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Pakistan's Foreign Policy Towards Iran and Saudi Arabia Strategic Balancing and Geopolitical Challenges, 2015-2025

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ABSTRACT

Foreign policy of Pakistan with regard to Iran and Saudi Arabia has had to consider the complex geopolitical situation in which the foreign policy of Pakistan is highly linked with security, economic and financial issues, ideological and great-power pressures. This research analyzes how these geopolitical trends affect Pakistan's foreign policy approach and strategic equilibrium in relation to Iran and Saudi Arabia. On this score, as the findings are given in the report, the foreign policy of the country can be interpreted as strategic hedging rather than non-alignment. In Pakistan's case, strategic hedging becomes clear when one notes that Islamabad has retained its economic and military relations with Saudi Arabia and maintains its border security with Iran. The research employs a qualitative, explanatory and analytical case study approach utilizing primary data sources and secondary data sources. The study concludes that Pakistan has managed to keep away any major diplomatic confrontation with either Saudi Arabia or Iran, although there is still the issue of its economic dependency, its vulnerability to sanctions, frontier insecurity, and changes in its regional alliances. This research paper recommends that future policy should ensure that Pakistan develops an explicit national interest paradigm, decrease dependence on unilateral bailouts, improve multilateral diplomacy, and carefully take advantage of Chinese diplomacy.



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Introduction

Pakistan's foreign relations strategy between Iran and Saudi Arabia is one of the most delicate matters in the country's broader Middle Eastern diplomacy. Pakistan cannot treat Riyadh and Tehran as ordinary state-to-state partners because both states have distinct but important places in Pakistan's geopolitical environment. Saudi Arabia is connected with Pakistan through religious ties, overseas employment, petroleum-related cooperation, financial backing, and security cooperation. Iran is Pakistan's neighboring country, influential regional power, a possible energy partner, and an important state for cross-border stability. This implies that policy decisions made with one side have ramifications on the policies with the other. The question, therefore, remains not whether Pakistan wants one side more than the other but how does Pakistan deal with a regional contest which impacts its security, economy and diplomatic flexibility at the same time (Nasr, 2006).

The Saudi-Iran conflict is a part of a wider struggle to dominate the region, the religious sphere and military superiority. With the Iranian Revolution of 1979, which saw Iran's monarchical regime replaced by an Islamic approach to politics, questioning Saudi Arabia's influence throughout the Muslim world. This rivalry is significant to Pakistan as it has foreign and domestic aspects. Islamabad prefers help from Saudi Arabia, but not to have problems with Iran. Internally, Pakistan has to handle the sectarian issue as it is a mixed Sunni/Shia society, and Pakistan is named as a country having a significant Shia population (Pew Research Center, 2009).

It is the period of 2015-2025 that is really critical. Saudi Arabia started a military operation against Houthi group in Yemen in the year of 2015 and called Pakistan for assistance. Although Pakistan wanted Saudi Arabia's territorial integrity to be preserved, it refused to be a part of the fight in spite of the general level of alliance with Saudi Arabia (Dawn, 2015). There were significant external constraints in the decade, as well. U.S.-led restrictions against Iran were strengthened which

created issues for Pakistan to run normal energy and trade ties with Iran. However, Iran's gas pipeline project with Pakistan has been stalled and was ever in a need for cheaper energy since those sanctions have been imposed (Reuters, 2024e). Significant components of it are the security concerns such as Pakistan-Iran border, sectarian tensions, defense co-operation with Saudi Arabia and Yemen war. Saudi deposits, their remittances, oil facilities, the risk of sanctions, the Iran-Pakistan pipeline, and CPEC are principal factors as well. The article does not view security, nor economics as separate topics but in a combined perspective. It sees them as an important part of their consideration of geopolitics in Pakistan's policymaking process.

1.2 Theoretical Framework

1.2.1 Strategic Hedging Theory

Hedging theory was mainly developed by Goh and later elaborated by Kuik and this paper is based on Strategic Hedging Theory. The term "hedging" refers to a situation in which a country is not a member of a single bloc but is involved in some level of relations with many rivals. Goh believes hedging can lower one's risk appetite in an evolving security environment, while Kuik believes that it is a middle ground between "balancing" and "bandwagoning".

