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VENEZUELA'S HIGH-STAKES LEGISLATIVE ELECTIONS:
THE DECEMBER 6 VOTE AND WHAT COMES NEXT

Washington, D.C.
Monday, November 9, 2015

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P R O C E E D I N G S

MR. WALSH: Good morning. My name is John Walsh and I'm a senior associate at WOLA, the Washington Office on Latin America. On WOLA's behalf, it's my pleasure to welcome you all to today's event and to thank our co-sponsor and host, Harold Trinkunas of Brookings' Latin America Initiative. It's a real pleasure working with Harold and his team at Brookings.

We're in Harold's house and he'll be running the show from here, beginning by introducing our stellar panelists. But before I hand it over, I'd like to try briefly to justify the title we gave to today's event, "Venezuela's High-Stakes Legislative Elections," with an accent on the "high-stakes."

So whenever a country's entire legislative body is up for election, it can certainly be considered high stakes, especially if the legislature is unicameral, as in Venezuela, and especially if those elected to serve are for relatively long terms, five years in the case of Venezuela.

But when Venezuelans go to the polls on December 6th, less than a month from today, the stakes will be especially high. For the first time since Hugo Chavez was elected president in 1998, the political movement that Chavez began is facing the strong possibility, if not the likelihood, of losing control of one of the country's key political institutions through elections.

Simply put, Chavismo has never been in a weaker position ahead of a national election. Opposition candidates appear poised to win the most votes on December 6th and could become the new majority in the National Assembly.

A quick look at the elections in 2000, 2005, and 2015 -- 2010 will help put the current confluence in perspective. So in the July 2000 vote, Chavez also stood for election. He won the presidency with nearly 60 percent of the vote. His Movimiento Quinta Republica took 44 percent and 55 percent of the Assembly seats.

At the time, surveys by pollster Datanalisis showed that only 15 percent of Venezuelans approved of the opposition while 40 percent approved of Chavismo. By December 2005, the next National Assembly elections, Venezuela's economy was growing at a 10 percent clip and 60 percent of Venezuelans viewed the country's situation positively.

Approval for the opposition had risen to 28 percent, but approval for Chavez 62 percent, and Quinta Republica 55 percent was even higher. With their notorious last-minute decision to boycott the vote, the opposition leaders essentially handed the National Assembly to Chavismo. Quinta Republica won 60 percent of the vote, and with allied parties virtually every seat in the legislature.

So by the time of the September 2010 elections, the opposition was gaining ground with 45 percent approval compared to 38 percent for Chavismo, now the PSUV. GDP was contracting slightly and only 35 percent of Venezuelans held a positive view of the country. The PSUV ended with 48 percent of the vote, but still won 58 percent of Assembly seats.

The outlook for Chavismo is far different today. Of course, Chavez himself is gone, having succumbed to cancer in March 2013. In 2014, the economy shrunk by 4 percent, and approval for President Maduro, Chavez's handpicked successor, has now sunk below 22 percent. Only 10 percent of Venezuelans have a positive view of the country's situation.

The latest President Maduro, by a nearly 2-to-1 margin with independents far more inclined to the opposition than to Chavismo.

Now, of course, the only polls that really count are the ones on election day, and even in the midst of current woes, Chavismo's foreign mobilization capacities can't be discounted. Moreover, there are numerous precedents, including in Venezuela, for a political coalition winning the majority of the popular vote, but not the majority of Assembly seats. So while the opposition's chances appear better now than ever, the actual voting may be closer than some may be anticipating, and even a solid majority may not translate into a majority of Assembly seats.

The stakes are also high because of a background of widespread mutual partisan distrust and Venezuelans' sinking confidence in the nation's electoral arbiter, the Consejo Nacional Electoral.

Datanalisis estimates that less than a third of Venezuelans believe the opposition would recognize a Chavismo win and barely a fifth of Venezuelans believe the government would recognize an opposition triumph. Only 28 percent express confidence in the CNE. So especially in the event of a close vote, this combination of mutual distrust and low confidence in the CNE could make for a very tense environment.

So I just wanted to make the case why I think this is high stakes and now we're going to hear from our panelists. So thank you for joining us and I hand it over to Harold.

MR. TRINKUNAS: Thank you very much, John. And I'd also like to say it's been wonderful to collaborate with John and with WOLA to organize this event and to bring together such a distinguished panel. Thank you, John. Thank you, WOLA, for working with us on putting this together.

We really do have a spectacular panel of folks I've known and whose works I've read and who I've worked with in many cases at various times during my career, and I know we'll have an excellent discussion on Venezuela today. I'm just going to briefly introduce them in the order in which they will be speaking. You have their bios in front of you and you can see exactly what a knowledgeable panel we've brought together here to discuss Venezuela's December 6th legislative elections.

So starting with Jennifer McCoy, who is the founding director of the Global Studies Institute at Georgia State University and a distinguished university professor of political science. I've known Jennifer since she was director of the Latin America Program at the Carter Center in 1998, and we've been following her work ever since. And she probably, I think, has been involved in electoral observation of almost every Venezuelan election since 1998. There's a few, I'm sure, that she's not been at for one reason or another, but maybe she'll talk about that in her comments, but really, somebody extremely knowledgeable on the Venezuelan electoral system.

She'll be followed by David Smilde, who is a senior fellow at WOLA, specializing on Venezuela. He's also the Charles A. and Leo M. Favrot Professor of Human Relations at Tulane University, somebody who's worked on and thought about Venezuelan politics for the past 20 years, and currently working on a book on Venezuela under Chavismo.

He'll be followed by Javier Corrales, who is a Dwight W. Morrow 1895 Professor of Political Science at Amherst College. He's also co-author with Michael Penfold of *Dragon in the Tropics: Venezuela and the Legacy of Hugo Chavez*, a Brookings Institution Press book. Really essential required reading for anybody interested in Venezuelan politics, and the only plug I'll make today, it's available in the Brookings bookstore on the way out.

And finally, we'll hear from Francisco Monaldi, who is a fellow in Latin American Energy at the Baker Institute at Rice University, and also simply one of the most knowledgeable people on the

political economy of Venezuela's energy sector. In fact, an expert on energy at the global level as well, and somebody who also has followed Venezuelan politics very closely over the past two decades.

So without further ado, I'm going to turn it over to Jennifer. Each of our panelists will speak for about 10 minutes, and then I'll start off the Q&A session at the end with a couple of questions and then go open to your questions from the audience so we can have a conversation.

Jennifer.

MS. McCOY: Well, thank you, Harold and John, for organizing this session. This has been quite the season for elections in the Western Hemisphere, from Canada all the way down to Argentina, with surprises in many places. So having this panel focusing on legislative elections may seem somewhat an anomaly, but as John explained, these are quite important elections coming up and a quite important period of time for Venezuela.

So I'd like to address three questions. One is to go a little more in depth on the question of the title of the panel. What is at stake in these elections on December 6th?

Second, will it really matter who wins in the National Assembly? And third, is electoral integrity possible?

