

**RESEARCH PAPER****Neo-liberalism Theory: Trilateral Relations of Iran-China and Saudi Arabia****<sup>1</sup>Dr. Saima Butt\*, and <sup>2</sup>Tanzeela Aziz Bhatti\***

1. Assistant Professor, Lahore College for Women University, LCWU, Lahore, Punjab, Pakistan
2. MPhil Scholar, Lahore College for Women University, LCWU, Lahore, Punjab, Pakistan

**Corresponding Author** [saimabutt44@gmail.com](mailto:saimabutt44@gmail.com)**ABSTRACT**

This article deals with the emergence alliance between Iran-Saudi Arabia and China which is significant for the Middle Eastern economy. The objective of this study is to analyze the potential opportunities and the challenges that each country may face in terms of economic integration and collaboration. The neoliberal approach is applied by the researcher to investigate China's interest and especially economic cooperation with both states. In order to understand the economic cooperation of Iran-Saudi Arabia and China, qualitative methodology i.e. historical and descriptive types of research are been applied. Moreover, secondary sources of data collections are been used. The study shows that the post-deal relations between Saudi Arabia and Iran has been improved and further paves the way for stabilizing middle eastern region with assistance of China. It is recommended that both muslim states should comply with international standards while cooperating with China to maintain regional peace and stability.

**Keywords:** China, Economic Cooperation, Iran, Neo-liberalism Theory, Saudi Arabia**Introduction**

The economic collaboration between China, Iran, and Saudi Arabia in the 21<sup>st</sup> century is very substantial as it protects China's energy security and provides a stable market for Iran-Saudi Arabia's energy exports, generating new trade and investment opportunities. Moreover, it encourages infrastructural development, increases regional stability, strengthens geopolitical power, and diversifies economic connections. The collaboration promotes economic growth, technical improvement, and innovation, which benefits all participating countries while having a substantial impact on the global economy. On the other side, the contradictions in economic and security interests shaped justified struggle at the international level. Similarly, geographical Connectivity is very influential in determining the struggle for power in the international sphere. The recent alliance is a positive development towards peace in the region. However, the alliance is composed of the interests of all three countries.

The relations between Iran, China, and Saudi Arabia have had complex historical interactions since the beginning of the 20<sup>th</sup> century that have been shaped by economic, political, and geopolitical reasons. However, the tensions, rivalries, and occasional diplomatic disagreements have characterized Iran-Saudi ties throughout history. The bitterness between the two countries stems from a variety of issues, including religious differences (Iran is largely Shia, while Saudi Arabia is predominantly Sunni), regional power struggles, and competing geopolitical objectives. Similarly, there is more competition among both states for leadership and influence in the region which leads to proxy conflicts in Syria, Yemen, Bahrain, and as well as in Iraq. These conflicts have hampered their relations with China, as both countries have sought backing and leverage from powerful global powers.

In addition, China's engagement with Iran deepened significantly after the 1979 Iranian Revolution, when Iran sought to diversify its international relations due to strained

ties with Western countries. China stepped in as a major trading partner and investor, particularly in Iran's energy sector, providing a crucial lifeline for the Iranian economy. With Saudi Arabia, China's historical background is shaped by its close ties with the U.S. which is a significant partner in the Middle East. (Muzaffar, et. al., 2017). Moreover, recognizing China's economic rise, Saudi Arabia has actively pursued economic relations with China, aiming to attract Chinese investments and enhance bilateral trade. China's historical background with both Iran and Saudi Arabia reflects its pragmatic approach to engaging with key regional players based on economic interests, diplomatic opportunities, and the pursuit of a balanced foreign policy.

However, the deal was seen as a breakthrough facilitated by China. It raised hopes of easing over a decade of hostility between the Gulf powers and resolving conflicts that threatened to expand. However, full normalization and trust-building will take time. Therefore, the March 2023 Iran-Saudi-China deal marked a diplomatic milestone, but stability remains fragile with the implementation of the agreement vital over the long term. China's involvement was critical to bridging gaps between the rivals. On the other hand, Political analysts said that this China-led diplomacy will work because it reduced the geopolitical one-upmanship between rivals and placed economic cooperation at the forefront.

### **Literature Review**

Turner & S (2008), in his book, has generally discussed the ideology of neo-liberalism and briefly analyzed its concept, history, and policies of theory. In the 1930s, German philosopher Alexander Rostow devised the neo-liberalism approach by indicating the huge difference in the ideologies of existing philosophers of traditional liberalism. Furthermore, he has explained four basic values of this theory in his book, it places a stress on the free market, individual liberty or freedom, promoting productive efficiency and social prosperity.

Goodin & Klingemann (1998), in this book, has discussed different theories of International relations while mainly focusing on the neo-liberal perspective that emerged in the 1970s. He explained that neo-liberalism is an economic and political approach that highlights the relationship of international markets. It is a dominant ideology that shaping the world today, dictating government policies while influencing the role of international organizations. However, with the framework of global agendas, neo-liberalism is one of the major perspectives, along with neo-realism, that scholars use to understand the behavior of states and the nature of international politics. Therefore, neo-liberalism argues that states have mutual interests and can benefit from cooperation, while also emphasizing individual liberty, property rights, and minimal state intervention.