The recent Saudi-Iranian actions by Pakistan can be explained as an example of strategic hedging. They did not totally take Saudi Arabia's side at the price of Iran in 2015. They remained neutral on the Yemen issue. Thus, Pakistan started its efforts to interact with both countries and avoided not to upset either one. This illustrates some of the practical rationale of strategic hedging.

1.2.2 Why Hedging Fits Pakistan's Case

Pakistan is not weak in every field. It has a large population, as well as a nuclear power and possesses strategic importance. Pakistan have also been of some military importance in the Muslim world for some time. However, there are problems as well. Pakistan is economically weak, heavily dependent on foreign funds, has insecure borders and energy shortages. Furthermore, there

are also conflicts between different religious groups. All this makes Pakistan in a middle power status with lack of freedom. Due to its strategic location, Saudi Arabia, Iran, China and even the US are seeking its cooperation. However, it's not powerful enough to dismiss the influence of these powers.

Pakistan's approach to the Yemen conflict, backing Saudi Arabia's security while refraining from direct military engagement, demonstrates its cautious balancing in the security dimension. In the same way, its measured approach to the IP gas pipeline, reconciling energy interests with the potential risks of U.S.-led sanctions, illustrates hedging in the economic domain.

1.3 Research Questions

1. What geopolitical challenges affected Pakistan's foreign policy decision-making in relation to Saudi Arabia and Iran throughout 2015-2025?
2. What is the significance of the security concerns and the economic vulnerabilities as part of Pakistan's geopolitical pressures in juggling its ties with Saudi Arabia and Iran?
3. How successful Pakistan's hedging policy has been in the face of geopolitical pressures arising from the Saudi-Iran competition and what has caused some problems in this policy?

1.4. Rational of the Study

This study is valuable because Pakistan's diplomatic approach toward Iran and Saudi Arabia demonstrates how a regional middle power handles competing regional powers under financial, geopolitical, and security challenges. Although Pakistan cannot determine Saudi-Iran relations, its geography, Islamic identity, nuclear status, Gulf ties, border with Iran, and partnership with China make it strategically important. From 2015 to 2025, Pakistan's policy shows a realistic balancing approach determined by Saudi economic support, energy dependence on Iran, U.S. restrictions, sectarian sensitivities, cross-border tensions, and the new diplomatic room created by the 2023 China-mediated Iran-Saudi restoration of relations.

1.5 Research Methodology

This research is a qualitative one conducted in descriptive and analytical case study design to analyze the foreign policy of Pakistan towards Iran and Saudi Arabia from 2015-2025. The current use of qualitative research is based on the fact that it can aid in achieving a more in-depth understanding of various diplomatic strategies, policy decisions and the reactions of institutions in a complex geopolitical and economic environment that cannot be analyzed through the quantitative method.

The primary sources have been considered primary documents on the basis of: National Security Policy of Pakistan 2022-2026, UN Security Council Resolution 2016, The secondary sources will be used to provide extra information and interpretation of events where the archives don't provide much on the topic, or where the inventors are not found. In this way, conclusions will be grounded on reliable evidence while at the same time profiting from secondary sources' aptitude to bring interpretation regarding some aspects.

Content analysis technique is used on speeches, statements, and policy papers to detect common themes, goals, and strategies. Comparative evaluation technique is used to analyze the behavior of Pakistan in terms of its relations with Saudi Arabia and Iran, keeping in view the role played by security, economic, and diplomacy aspects. Through this process, a logical understanding can be developed about the policies of strategic balance that Pakistan maintains based on internal constraints as well as external factors.

2.1. Literature Review

Goh (2005) suggests that the states in an ambiguous strategic environment refrain from becoming dependent on any particular entity and instead develop relations with multiple entities in order to remain diplomatically flexible. Further elaborating on this approach, Kuik (2008) explains that hedging is a strategy employed by states in between balancing and band wagoning, where states cooperate and at the same time

protect themselves from future dangers. States using hedging, neither challenge rival states directly nor do they support them in any manner but rather try to remain strategically autonomous through engagement and prudence.

In Nasr's opinion (2006), political factors and difference in the sectarian forces in the Islamic countries have a great influence on the decisions relating to foreign policy and it is difficult to take sides without facing any kind of diplomatic repercussions for the states that have different forces inside the country. When discussing the Yemen case, the practical implications of the arguments presented above were apparent. Significantly, the Pakistan Parliament adopted a policy of "neutrality" while hearing Saudi Arabia's call for their support to participate in this war against the Houthis rebels.