So on the first question, what's at stake in the December 6th legislative elections in Venezuela, I think what's really at stake is the chance for national revival. The country has many serious problems. It's been divided and polarized for a decade and a half, and there is a chance that with these elections and with good participation of the various political forces in the country, the legislature could become a truly representative institution for debate, dialogue, and decision-making.

It has not been functioning that way, but it has the chance to do so, which is vitally important for any democracy and more so for Venezuela today. A strong showing by the opposition could present the opportunity for talks and negotiations, particularly on crucial economic reforms that really are important for the survival and the advancement of the country, and could lead to a more inclusive even national project or national vision after these 15 years of polarization.

I think also what's at stake in the elections is the very legitimacy of the government, the electoral institutions, and the opposition. The government and the opposition political forces, political coalitions, are fighting here to show their political strength as happens in any election. But in this case,

the way that they address the elections, the way they address the results of the elections will really test the legitimacy of all the political forces as well as the electoral institution in the country.

Now, will it really matter who wins? Yes and possibly no. These are high stakes. They are high stakes in terms of demonstrating the strength of each side. Obviously, it's a measurement of force.

If the results follow the polls that John Walsh just talked about, and that's translated into seats in the National Assembly, which I'll talk about in a minute, is a difficult -- is not a straight translation from national polling numbers or national votes into number of seats or percentage of seats in the Assembly, but if they follow the polls that could actually -- has the possibility of starting a bandwagon effect that could lead to people beginning to lose faith in the revolutionary project and shifting towards some new project. That, of course, is what the opposition is hoping for and the government is fighting to prevent. The government would like to preserve and feels it's very important to preserve the revolutionary project, the gains from the revolution, and continue in that vein. The opposition, of course, wants to change that.

So the results of this election may have an effect on the national mood, on the national confidence in the possibility of change or the possibility of maintaining the current course. So that is why this is a very high-stakes election.

On the other hand, it's low stakes from another point of view. The legislature is simply one institution in a country in which one party dominates and controls all of the other institutions from the judicial system, the Supreme Court, and within the Supreme Court the very important constitutional chamber of the Supreme Court, the entire executive, not all of the governors and mayors, but many of the governors and mayors or alternative institutions that parallel some of the governors and mayors.

Now, in a great change from a decade ago, the state dominates or influences a large part of the media, the financial system, and much of the economy in terms of nationalized industries.

So the legislature is just one institution. And there are ways in which the legislature can be bypassed or sidelined according to Venezuelan law. The legislature can, with 60 percent of the votes pass, a *Ley Habilitante* which delegates power to the president in certain areas to actually legislate by decree. This has been a longstanding practice in Venezuela going way back before Hugo Chavez came

to power, but it has been used in the last 15 years and there has been one that is just recently expiring and that the legislature often does give the president decree power. So a lame-duck legislature, should the opposition win a majority, the lame-duck legislature before turning over power could pass a new *Ley Habilitante* going into the future years.

Additionally, there are laws on the books that have not yet implemented in a *Ley Comunas* to create alternative structures in a communal system which now exist at the neighborhood level, but actually creates the structure for the implementation of alternative institutions that could parallel the existing elected representative systems from the town level all the way up through the national legislature.

And finally, the constitutional court has the duty to review laws for constitutionality and can affect and cause the repeal of laws passed by future assembly by interpreting, determining through their review that laws may be unconstitutional.

So those are ways in which the expectation that any change in the control of the National Assembly will bring a major change in policy in Venezuela should be taken very cautiously and should recognize that the role of the National Assembly may be curtailed and is not necessarily going to have all of the power that one might expect.

Now, the third question, is electoral integrity possible? Well, as John Walsh mentioned, the approval ratings or the confidence in the National Electoral Council are down now after they had been up as having one of the highest confidence ratings for public institutions in Venezuela in recent years, up as high as 66 percent in recent elections. They are now down and, perhaps, below 30 percent. Distrust is all around. So this is a major challenge, and it's been a challenge for many years in Venezuela.

And one of the issues in terms of getting information or determining the electoral integrity from abroad, one of the challenges is that Venezuela since 2007 has not had or invited or permitted international election observation missions in any systematic way, and so we don't have that those kinds of reports to rely on. However, there are domestic observation groups that are important and experienced and they will be participating and they will issue reports. There are the possibility of academic groups, other international NGOs, et cetera, forming study missions such as the Carter Center did in 2012 and 2013 when it published very extensive reports on those elections. There are the

possibility that other organizations could do that this time. So there will be some information, but it will not come from international observation groups as often happens in other countries.

The voting machines themselves are auditable, have been audited in every election, including by all opposition parties, and have not been found to be problematic. The vote count, therefore, has a very high possibility of being honest in terms of counting the actual votes cast.

Where the problems lie and what might affect the outcome of these elections are in other areas. One are the circuits. The way the districts, the electoral districts, are run, and this is translating national vote that cannot be translated into the actual outcome because 30 percent of the seats in the national legislature come from proportional representation lists from the states in which one to three representatives will be elected per state. The rest are in single-member districts, the majority person wins. And so the formula favors whoever is the majority party. Up to date, that has been the PSUV, the government's party. Today, the question is will that change?

Very quickly, there are some other concerns that have to do with the possibility of affecting the voting: the state of emergency in the western states; the candidates that have been disqualified by administrative fiat from even running; the extreme what they call in Venezuela *ventajismo*, which is an extremely unlevel playing field with regard to access to the media and finance; the potential of intimidation that we had seen in other cases, the potential of intimidation of party witnesses, observers, and voters in some areas where it may be difficult to get access; and finally, the government capacity to spend money in a legal way to enjoin its support before the election.

So those are some of the things to look for, and it's -- we'll be talking about possible scenarios, I think, during the discussion.

Thank you very much.

MR. TRINKUNAS: Thank you, Jennifer. I'll turn it over to David now.

MR. SMILDE: Okay, thanks. I would like to start by thanking John and Harold for organizing this joint WOLA-Brookings event, and for all of you for turning out. This is a great turnout.

I'm going to start by looking at some poll numbers from Datanalisis, Venezuela's most reliable pollster, and then sort of giving an interpretation of them. These numbers are from the end of

September. In Venezuela there are no daily tracking polls like we have here in the U.S. These tend to be monthly and they tend to be a couple of weeks behind.

The numbers are absolutely brutal for the government. I think there's no other way to put it. Datanalysis' estimate based on likely voters is that if the elections were tomorrow, 63 percent of the respondents would vote for the opposition, 32 percent would vote for pro government candidates, and 5 for independents. In other words, the opposition would win the election by 30 points, almost duplicating the pro government vote.

And digging further into the poll, it's not hard to see why. Maduro's job approval is 21.5 percent and job disapproval is at 76 percent. And it's important to remember that in recent elections during the Chavez period, presidential job approval has been the closest indicator of electoral results even in regional elections.

Indeed, a majority of all sectors, all socioeconomic sectors, you know, even poor sectors, disapprove of Maduro's job performance. Ninety percent of the population have a negative view of the current situation, 19 percent of government supporters also disapprove of Maduro's job performance.

