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Sultans of Swing? The Geopolitics of Falling Oil Prices

F. Gregory Gause, III

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Sultans of Swing? The Geopolitics of Falling Oil Prices

F. Gregory Gause, III[1]

The recent fall in world oil prices cannot but have an impact on the politics of the Middle East. Many of its states, including two of the major players in the current struggle for regional influence–Iran and Saudi Arabia–rely heavily on oil to fund their governments and to float their economies more generally. Russia, trying to re-establish its regional influence after a two-decade hiatus following the collapse of the Soviet Union, is also highly reliant on oil. At a minimum, declining revenues highlight the costs of an aggressive regional policy, whether it is Iranian support for clients like the Bashar al-Assad regime in Syria and Hizballah in Lebanon or the billions that Saudi Arabia and other Gulf monarchies have committed to the Sisi government in Egypt. Falling prices also present domestic political challenges to the oil states, all of which have built patronage regimes that require ever-increasing revenue to meet the demands of growing populations.

One can cite serious domestic and regional disruptions that have followed severe oil price declines in the recent past. Oil prices collapsed in the mid-1980s, falling from their previous height of around $30 per barrel at the beginning of the decade to a low of below $10 per barrel for a few months in 1986. The political crisis that revenue drop occasioned in Algeria eventually culminated in elections won by Islamists, a military coup, and a brutal civil war that would last well into the 1990s. Saddam Hussein's 1990 invasion of oil-rich Kuwait has also been explained as, at least in part, attributable to his desire to increase Iraq's revenues at a time of financial stringency and political instability at home.

Will domestic upheaval and regional war follow from our current period of a drastic fall in oil prices? That is highly unlikely. While salient examples of such dramatic events pop easily to mind when thinking of past periods of low oil prices, the less dramatic fact is that very few oil states actually experienced regime change during oil price declines and that regional wars are as likely to happen when oil prices are high as when they are low. The geopolitical results of the current oil price decline are most likely to be very modest, and in fact might be positive for the United States.

The straitened circumstances of all the oil exporters could lead to a reduction in tensions among them, as they explore ways to cooperate in order to prop up the price of oil. That has been a pattern in past periods of oil price decline. Lower oil prices could lead Iran, Saudi Arabia, and Russia to the bargaining table on oil issues, and any agreements they make could reduce the level of geopolitical and sectarian tension in the Middle East more generally. There are no guarantees here, to be sure. The intensity of the Syrian conflict and the sectarian tensions that it has spurred regionally cannot be downplayed. But the possibility exists that all these players in the regional game will be looking to de-escalate their tensions as they are all squeezed by lower oil prices. This could open up a window for creative diplomacy, linking oil talks to broader regional crisis management, which Washington should be ready to exploit.

This policy briefing will proceed to address a number of geopolitical issues surrounding the fall in oil prices. It will briefly assess the role of geopolitical factors in creating the current oil

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glut, arguing that the fundamentals of supply and demand are far more important in explaining current market realities than are purported Saudi geopolitical goals. It will then treat the two major geopolitical questions raised by the price decline in the Middle East: 1) will it destabilize oil-producing governments and 2) will it lead to greater levels of regional conflict. The paper answers "no" in each case and points to the incentives for cooperation among major regional oil producers in this period of low prices. It will conclude with a call for a more active American diplomatic stance regarding the various crises besetting the region now, taking advantage of what the author sees as the likely moves by Saudi Arabia, Iran, and Russia to deal with one another on oil-related issues.

The 2014 Oil Price Collapse: Politics or Economics?

This subtitle is, of course, a false dichotomy. Market fundamentals and government decisions both play important roles in explaining the gyrations of the oil market. But there is a persistent desire to identify monocausal explanations to complicated phenomena, and the oil market is no exception. One persistent, though minority, trope in analyses of the 2014 price collapse is that the real driver of the market glut is Saudi Arabia's production policy. According to this line of thought, Riyadh should have played the role of "swing producer," reducing its output as prices fell in order to try to put a floor under prices. It did not do so because falling prices hurt its geopolitical rival Iran, and Bashar al-Assad's great power ally Russia, much more than they hurt Saudi Arabia. The primary responsibility for the collapse of oil prices in 2014 can thus be attributed to Riyadh's foreign policy agenda.