According to Al Jazeera (2015), the decision of Pakistan was to engage in diplomatic efforts rather than getting involved in the conflict, which allowed maintaining good relations with both Riyadh and Tehran. Considering religious diversity in Pakistan, any linkage to the conflict being part of the regional conflict could have brought about diplomatic and domestic consequences.

As stated by the International Monetary Fund report (2023), Pakistan's economic fragility and reliance on external funding indicate that its foreign policy decisions are guided by economic constraints along with mutual interests. Economic stability can only be achieved by the help and support of international financial organizations and with help from abroad, thereby reducing the framework of policy choices.

A Reuters (2023) report indicates that both countries, Saudi Arabia and Iran, have resumed their diplomatic cooperation, following China-mediated talks in Beijing. Moreover, the groups appear to welcome the decision, as there has been long-standing tension between the two rivals. This remains pertinent particularly in the context of Pakistan where Saudi Arabia and Iran have a huge significance in Pakistan's foreign policy. In fact, the diplomatic restored relations have lifted the

burden from Pakistan's side to manage the diplomatic relations with the regional countries with the desired balance. The negotiation process that was successful created some developments related to diplomacy in this region as China was able to mediate it.

2.2. Research Gap

The Achilles heel of current debates is that security and economic topics are generally discussed away from each other, whereas in the balancing act between Iran and Saudi Arabia, they are interlinked in Pak. The Yemen war, for instance, is being viewed almost exclusively through a security lens and has financial repercussions for Saudi Arabia, and also domestic risks. Iran Pakistan pipeline to be an economic enabler but it's stymied by geopolitical sanctions. Then there are Gwadar and Chabahar which are supposed to be connected but are enveloped into the India-China rivalry. Thus, this report throws both the security and the economic aspects as pieces in broader geo-political peruses, instead of as subjects in themselves.

One missing point is that Pakistan's policy has always been dubbed as 'neutrality' without trying to grasp the reasons behind it. What I am trying to say is that it is not such a thing that Pakistan is ideologically neutral. It's something more to play to simmer rivalries. This may temporarily solve the issues but in no way rectify the root cause of Pakistan standing on this tightrope.

3.1. Historical Background:

Saudi Arabia's and Iran's relationship has been a history of one of the most vital rivalries in the Middle East. The context of the rivalry has been viewed through sectarian lens, however geopolitical considerations like influence in the region, security, leadership in the Muslim world etc. appear to be the primary motives. After the revolution of 1979, the rivalry became even stronger because it resulted in the transformation of the political system of Iran (Nasr, 2006).

Pakistan's relationship with Saudi Arabia has always been based on its religious, economic and security cooperation. The relations between these

two countries have been friendly since the early decades of Pakistan's life as there exist some common interests and support to both countries (Rashid, 2008). Iran-Pakistan's collaboration has been very distinct. These two countries have also had geographical, trade and security ties for years, being neighboring and having a long common border. The two countries have been collaborating closely on various issues such as border security, cross-border smuggling, militancy and so forth due to their close proximity. Energy cooperation has been an important aspect of the Iran-Pakistan relations as well. The IP gas pipeline was supposed to be one that will provide energy security to Pakistan, but given the sanctions against Iran, such an effort is proving difficult (Reuters, 2024e).

In 2015, Pakistan was caught up in a regional context where Saudi-Iran rivalry had been raised and obviously, this sort of crossover contacts presented possibilities and restrictions for Pakistani foreign policy makers. Saudi Arabia was one of the main countries with whom Iran had an economic cooperation and provided job

opportunities and Iran was also, as its neighbor, playing an important role in maintaining border peace and regional connectivity, despite the fact.

Further developments have shown the significance of sustaining balance in the relationship between the two countries. First of all, the persistent stalemate of the Iran-Pakistan gas pipeline construction project shows how external pressures in geopolitics can affect cooperation (Reuters, 2024e). In addition, the border situation in January 2024 between Pakistan and Iran is an example of the security problems still facing the neighbors. Although there was an exchange of military attacks after cross-border operations, ultimately the parties made moves towards a de-escalation of tension and negotiations, showing the significance of peacekeeping between the neighboring countries (Reuters, 2024c). All in all, these historical events show the background for the geopolitical problems that influenced the foreign policy of Pakistan towards Saudi Arabia and Iran from 2015 to 2025.

