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## **Congress Gives Venezuelan President Hugo Chavez Special Powers**

by LADB Staff

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Venezuelan President Hugo Chavez signed into law on April 26 legislation allowing him to bypass Congress on a wide range of economic reforms. In a referendum the day before, voters overwhelmingly supported his proposal to write a new Constitution. Congress had approved the increased-powers legislation March 27, but Chavez vetoed it, saying it didn't go far enough (see NotiSur, 1999-04-16). Chavez said he needs the special powers to cut the fiscal deficit and fight a recession caused by low prices for oil, Venezuela's main export product.

The revised Ley Habilitante, approved April 22, permits the president to increase taxes, refinance the country's US\$22 billion foreign debt, secure new foreign loans, and begin trimming the country's bloated bureaucracy. It preserves congressional oversight of laws governing the petroleum sector, however. "In general terms, the president got most of what he asked for," said Henrique Capriles, president of Venezuela's lower house. "Now my hope is that he will assume his responsibilities."

### *President quickly puts new powers to use*

Chavez said the law will "get a hold on the fiscal deficit and stimulate economic and social development in the new Venezuela." He said it "is the first step of the economic-social transition plan" that he announced in March, which aims, within two years, to reduce inflation to 10%, lower the level of unemployment, and reactivate the economy. Chavez put little importance on the lack of authorization in the oil sector and said he will concentrate on economic, social, and administrative measures.

Chavez immediately used his new powers. On April 28, he promulgated a one-year 0.5% financial-transactions tax (Impuesto al Debito Bancario, IDB). He will also substitute a 15.5% added-value tax (Impuesto Al Valor Agregado, IVA) for the 16.5% luxury tax (Impuesto Al Consumo Suntuario), and he will modify the income tax (Impuesto Sobre la Renta, ISRL) so that business will pay its portion monthly instead of yearly. Chavez is authorized to reform the social security law (Ley Organica de Seguridad Social Integral) and the Ley de Administracion Central, which will allow him to fuse or eliminate various institutes and reduce the number of ministries from 23 to 14. But Chavez says this will not mean massive layoffs because the "objective is to redirect resources to make them more efficient."

With his "superpowers," Chavez hopes to reduce the fiscal deficit, which is now between 8% and 9% of GDP, by two percentage points. Analysts say this is the first link in the chain of measures needed to address the economic crisis. Chavez has also increased salaries of public employees by 20%, which will be financed through the banking-transaction tax. He has asked businesses to follow suit.

## *Opposition focuses on abstention in referendum*

During his campaign, Chavez said Venezuela considered among the most corrupt countries in the world needed a new Constitution to create "true democracy" and break up political elites blamed for wasting the largest oil reserves outside the Middle East and leaving most of the population impoverished. In comments that alarm the opposition, the popular Chavez vowed to use the Constituent Assembly to shut down Congress and the Supreme Court, expand the role of the military, and abolish the prohibition on consecutive re-election. In the nationwide referendum, nearly 90% of voters supported convoking a Constituent Assembly.

The question on whether a Constituent Assembly should be held received a 92%- "yes" votes. In the second question, referring to the election of the 131 members of the Assembly and the limits of their functions, "yes" took 87% of the votes. But the opposition said that the 61% abstention delegitimized the election. "This referendum has no legitimacy, it has legality but not legitimacy," said Carlos Canache, president of the Accion Democratica (AD).

Other opposition leaders concurred, calling this the first major political defeat for Chavez. High abstention had been predicted for several weeks, given the absence of a budget to carry out an effective publicity campaign and a general lack of understanding regarding the implications of the referendum questions. Chavez lays foundation for peaceful "revolution" Some critics say flaws in the Constitution could have been corrected, while others fear the Assembly will mire the country in a heated political fight when the government should be focusing on the economic and social problems.

But Venezuela's poor majority give enthusiastic support to Chavez's proposal. They have little to lose by betting on his promises to shake things up. "It's our only hope," said street cleaner Jose Tezara. "We've had 40 years of democracy and it's been a total waste." "Institutions in Venezuela have broken into pieces and it is necessary to rebuild them," Chavez said late last month. "Until we rebuild the political system that has lost legitimacy and ethical content, whose powers are worm-eaten and decadent, it will not be possible to carry out an integrated national project of social, economic, political, and cultural development."

Chavez dismisses charges that he is setting up authoritarian rule. He says political elites wrote the 1961 Constitution to guarantee traditional parties a monopoly on power. A new Constitution will help end their grip on power, slash one of the most bloated bureaucracies in Latin America, curb corruption, and overhaul the nonfunctioning judiciary.

Chavez says most complaints are from corrupt politicians afraid of losing their privileges or going to jail. It is unclear how long Venezuelans will keep supporting Chavez as he raises taxes and trims the bureaucracy, which will further hurt the poor. "What people care about is the cost of living, unemployment, crime, insecurity, housing and, to a much lesser extent, politics," said political analyst Alfredo Keller.

### *More elections on the horizon*

The next step will be the election of 131 delegates to the Constituent Assembly, probably at the end of June. The Assembly is expected to begin deliberations July 5, Venezuelan Independence Day, and complete its work by the end of the year. The new Constitution will be ratified in another referendum and go into effect early in 2000. Chavez has made it clear he wants the new Constitution to allow presidential re-election to consecutive terms, rather than a mandatory 10-year interval between terms under the 1961 Constitution. Chavez also hopes the Assembly will approve a recall process for public officeholders and allow the military to vote, which it cannot now do. Within days of the referendum, deputies began resigning from Congress to be eligible to run for the 131 delegate spots to the Constituent Assembly.

The battle to control the Assembly promises to be fierce. The objective of Chavez's Polo Patriotic is that the Constituent Assembly allow new leaders to emerge rather than be a copy of the present Congress. "We have to guarantee that all candidates for seats on the Assembly, especially those who don't have the backing of party machinery, have an equal opportunity to win," said Miriam Kornblith of the Consejo Nacional Electoral (CNE). She said a CNE challenge is to guarantee that all Venezuelans are informed about the next electoral process and about the candidates they will elect and thus avoid apathy among the population. [Sources: The Miami Herald, 04/21/99; El Nuevo Herald (Miami), 04/23/99; The New York Times, 04/25/99; Associated Press, 04/21/99, 04/23/99, 04/26/99; Inter Press Service, Reuters, 04/26/99; Notimex, 04/23/99, 04/26/99, 04/27/99; CNN, 04/26/99, 04/27/99; Spanish news service EFE, 04/22/99, 04/26-28/99; The Miami Herald, 04/29/99]

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