Of the top five problems people identify, four are economic problems. And this is a real problem for the government because these are problems that the government pays for politically, problems such as inflation, scarcities, and unemployment.

There are other problems such as citizen security and crime that the government doesn't pay for at the polls. Eighty-seven percent of respondents say that scarcities, which is the number one problem, have been bad in the places they shop. And people in the south see Maduro in trouble. Seventy-five percent of the population see the Maduro government as unstable. An incredible 67 percent of the population thinks Maduro should not finish his term. These are the worse numbers Maduro, indeed Chavismo, has even seen.

Interestingly, the unpopularity of the government is benefitting the opposition by default. As in previous elections, the opposition campaign has been abstract and content free. There has actually been very little campaign of any kind. Indeed, two-thirds of respondents do not know what the opposition proposes to do about inflation and unemployment. Almost two-thirds do not know what they propose to do about shortages and crime.

Now, this is something that I've criticized frequently in the past, criticized the opposition for in the past. I think it was a key reason they fared so poorly in the 2013 municipal elections. That time two years ago, the government put forward a populous policy action known as the *Dakazo* in which they forced electronics retailers to lower their prices. The opposition was caught flatfooted and without a message, and the government ended up winning those elections by 10 percentage points despite being 5 points behind 2 months prior.

However, this time around, this lack of message might actually work because the government is even worse. Three-quarters of the population do not know what the government proposes to do about inflation and employment, which is pretty incredible if you think that they're in the government and they've been there for 17 years. And over two-thirds do not know what they propose to do about shortages and crime.

Another question that Datanalisis has asked respondents is whether they think political parties and leaders are accompanying the people, *acompañando al pueblo*, and their problems or just out to win elections: 42.4 percent of respondents think the opposition is accompanying the population and their problems versus 44.5 who think they're just out to win to the election. In contrast, only 29 percent suggest that Chavismo is accompanying the population and their problems versus 54 percent who think they're just out to win an election. Now, this is a 15 point gap there.

And this is in contrast to three years ago. Shortly before Hugo Chavez was reelected, it was the opposition that had a 15 point gap on this question and the government that was about tied.

Thus, the opposition strategy of having a minimalist campaign seems to be working this time around. Like a presidential candidate who is ahead and refuses to debate, they have more to lose than gain by campaigning since the government is doing such a good job of making them appear attractive.

I am not even sure this is a conscious strategy or simply the consequence of internal divisions and the sort of detente they've constructed between competing factions, but it seems to be working. Not only are the government's number going down, the opposition's numbers are going up: 45 percent of the population now says it identifies with the opposition while 22 percent identify with Chavismo, which can be compared to 26 versus 38 before the 2013 elections.

I should also say that this is not a strategy that I admire. I think all of these numbers point to a crisis of representation in Venezuelan democracy, and I also think it's something of a risky strategy. If there's any last-minute surprise, they could again get caught flatfooted like they did in 2013. Indeed, there are some numbers that suggest the government will outperform the 32 percent I mentioned and the opposition will underperform their 60-some percent.

While twice as many people now identify with the opposition as identify with the government, in actual party identification it's a virtual tie: 21 percent suggest they identify with an opposition party, 19 percent suggest they identify with the PSUV.

Now, this is still quite different from previous elections in which the government had a clear advantage on this and doubled and tripled the opposition on this count. It does mean, however, that the PSUV bring together 86 percent of those who support the government while the MUD, the coalition of opposition parties, brings together less than half of those who support the opposition. This suggests the government will have a relative advantage over the opposition in terms of mobilization, especially if you add to this the use and abuse of official institutions and resources such as vehicle and employees on election day.

This mobilization advantage suggests that the actual gap between the opposition government will be less than the 30 percent suggested by the Datanalisis poll. Nevertheless, the gap is so large that it really seems insurmountable for the government.

It's worth asking why has this happened? How has this happened? We're now less than a month away from the elections and at this point the government does not seem to have any way of turning this around. The numbers I've just reviewed are from the end of September. I actually just saw the October numbers and there are no significant changes. If anything, they're slightly worse. The government seems unable to change course or really put forward the big October/November surprise that some of us thought was going to happen.

I think if you take a step back, we tend to think of political parties and governments as big, rational actors. But, in fact, there are collectivities of rational actors, which commonly lead to collectively irrational outcomes. Add to this the discourses, implicit understandings, and power dynamics

common to institutions, and it's common for situations to emerge that make it irrational or even unthinkable for individuals to make collectively rational decisions.

It is these processes that lead sociologists to suggest that organizations rarely adapt successfully to new contexts. More often they are replaced by new organizations. This is why 20 years ago Walmart overtook K-Mart despite the latter's huge resource advantage.

Now, more specifically the Venezuelan case, this is why Acción Democrática drove itself off a cliff in the 1990s. In 1998, it confronted the Chavez outsider challenge by nominating as its presidential candidate party president Luis Alfaro Uceró despite popularity in the single digits.

Maduro's only real claim to leadership is the fact that Chavez designated him as successor. If he were to significantly deviate from what people in his coalition and the population identify as Chavez's policies, some would undoubtedly accuse him of betraying Chavez's legacy. He simply does not have the autonomous leadership needed for a significant change in course.

At this point, it also seems like he does not have enough power in his government to really pull off any significant government action. Even closing the border with Colombia has been difficult to hold. Journalists who have been there tell me that the closed border is becoming porous with contraband flowing at night and even during the day.

The government's inability to turn its poll numbers around has led many to speculate that the elections will be postponed or the results thrown. However, it should be pointed out that there's no evidence of that. To the contrary, there's evidence that the government seems to be preparing to lose the National Assembly.

Last month, 13 Supreme Court justices who were supposed to retire in 2016 were given early retirement, presumably so that the National Assembly can name new judges before January.

This past week, the National Assembly passed a resolution asking the executive to file suit against Venezuela's autonomous universities which are currently on strike and to review their finances. It's likely that if the government loses the National Assembly, we will see a push for control of these universities. I think it's also likely we will see significant enabling laws as Jennifer mentioned.

I should also point out that despite refusal of the CNE to allow substantial international observation, its relationship with domestic observers has actually improved. They have been granted almost twice as many credentials as they had three years ago, which improves their capacity.

They've also responded to opposition -- the CNE has also responded to opposition demands to tighten up the criteria for no matches and institute an automatic post-electoral audit of the fingerprinting machines. This is important because it constituted the most credible of the opposition's complaints after the contested 2013 elections. This attitude makes sense. The government's national and international legitimacy is strongly dependent on their having come to and maintained power through credible elections. Any obvious attempt at fraud would cause them serious problems nationally and internationally.

As Jennifer mentioned, they're still going to control four out of five branches of the national government. This is not an ideal or even a good situation for Chavismo. However, this election does not mean an immediate end to its power. It will mean, however, a new playing field, new terms of conflict, and a strengthened hand for the opposition.

Thank you.