Table 2: *Pakistan's Strategic Interests with Saudi Arabia and Iran*

Dimension	Saudi Arabia	Iran	Foreign Policy Implication
Security	Military training, advisory cooperation, religious security connection	Border protection, anti-militant common Balochistan border	Pakistan must sustain Saudi security relations while refraining from actions that trigger Iran.
Economy	monetary deposits, energy cooperation, employment of Pakistani workers	Energy prospects, overseas project, cross-border potential	gas trade realized; Iranian economic value is constrained by restrictions.
Domestic politics	Religious authority and Sunni demographic representation	Shia community and border-area communities	Too much association with either side can create national political or religious tensions.
Geopolitics	Gulf regional influence, U.S. aligned system, development opportunities	China Iran relations, Chabahar port project, economic restrictions, regional integration	Pakistan must handle not only two states but broader geopolitical U.S., China, and India dynamics.

Note. *The author's own comparative analysis of Pakistan's interests in its strategic relations with both Saudi Arabia and Iran from the literature examined in this research.*

4. Broader Geopolitical Challenges

Table 1: *Major Events Shaping Pakistan's Iran Saudi Balancing, 2015-2025*

Year	Event	Relevance for Pakistan
2015	Saudi led military action in Yemen and Pakistan neutrality stance	Pakistan did not participate in Saudi military campaign that would have been viewed as alignment against Iran.
2016	Saudi Iran diplomatic breakdown after strikes on Saudi embassies in Iran	Pakistan attempted to sustain diplomatic links with both countries and portrayed itself as a potential mediator.
2018	U.S. exit the Iran nuclear agreement and reimposed sanctions	Pakistan Iran economic and energy cooperation became harder due to U.S. sanctions threat.
2023	China facilitated Iran Saudi normalization	The diplomatic normalization eased Pakistan's alignment between Saudi Arabia and Iran.
2024	Iran Pakistan cross border military strikes	The conflict situation showed the vulnerability of border security coordination and the need for reduction of tensions.
2024	India Iran decade-long Chabahar agreement	Chabahar improved India's regional trade route and intersected with Pakistan's Gwadar port strategy.

Note. *The author's own synthesis of important geopolitical events related to Pakistan's policy of balancing between Saudi Arabia and Iran (2015-2025) from the sources provided in this chapter.*

4.1. Yemen War and Pakistan's Defining Test of Balancing

The Yemen War was the first significant geopolitical struggle of the time frame. Saudi Arabia's engagement in Yemen placed Pakistan under significant pressure, as the Saudi ruler sought assistance from a long-time partner. The issue was not limited to military matter as it was the test for Pakistan's loyalty towards Saudi Arabia and whether it would side with Saudi Arabia in its rivalry with Iran. This was because in the event that Pakistan had flatly turned down Saudi Arabia, the latter might have considered it a betrayal. Pakistan was thus presented with a dilemma, and one that could not be resolved at a cost-free price tag (Nasr, 2006).

Neutrality was a compromise of the Pakistan Parliament. The resolution called for the respect of Saudi territorial sovereignty and the sanctities, nonetheless, it did not admit the dispatch of troops in Yemen (Dawn, 2015). The ballot was an indication that Pakistan would not join the Saudi military alliance (Jazeera, 2015). Neutrality was

not a sign of weakness, but rather a method of preventing risk where possible.

Pakistan would be neither locked into an alignment or locked out of diplomacy while preserving the ability to mediate. But there were also some costs to the decision. Saudi Arabia might raise doubts about Pakistan's commitment as its security ally. But Iran might still be suspicious, as Pakistan did have close ties with the Saudi defense. Thus, Yemeni decision was confirming the hedging was valid yet also showing the problem of credibility that occurs with the hedging.

The Yemen War illustrates that Pakistan's strategic dilemma moved beyond security decision to involve defense, financial, religious, and diplomatic concerns. Pakistan's decision retained its diplomatic flexibility even with ongoing pressure from Saudi leadership (Siddiq, 2007).

4.2. Saudi-Iran Diplomatic Crisis in 2016 and Pakistan's Mediating identity

Additionally, Pakistan faced another challenge in 2016, due to the Saudi-Iranian diplomatic split.

