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Anna Newby:

Okay, everyone. I think we're going to go ahead and kick things off. This is Anna Newby. I'm the coms director for foreign policy at Brookings and I'll just be moderating the call today. Quick reminder, at the start please do put yourself on mute when you're not speaking. Of course remember to take yourself off mute if you're trying to speak or during the Q and A. That just helps minimize background noise so that everyone can hear. Today's call is on the record and it is being recorded. I will have a transcript that I can circulate certainly by Monday but if anyone on the line needs an audio recording before then, just let me know and I can provide that to you as well.

We are going to kick things off with Samantha Gross who is an energy expert who has been commenting widely in the media and via Brookings' platforms about all the dramatic developments in energy markets in recent weeks. Samantha, I will turn it over to you.

Samantha Gross:

Thank you, Anna, and good morning or good afternoon as the case may be for all of you. I'm going to try to keep my comments short and really pointed. Yesterday the OPEC plus group, OPEC plus Russia and a few other producers had an emergency meeting to think about what to do in response to just plummeting oil demand. We all know that at the beginning of last month, they couldn't come to an agreement to cut production more or even to continue their previous production cuts and Saudis in response basically started a price war and decided that they would pump up their own production in retaliation. That was an absolutely ludicrous move in an oil market that has lost as much as 20 million barrels per day, maybe more, off of a 100-million-barrel-per-day market so something needed to give.

Samantha Gross:

[inaudible 00:03:55] this meeting occurred, the producers for the most part agreed to an output cut of about 10 million barrels per day. Mexico, who is an OPEC plus member, is holding out right now. They're a little frustrated with how long these output cuts go on. The immediate cut is 10 million barrels per day but there are some output cuts that go as long as the end of next year so they are a little frustrated with that. What we've seen this morning and we've seen in the media is that they're kind of underwhelmed with the level of output cuts that the OPEC plus group has promised and oil prices have fallen today. I got to say, I'm not surprised. Prices still need to fall in order to balance the market. We've seen demand off by 20 million barrels a day perhaps and it was never true that the OPEC plus group was going to take that entire cut on themselves. There are other oil producers in the market and we still need prices to fall in order to balance the market.

Samantha Gross:

If you think about producers that make decisions based on economics and not politics, producers decide when to produce based on their marginal costs, their operating costs, not the all-in cost of producing [inaudible 00:05:16]. Some of the costs are sunk and don't go into their going-forward decision making, plus those producers have to consider the cost of restarting that production when

the market returns so they take those costs into account as well. It's just not a matter of going out into the oil field and turning it off to cut that production cost. It appears that we still need lower prices to balance the market and to bring production down for the level of demand. I'm not surprised to see what's happened. I'm not surprised to see prices still falling.

Samantha Gross: What we're seeing right now is producers are still trying to get it out and they're putting oil into storage but what's going to happen is that we're going to run out of storage soon. It's filling incredibly rapidly and so that will further push prices down. It'll push more production [inaudible 00:06:09]. I don't think we've seen the bottom of oil prices. I'm not surprised that the OPEC plus group's cut didn't impress the market because it looks to me like prices still need to fall in order to get that balance to market and so that's what we should expect to see. I think I'm going to leave it there with my initial thoughts but I'm happy to take more questions as we go.

Anna Newby: Terrific. Thank you so much, Samantha. We are going to continue with some other remarks from Brookings scholars and then we'll turn it to Q and A once that is wrapped up. Now I'm going to move to Bruce Riedel. He's an expert on Saudi Arabia and the author of the 2017 book *Kings and Presidents: Saudi Arabia and the US since FDR*. Bruce, if we can just take it over to you.

Bruce Riedel: Thank you, Anna. Saudi decision making on oil in the last month has been described by our ambassador in Riyadh John Abizaid as impulsive and reckless. I think he has it right on the mark. The crown prince Mohammad bin Salman has been the leading driver of the Saudi decision to ramp up oil. He overruled the advice of his half brother Abdelaziz bin Salman, the first royal ever to become minister of energy, who said that this wouldn't work and who's been borne out. The increase in Saudi production of course hurt the American fracking industry very badly and continues to do so.