Alejandro & Colas (2005), in this book the authors has critically evaluated various assumptions of the neo-liberalism approach and highlighted the significance of the economic perspective of this approach. As far as the assumptions are concerned, it emphasizes that making markets free is a well-organized means to distribute capital and shape prices at global level. Therefore, it advocates for limited government intervention in the economy, it focuses on individual liberty and personal choice. Moreover, neo-liberalism supports privatization, which involves transferring state-owned enterprises and assets to private ownership, it emphasizes the importance of fiscal discipline, advocating for balanced budgets, low inflation, and sound monetary policies. Similarly, it promotes globalization and free trade, viewing them as engines of economic development and improved living standards.

Berti and Guzansky, (2016), has endeavored to examine the intricate relationship between Iran and Saudi Arabia covering from the years 1932 to 2014, to scrutinize the factors that influenced the connections among each other. Fulton & Jonathan (2020), in his

journal the scholar has analyzed China-Saudi relations which evolved from marginal significance to a comprehensive strategic partnership over the last 30 years. As China's economy is growing day by day and it has become the second largest oil importer in the world, that is why it is more concerned with maintaining strategic relations with Saudi Arabia.

Garlick and Havlová, (2020), has signified the involvement of China under BRI in the Persian Gulf and especially its policies towards Iran and Saudi Arabia. Moreover, the Belt and Road Initiative comprises six principal economic corridors and CPEC is also one of them. Belal & Kulsoom (2020), in this research article the author has evaluated numerous aspects that systematically enhance closer relations between Iran and China. Since the 1979 revolution, Sino-Iranian ties have undergone a steady evolution and expansion in the domains of economy, diplomacy as well as in geopolitics.

### **Theoretical Framework**

Theories of political science and international relations attempt to describe, explain, and predict different phenomena like war & conflict, peace & cooperation, the structure and rules of the international political system, and changes in the behavior of states under various circumstances and developments. These theories help state leaders, policymakers, and diplomats to take certain actions for the achievement of their national interests in international politics.

The theoretical framework of this article includes the presentation and explanation of theories developed by different scholars on the Iran- Saudi relations and the role of China in the Middle Eastern region. Different theories of international relations have been applied by scholars, here the theory of neo-liberalism will be applied which is highly important and is a highly discussed theory in the case of the China-Iran and Saudi Arabia partnership and smooth relations. The theory of neo-liberalism comes under the liberalist school of thought.

Liberalism is a political and philosophical school of thought that dates back to the European Enlightenment of the 17th and 18th centuries, in which intellectuals tried to challenge the prevailing systems of monarchy, absolutism, and religious authority. The Enlightenment period was characterized by a shift towards rationality, scientific inquiry, and faith in the advancement of humanity. Therefore, this theory places significant emphasis on the protection of individual rights, the pursuit of equality, the limitation of government intervention, and the adherence to the rule of law. However, various influential philosophers and thinkers made substantial contributions to the evolution of liberal concepts during this era (Waldron, 1987, pp. 127-150).

### **Material and Methods**

This study examines the economic cooperation of Iran-Saudi Arabia and China in the Middle East region by utilizing historical as well as descriptive types of research. The data is primarily acquired from secondary sources which include books, journal articles, different official websites, government reports, newspapers, scholarly publications, archives, and other electronic sources to extract required information. The goal was to confirm that the findings and insights generated were reliable and trustworthy. By thoroughly exploring the historical development and dynamics of this alignment, the study hopes to add new insights to the current literature on international relations, regional studies, and Middle Eastern politics (Yaseen, et. al., 2023).

### **Neoliberalism**

As far as the Neoliberal school of thought is concerned, it is a political and economic philosophy that emerged in the late 20th century in response to perceived limitations of

traditional liberalism and a desire for market-oriented reforms. It represents a departure from classical liberal ideas and incorporates elements of economic liberalism and free-market capitalism (Manning, 2022). This approach emerged as a response to the perceived failures of Keynesian economics and the increasing influence of state intervention. In the 1970s, the global economy faced challenges such as stagflation (a combination of stagnation and inflation) and rising government debt. Neoliberal ideas gained prominence as policymakers sought alternative approaches to economic management (Mudge, 2008).

Moreover, neoliberalism championed free trade and the liberalization of international markets. They argued that removing trade barriers and promoting globalization would increase economic efficiency, expand markets, and promote global prosperity. They supported international institutions such as the World Trade Organization (WTO) and advocated for free trade agreements. Similarly, neoliberalism placed a strong emphasis on individual obligations and self-sufficiency. It emphasized personal freedom and autonomy while arguing that individuals should have the opportunity to make choices and bear the consequences of their actions. Therefore, it argued for reducing welfare dependency and promoting individual initiative and entrepreneurship (Henry, 2010). Furthermore, various writings of the post-Cold War era hold that it was only due to economic liberalism that nation-states turned themselves in favor of democratic revolution. Various factors led the nation-states towards global integration, liberal transformation, and democratization. States are responsible for the elimination of trade barriers and increase in foreign investment along with a free flow of capital, goods, and services. Additionally, they also ensure easy access to communication technology along with disseminating cultural identities (Salamey, 2009, pp. 249-260).