Those who put forward the geopolitical theory do not deny that market forces are driving prices lower. The Saudis cannot create glut or shortage simply on their own. The rise of North American production and the slowing growth rate of Chinese oil consumption in recent years underpins any reasonable explanation for the current state of the market. Like all good monocausal theories, this one about Saudi Arabia driving down the price does fit with some salient facts. There is no doubt that Saudi Arabia would like to see the power of Iran and Russia curtailed. Riyadh, with over $700 billion in the bank, is much better able to ride out a period of low oil prices than is Moscow or Tehran.

The problem with the geopolitical theory is that it just does not fit the facts. The price collapse that began in September 2014 was not caused by an increase in Saudi production. The Saudis produced about as much oil per day in 2014 as they did in 2013, when prices closed the year above $100 per barrel. During that same year, American production increased by over one million barrels per day (see Figure I). The collapse was the result of a belated market recognition that supply was beginning to outstrip global demand as well as the herd mentality that tends to exaggerate market forces (both at the upper and the lower ends) in such a speculative market.

Privileging the geopolitical in Riyadh's calculations ignores more important elements in how the Saudis make decisions on oil policy. The historical precedent that drives Saudi Arabian oil policy makers is not the heady days of the 1970s, when a cryptic utterance by the Saudi oil minister could send markets skyrocketing or tumbling, but rather the traumatic experience of the mid-1980s. Oil prices started to decline at the beginning of that decade, driven by the dual consequences of the enormous price increases of the 1970s–increased supply (with more expensive oil from the North Sea and the North Slope of Alaska coming on line) and decreased demand. The Saudis tried to arrest the fall of prices by cutting production. Their OPEC partners pledged to cut production with the Saudis, but rarely followed through. By 1985, Saudi Arabia's production had fallen to just above

Figure I: American and Saudi Oil Production and Oil Prices

	U.S. Production (mbd)	Saudi Production (mbd)	Brent Price (year average or end of month)
2008	5	9.26	$96.94
2009	5.35	8.25	$61.74
2010	5.48	8.9	$79.61
2011	5.65	9.46	$111.26
2012	6.5	9.83	$111.63
2013	7.45	9.7	$108.56
Jan 14	7.96	9.94	$108.16
Apr 14	8.22	9.7	$108.63
Jul 14	8.69	9.84	$104.94
Aug 14	8.74	9.74	$101.12
Sep 14	8.9	9.64	$94.67
Oct 14	9.05	9.74	$84.17
Nov 14	9.02	9.64	$71.89
Dec 14	n/a	n/a	$55.27

Source: U.S. Energy Information Administration

three million barrels per day, from a high of nearly ten million barrels per day in 1980.[2] Lower prices and much reduced production meant that Riyadh was taking in a fraction of the oil revenues it had earlier in the decade, and it spent down its financial reserves in order to fund the government spending that underpinned its patronage politics.

In 1986, the Saudis decided that they were done playing the patsy. If other oil producers were not going to bear the costs of cutting production to put a floor under prices, neither were they. The Saudis opened the spigots and collapsed the world oil price to below $10 per barrel in what Daniel Yergin called "the good sweating."[3] From that point on, the Saudis would only consider production cuts to arrest falling prices if other producers joined them. They were done playing the swing producer in a falling market.

This guiding principle, which the Saudis have consistently followed since the mid-1980s, better explains their behavior in 2014 than does a geopolitical explanation. Other major producers, like Russia and Iran, were not willing to cut their production.[4] In the face of that refusal, the Saudis were more than willing to make the other producers sweat again. The real test of this explanation will come if the Russians and the Iranians reconsider their position and propose to Riyadh a joint production cut, involving OPEC and non-OPEC countries, to prop up prices.[5] If their past practice, as discussed below, is a reliable guide, the Saudis will go for that kind of deal, despite their geopolitical qualms about Russian and Iranian foreign policy.