Bruce Riedel: This has produced a very significant backlash in American politics, particularly among Republicans who up until this moment had generally been willing to stand by the Saudis over things like the Khashoggi affair and Yemen war. On this one, they have broken very strongly with the Saudis. Senator Ted Cruz of Texas was one of the most outspoken. He's quoted in the *Houston Chronicle* as telling the Saudi ambassador in Washington Reema bint Bandar quote, "If you act like an enemy, you can be damn sure you will be treated like an enemy." Those are pretty strong words and it now leads to an almost bipartisan consensus on the Hill, hostile to Saudi Arabia. The Democrats have been there for a while. Former Vice President Joe Biden has been quoted as saying that Saudi Arabia is a pariah and, quote, should be punished. That's not good for the future of the US-Saudi relationship.

Bruce Riedel: Let me just give you very quickly some numbers here. The IMF estimates that in order to balance its budget, Saudi Arabia needs oil prices to be around \$85 a

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barrel. Even at the best of times back pre-virus, they were hovering around \$60 a barrel and, as Samantha just said, they've fallen. A price today of OPEN barrel is \$21 a barrel. You can see that that's a quarter of what the Saudis need to be bringing in in order to keep their budget going. They're going to have to cut down on their reserves substantially. They've been doing that for the last five years. How much they still have in reserves is an open question but they're going to be in trouble on that. The whole crown prince's very important effort to reform the economy and to get it off its dependence on oil called Vision 2030 is going to be next to impossible to implement in this kind of situation.

Bruce Riedel: One measure of the Saudis' concern is in Yemen where they had just recently offered a unilateral ceasefire with the Houthis because the Yemen war cost Saudi Arabia a fortune whereas it cost its Iranian ally who supports the Houthis a pittance. All of this comes as the kingdom has been very hard hit by the virus, not as hard hit as Iran which has been hit much more vigorously, but the kingdom has been hard hit. It has had to cancel the normal pilgrimage to Mecca and Medina. It looks very likely that it's going to cancel the Hajj in July and August. Saudis have already put out hints of that.

Bruce Riedel: We also know from very, very good reporting in the New York Times that the royal family in particular has been hit very hard. The governor of Riyadh, the post that King Salman had for 40 years, is said to be in intensive care in a hospital right down ... There are 150 other royals who have either contracted the disease or are being suspected of having contracted the disease. Riyadh is shut down. Mecca and Medina are shut down. It's a very serious situation both on the oil front and on the virus front. I will stop there and turn it over to Suzanne.

Anna Newby: Great. Thanks, Bruce. This is Anna. I'm going to jump back in. I think next in our lineup we're actually going to go to Angela Stent to talk about the Russia angle of all of this. Angela is an expert on Russia and the author of the 2019 book *Putin's World: Russia Against the West and With the Rest*. Angela, we'll turn to you and then, Suzanne, turn to you after that.

Angela Stent: Thank you very much, Anna. I'm just going to cover two questions really. Why the rupture a month ago? Why a month ago would Russia not agree to what the Saudis wanted and why has Russia now changed its mind, its tune, its policies and has agreed to it. If we go back just a mere month ago, we have to remind ourselves that although Russia had the OPEC plug agreement with the Saudis since 2016, Igor Sechin, the CEO of Rosneft and arguably the second most powerful man in Russia, had never liked it. He didn't like the idea that Rosneft had to limit its production and he said famously, "If you give up market share, you never get it back." When the Russians and Saudis were speaking a month ago, the Russians wanted to have the existing agreement with the Saudis last until June. The Saudis of course said no. At that point, the Russian budget was based on \$42-a-barrel oil whereas the Saudis, as Bruce has just said, needed \$85

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oil in order to balance their budget. Therefore, they obviously had different views on this, economic views.

Angela Stent: There's also, I think, a US angle to this that I want to bring in and that is that Igor Sechin was furious with the United States at the Venezuela-related sanctions that had been imposed on and have been imposed on two trading arms of Rosneft. Putin was furious about the North Stream, too, sanctions against the Russian gas pipeline to Germany, delaying it by maybe as much as a year. The Russians obviously saw US shale as a major competitor to their own oil industry so why not let oil prices fall and make US shale uncompetitive? There was certainly that angle to it, too. The Russians did not agree to all of this.