MR. TRINKUNAS: Thank you, David. Passing on now to Javier.

MR. CORRALES: Thank you very much. Thank you, everyone. Let me begin by thanking Brookings and especially Harold for publishing my book with Michael Penfold. Really, they have been terrific, highly recommended, great for the holidays, even better for your Chavista friends to take a look at it. And thank you WOLA for doing this event jointly. I think it's great.

What I would like to do is I want to talk -- I want to address two things. The first has to do with political economy and the second is going to be a little bit on the point that Jennifer mentioned, how could the opposition win a majority in the house, and the prospects for it based on the rules of the game?

So a little bit on the political economy. The book makes a very explicit argument that Venezuela under Hugo Chavez established what we denominate a competitive authoritarian regime, and the new version of the book says that the regime has become over time less competitive and, therefore, more authoritarian. That has proven to be almost unassailable as an argument, so that's pretty good. It feels good. But the book doesn't quite develop the point that I want to make this morning, which is what

is wrong with Venezuela's political economy? What is the fundamental issue? And there are so many issues that it's difficult to reduce it to one one-liner.

If I have to say something, I think the mistake that Venezuela has done and the reason why the model is absolutely collapsing is because they chose a model of development where they would have a state that would be completely ungoverned by rules, and then treated the private sector almost in the exact opposite way, overburdening the private sector with rules almost, if you ask me, with the intention of suffocating it.

So you have this dichotomy of a state that is absolutely discretionary, not just powerful and interested in distribution, but unable and unwilling to accept any type of rules, and yet the state imposes an extraordinary amount of restrictions in the private sector.

This, my friends, is what is collapsing. This is the Chavista experiment. It's not a Maduro experiment although he has embraced it. It is what the revolution decided it was going to do in the mid 2000, and here we are with the worst economic crisis of any petrostate, if not of any country in the world.

Just to give you a little bit of the flavor for the restrictions in the private sector, the book discusses a lot how the public sector, the state, has been, essentially, able to act arbitrarily. But it doesn't talk about the restrictions in the private sector, so if I could take a few minutes to talk, what I'm going to do is to give you a little case study, a case study of the company that a lot of Venezuelans know very well, Empresas Polar, a big, big food and other business retailer in Venezuela.

And I just want to go through some of the problems that Polar faces in trying to deliver goods to Venezuelans. It has been audited more than 500 times in the last 6 years. It needs to import a lot of food and to import it needs to require a license to import, which requires it to issue a certificate of no national production, as well as health and safety permits, and this can take for every item about 50 to 60 days. Then it has to request foreign exchange for imports. To request foreign exchange it has to go to a bank, and the bank then has to get permission from the government, as well as access to the foreign exchange. And so it's not automatic that Polar is going to get the dollars to carry out these imports.

Once the imports arrive, if you got the dollars and the permissions and the certificates, the state checks customs, of course. All states do that, except that there is a very long delay. Things can rot in Venezuelan airports and ports. And then, if the products finally get to Polar, Polar has to distribute

them throughout the country, and there is an agency that watches over Polar's distribution and makes sure that -- tries to make sure that the trucks actually make it to their destination.

The point is very clear: the state is regulating the private sector to the point of killing it while the state doesn't regulate itself to the point where it has become enormously arbitrary. And this is producing a huge collapse. The collapse is not so much with the private sector, but in most of the state-owned companies that have been created, most of them are having incredibly serious production problems starting with the biggest of them all, the oil company. But not just the oil company. Most of the dairy production, most of the lands, and many other producers of important consumer goods are in the hands of the state, and those are the ones that are not producing.

So when the government claims that there is this *guerra economica*, in many ways it's probably the state that is at war. It's at war against the private sector and it's also at war against Venezuelan citizens because it owns so many national state-owned companies that are not producing.

Perhaps one of the reasons why these poll numbers are as slow as they are is because Venezuelans do not buy the government's argument that there is an economic war directed from the opposition in the private sector towards the government. Venezuelans can easily see that there is a fundamental problem with the way that the state organizes itself and organizes private production in Venezuela. So that was point one.

Let me now say something about the elections. We don't have a PowerPoint, which is fine, so see if we can follow me through this description of what I want to do, and maybe we can talk about whether the opposition can win this game.

There's been a group of reporters in Venezuela who tried to break down the districts according to how Chavista or not Chavista they are, so they have strong Chavista, light Chavista, swing states, light opposition, strong opposition. And these districts are in the election, and so in the opposition there are at least 13 safe districts. Thirteen. The opposition needs to get 84 more seats, so it has to go from 13 to 84 to get a simple majority.

To do this, it has to win all the swing states. Apparently, that's 38 of them. It seems possible with these poll numbers, perhaps, but they cannot afford to lose one. They need all 38 of them, and that will bring the total to 51 seats. They need 84.

So the other area where they can make huge inroads is with those that are by list, proportional representation. There are 51 seats there, as well, and it could very well be that they're going to get about half of them, perhaps more than a half, so let's add maybe 27, 28, and that'll give you a total number for the opposition of about 78 to 79. Still not quite there.

So essentially, the opposition, if all goes well, still needs to win in six or seven heavily Chavista districts. The good news are these numbers, these polling numbers. Another good news, and this is something I just checked, many of these Chavista districts, not all of them, but many of them, about 15 of them, are densely populated. And this is good news for the opposition because we know that the opposition tends to do well in densely-populated areas where there is urban living and, therefore, dismal living, so there is a good chance. Nevertheless, these light opposition districts are districts where in the last 5 elections, the opposition obtained 10 to 15 point advantage over the opposition. So it's not automatic.

My point is the opposition has never had better prospects than it does now. The extent to which citizens are repudiating the model is unheard of in any history of Chavismo, but the issue is that the opposition needs to win in districts that have been very strongly Chavista. It needs to get six or seven of those, and if it does, it'll have a simple majority and then we can talk about the scenarios that Jennifer described for you. Thank you for your attention.

MR. TRINKUNAS: Okay, thank you, Javier. And if you can turn off your microphone. And going now to Francisco for the last of the panel presentations. Francisco, please.

MR. MONALDI: Thank you. Thank you very much. And thank you for organizing this terrific panel. The first part of my presentation will be about sort of the economy and how that affected the current election.

The first point to notice is that Hugo Chavez's popularity was largely based on the levels of consumption of Venezuelans. The correlation between Chavez's population and the rate of growth of consumption is about 90 percent.

And, of course, the dramatic growth in consumption that Venezuela experienced between 2004 and 2008 was largely due to the booming oil prices that, you know, reached -- it was the largest

windfall in the history of Latin America what Venezuela received, more than 300 percent of GDP in additional revenues.

On top of that, the government increased foreign debt from about \$25 billion to about \$150 billion. And most of those, of that increase in foreign debt on the windfall, went to consumption rather than investment. So no wonder President Chavez was so popular.

Still, most presidents in the region that received a windfall much smaller than then one that Venezuela received had very high popularity ratings, too. Some of them actually had higher popularity ratings than Chavez, including Evo Morales, Correa, Uribe, and the Kirchners.