Saudi Arabia terminated diplomatic ties with Tehran following the execution of Shia cleric Sheikh Nimr al-Nimr and Saudi diplomatic buildings came under attack by demonstrators. In response, Pakistan's action was consistent with the 13th Islamic Summit Final Communiqué (Organization of Islamic Cooperation, 2016) which mandated the OIC member states to abstain from sectarian polarization, engage in dialogue and the principles of non-interference. Pakistan's approach was to preserve diplomatic channels of communication functional with both Saudi Arabia and Iran, positioning itself as neutral instead of a partisan actor.

Diplomatic mediation has significance for Islamabad as it offers Pakistani leadership diplomatic influence. Mediation however does not come without its restrictions either. In Pakistan, reconciliation between Saudi Arabia and Iran is certainly not imposed. It can provide opportunities and symbolic support, but it does not have the economic and diplomatic influence as that which China showed in 2023. Saudi Arabia might be asking for more than neutrality from Pakistan and Iran might not take Pakistan's Saudi connections lightly. Thus, the crisis of 2016 underscored the hedging stance and approach of Pakistan with its strengths and weaknesses (Walt, 1987).

4.3. China-Brokered Iran-Saudi Rapprochement in 2023

The Iran-Saudi rapprochement brokered by China in March 2023, was one of the most important geopolitical events of the last ten years. Iran and Saudi Arabia agreed to restore diplomatic ties and the reopening of embassies following diplomatic talks held in Beijing (Reuters, 2023). To Pakistan, this was significant as it limited the pressure of choosing sides from the Riyadh vs Tehran tensions.

Prior to the 2023 pact, Pakistan had to be quite cautious with regard to its actions towards Iran: every step towards Iran had to ensure that it did not irk Saudi Arabia and every step towards Saudi Arabia had to ensure that it did not raise Iran's suspicions. The normalization did not end the

rivalry completely, but it created more space for Pakistan to interact with both states. Pakistan would be able to discuss trade and border-security-related issues with Iran without having to deal with the immediate Saudi concern of maintaining cordial relations with Riyadh.

Another key factor was China's involvement, which exhibited a new approach in Middle Eastern affairs. China had brokered a significant regional compromise between two Gulf rivals, a major accomplishment that reflects a new role for China as the main security broker in security in the Gulf. This is because Beijing had simultaneous relations with Pakistan, Saudi Arabia and Iran which provided diplomatic cover for Pakistan's balancing (Coll, 2004).

More proximity to the Chinese, the new ally of Pakistan, might lead to another dependence of Pakistan. While CPEC extends a helping hand to Pakistan in terms of infrastructure and investments, it in essence brings Pakistan closer to the Chinese regional approach (Rashid, 2008).

4.4. U.S. sanctions on Iran and the Hard Ceiling on Pakistan-Iran Cooperation

Pakistan has one of the biggest limitations on its foreign policy in the form of U.S. sanctions imposed on Iran. Large-scale economic engagement is onerous given the threat of sanctions on banking, energy & investment sources, but Pakistan can still maintain diplomatic ties with Iran; and border security cooperation, if Iran is willing. It is not only Pakistan's move towards lower energy prices and but also Iran's wish for economic integration in the region, but also the restraint that the U.S. sanctions exert.

The USA has not endorsed the Pakistan-Iran gas pipeline project and also threatened Pakistan with sanctions, for engaging in business with Tehran. The pipeline continues to remain delayed due to sanctions, with Pakistan looking for ways to circumvent sanctions as well as to meet its energy requirements (Reuters, 2024a). It will not simply be the one that is economically beneficial or else Pakistan will suffer both in terms of relations with Washington and international financial institutions.

The sanctions' issue indirectly strengthens Saudi leverage as well. As Iran has less scope to develop as a major formal energy and trade partner despite the sanctions, Pakistan's economic ties with Saudi Arabia and the Gulf are still better. Both Pakistan and Saudi Arabia have diplomatic relationships; the economic aspect is inclined towards Saudi Arabia. That's one reason that the hedging strategy of Pakistan is limited and not independent (Nasr, 2006). In fact, if Pakistan moves forward, it might face sanctions. If it puts it off, it could cause Iranian discomfort and potential legal and financial penalties. Losing the project costing the potential energy source. Hence, Pakistan's safest bet among various options has often been deferral and diplomacy that is characteristic of limited hedging strategies.