Angela Stent: Now I guess we have to talk about why the Russians changed their mind, why the Russians now come round and have agreed yesterday to cut their production. First of all, it turned out that even though the Russians were producing more oil, they didn't have enough storage for that oil so they don't really have anywhere to put it as demand has been falling. There was a good reason for that. Then of course the other reason is the pandemic. It's COVID-19. The Russian economy is in a free fall. Some people are predicting that the Russian economy may contract by as much as 20% this year and so these low oil prices represented really a major challenge for the Russians.

Angela Stent: I think there's also a broad context here and that is the Russian-Saudi relationship, yes, it's about oil but it's about much more than that, too. In the context of Russia's broader policies and goals in the Middle East, it makes no sense to entirely rupture relations with Saudi Arabia. Russia's two new strategic partners in the Middle East since its entry into the Syrian civil war in 2015, those two new strategic partners are Israel and Saudi Arabia, of course two of the US's closest allies in the region. Keeping up the relationship with Saudi Arabia is an important element in Russia's more general role in the Middle East. There's a much closer political relationship between Saudi Arabia and Russia, economic relationship. The Saudis are buying arms. They pledge to invest large sums of money in the Russian economy so there are other factors there beyond oil that I think have influenced the Russian decision but I think that there's also very much a relationship here to the impact that the COVID pandemic is having on Russia that really has induced Russia to agree now to cut its production to I guess eventually 8.5 million barrels a day going forward. Today the official figures for Russia are 12,000 cases of COVID with 100 deaths but I think most people in Russia believe that the figures are significantly higher. Like many other countries, Russia doesn't have enough testing kits. Also in the rural areas of Russia, there's a huge divide between the ability to deliver healthcare in the rural areas and in the major cities and in those rural areas, up to 30% of medical facilities have no running water, 40% have no central heating. Again, this huge disparity means that the numbers are probably much, much higher.

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Angela Stent: I think there's also a personal element in this for President Putin. He has largely been absent in terms of dealing with this. He's deputed the response to the virus to his prime minister, Mister Mishustin, and his mayor of Moscow, Mister Sobyenin. Putin's own popularity is now lower than it was before the annexation of Crimea in 2014, so it's fallen significantly, and he has had to postpone the vote that was supposed to take place this month where people were going to essentially vote to keep him in power until 2036. It's really in his interest to grapple better with the economic situation since, again, people are predicting as much as a 20% drop in GDP.

Angela Stent: There's also in Russia, interestingly enough, rising opposition to what the Russians call ventilator diplomacy. That is Russia's sending significant amounts of medical equipment to Italy, to Serbia, to the United States, to Venezuela and the people are saying, "We need these things domestically. Why are you doing this?" I think Putin has a stake in agreeing to this to cut back output to hoping that this will stabilize the economy. Russia does have \$400 billion still in reserve funds but the COVID situation is clearly going to get worse. Just to remind people that revenue from hydrocarbons makes up around 60% of Russia's budget.

Angela Stent: In conclusion, I think we should remember in March Russia walked away from a deal under which it would've had to have cut 300,000 barrels a day, million barrels a day and now it's pledging to cut 2.5 million barrels a day so it hasn't come out well from this.

Anna Newby: Thanks, Angela. That's really interesting. Finally turning to Suzanne Maloney who's an expert on gulf energy issues broadly, including particularly Iran, and is the author of the 2015 book *Iran's Political Economy Since the Revolution*. Suzanne, we'll turn it over to you for any sort of concluding thoughts.

Suzanne Maloney: Sure. Thank you so much, Anna, and thanks to all of my colleagues in the foreign policy program at Brookings who really covered the waterfront I think on all of the important issues at play. I just wanted to add a couple of very quick and small points. The first is on the G20. It is I think an unfortunate irony that the United States hasn't been able to really assert a significant leadership role in this body in order to address the broader economic crisis that has been exacerbated by the oil price war between the Saudis and the Russians.

Suzanne Maloney: The irony comes from the fact, of course, that President Trump really came into office determined to double down on the United States' relationship with both the Saudis and the Russians and ultimately those personalistic bonds haven't been able to help him to shape better outcomes or to play any kind of significant crisis management role at a time when not only the global economy but from the perspective of a president who sees things very much through his own personal interest, his own reelection prospects really do hang in the balance of finding a durable solution to the oil price war.