The geopolitical theory of Saudi oil decision-making would hold more weight if Riyadh had been working to drive prices down from 2012,

[2] *Energy Information Administration*, "Monthly Energy Review," January 2015, Table 11.1a, <http://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf>.
[3] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power* (New York: Simon and Schuster, 1991), Chapter 36.
[4] Jay Solomon and Summer Said, "Why Saudis Decided Not to Prop Up Oil," *The Wall Street Journal*, 21 December 2014, <http://www.wsj.com/articles/why-saudis-decided-not-to-prop-up-oil-1419219182>.
[5] Iran took a major hit in production levels from 2011 to 2012, with its average yearly production declining by almost 700,000 barrels per day. International sanctions and U.S. pressures on Iran's access to the international financial system are undoubtedly major factors in that decline. Since the end of 2012, Iran has sustained roughly the same level of production, between 3.1 and 3.3 mbd. See: *Energy Information Administration*, "Monthly Energy Review." Saudi Arabia will require Iran to join in production cuts, even from that lower level and even if only in a symbolic way, before it agrees to cut its production.

when the Syrian issue gained prominence. On the contrary, the Saudis were more than happy with the high oil prices of the early 2010s, not using their spare production capacity to bring more oil on the market. Now, with prices down, the Saudis are using their vast financial reserves to wait out their rivals, putting pressure not only on Iran and Russia, but also on high-cost oil producers in North America, where the surge in production that played the major role in collapsing the market in 2014 is centered. In this they are playing a long game, hoping that the current depressed market will reduce investment in North America, and thus reduce North American production down the line. But lower prices are biting the Saudis as well, just not as hard as they are biting the Russians and the Iranians. If Tehran and Moscow come to the table, they are likely to find that Riyadh is willing to come to a deal, as long as the burdens of production cuts are shared.

Falling Oil Prices and Domestic Instability

Domestic political instability and regime change can drastically alter the geopolitical landscape. Arguably the most important geopolitical event in recent Middle Eastern history was not an inter-state war but the Iranian Revolution, a domestic event. Therefore, a collapse in oil prices, in an area where so many governments rely on oil revenues, could have important geopolitical consequences by destabilizing regimes. There are plenty of examples of how falling prices can lead to political upheaval in oil states. The most salient MENA example, Algeria in the late 1980s and 1990s, was referenced above. Outside of the region, one can point to the oil price decline of the 1980s as destabilizing the Soviet Union, where Gorbachev's reforms, driven in part by shrinking oil revenues, led to the demise of the system. Venezuela's "pacted democracy" was unable to deal with the consequences of lower prices in the late 1980s and into the 1990's, paving the way for Hugo Chavez's populist authoritarian regime. The Suharto regime in Indonesia collapsed in the face of the oil price declines and the Asian financial crisis of the late 1990s. In none of these cases would one want to argue that falling oil prices were the only cause of regime decay, but in each case they certainly played a role.

While there is no doubt that falling revenues present oil regimes with serious problems, the evidence indicates that these regimes are much more likely to be able to weather these periods of lower revenues than the memorable examples cited above might indicate. Benjamin Smith, in a longitudinal study of oil-dependent regimes over four decades, finds that such regimes are more stable than their non-oil counterparts, including during periods of lower prices. Other quantitative studies come to similar conclusions.[6] Every Middle Eastern oil regime survived the great oil crash of the mid-1980's. Even the Algerian generals kept their system together, although at a terrible human cost. Conversely, neither the Iranian Revolution nor the massive "Green Movement" social mobilization in Iran in 2009 occurred during dramatic decreases in oil prices.[7] Moammar Gaddafi was ousted in Libya during the Arab Spring, when oil prices were at historic highs,

[6] Benjamin Smith, "Oil Wealth and Regime Survival in the Developing World," *American Journal of Political Science* 48, no. 2 (April 2004): 232-246; Jay Ulfelder, "Natural-Resource Wealth and the Survival of Autocracy," *Comparative Political Studies* 40, no. 8 (August 2007): 995-1018; Kevin M. Morrison, "Oil, Nontax Revenue, and the Redistributional Foundations of Regime Stability," *International Organization* 63, no. 1 (January 2009):107-138.

[7] The Iranian Revolution gained strength in late 1977 through 1978, during a period of stagnant but relatively high oil prices historically. The Shah's government during this period was cutting spending, in an effort to rein in inflation and bring spending plans more into line with projected revenues. There is a debate in the literature on the Revolution about the effects of the Shah's fiscal cutbacks on mass mobilization, but that mobilization occurred while oil prices were high. The height of Green Movement protests was the summer of 2009. Oil prices had fallen from highs of around $100 per barrel in the fall of 2008 to half that in the spring of 2009, but were heading back up from the spring. While economic discontent undoubtedly contributed to opposition to the Ahmadinejad government, the feeling that the presidential election of June 2009 was rigged was the immediate cause of the mobilization.

after surviving the low oil price periods of the 1980s and 1990s.