So partly, what we are experiencing now started even before the decline in the price of oil because President Chavez engineered a massive consumption boom to win the 2012 elections, increasing dramatically government expenditures, reaching a deficit of about 17 percent of GDP when Venezuela was experiencing the highest average price of oil in history, which is something that, you know, it's hard to believe, and, of course, a massive overvaluation of the exchange rate and a massive increase in imports.

So the crisis in Venezuela starts before the collapse in the price of oil because of the disequilibriums that were generated that election, and there was a need for a very significant adjustment even before.

With President Maduro because of the way he won, by the margin that he won, and then, you know, the protest that ensued particularly in 2014, was not willing to assume the political costs of an adjustment, and he preferred to have, you know, the inflation that we have and the scarcity we have rather than do the massive devaluation and increase in gasoline prices that they had to do. And I think he miscalculated because the cost in terms of popularity have been actually worse and he could have been in a much better position if he had done the adjustment in 2013.

Of course, then that gets combined with a massive collapse in the price of oil. To give you an idea, this collapse in the price of oil is much more rapid and significant than the price collapse that we had in '82 to '86, which was in a longer period of time, and that caused the events that led to Chavismo coming into power, including the *Caracazo* and the coup of '92 in many ways.

So given the level of dependency of the economy of Venezuela to oil at this point, 95, 96 percent of exports are oil, and production has been going down, so we are massively dependent on the price, the variable oil price is more important than ever. And it seems to me that one of the things that the government seems to be waiting for the price of oil to go up and save them. And we have to keep in mind that a very significant increase in the price of oil that I don't see, but, you know, that can happen because it's totally unpredictable what happens in the price of oil, can dramatically improve the situation for the government.

By the way, in terms of production, even though production has been declining for the last decade or so, the government has become really pragmatic, and they are trying to work hard to get foreign investment to happen in Venezuela and have been following a very surprising, if you wish, or if you want to call it pragmatism or desperation, you know, it's up to you, but the point is that they are actually behaving very differently in the oil industry than in other areas of economic policy.

Going to the elections, let me mention that national polls, as were mentioned before, show a massive advantage. The last Datanalysis poll that David mentioned, I mean, David mentioned September, the last one is 63 to 28, so an improvement for the opposition of 2 to 3 points in the margin. And, interestingly, that's likely voters. If you look at total voters, it's 61 to 25. So if you translate from total voters to the ones who say they are sure to vote, it doesn't happen as before that Chavismo improves dramatically. In this case, the opposition gets two more points and Chavismo three, but it's not a dramatic improvement.

The last poll shows, also, a worsening of the approval rating of the president to 20 percent and an increase in the percentage of Venezuelans who say the country is going in the wrong direction.

If you look at Venebarómetro, which is a poll that the (inaudible) is done by (inaudible), the numbers you get are very similar: 20 percent approval rating for Maduro, 65 to 26 margin in favor of the opposition in voting intention.

Consultores 21 gives a much narrower, a smaller margin. It's 55 to 35 if you analyze the polarized final scenario. I am one who believes that you have to average pollsters. Even though as

David mentioned Datanalisis has been very right on the margin in the past few elections, it's always wise to average them. So the average gives me 61 to 30, which I think it's a pretty good number.

But let's go to district data. If you look at district data, you see that what is reflected in the national level is clearly seen at the district polling data. For example, the Barinas C2 circuit that the Chavismo won is now 46 to 36. The Carabobo C5, it's a district (inaudible) the Chavismo got all the deputies of three -- (inaudible) district, 56 to 21. The Zulia C2, 56 to 18. In the capital district, (inaudible) that the Chavismo won is 44 to 31. The Caricuao district is 47 to 18. And the (inaudible) district its 46 to 30.

So that shows that it's not, you know, just that the more opposition-minded areas are now 100 percent opposition. It is that it is a massive movement everywhere in the country.

And, in fact, to give you an example of how gerrymandering would not be effective with those numbers, you know, the Chavismo merged two circuits in Caracas, in the capital district, El Paraiso and Caricuao, because the opposition won in El Paraiso and they wanted to win in Caricuao, and they did last time.

Now, in that circuit, the numbers are 47 to 18. So gerrymandering is not going to be effective.

So if we assume a 60 to 30 scenario as the polls show, that, I think, would most likely, very likely lead to at least a 60 percent deputies for the opposition. So the opposition will get the three-fifths super majority. It is less likely, but possible, that they can get the two-thirds majority with those numbers. So if you believe the numbers, the conclusion is that this will be a massive victory for the opposition.

To win a simple majority I think the opposition needs about 7 to 8 points of margin. But as my predecessors on the panel have mentioned, this depends on the district, on the circuit by circuit elections, so you cannot extrapolate the national vote for resulting terms of deputies, but I do think that the most likely scenarios with these numbers are more than 100 deputies for the opposition.

And so to close, what could change? Well, we are all expecting, as David mentioned, what is going to be the new *Dakazo*, so the government has attempted doing some things, but I don't think are being as effective as the *Dakazo* was and even some of them, I think, have been counterproductive. So I'm not sure that they can engineer a change of 10 points at this time.

Then we have fraud. If the conditions continue, as Jennifer mentioned, the way the elections are counted in Venezuela, the place where they can commit some fraud are rural areas where the opposition witnesses are either not allowed to get in or are bribed or things of that nature.

And that in some competitive districts in rural areas could actually change the election because the margins could be very, very, very tight. At this point, there is almost not a circuit in Venezuela in which the opposition doesn't have even a long shot, at least a long shot, because even in the rural areas numbers are much thinner. So the world that Javier described is a world of when the government was a majority. You know, the districts now have changed dramatically.

So with that, I finish my time, but as you can see, I am pretty optimistic if you are, as I am, in the favor of opposition winning the elections. I'm much less optimistic about the future of the country and we can talk about that later. Thank you.

MR. TRINKUNAS: Okay, thank you all. I want to start out with just a moderator's privilege asking a question of our panel. I think you've laid for us at least three different scenarios, or maybe even four, one of them maybe quite unlikely. And I'd like to just maybe if each of you can say a word or two about one of the scenarios.

One is, I mean, as some of you mentioned, including Javier, you know, it's hard to reach a simple majority. So in scenarios where we've seen a lack of confidence in the electoral institutions and a highly polarized electorate, what happens if the December 6th elections take place and the opposition falls short of a majority?

What happens by contrast if the opposition wins a simple majority, but falls short of 60 percent, 60 percent being a significant number in Venezuela, 60 percent of the deputies? If you have more than that, you're allowed to recall ministers and repeal enabling laws, which would disable some of the mechanisms that Jennifer pointed out that would make this a lower stake elections? And what happens if they get more than 60 or 67 percent? What happens if they -- what are the kind of political dynamics you would expect? What are the kinds of -- are there hopes or concerns you might have in each of those scenarios?

And so if you three could just take a minute or two, maybe just pick one of the scenarios and just say what you would think about for each of those.