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Suzanne Maloney: The second point I wanted to make is on Iran, which is the lens through which I see much of what happens in the Middle East. I think it's important to note that the Iranians, despite the fact that they have been hit very hard by COVID-19, Iran was the first hotspot beyond East Asia even as the pandemic began to emerge as early as January. The virus has hit at the highest levels of the regime in Iran. You see Iran, despite the fact that it's ultimately not directly implicated by the following crisis because most of its exports have been taken offline by US sanctions, Iran has sought to be vocal and to play a role in trying to devise a solution not simply by cooperating with the Saudis but also by trying to shine a light and put the focus on the need for the United States to cut production in order to contribute to stabilizing prices. I think this speaks to Iran's vision of itself as a significant player in oil markets, even if in fact at the moment they are largely on the sidelines in terms of actual barrels.

Suzanne Maloney: It also is a point that I think is important in the Middle East that so many of these players on all sides have a long history. The Iranian oil minister Zangeneh played a role in 1998 during a prior financial crisis in working very closely with the Saudis to try to stabilize prices. With all of these countries, there's a lot of history and lessons learned.

Suzanne Maloney: Two more quick points. One is to just reinforce what I think Samantha was pointing out, which is that this is not going to be enough. It's not going to be nearly enough. It really just defers the crisis around storing the excess barrels that are being produced from May to perhaps somewhere during the summer period. Given that we don't expect demand to rebound any time soon, we're likely to find ourselves in a period of significant volatility around oil prices and all this has tremendous political and geo-strategic implications, particularly for the Middle East which is the subject of my own work.

Suzanne Maloney: This is a region that's already dealing with sustained, brutal and very devastating conflicts that have had reverberations around the world, whether it's the Syrian civil war that has sent waves of refugees into Europe, whether it's the war in Yemen which has contributed to the worst public health pandemic prior to the outbreak of COVID-19 with the birth of cholera throughout the lower gulf. Also of course the tensions between the United States and Iran, which nearly led the two countries to war only three months ago. If you inject into all of this absolute economic catastrophe which is not going to affect just the major oil-producing states but of course all of the other states around the region that rely on largess and rent that is distributed by the Saudis, the Emirates and others. Egypt, Jordan and all of the other non-oil producing states are not going to benefit from this price war. If anything, they're going to be the casualties and of course it's coming at a time when the fallout from COVID is moving well beyond the hotspot of Iran into the gulf and across the Middle East.

Suzanne Maloney: I want to just close by reflecting on a prior episode which was in 1985 when the Saudis, for very different reasons, ramped up production to try to reclaim

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market share. They did so. They in fact achieved their aim. They broke the quote-busting of their OPEC partners but it also had a devastating impact on the Saudi economy and of course it contributed to a need on the part of Saudi leaders to try to appease important constituencies and engage I think in some of the foreign policy behaviors that we contract to the growth of extremism around a region. In all of this, we have to recognize it's not just oil prices. It's not just the global economy. It really is a question of regime stability and overall geo-strategic consequences across the Middle East. Thanks.

Anna Newby: Terrific.

Samantha Gross: This is Samantha. Can I add just the briefest additional wrap-up comment?

Anna Newby: Yeah, definitely.

Samantha Gross: In listening to the previous comments, and thank you to everyone. This has been wonderful. Something that I'm hearing is this desire for a scapegoat, this desire to blame the rapidly dropping oil prices and the pain that they're inflicting on producing economies, to blame them on someone. I think the thing that we have to remember is the ultimate blame for this is the virus. We have never seen demand destruction like this, 20 to 25% of the market going away almost in the blink of an eye.

Samantha Gross: There's no question that Saudi behavior has been incredibly reckless and has made things worse and that Russian reluctance to come to the deal in the first place certainly wasn't helpful but I think it's been really interesting to watch the rhetoric that's happened here in the United States, particularly the incredibly strong anti-Saudi rhetoric. While it's true that their behavior was reckless and unhelpful, the real reason for the price drop, that price drop is necessary and was going to happen regardless in order to balance the market because demand has dropped so much. It's been really interesting for me to watch the rhetoric and in some ways be a bit amused by it, realizing the real villain in all this is the virus, although both of these parties have certainly not been helpful.

Anna Newby: Thanks. That's really helpful as additional context, Samantha. With that, we are going to turn to Q and A. If you have a question for one of our experts, please just briefly reintroduce yourself so we know who's speaking. Of course remember to take yourself off mute if you have a question but otherwise let's try to keep background noise to a minimum. With that, the floor is open.