It is therefore unlikely that the current oil price decline will destabilize Middle East regimes. The Gulf monarchies, with their relatively small populations and massive financial reserves, are likely to be the least affected. Even Bahrain and Oman, with much less oil and gas per capita than Kuwait, Qatar, and the United Arab Emirates, can rely on the financial and political support of their GCC partners, as they did during the upheaval of 2011. In the face of the oil price collapse, the new king Salman of Saudi Arabia in January 2015 granted his subjects a bonus equivalent to two months of their government salaries, costing his treasury over $30 billion.[8] But with over $700 billion in the bank, the Saudi state can afford to spend more than it takes in for some time. This is exactly what Riyadh did to cope with shrinking revenue in the 1980s and 1990s. It ran significant government budget deficits, covered at first from government reserves and then from domestic borrowing, until oil prices went up again in the 2000s.

Other Middle Eastern oil producers live closer to the bone. Iran, Iraq, and Algeria do not have the vast reserves that the Gulf monarchies boast. But in each case it is unlikely that lower oil prices will bring down the ruling regimes. Iraq has more immediate problems on its hands, battling the Islamic State and dealing with its persistent ethnic and sectarian tensions. But those very problems provide it some amount of external support, with both Iran and the United States committed to backing the regime against the Islamic State and even Saudi Arabia repairing its strained ties with the government of Prime Minister Haider al-Abadi. Lower oil prices make it less likely that the Kurdish Regional Government in northern Iraq can break away from Baghdad, as its own oil resources will cover that much less of its expenses, and its reliance on its share of the central government's (albeit smaller) revenues becomes more central to its own fiscal health.

The Iranian regime survived a major challenge during the Green Movement of 2009. It does not seem particularly fragile, though it remains riven with internal divisions and competing centers of power, as it has since the Revolution. It also has the prospect of improving its economic position, if the negotiations with the P5+1 powers lead to an agreement on Iran's nuclear program and the lifting of international sanctions on the country (though an agreement would be unlikely to end American unilateral sanctions on Iran). Likewise, the Algerian regime has faced down serious challenges in its recent history. While lower oil and gas prices are cutting into its revenues, it used the surplus revenue period of the 2000s to shore up its international financial position, so it has a reasonable debt to GDP ratio (1.5 percent of GDP in terms of foreign debt and 9 percent of GDP in terms of domestic debt).[9] It will be able to borrow to meet its immediate budget needs for the next few years, if prices do not recover.

This is not to argue that the collapse in oil prices will not affect politics in the three capital-short Middle Eastern producers. The governments in Baghdad, Tehran, and Algiers will all have to make do with less, and that will challenge their political skills. It will make the fight against the Islamic State harder for Baghdad, as there will be less money with which to entice Sunni Arabs to the government's side. It will test the ability of the Rouhani government in Tehran to maintain its popular support, opening it up to attacks from its more conservative opponents. It will challenge the Algerian political elite at a

[8] Ben Hubbard, "Saudi King Unleashes a Torrent of Money, as Bonuses Flow to the Masses," *The New York Times*, 19 February 2015, <http://www.nytimes.com/2015/02/20/world/middleeast/saudi-king-unleashes-a-torrent-as-bonuses-flow-to-the-masses.html>.
[9] Tarik Benbahmed and Herve Lohoues, "Algeria 2014," *African Economic Outlook* 2014, <http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Algerie_EN.pdf>.

time when President Abdelaziz Boutiflika's bad health keeps him from actively governing the country. It is simply to say that it is unlikely that the current fall in oil prices is going to lead to regime change in these countries, or anywhere else in the Middle East.

Falling Oil Prices and Regional Stability

Will falling oil prices lead to regional conflict? Many think that low oil prices in the late 1980s were a major driver in Saddam Hussein's decision to invade oil-rich Kuwait in 1990. Some of the rhetoric coming out of oil producers most hurt by current low prices even sounds a bit like Saddam's on the eve of the Kuwait invasion. The speaker of Iran's parliament, Ali Larijani, said in December 2014 that Iran "will not forget which countries schemed to lower the price of oil," and no one doubted that he meant Saudi Arabia.[10] Even Iranian President Hassan Rouhani, whose moderate credentials are not in doubt, in the same month called the fall in oil prices a "political conspiracy by certain countries against the interests of the region."[11] Voices in Russia have echoed these charges against Saudi Arabia.[12]

