

**Update: Scenarios for  
May 20**

# **INTER AMERICAN TRENDS**

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## Scenarios for May 20

We have updated the scenarios of intervention with two short-term options for Venezuela, which will influence the results of May 20, by adding internal (military, economic interests close to the regime, pro-government leaders, etc.) and external (Eastern and Western blocs) variables.

The internal forces are weakened politically and economically. The external forces will play a key role, looking for natural resources and geopolitical positions.

The internal forces, in spite of its weakness, are the ones setting the tone to determine the grade of openness to each of the external forces and, at the same time, determine the level of collaboration and conflict the external forces will have towards Venezuela. Although paradoxical, the level of power of these pro-government internal forces in the decision making is, partly, because of the loss of unit, mobilization capacity and trust of the traditional opposition, the Democratic Unity coalition (Mesa de la Unidad Democrática, MUD) and its parties.

### Options of the Internal Forces

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Negotiations about the electoral results,  
and institutional restructuring and new  
economic policies

**AGREEMENT**  
Military– USDS  
Civilian support

↑

**NO AGREEMENT**  
Militares  
PSUV

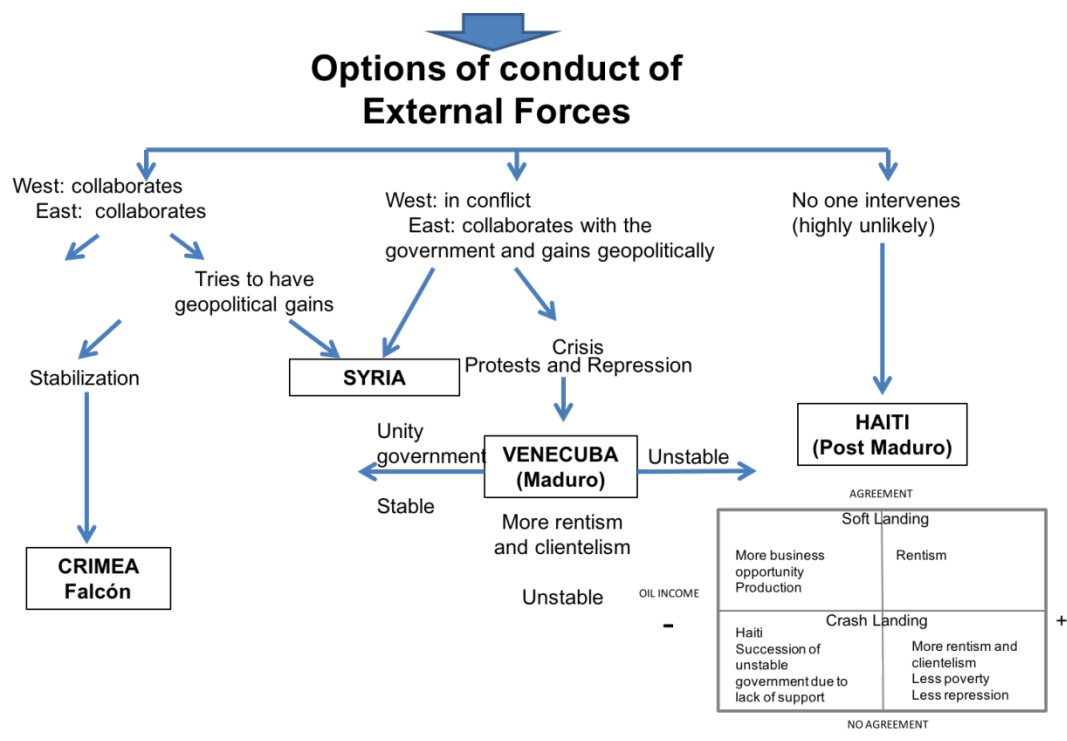
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- Falcon has the votes – the military recognize him as president in exchange for a mixed government and without retaliation.
- Maduro with a unity government, more technocratic,
- The military keep their gains and avoid the need for repression.
- USDS and civilian groups: release of political prisoners, dissolution of the ANC, renewal of public institutions (judiciary, electoral and AG), fight against terrorism and drug trafficking
- IMF: privatizations and trade openness, respect to property and end of economic controls.
- Maduro wins due to abstention or the competition between Falcon and Bertucci. If Maduro wins due to abstention, this could initially soothe the conflict with Western bloc.
- But, if Maduro does not change his policies soon, conflict will rise with more sanctions from the West. Maduro does not have the votes, but declares himself the winner in exchange for the military to retain their positions of power and sinecure.
- PSUV, continues clientelism, controls, statism and exclusion.
- This regime is not viable without a greater degree of repression, which is also not viable.