And let's just to in the speaking order, so starting with Jennifer.

MS. McCOY: Okay. Well, of course, predicting the future is something we all try to avoid, but given possible scenarios, I think the first one is going to be the hardest to accept, the opposition losing. I think it'll be very hard for opposition supporters to accept that outcome because there's been so much press about these polls showing these incredible differences between them and not much explanation of the complicated electoral formula that we have described up here showing that it's difficult to translate even a 60 to 30 difference into a majority vote. So I think it'll be very hard for opposition supporters to understand that if that is the result. So I'll just stop with that.

MR. TRINKUNAS: David.

MR. SMILDE: I'm actually just going to talk about the same scenario because I know that Javier and Francisco are going to cover the other ones quite well. (Laughter)

And let me just mentioned what I think, the way I will think about that first scenario if the opposition comes up short or comes up with a result that is unexpectedly weak, I think, you know, it's difficult to just go through these in terms of numbers. I think what I will do is, as Jennifer mentioned, there are some very competent national groups that are going to be carrying the observation. I will immediately look to them to see what they have and what kind of read they have in the election because they're going to have a sample across the country. They're not going to be doing a quick count, but they're going to be doing qualitative -- they're going have a representative sample of districts and they're going to have a good feel for how widespread any kind of fraud is.

I think the opposition itself will have a significant observation effort underway, and so it'll be important to see what they come up with, what they say in such a situation, and whether they have some concrete explanations for what happened.

And I think it's important, you know, that, you know, the margin in this election would not seem to permit nibbling around the edges. It's just such a big margin. And so I think if there's any real upset here, I think it's going to be evident even that was fraud or that there was some big kind of movement in the electorate.

As I mentioned, I think the opposition strategy is high risk in the sense that I don't think that there's a real strong identification with the opposition. It's not a real strong anchor, so anything could happen. I think it's just not a strong opposition vote.

I do suspect they're going to do very well and people are saying they're going to vote for it, but I just -- that anchor is not really there. So I would want to -- I think that if there is a real upset like that, there's going to be some pretty previous signs.

MR. TRINKUNAS: Javier and Francisco, maybe a minute each.

MR. CORRALES: Yes. If the opposition wins a simple majority, goodbye Diosdado Cabello. He is the president of the National Assembly and Venezuela's second strongman. But a simple majority will produce a change in the leadership, so Diosdado Cabello will become a simple deputy, and this will force Chavismo to find another home for the government's second important person.

That's in the short term. It's a very important change. Absolutely remarkable to see a leadership change within the Congress.

Will they be able to change course, policy course? I don't think so, and maybe that's good. Maybe it's good that this is not a presidential election. It's good that we're not going to see the opposition needing to be in charge of the bad times ahead. So the opposition can relax a little bit and wait for the government to self-destroy in dealing with the crisis.

In the long term, one thing that can happen which is going to be significant is even with only a simple majority, the opposition can begin to make appointments in the Supreme Court. They cannot fire, but they can replace. And so in the short term that's going to be very noticeable, but in two, three years we may start to see a bit of a change in the courts and that would be an amazing democratic conquest, if you ask me.

MR. TRINKUNAS: Thank you. And Francisco?

MR. MONALDI: Yes. I mean, I almost rule out the possibility of any scenario in which the opposition doesn't win the vote majority. Right? I think that will be -- I mean, only massive fraud can allow that to happen. But I do think that there is the possibility, I think it's extremely unlikely, but that the opposition wins the vote, but does not get a majority of the seats, as Jennifer and others have mentioned.

If that happens, I think it will be perceived by the opposition voters as fraud. I mean, they will not understand the mechanics of it. I think this is very unlikely. I think the most likely scenarios are either winning the majority of the seats by the opposition or even winning the 60 percent. And I think we cannot rule out the two-thirds. I think, actually, that can happen.

I mean, if you take seriously the numbers, I mean, 63 percent can lead very easily to two-thirds majority because this is a majoritarian system for more than two-thirds of the seats.

The implications, as you mentioned, are very different. The two-thirds, actually, you know, it's a sea change. It could convoke a constitutional assembly. I think it will lead to (inaudible) or at least presidential change.

The simple majority, I think, will probably lead to some sort of stalemate. It will not be seen as a major victory for the opposition, but it will be seen as an advance and so the radicals in the opposition will want to move faster and the more moderate will not have enough to (inaudible).

MR. TRINKUNAS: Thank you. So raise your hands and if I could ask you to state your name and your affiliation. I'll take questions in groups of three and then come back to the panel, and we'll see if we can get through several rounds. And I have, let me see, I already have four hands up. Let me just put them down in some order here. Okay. All right, yes. And please wait for the microphone before you start talking because there's audio recording of -- the audio and a transcript will be posted after the event, and I believe WOLA will make the video available, as well, on their website.

DR. WELLS: Hi, good morning. My name is -- can you hear me? My name is Dr. Donna Wells. I'm a mathematician economist here in Washington.

Can we talk about Leopoldo López and his relationship with the opposition? Earlier this summer, I believe, he asked people to march, and I think the opposition didn't think they were going to, but I think people did march. So he is going to play a role in the December elections? Thank you.

MR. TRINKUNAS: Okay. Thank you. Let's go to over here and then we'll go to Kent and then we'll maybe squeeze in four questions in this round, go to the back row.

SPEAKER: Hi. My name's (inaudible), senior fellow at a small think tank (inaudible). My question is who are these opposition candidates that we expect to do so well in the elections? And you've given the polls of how people -- Venezuelans are upset at the government and they're going to

vote for the opposition, but who are they? Are they like old-school politicians, senators from 20 years ago that are getting recycled? Are we talking about new blood of candidates, student leaders, labor union leaders that the politicians are pushing so they can do well in pro Chavista districts, for example? Thank you.

MR. TRINKUNAS: Thank you. Ease over to Kent and then to (inaudible).

MR. EATON: Kent Eaton, Woodrow Wilson Center. I think this is sort of a third question about the opposition. And so I'm wondering if you could comment more generally on this idea, this very interesting idea of sort of a strategy that's not a strategy so that the opposition has sort of pursued this minimalist strategy. That's to kind of avoid any kind of strategy choices about how to behave and just sort of win the election, let the numbers sort of work for them.

So do the other panelists agree with that assessment? How has the opposition overcome its sort of famously difficult internal tensions between more radical and more moderate factions? How do you see the important factions among the opposition at this point a month out?

MR. McCARTHY: Good morning. Michael McCarthy, research fellow at the Center for Latin American Studies at American University.

So my question's not about the opposition. It's actually about the government. How would the panelists measure success for the government in the context of these elections? What would be a good showing for them in terms of the poll numbers -- pardon me, the national vote in terms of the National Assembly, and then, more broadly, in terms of the political message that they're trying to send to their support base? Thanks a lot.

MR. TRINKUNAS: Okay. Thank you for a great set of questions. And let's go in reverse order this time. And if you'll just pick -- you don't have to answer all three, just pick out which one you're going to focus on. So, Francisco.