These saber rattles are, however, mild compared to those launched by Saddam in the summer of 1990, and indicate that the likelihood of open conflict between the oil "haves" and the oil "have-nots" is very low. Saddam Hussein was a unique regional actor when it came to his willingness to go to war. Lower oil prices might have helped spur him to invade Kuwait in 1990, but high oil prices did not dissuade him from attacking Iran in 1980. While Saddam in 1990 could reasonably, if incorrectly, think that he might be able to grab Kuwait and hold off international pressures to give it up, there is little doubt that any direct Iranian attack on Saudi Arabia or the smaller Gulf states would be met with an American retaliation. Moreover, Iran has neither a land border with the Gulf oil producers nor the naval capacity to launch an amphibious assault upon them across the Persian Gulf. It could try to activate sympathizers within the Gulf monarchies to launch attacks on their oil facilities, but those facilities are increasingly well-guarded. Those kinds of attacks might disrupt oil production for a day or even a week, but would be unlikely to greatly affect the Gulf monarchies' production capacity for an extended period. Iran has been very successful in extending its regional influence without using large numbers of its armed forces, relying on proxies like Hizballah, political allies in Syria and Iraq, and small numbers of its own special forces, the Quds Brigade of the Islamic Revolutionary Guard Corps. Launching a war over oil prices would not only be a very high-risk venture, it would also be out of character for the Islamic Republic's foreign policy.

More likely than regional conflict driven by falling oil prices is some effort by the region's oil producers to find agreement on production cuts. This has been the pattern during past episodes of price collapses:

- About a year after the Saudis had commenced the "good sweating" in the summer of 1985, at the August 1986 OPEC meeting, Iran agreed to reduce its production and accept a new OPEC system of production quotas. This took place in spite of the extremely high level of regional tensions during the Iran-Iraq War, where Saudi Arabia openly backed Iraq's war effort against Tehran. Non-OPEC countries like Norway and

[10] Jamie Dettmer, "Iran Accuses Saudis of Oil Conspiracy," *Voice of America*, 6 January 2015, <http://www.voanews.com/content/iran-accuses-saudis-of-oil-conspiracy/2587985.html>.
[11] Mehrdad Balali, "Iranian President Blames Oil Price Fall on Political Conspiracy," Reuters, 11 December 2014, <http://in.reuters.com/article/2014/12/10/iran-oil-idINKBN0JO25S20141210>.
[12] David M. Herszenhorn, "Fall in Oil Prices Poses a Problem for Russia, Iraq and Others," *The New York Times*, 15 October 2014, <http://www.nytimes.com/2014/10/16/world/europe/fall-in-oil-prices-poses-a-problem-for-russia-iraq-and-others.html>.

even the Soviet Union made unofficial commitments of production restraint as well.[13]

- In 1998 oil prices again fell dramatically, this time from nearly $20 per barrel in 1997 to below $10 per barrel in December 1998. The fall was the result of a combination of the Asian financial crisis of 1997 and an OPEC miscalculation of world demand that had led to a production quota increase in 1997. Saudi Arabia took the lead in putting together an agreement in March 1998 on production cuts that included not just OPEC members but also non-OPEC producers Norway, Mexico, and Oman that took 1.5 million barrels per day off the market. Iran, however, would not accept a reduction in its quota and continued to produce at its previous rate. With prices still falling, the Saudis brokered another production cut in March 1999 among OPEC and non-OPEC producers. This time Iran did agree to cut its production. The March 1999 deal took a further two million barrels per day off the market. This cut, along with faster-than-expected demand recovery in Asia and a strong American economy, helped to push oil prices up in 1999 to $18 per barrel.[14] Russia also agreed to join the cuts in 1999, but did not follow through on its promise. Its average production increased by over 200,000 barrels per day from 1998 to 1999.[15]

- Amidst the oil boom of the 2000s there were two brief episodes of oil price decline. Prices declined from $75 per barrel in August 2006 to just above $50 per barrel in January 2007. Saudi Arabia brokered two OPEC production cut deals in October 2006 and December 2006 in which Iran accepted a nearly proportional reduction in its production to other OPEC members. By June 2007, prices were back at $70 per barrel. During the global financial crisis of 2008, prices crashed, falling from over $100 per barrel to $32 per barrel in January 2009. Once again, the Saudis took the lead in forging agreements to cut OPEC production in September, October, and December of 2008. All of those agreements included production cuts by Iran.[16]