Jackie Northam: Hi, it's Jackie Northam with NPR. Just a quick question. Talking about US leadership and President Trump trying to nurture relationships both with Putin and MBS. I'm just wondering at this point, is there anything that Trump can do or the administration can do to push either of these two or both of them to cutting production? It sounds like the threat of tariffs maybe or perhaps

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withholding military to financial aid to Saudi Arabia might be dangling out there but is there more that the administration can do, that President Trump can do?

Samantha Gross: I'll take that. This is Samantha. I'll take that question just to start out and others may chime in. I think there's this idea that if the Trump administration pushes both the Russians and the Saudis hard enough that they can somehow bring oil prices up and I think what that point of view misses is the idea that oil prices are going to stay low. There's nothing the administration can do to control prices up to acceptable levels for US producers because of the level of demand destruction that we've seen. I think the administration may not entirely understand the situation. They may think that there's more available to them to do when there actually isn't. There's no reason for the Russians Saudis to agree to greater oil production. They need that production for their own reasons and prices necessarily have to fall to balance the market. I think there's precious little that they could do and maybe a lack of understanding of how little power they have in this market where the demand destruction has just been so large.

Bruce Riedel: If I could just jump in for a minute, this is Bruce, I completely agree with Samantha. I think her point is the most important one. It's the drop in demand which is creating this oil price collapse and demand's not going anywhere. I think it's safe to say now that we have entered a depression, not a recession, a depression much like back in the 1930s. If the 1930s are any guide, it's going to be very, very hard to get out of this. At a minimum we're going to need a vaccine that people can be confident will work to prevent the disease from spreading.

Bruce Riedel: I also agree with Samantha's point that I don't think the administration fully absorbed the enormity of the challenge in front of them. To the contrary, the president is still talking about going back to business as usual in May. That's just ludicrous to think that we could go back to business as usual a month from now. Fortunately in this case, the decision making about stay at home, keeping schools closed, keeping businesses shut is made by the state and local governments, not by the federal government and I don't think very many state and local governments are going to pursue a policy of opening up rapidly.

Bruce Riedel: For the Saudis, the Great Depression of the 1930s is also an interesting peg point. Saudi Arabia almost went out of business in the 1930s. At that point in time Saudi Arabia depended almost exclusively for foreign exchange on the Hajj and people coming and spending money in Saudi Arabia. The Great Depression of the 1930s dried up the Hajj, not as completely as the virus is doing but pretty much the same way. By the end of the '30s, the Saudis were absolutely desperate for money. That's where they turned to American petroleum companies and that's how the Saudi oil industry began out of desperation in trying to deal with an earlier depression.

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Angela Stent: Can I add something, too? This is Angela. I agree with everything that my colleagues have said. I would like to point out that the Soviet Union in the 1930s was not that affected by the Great Depression just because it had this autarkic inward-looking economy. It wasn't part of a global economy. The difference today is that Russia obviously is largely integrated in the world economy and therefore it is not immune from what's happening globally.

Angela Stent: Even though I also agree with them that there's very little that President Trump can do to persuade Russia to cut production more because this has to do with global trends and the lack of demand for oil, if he were to do something, and this is what Putin would like, that would be to offer some kind of sanctions relief but he can't because all of the sanctions that have been imposed on Russia and on Rosneft are done by the US congress and Trump has very limited ability to do anything about that. Of course that was done at the beginning of the Trump administration because the congress was fearful that he would precisely lift all the sanctions against Russia in order to pursue better relationships with it so his hands are tied there, too.

Suzanne Maloney: I'm just going to make one final point, which is not to disagree with any of my colleagues but simply to note that in 1986 when the West Texas oil industry was being decimated by Saudi over-production, President Reagan sent his vice president George H W Bush to Riyadh to plead the case of the American oil patch. Didn't succeed then and I suspect it wouldn't succeed now but it is notable that the person that the Trump administration dispatched to Riyadh to try to manage the negotiations around finding the solution to the price war was the former NSC senior director whose background is an art historian. I think we do see a different level of capacity from this administration in terms of managing a crisis as serious as this one.

Anna Newby: That's great. Thanks, everyone. Let's turn back to another question from a reporter.