MR. MONALDI: I think a good showing will be, for the government, will be more than 40 percent of the vote and not -- I mean, it would be spectacular if -- I mean, I think it will be big trouble if they get the majority of the seats because no one will believe it. But I do think that if the opposition doesn't reach the 60 percent, it's a relatively good showing for the government with the numbers that we

have today. However, it will be a traumatic event because they have been a majority for so long that it will be very significant.

In terms of sort of the factions, I think the point about the opposition not having a message, I totally agree, but, on the other hand, you know, the opposition doesn't have access to most of the media. It's very difficult for the opposition to campaign. So there is an opposition campaign happening in the districts, in the circuits, but it has very little press.

However, I do think that they are playing on the same -- you know, they don't have to say a lot because, you know, the conditions are conditions in which the *voto castigo*, it's massive. So you don't have to say anything about what you will do. You have to point out what is going wrong, so that's very effective.

But I do agree one of the issues about what will happen to the factions of the opposition depending on the size of the victory. If the victory -- I mean, I think the moderates in the opposition want a sort of a negotiated transition, but if the victory is more than two-thirds, the option of a constitutional assembly becomes very attractive for many people.

So how big the margin is, I think, will affect a lot the power of the different factions in the opposition.

MR. TRINKUNAS: Javier.

MR. CORRALES: There is a high risk with a victory to the opposition of a very serious division. I think that those divisions have been exaggerated in the past, but I think now we're going to really see a division between hardliners and softliners to negotiate or to obstruct the government is going to be huge.

But let me talk, Michael, a little bit this question of what could be a victory for the government. The government has a really amazing opportunity here, and the opposition doesn't think too much about it and they should. It could very well be that the government accepts a loss and, by doing so, the government can appear to reclaim the title to being a democratic government and use that to its advantage.

It could say, look, we had an election. We lost. This is normal. We are now a minority government. And this will be very disarming to the opposition because it could allow the government to at least recover some of its international reputation, which has been one of its biggest costs.

So if the government is very smart, it could take even the worse electoral scenario and turn it into its advantage. And I don't know if the opposition has a way to respond to that. So it's not hopeless for the government.

MR. TRINKUNAS: Thank you. David. And if you could touch on one of the other questions.

MR. SMILDE: Pardon?

MR. TRINKUNAS: Let's just make sure we hit all the questions.

MR. SMILDE: Okay. Yeah, I thought you guys were going to touch on López. Yeah, I think, going to this opposition issue, the strategy that's not a strategy, I mean, I think, you know, I don't think it has much to do with the media, personally. I mean, I think definitely the media context is more difficult for the opposition now. But the journalists I talk to say that there's a noticeable difference this time around in how many invitations they get because they usually get invitations. They get text messages to come to such and such a barrio for a march. And they say that it's way down. They're just not getting invitations because there aren't events.

And you look at a few opposition candidates that have actually done this, for example, I think his name (inaudible), you know, that's all over the media. When he actually does the marches through these barrios and has these speeches, it's all over Facebook, it's all over the media.

And so I think it's a strategy. You know, I think it's also a default strategy in the sense this is what they've always kind of done. It was just that time it's not a weakness.

I think how will we measure success for the government? I think Francisco is right, anything over 40 percent would be a real success for them. I think even below that. If they come out and recognize the vote, I think it will really strengthen their democratic credentials.

If the opposition comes out of the blocks into the Congress infighting and with a brawl, and a division between radicals and moderates that can't work together, I think that could actually help

the government quite a bit. It would be sort of reversing things and making the opposition actually govern and show what they are doing.

As far as the opposition candidates, you know, there's a mix of old and new. I think traditionally in Venezuela it just doesn't matter the way it does in other countries. People tend to think in terms of parties. They tend to think in terms of the national government, and that's really what they vote. You know, in Venezuela, you actually vote for parties and so I don't really think that matters that much. I think it's much more of a national feeling.

In terms of Leopoldo López, I think definitely his jailing, his sentencing in September is overwhelmingly unpopular. I think it's up to 70 percent of people who disagree with that in Venezuela. I also think that one of the very first things they'll do is, the opposition will do, is try to push for an amnesty law and basically (inaudible) Leopoldo López. And one of the strongest or at least the most energetic parties in Venezuela is Voluntad Popular, and those are all Leopoldo López's supporters and so they're going to make sure that's top on the agenda.

MR. TRINKUNAS: Right. And Jennifer, just a minute or two.

MS. McCOY: Yeah, I think most of the questions have been answered. I would just say, yes, the opposition challenge, no matter what happens in these elections, will definitely be internal again after the election because the unity idea will be less pressing, and now individual party ambitions will come back to the fore. And so you have the traditional party of Acción Democrática with some of their older candidates running and wanting to reclaim their position as a dominate, you know, social democratic kind of party, and really vying against -- along with those who were in Voluntad Popular, which is Leopoldo López's party, wanting to -- you know, with the strategy of moving toward the street strategy last year, all of those leaders have been inhibited in one way or another. Maria Corina Machado thrown out of the National Assembly, and Antonio Ledezma put under detention and house arrest, along with Leopoldo López. So you have that group, you know, clearly marginalized by the government in terms of legal manners.

But then you also have the competition among the parties, that party, and then the predominate party of Primero Justicia. And so the other party is trying to challenge the predominant position of Primero Justicia. So that's what you're going to see within the opposition.

MR. TRINKUNAS: Thank you. We have time for another round, three or four more. Make sure I go to the back, but John definitely has to be one of the -- so we'll take John and then on the left side of the room and on the right side of the room. So start with John, then we'll go back to the middle of the room.

SPEAKER: Thanks, Charles. So this is about more about the neighbors. Can you hear me?

MR. TRINKUNAS: Yes.

SPEAKER: Yeah. UNASUR has a observation mission just recently green lighted, we understand, from the media. And I wonder if people could speak to what they think is behind the delay in getting approval, and what concerns there might be among UNASUR countries themselves about these elections.

MR. TRINKUNAS: Thanks. And there's two kind of in the middle. Yes, and then the person over here and he'll be the other person.

SPEAKER: Good morning. My name is Juan (inaudible). I'm curious in knowing your input on the impact of potential spoilers by third-party candidates and independents such as in (inaudible) and in Caracas for both the opposition and the government. Thank you.

MR. TRINKUNAS: And then here on the other side of the aisle.

SPEAKER: Thank you. My name is Jose (inaudible). I'm a journalist and a student at American University. You sort of mentioned it in the end, but don't you think if the vote for the opposition is over 60 percent, even if institutionally there can't be many changes, the scenario mainly political of negotiations of, you know, backroom deals with the government for a future transition? Thank you.

MR. TRINKUNAS: Maybe we'll just take one more here in the front, and then we'll come back to the panel and we'll have maybe a couple minutes for each of you to respond.

MR. MOSETTIG: Mike Mosettig, PBS Online NewsHour. You've alluded to this, but so far most of the discussion has been about politics and process. What kind of scenario do you lay out for any kind of dealing with the catastrophe that's going on inside that country coming out of this election or are we just dealing with a seemingly insoluble set of economic and social problems?