In all of these cases, despite serious geopolitical tensions between Saudi Arabia and Iran, lower oil prices led the two countries to cooperate in the oil arena to try to put a floor under falling prices and push those prices up. So far, in the current oil price collapse, the Iranians have not been willing to accept production cuts. However, given their past practice and the severity of the strains the fall in prices is placing on the Iranian economy, it would not be at all surprising to see Tehran reconsider its position and begin dealing with Riyadh over some kind of production cut agreement within OPEC, even if that cut is not proportional to the reduction Riyadh takes on. There are already some signs that the Russians are reaching out to the Saudis in search of some kind of production cut arrangements that would include OPEC and non-OPEC states.[17] Far from leading to increased regional tensions, the current drop in oil prices might force geopolitical rivals Iran and Saudi Arabia to deal with one another purely out of economic self-interest. Russia might also find itself constrained to join those

[13] Yergin, *The Prize*, Chapter 36; Ian Skeet, *OPEC: Twenty-Five Years of Prices and Politics* (Cambridge: Cambridge University Press, 1988), Chapter 12.
[14] F. Gregory Gause, III,"Saudi Arabia Over a Barrel," *Foreign Affairs* 79, no. 3 (May/June 2000): 80-94.
[15] Energy Information Administration, "Monthly Energy Review."
[16] F. Gregory Gause, III, *The International Relations of the Persian Gulf,* (Cambridge: Cambridge University Press, 2010), 181-183.
[17] Mark Mazzetti, Schmitt and Kirkpatrick, "Saudi Oil Is Seen as a Lever to Pry Russian Support from Syria's Assad," *The New York Times,* 3 February 2015, <http://www.nytimes.com/2015/02/04/world/middleeast/saudi-arabia-is-said-to-use-oil-to-lure-russia-away-from-syrias-assad.html>.

negotiations. The question remains whether negotiations, or even agreements, on oil questions might lead to enough improvement in the atmospherics of regional relations that security issues like the Syrian civil war, the fight against the Islamic State, and the political turmoil in Yemen might become amenable to negotiations among Riyadh, Tehran, and Moscow.

Conclusion: American Policy in the Middle East and Falling Oil Prices

Unless one lives in Texas, North Dakota, or some other part of the American oil patch, the decline in oil prices is nothing but good for the United States. It puts money in the pocket of American consumers, reduces the trade deficit, and generally acts as a stimulus to the economy. If there are worries that lower oil prices will drive out high-cost producers and thus undermine long-term American energy production, or undercut higher-cost energy sources based on renewables like wind, solar, and biomass, those worries should be dealt with by American tax policy, not by hoping that global oil prices will go up. The Obama Administration was exactly right to stand aside and watch oil prices fall in 2014.

But the United States also has a strategic interest in a more stable Middle East, not only for long-term energy security but also for a host of other reasons. Therefore, Washington should not stand in the way if and when the Saudis and the Iranians start to talk about a deal within OPEC to cut oil production in an effort to prop up prices. If the Russians join such talks as part of an effort to include non-OPEC producers in the mix as well, the United States should be encouraging. If those negotiations make progress, Washington should be ready to make an effort to expand them beyond oil issues to include regional crisis spots like Syria. This can only be done through cooperation with Saudi Arabia, which will have to make an oil deal contingent on some geopolitical concessions from Bashar al-Assad's allies as well.

Timing is everything here. The United States has to be ready with a realistic framework on Syria, and that means one that acknowledges the staying power of the Assad regime. It is unrealistic to imagine that the Russians and the Iranians will give up on Assad when he has lasted this long and they have made considerable sacrifices to keep him in power. However, they might be open to a deal that includes reasonable members of the Syrian opposition (those outside the al-Qaida and Islamic State networks) and stabilizes the horrible situation on the ground for Syrian civilians. Trying to leverage the Saudi oil bargaining position to get a complete climb-down from Iran and Russia on Syria risks losing a golden opportunity to staunch the bleeding wound that Syria has become and focus international attentions more directly on the fight against the Islamic State and its al-Qaida fellow travelers.

Washington should be ready, if the Iranians and the Russians come to Saudi Arabia for an oil deal, to work with the Saudis and other allies to expand those talks to include the strategic picture of the Middle East more generally. Given past experience, and how hard the fall in oil prices is biting in Tehran and Moscow, it is a good bet that sometime during 2015 the Russians and the Iranians will be knocking on the Saudi door. It is an opportunity not to be missed.

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