Laura Rozen: This is Laura Rozen. I was going to ask Angela if she might speculate on Trump's two calls with Putin, both today and I believe yesterday, with Putin and MBS. I don't know if the Russian press is indicating more what they may have been speaking and in particular what might Trump be offering Putin in return the Putin and Saudi Arabia stabilizing oil prices.

Angela Stent: It's a great question but I haven't seen anything in the Russian press that's speculating about what happened in that phone call so I think everybody's pretty tight-lipped about it. Of course we do know that, as I mentioned, the Russians did in a symbolic way send equipment to the United States. By the way, the equipment apparently was made by companies that are on the US sanctions list just to make a point there. That's been an open part of the diplomacy. One assumes obviously that President Trump was trying to get Putin to agree to these production cuts but there's not that much he can offer. As I

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said, he can't offer sanctions relief because he doesn't have the ability to do that and he can't really offer anything else related to Ukraine and things like that because, again, that's not really in his power. Unless they're looking towards some future time and some future deals, I think nobody really has a very good idea about what was promised.

Laura Rozen: Thanks.

Lesley Clark: This is Lesley with E&E News.

Anna Newby: Great.

Lesley Clark: Suzanne mentioned something at the beginning about the G20 and I'm just wondering if relations I guess were better on a global scale, whether you think in the adherence to working with our partners around the globe, would we be in any different situation or is it like lots of folks were saying, that the demand collapse is just so deep that it's going to take recovery to bring it back? Thank you.

Suzanne Maloney: I'll take that one simply because I was the one to make the assertion. I do think that the fundamental factor of demand is what's driving the current situation but how governments handle crises are also critical to the stabilization of the economy and to the pathway out. What we're seen from the outside of the Trump administration has been a go it alone strategy. The lack of any kind of coordination with our closest partners in Europe and elsewhere, all of whom share our interests in trying to avoid a catastrophic collapse of oil prices and a glut of supply on the market and the fact that the administration has eschewed the kind of ordinary close relationships with its most important and well trusted partners has hampered the ability to provide any kind of coherence in managing a crisis that would have been a severe challenge under any circumstances and has been exacerbated by the lack of any kind of willingness to cooperate on the part of the Trump administration and inability to see that there's a common threat that requires collaboration and coordination.

Bruce Riedel: Anna, if I could, I'll just add something to what Suzanne said.

Anna Newby: Of course.

Bruce Riedel: G20 is handicapped by the unfortunate fact that Saudi Arabia is the host of the G20 this year and will be hosting the G20 summit sometime in late November. That's all on the assumption that it's actually possible for foreign leaders to meet together in the same room. It's unfortunate another reason, not only is Saudi Arabia one of the players in this dispute, it doesn't really have the bandwidth in terms of its foreign ministry and other components of its bureaucracy to deal with a crisis of this kind of enormity. I think Suzanne put it right. Any country would be challenged to do something like this but Saudi

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Arabia, despite previously having a big energy industry, has a relatively small bureaucracy. It doesn't have a lot of expertise in many of the complicated economic issues that will have to be dealt with here.

Bruce Riedel: In other words, it needs the United States desperately to come in and provide the kind of leadership that we would assume an American president would actually carry out in a crisis like this. Instead we have an American president who's obsessed with being on television every night at 5:00 and getting the best ratings since the Superbowl. That's not the kind of leadership we need. We need leadership that's serious, that's working on this. The Saudis really need help from the American bureaucracy in trying to pull this all together. The final irony of all of this of course could be that we may find out if Donald Trump loses in early November that not only will his first foreign trip abroad have been to Saudi Arabia but maybe his last foreign trip abroad will be to Saudi Arabia.

Dion Rabouin: This is Dion Rabouin from Axios. I wanted to ask about the US-China schism and how that could play out with the decline in oil, being that the US has become obviously the top producer. China still is an importer of oil. How might this affect global leadership in that battle between the US and China that's still playing out?

Anna Newby: Samantha, is that maybe one that you want to take?

Samantha Gross: Yeah. I was...Yeah. Thank you while I was unmuting myself.

Anna Newby: Of course.