We believe the electoral results will be the product of a negotiation between internal factors within the regime. This negotiation will be centered in the achievement of an agreement with moderate opposition forces (Henri Falcón) to establish a unity government including both groups.

In the *agreement* scenario, the military would recognize Henri Falcón's victory (who is leading most of the polls) in exchange of spaces for some factions of the Maduro regime in the new administration. Another possible option in this scenario of unity government is a victory of Nicolás Maduro, but including in his new cabinet his main adversary in this elections and his economic team. In this scenario, the new government would look to appease western stance towards Venezuela with institutional restructurings and economic policies that would help soothe the crisis, with the objective of reducing sanctions and gaining access to financial resources in international organizations, like the International Monetary Fund (IMF), the World Bank and CAF. Meanwhile, the U.S. and Venezuelan civil society groups would demand specific terms, like the release of political prisoners, the dissolution of the Constituent National Assembly, the renewal of public institutions with expired terms (supreme court, electoral council, attorney general), the fight against drug trafficking and terrorism; points that might be in conflict with the position of radicals within the madurismo.

In the opposite scenario, without agreement between internal factions, Maduro would win (fraudulently or not). The internal forces might decide to maintain the status quo and would continue to enjoy the sinecure and positions of influence and power. The level of conflict between the regime and western countries would rise, with more sanctions and international outcry.



The decision *agreement-no agreement* will determine the stances of the external forces, Eastern and Western blocs. Eastern countries have taken a less active stance in the conflict, due to Russia’s lack of financial resources and China’s the recent apathy towards Venezuela (the Venezuelan government has delayed debt commitments adding more than \$60 billion).

In the *agreement* scenario, Western countries would collaborate with the new government, but with reservations (demanding specific terms). If the East collaborates (which is likely) and does not try to gain geopolitical leverage, the conflict could be lessened and certain stability could be reached. In the *no agreement-VeneCuba* scenario, the West would be in conflict with the Maduro regime and with Eastern countries, and there would be more internal repression.

Giving the statements and actions done by the US, Canada the European Union and the Lima Group, and giving the stance of Russia and China towards the Venezuelan crisis, we assign a higher probability rate to the *agreement* scenario. Likewise, the legal dispute between PDVSA and ConocoPhillips (that could encourage other disputes) reduces the viability of the scenario *no agreement-VeneCuba*. However, there still uncertainty about the outcome of the negotiations and, even more, about the arrangement of the next government.

The *agreement* scenario would be a positive one for investors and bondholders. A victory for Henri Falcon would raise the value of bonds and would soothe investors. If the new government includes Mr. Falcon's economic advisor, Francisco Rodriguez, it would improve its image and would have closer ties with Wall Street. Mr. Rodriguez would try to negotiate legal disputes with foreign companies, debt services with bondholders and loans from the IMF to maintain the boat afloat. Although a colossal task, we assign a higher probability of success. The *no-agreement* scenario would imply a radicalization of economic policies from the Maduro regime and, without a change of look, the chance of failure in any negotiation with foreign entities would rise. Maintaining the status quo implies a deepening of the economic crisis and a definite default, which is not viable for the internal forces.