4.5. CPEC and Gwadar Challenge & Chabahar Challenge

The CPEC project is at the core of Pakistan's regional connectivity agenda. According to the official website of CPEC, CPEC is a platform for regional connectivity, which can be beneficial for China, Pakistan, Iran, Afghanistan, and the larger region (CPEC Authority, n.d.). In reality, CPEC has transformed Gwadar Port into cornerstone of Pakistan's financial and geopolitical aspirations. Gwadar is supposed to be part of the link between Pakistan and the regional trade backbones, while granting the Chinese access to Arabian Sea.

India has signed a deal with Iran for operating and developing Chabahar Port for 10 years. For Pakistan, this signifies that Chabahar is not just an Iranian port, but also has a connection with India's regional connectivity initiative (Reuters, 2024b). While Gwadar is close to Chabahar in geography, but they belong to different strategic networks, that of Gwadar to China and Pakistan, and that of Chabahar to India and Iran. On the other hand, Pakistan is interested in having stable relations with Iran and it may also have a positive impact on regional connectivity. This adds a China-India dimension to the descriptions of the relationship between Pakistan and Iran (Siddiqi, 2007).

Bigger ships might mean more regional opportunity for both ports to play different trade

roles, if regional conditions improve. But in the present strategic context, complementarity between India and Pakistan is challenging due to rivalry and India's strategic competition with China. This is constraining the potential of economic cooperation between Pakistan and Iran although there is an interest in both countries to enhance border trade and connectivity (Rashid, 2008).

4.6. The 2024 Pakistan-Iran Border Crisis

The Pakistan-Iran border crisis of January 2024 is a clear challenge to security. Pakistan retaliated against alleged Iranian attacks on its bases within the country two days after Tehran claimed it had launched a strike against such locations. It demonstrated that despite the fact that there are grounds for cooperation between Pakistan and Iran, the border insecurity can soon turn into a diplomatic and military crisis for Pakistan (Reuters, 2024c).

Militarily, Pakistan retaliated to secure its sovereignty, however, a rift was not allowed to become an irreversible one. There was a detente on both sides. Given the geographical landscape, both countries have to talk to each other as border security is in their interests. The prevailing sentiments of the two nations are that if the ties with Iran weaken or go worse, Islamabad will gradually be bound to Saudi Arabia and the Gulf countries. The abrogation of Iranian's security concerns means border instability. So, Pakistan must stand up for its sovereignty but continue the communication with Tehran.

4.7. As Geopolitical Constraints, Security Concerns

The Pakistan-Iran border is challenging to police due to the presence of militant groups as well as smuggling and weak local governance in Baluchistan. Border security cooperation with neighboring countries, including Iran is mentioned at the core of Pakistan's national security policy and bilateral frameworks with Tehran are operationally essential for Pakistan's stability (Government of Pakistan, 2022). At the same time, it cannot perpetuate its strategic

connection with Saudi Arabia because it is a long-standing partnership.

While the Yemen War demonstrates the external security dilemma, the 2024 border strikes demonstrate the bilateral security dilemma. During the Yemen War, Pakistan had to remain cautious about being drawn into the war because it might be considered anti Iran. During the border clashes, Pakistan had to deal with Iran's aggression while at the same time ensuring that the problem did not escalate (Nasr, 2006).

It should also be noted that sectarian considerations form part of security concerns for Pakistan. The religious diversity of Pakistan suggests that the country's alignment with other states might have implications inside Pakistan. According to the Pew Research Center (2009), large percentages of the world's Shia population reside in Iran, Pakistan, India, and Iraq. Hence, if there was a Saudi intervention against Iran it would generate trouble in the country.

4.8. Economies, Dependencies and Geopolitical Constraints

Relations with Saudi Arabia include financial deposits, oil deals, investments and remittances.

Moreover, IMF has highlighted in its staff report that the Gulf remittances, especially from Saudi Arabia, are structurally key to the Pakistan's balance of payments and their disruption would result in a material imbalance in Pakistan's external accounts (International Monetary Fund, 2023). On the contrary, economic relevance of Iran lies in its latent potential. It can supply energy to Pakistan, act as its trading partner, and serve as a gateway in terms of connectivity, but sanctions stand in the way of realizing this potential. For instance, Iran-Pakistan Pipeline (IPPL) project serves as the most prominent example of Iran's economic relevance (Reuters, 2024a; Reuters, 2024e).