Samantha Gross: That's a really difficult and interesting question. I wish I had a better and stronger answer to that but we're definitely seeing a change in the balance of power right now among oil importers and oil exporters. The oil exporters are hurting terribly and generally you would think that that would be a very good thing for a country like China that imports significant amounts of its oil and other energy, natural gas as well. However, the usual rules are kind of upended right now. Generally it's a good thing if oil prices go down for oil importers, however the reason why prices are so low is that the economy and demand have completely cratered as the global economy feels the burn. The kinds of advantage that might accrue to oil importers just aren't happening right now because that level of demand isn't there.

Samantha Gross: I think how this will play out will really depend on how the economy recovers and how in particular if the Chinese economic recovery looks different from global economic recovery. If say the Chinese should, because they were hit first and reacted strongly, should recover more quickly, then this could be a real geopolitical advantage for them, the period of low oil prices that's bound to occur after all of this. However, it could also be that this doesn't really help them at all because there isn't a level of demand and they don't have the ability

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to take advantage of low oil prices in the way that they might otherwise have done. I think the answer to that question will depend on the overall speed of global economic recovery and how China's speed of recovery compares to that that you see in other countries. I definitely welcome any other thoughts on that but that's where my mind is at initially.

Bruce Riedel: I'm offering my two cents. The administration has tried, and actually been very successful with its own base, to portray this as a Chinese virus or a Wuhan virus. That has set up a very anti-Chinese attitude particularly among the president's core base of support. First of all, viruses do not have nationalities. That's not to ignore that the Chinese badly mishandled this problem from the beginning and are probably lying through their teeth about how many people have died and how many people have been infected but going after the Chinese in order to get electoral support back in the United States is not the kind of strategy that's going to make it easier for the G20 to come together and come up with lasting solutions to this kind of problem. It also might want to reflect one other political point to bear in mind.

Bruce Riedel: The president, whose political problems are mounting by the day as the economy heads into the greatest depression since 1929, is not exactly going to want to be perceived by the American people as the guy who was trying to increase the price of oil at the gas station. That may be important if you're Ted Cruz in Texas or if you're the governor of North Dakota but in most of the United States, most consumers are happy as can be that the one thing that they can buy now that they couldn't afford before is as much oil as they want for their car or their boat. I don't see this as being a winning political argument for the president to be trying to push the price of oil up again.

Ken Silverstein: Hello. This is Ken Silverstein at Forbes. I have a question. If we're going from Trump into the election and let's say we introduce Joe Biden into the equation and the pressure he might bring in the campaign and then how things might change if he were to win.

Bruce Riedel: This is Bruce again. I'm happy to take the second part of that question and I'll make a few comments on the first part. The Democrats almost universally have been souring on Saudi Arabia for the last two years. The Jamal Khashoggi assassination in Istanbul brought up these tensions between the Democrats and Saudi Arabia to the surface but they'd already begun well before then. The war in Yemen is a major source of this dissatisfaction with Saudi Arabia. Many Democrats and some Republicans as well have been critical of the war for a long time. Congress has, on several occasions, tried to cut off American military assistance to the war only to see the president veto those efforts. This price hike now and the battle over oil prices has brought many Republicans into that camp as well. I think there were 50 or so Republican congressman and senators who supported a letter urging the president to cut off military assistance and

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withdraw American military forces from Saudi Arabia if the Saudis continued to try to flood the market with oil.

Bruce Riedel: What this means, I think, is that assuming the Democrats do win in November, and that would mean Joe Biden, we're likely to see a very fundamental reassessment of US-Saudi relations. I would say it could be an existential crisis in the US-Saudi relationship. Joe Biden has been outspoken on this. He's called the Saudis a pariah. He said Saudi Arabia needs to be punished for its behavior and that was simply referring to the Khashoggi affair. He's also been supportive of efforts to cut off arms aid because of Yemen.

Bruce Riedel: The Saudi decision in the last 48 hours to impose a unilateral ceasefire in Yemen I think is the first glimmering that Saudis have ... That real problems are coming down the road and that if they don't take some drastic steps between now and next January, they could find themselves facing an administration that essentially wants to walk away from the US-Saudi relationship and if the world is flooded with oil, it'll be much, much easier to do that than it would've been in any other previous time. Plus the Democrats are not as obsessed with the Iran threat. Most Democrats, including Biden, have talked about going back to the Obama nuclear deal. I know that's not going to be that easy to do but that's the general mind which they're going to take.