MR. TRINKUNAS: Great. Okay, let's go back to the panel. I'll go back to Jennifer.

MS. MCCOY: Okay.

MR. TRINKUNAS: Just a couple minutes each.

MS. MCCOY: Okay. Well, UNASUR is a very important player in all this. After it was formed, this is the South American Union of Government, so it's just the South American countries.

When it was formed, one of the ideas was to create an electoral council and to do its own electoral observation. And Venezuela, in 2012, was the first country that it did send an observer group. Venezuela required that to be called an accompaniment group. And so UNASUR follows the model, unlike the OAS, follows the model of abiding by the desires of any country that invites it.

So Venezuela's invitation was restricted. They did not, they did have 50 or 60 people around the country on election day, but they came at the last minute and they never issued a public report. Same again in 2013.

So this time around, UNASUR is seeing its own credibility on the line as it's trying to be the player in South America to displace the OAS. And I think that many of the countries do want to see a more robust electoral mission, but that has to be negotiated with the Venezuelan National Electoral Council because it's making the invitation and UNASUR will not disabide by their wishes. And so that has caused the delay.

And with this recent announcement that they've come to an agreement just in the last couple of days, we don't yet know the guidelines of that or what kind of conditions it will have. There was the announcement by Brazil's electoral tribunal a week or so ago that they were upset with the negotiations leading up to it and would not participate. And so this is another important question, obviously, with Brazil being a very critical player in this game.

MR. SMILDE: Just following up on what Jennifer said, yeah, I mean, this is a really interesting test, I think, for UNASUR and the countries in the region. I think UNASUR has been perceived as clearly Chavista and in the government's pocket, and I think its observational efforts in the past have been rightfully criticized and challenged.

I think the thing is UNASUR is sort of a coalition of presidencies, but it's a coalition of diverse presidencies that continually change as elections change those countries. And so the idea that

it's simply going to be forever Chavista and forever in the government's pocket I think it just doesn't hold up to examination.

And I think that's what we're seeing this time around. It's very clear that Brazil, Uruguay, and other countries really want UNASUR to do a real observational effort. That's what -- you know, it took a long time. The first person they talked about was Nelson Jobim. And as is well known, he had a series of demand that he needed to see if he was actually going to head this mission, and he finally did not see those demands and declined to take up that role.

So when UNASUR says that there was no veto, well, they're right, there was no veto, but there was somebody that was not willing to work with the conditions. Now UNASUR is coming. The opposition itself seems quite happy with this and says this going to be a different UNASUR. We don't know anything yet about what the conditions are, but I think it's real important that that's happening.

As far as the catastrophe, you know, in Venezuela, the situation governance, you know, I think if you look at -- just looking at the economy, you know, Venezuela still has a enviable resource situation. If you look at the nature of the economy, the nature of the problems, I mean, it's not rocket science to have a good economy with that much oil. You know, it's really been almost wanton destruction in the past couple of years, you know, with these incredible foreign exchange distortions. The great majority of Venezuela's dollars just get given away through foreign exchange, through having free gasoline and basically free electricity. And so just straightening that out actually is not that big of a policy issue. It's not, you know, something that it should be difficult to do.

MR. TRINKUNAS: Javier.

MR. CORRALES: Let me briefly talk a little bit about the prospects for economic change. Part of the problem that we're see in Venezuela is that the policies in place that are bringing about this economic crisis are rewarding important political actors.

The controls, the restrictions on foreign exchange, have clear winners, folks who can gain a lot from this type of economy. And I think, unfortunately, one of the lessons that the government has drawn in the last year is that the country seems to have a good tolerance for inflation and scarcity, and that is very worrisome.

In 2014, there were protests, but none in 2015, and so the government is thinking maybe we can maintain this equilibrium of 200 level inflation for a while and maintain these controls because with these controls, the government becomes the actor that decides who is in and who is out, and this gives the government a lot of clout.

So it's hard to imagine a coalition on behalf of a major overhaul of the system coming from within the administration. Of course, it could very well be that the opposition may negotiate a change in the executive branch, and that would be a different game altogether.

But as long as Maduro is in office and his military friends, they have a vested interest in preserving the status quo as it is now, unfortunately.

MS. TRINKUNAS: And Francisco.

MR. MONALDI: Yes. On the third-party candidates or the candidates not aligned, the general perception that I get from the polls is that the country is extremely polarized between the MUD and the PSUV and that it's unlikely that these candidates in general will do well, but there might be some. I haven't seen, for example, district volume from the (inaudible) is running in (inaudible) or a few -- there are some actually that will take votes from the Chavismo and some that will take some votes from the opposition. So the net effect I will not -- I don't think it will be too significant, but there might be in some places.

I forgot to mention before that the malapportionment is a very important feature of the electoral system in the sense that rural areas are dramatically overrepresented. So it might be that in some rural areas, some candidates that we do not know about might lead to a different result that we expect.

In terms of a sort of negotiated transition, one, I mean, I think there isn't a scenario in which there will be a negotiated transition, and even, you know, a change in the president and a resignation of Maduro if the election results are very significant in terms of the victory of the opposition. And I do think that inside of Chavismo there are people who want, you know, Maduro to get out of the way.

Chavismo still as a brand, the poor rating of Hugo Chavez is still around 50 percent when the approval rating of Maduro is 20. But if you look at specific leaders of the Chavismo, nobody is doing

much better than Maduro. So it's not clear who can, you know, take the mantle of Chavismo, but Chavismo is a very powerful political brand in Venezuela.

So there might be some inside Chavismo that might believe that there could be, you know, a negotiated transition in which they are guaranteed by an entering president some degree of protection, and then they'd have a very significant political future.

And, you know, anyone who does that -- I do agree with David going into the economy that there are some relatively small changes that can be done that can significantly improve the situation, but still, you know, Venezuela is one of those moments in which you remember what happened when the last decline in the price of oil. You know, the expectation of the population that we can go back to the good times unless the price of oil goes up are not going to be matched. And so it's going to be very difficult for the next few governments to manage the expectations of what happened in the decade before this one.

There is even the risk, and I think that this will be a major change, will have a very significant effect in the political economy, that Venezuela runs into hyperinflation if the measures to tackle the macro imbalances are not taken soon. This will be almost unheard for an oil-based country. Oil countries do not have hyperinflations because they can devalue and solve the deficit. But they are doing everything to get there. And hyperinflation is a major source of change, and is very attractive for the politician who stops hyperinflation. The politicians and ministers of finance who stopped hyperinflation in the (inaudible) all became extremely popular and some of them were reelected or elected. Thank you.

MR. TRINKUNAS: Well, thank you. Please join me in thanking our excellent panel and thanking our co-sponsor and co-host, WOLA, for joining us in putting on this event. (Applause) And a special thanks to all the WOLA and Brookings research assistants, interns, junior staff, who help us put on these events. Thank you.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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