CPEC adds another dimension to Pakistan's economic diversity. It provides Pakistan with the infrastructural link and connection with China for its long-term security. Nonetheless, CPEC cannot substitute Saudi aid in balancing Pakistan's immediate balance of payments crisis. This is the reason why CPEC diversifies Pakistan's foreign policy options, but it doesn't negate Saudi Arabia's economic influence over Pakistan (Small, 2020).

Table 3: *Security and Economic Constraints within the Wider Geopolitical Challenge*

Constraint	Type	How It Affects Pakistan's Balancing
Yemen War	Security/diplomatic	Pakistan refrained from military deployment to avoid alignment against Iran while maintaining Saudi Arabia confidence.
Pakistan Iran border	Security	Militant activity in border areas compels Pakistan to sustain dialogue with Iran even during diplomatic strain.
Sectarian sensitivity	Domestic security	Strong alignment with any side can create domestic political and sectarian instability.
Saudi financial support	Economic	Saudi financial deposits and financial reinforce Riyadh's influence over Pakistan's economy.
Workers' remittances	Economic/social	Gulf labor links make stable ties with Saudi Arabia socially and economically significant.
U.S. sanctions on Iran	External geopolitical	International sanctions restrict Pakistan Iran energy and economic cooperation.

CPEC and Gwadar	Economic/geopolitical	CPEC expands Pakistan's policy options but also strengthens dependence on China.
Chabahar	Regional competition	India Iran collaboration at Chabahar makes difficult Pakistan-Iran economic relations.

Note. *The author's own analysis of security and economic challenges from the sources provided.*

4.9. Strategic Hedging: Successes and Limitations

4.9.1. Successes of Pakistan's Strategic Hedging

Firstly, although Pakistan had many possible issues and tensions in the region it was able to keep its relationship with both Iran and Saudi Arabia stable for a long time. This may be one reason for having the neutral role in Yemen in 2015 even though it angered Saudi Arabia and did not suffer from any souring of the bilateral relationship. Saudi Arabia may be able to continue to pay the country and keep on the "right side" of the defense issues. Moreover, Pakistan did not go directly against Iran by starting some sort of military campaign in Yemen. Secondly, Pakistan was successful in maintaining its role of mediator between two countries.

Third, Pakistan handled the 2024 Iran border dispute without turning the situation into a drawn-out conflict. While defending sovereignty, Pakistan left itself open for de-escalation (Reuters, 2024c). This is characteristic of hedging, whereby one reacts to a situation that is threatening in nature but does not permanently destroy a relationship. Fourth, Pakistan employed multilateral and diplomatic language as a strategy to relieve the pressure. By speaking about the maintenance of peace and territorial integrity through mediation, Pakistan avoids showing any form of antagonism toward either country.

4.9.2. Limitations of Pakistan's Strategic Hedging

In short term, the tie up between Pakistan and Saudi Arabia holds more importance as compared to Pakistan and Iran. Furthermore, employment through remittance income has been a job opportunity that has been a boon to millions of people in labour markets of the Gulf countries. But

the economic gain from Iran is negligible owing to the sanction against Iran (Nasr, 2006).

The energy and trade cooperation between Iran and Pakistan remain untied with sanctions by the United States, Pakistan's foreign policy vis-à-vis Iran could not be said to be independent. The U.S. is urging Pakistan to refrain from such an endeavor and in another report, Reuters notes that the project has been halted as a result of sanctions. Hence, Pakistan can communicate with Iran and not go for interdependence (Reuters, 2024a).

If Saudi Arabia perceives Pakistan's neutrality to be a sign of disloyalty, Iran would perceive Islamabad's alliance with Saudi Arabia as an indicator that Pakistan is not neutral at all. Therefore, although hedging provides flexibility, it does not enhance credibility. In other words, if either Iran or Saudi Arabia perceives Pakistan as unreliable, hedging might be counter-productive (Walt, 1987). It is important to point out that Pakistan's foreign policy seems reactive and lacks consistency. For example, while making decisions about Yemen, building the pipeline, and dealing with the border crises, Pakistan acted in an ad hoc manner. However, what would have been a better strategy for Pakistan would have been a national interest doctrine clearly specifying under what circumstances Islamabad would be loyal or neutral (Rashid, 2008).