Bruce Riedel: I think the implications of a Biden victory in November are very profound for Saudi Arabia and the Yemen thing, as I think I said, is the first glimmering that they're starting to see that. If this Yemen ceasefire falls through, which I think there's a real possibility of because the Saudis have not offered to lift the blockade of Yemen. They've only offered to stop fighting. What the Houthis want is the lifting of the blockade, which would then allow medicine and food and other things to flow into the country. If this all falls through, I think you will see the congress going back to passing legislation calling for an end to American military support to Saudi Arabia and a withdrawal of American troops from the country.

Samantha Gross: This is Samantha. I'll add a couple of more notes. I completely agree with everything that Bruce just said about the US-Saudi relationship and now I have just a couple of brief thoughts about the relationship with the US oil and gas industry that might happen under a potential Biden presidency. I heard the word pariah in there and certainly the oil and gas industry is a bit of a pariah among the Democratic base anyway right now. We saw during the Democratic primaries against US oil and gas production. Many of the candidates, most notably Bernie Sanders, were pushing all kinds of ways to push back and perhaps eventually end US oil and gas production. We don't see that with Joe Biden. He's been one of the more moderate candidates along those lines but I think you will certainly not see this kind of push to protect the US oil and gas industry that the Trump administration has tried to put forward, unsuccessfully but still.

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- Samantha Gross: The one challenge for that is we're likely to see a prolonged period of low oil prices. It's going to take a long time for demand to recover and a long time to work off the inventories that were building up during this time. While a shrinkage of the US oil and gas industry would make a lot of people on the left probably quite happy, it also raises challenges related to energy transition. It makes greener fuels less competitive if traditional oil and gas are very inexpensive. It is both a positive and a negative for the energy transition that a Democratic candidate would want to see. It has both positives and negatives. It isn't the overall neg positive that I think a lot of people on the left who are like, "We just want to kill oil and gas." I have major issues with that political view to begin with and I think that the way this is going down could actually be a challenge for some fundamental Democratic goals that would come up in a new administration.
- Anna Newby: This is Anna. I will jump back in. Just watching the time. We have five or so more minutes. Do any other reporters on the line have additional questions? Going once-
- Lesley Clark: I'll give it a go. It's Lesley again E&E.
- Anna Newby: Sure.
- Lesley Clark: You mentioned ... I'm just wondering, it is kind of interesting that Trump has tried to have such great relationships at least with Saudi Arabia and China and now finding himself in this and you were mentioning that Saudi Arabia would not see good stuff under Biden. Does that play into their calculation at all in trying to resolve this or is it just too much, too big to reward Trump?
- Bruce Riedel: I'll take a stab at that, Anna. The Saudis don't have as sophisticated an understanding of American politics as they should. Mohammad bin Salman has never studied in the United States. He's had a couple of visits to the United States but I would say they've been long on praise for him and very short on getting any bad news out of Americans. To the extent that they now realize or are becoming knowledgeable that a Democratic victory in November could be, not just the presidency but the senate as well as the house, would be a very dangerous thing for them. Then I think they will start looking around. Ending the war in Yemen would be one of the ways out. As we've been saying for the last hour, it's much more difficult for them to solve the energy price problem because of the enormous magnitude of the collapse in demand. I think their potentials there are pretty limited.
- Bruce Riedel: They do have a new ambassador, Reema bint Bandar, who is a very well-spoken person. She's very articulate. She comes with a lustrous background as the daughter of Prince Bandar, the most successful ambassador from Saudi Arabia ever in the history of the relationship. She's been unusually quiet in the public domain. We haven't heard much from her but she would be the right person to

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start explaining Saudi policy to Americans in public and on the Hill and also to be explaining the realities of American politics back home to Riyadh. I think that that's one decision by the Saudis that I think is really quite smart and I hope that they will utilize it and utilize her more and more in the months ahead.

Anna Newby:

Wonderful. I will jump back in. If there's any final urgent question that someone has, now would be the time. Great. I'm going to assume that we are going to wrap there. Thanks so much to everyone for joining this. This was a really fruitful conversation. As I mentioned, I will be able to circulate a transcript certainly by Monday, although if any of you need the audio file sooner than that, just shoot me an email and I can provide that to you. Thanks so much to Samantha, Bruce, Angela and Suzanne for participating and have a great afternoon, everyone.