsliding" on agreed reforms. Next year's budget deficit is likely to be far higher than predicted, at 3.4 percent of gross domestic product, and is "not in line with the commitments in the present medium-term fiscal framework." Huge corporate debt could make the situation even worse, the IMF adds.