4.10. Applications of Theory

Strategic hedging from 2015 to 2025 proved to be effective as a short and medium-term strategy for managing the situation. It assisted Pakistan in keeping its position, not being directly aligned with any country, and maintaining relations with both rivals while dealing with any potential threats to peace. Examples include the Yemen

war, rapprochement in 2023, the pipeline problem, and the border issue in 2024.

On the other hand, it could not lead to full strategic independence because Pakistan is dependent on foreign investments and remains exposed to the policy of sanctions. For this reason, strategic hedging cannot be perceived as independence but merely as damage limitation under difficult circumstances (Coll, 2004).

However, the main finding of the discussion is that while the balancing strategy of Pakistan is necessary, it is not sufficient. It is necessary since any other choice would result in considerable costs. Nevertheless, it is insufficient due to the failure of overcoming internal vulnerabilities that render it susceptible to coercive behavior. In this regard, the effectiveness of this strategy in the future will be dependent on Pakistan's ability to decrease its dependency, improve institutions, and convert hedging into an effective national interest strategy (Nasr, 2006).

5.1. Conclusion

It is suggested here that Pakistan's foreign policy is not a neutral policy nor it is an alliance policy. Instead, Pakistan has shifted to a "limited strategic hedging" because of its security, economic, domestic factors and great power considerations. The party of Pakistan had earlier concluded that the country would not be neutral, and it had decided the Saudi Arabia's sovereignty had to be respected and it also wouldn't become a part of Saudi Arabia led coalition forces. The decision has helped Pakistan out of the possibility of any confrontation with Iran. In this regard the IP gas pipeline is a classic example since Pakistan is energy starved and cannot go forward while jeopardizing itself of sanctions. This is because Pakistan cannot establish an economic equilibrium with Saudi Arabia (as it is an economic giant) and get involved economically with Iran. In so doing the policy of the country has been made an asymmetrical one. But with the participation of China new possibilities have been added. Since the Iran-Saudi reconciliation facilitated by the Chinese government in 2023, Pakistan can now deal with both countries

without facing any complications. Of course, the recent Iranian Jan 2024 border incident with Pakistan demonstrates that wars can still break out between neighbors in the absence of any grounding for de-escalation. The sectarian issues in Pakistan are domestic in nature as are the Saudi Arabian defense deals that makes it abundantly clear the security issues are not just external but intertwined with internal security. In general, Pakistan's strategic hedging policy is successful in handling crises. Overall, Pakistan has been able to ensure it does not commit "disaster" alignments during the emergencies thanks to the strategy. Still, it hasn't provided full independence to Pakistan.

5.2. Recommendations

- A doctrine of national interest needs to be established by Pakistan regarding its relationship with Saudi Arabia and Iran. The doctrine needs to clarify that Pakistan will always strive for regional stability, defend the territorial integrity of Saudi Arabia, work on border cooperation with Iran, and avoid getting involved in any proxy wars.
- The freedom to pursue an independent foreign policy by Pakistan would continue to be constrained by the need for emergency external assistance when faced with foreign exchange crises. Revenue collection reforms, diversification of exports, and improvements in the energy sector thus become issues of foreign policy as well as economics.
- Pakistan must continue efforts at energy diversification by pursuing alternative sources like renewable energy, LNG planning, internal changes, and regional opportunities without invoking any sanctions against itself. The Iranian gas pipeline must continue to be pursued diplomatically while avoiding the risk of invoking any economic sanctions against itself.
- Intelligence exchange, border markets, hotlines, and crisis management should be improved between Pakistan and Iran to decrease the possibility of an escalation of

militants' clashes into crises involving state actors.

5.3. Limitations

Limitations that were faced in the course of this research include the following:

- This research covers the time frame from 2015 to 2025 and thus excludes the foreign policy of Pakistan towards Saudi Arabia and Iran before and after this period.
- Field data, such as interviews with decision makers, diplomats, representatives of the armed forces, and foreign policy specialists, are not included in the research.

- It was not possible to gain access to confidential diplomatic correspondence, security estimates, and deliberations of foreign policy and hence the research is based only on open-source material.
- The study has used a qualitative case study method, and thus, the study does not make use of any statistical tool to analyze policy outcomes or public opinion.
- Rapid changes take place in regional politics. Events that might take place post-2025 are not covered in this research study and can influence future interpretations of the foreign policy of Pakistan towards Saudi Arabia and Iran.

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