### **Major Assumptions of Neo-liberal Thought**

This school of thought has certain variations of assumptions which are as follows:

- Neo-liberals emphasize principles such as democratic governance, public opinion, mass education, international law and organization, arms control and disarmament, collective security, and multilateral diplomacy along with free trade and liberal commercial enterprise, etc. However, they believe that due to the progressive changes over time international or global conditions are also changed and more concerned about the global level of analysis instead of the individual level.
- They claim that the anarchic nature of global politics is a major hurdle in the way of democratic norms which can only be diminished through the establishment of global institutions like MNCs, IGOs, and NGOs.
- Similarly, they emphasized cooperation and collaboration because it produces reward that reduces the temptation to selfishly compete.
- Moreover, they focus on absolute gains instead of relative gains, because states always want to gain something which results in cooperation rather than conflicts.
- As national security and national economic prosperity are always top priority goals of any state and neoliberals argued that states place a greater priority on economic welfare rather than security issues.
- As far as the role of international institutions and regimes is concerned, states have created a variety of institutions and regimes after the Second World War. Therefore, neoliberals claim that institutions like UNO and WTO, etc., through their principles and rules, can bind member states to change the patterns of global politics positively.
- Similarly, they highlighted the poor economic performance of states because of more inference of government with the market mechanism. Therefore, they advocated limited government intervention in the state economy (Harms, 2007).

Neoliberalism is an economic and political ideology that emphasizes interstate cooperation and collaboration, absolute gains from economic liberalization, national security, and the role of international institutions. These assumptions serve as a theoretical foundation for comprehending Iran, Saudi Arabia, and China's ties. To begin, neoliberalism promotes interstate cooperation and collaboration. It implies that states can gain mutual benefits by cooperating rather than playing zero-sum games. In the case of Iran-Saudi Arabia relations, the neoliberal viewpoint would call for diplomatic engagement and negotiation to resolve issues and reach common ground. This strategy would seek to decrease tensions and promote collaboration on common issues such as regional stability and economic development (Mahdavi, 2024).

### **Application of Neo-liberalism on Iran-Saudi Arabia and China Relations**

- Neoliberalism views states as rational actors that can achieve mutual benefits through cooperation. In the case of Iran-Saudi Arabia relations, the neoliberal approach would emphasize the importance of dialogue and diplomatic engagement to address their regional rivalries. This could involve confidence-building measures, mediation efforts by third parties, and the establishment of bilateral or multilateral forums for discussion.

Similarly, in the case of China, neoliberalism would encourage cooperation with other countries based on shared interests and the pursuit of win-win outcomes. This is evident through Chinese engagement in various regions under its Belt and Road Initiative, which seeks to enhance economic cooperation and infrastructure development.

- Neoliberalism advocates for economic liberalization and integration into the global economy as a means to achieve absolute gains for nations. Concerning Iran-Saudi relations, economic cooperation can be pursued through trade agreements, joint ventures, and investment initiatives. This approach could foster economic interdependence, leading to shared benefits and reduced incentives for conflict.

Regarding China, its economic rise has demonstrated the potential benefits of neoliberal policies. China's engagement in global trade and investment has transformed it into a major economic power. Neoliberalism would suggest that Iran and Saudi Arabia could explore economic cooperation with China, leveraging its market, technology, and investment potential for their development.

- Neoliberalism acknowledges the importance of national security for states. As Iran and Saudi Arabia have been engaged in various regional conflicts and power struggles, the neoliberal approach would advocate for confidence-building measures, non-aggression pacts, and regional security dialogues to address their security concerns and prevent escalations.

For China, national security is a significant consideration given its rise as a global power. Neoliberalism would suggest that China seeks to maintain stable relations with Iran and Saudi Arabia to ensure its security and avoid conflicts that could disrupt its economic growth and regional influence.

- Neoliberalism recognizes the constructive role of international institutions in managing and regulating international relations. Institutions such as the UN and WTO along with regional organizations such as GCC can provide platforms for dialogue, conflict resolution, and norm-setting.

In the case of China, Iran, and Saudi partnership, international institutions can play an effective role in facilitating dialogues, mediating disputes, and promoting cooperation. For example, regional organizations like the Gulf Cooperation Council (GCC) could provide

a framework for addressing Iran-Saudi Arabia tensions, while international institutions like the UN could offer diplomatic channels and assistance in resolving conflicts. Overall, the neoliberal framework encourages cooperation, economic liberalization, attention to national security, and utilization of international institutions to address conflicts and foster stability in Iran-Saudi Arabia and China relations (Kadri, 2020).

### **Development In Saudi-Iran Relations and Role of China**

The famous remark "the 21st century belongs to China" has been consistently confirmed through China's rise as a major power, altering the US-led international order through its geo-economics and geostrategic impact. China's geo-economics vision, which combines strategic design, investment, soft power depiction, mutual benefit, and win-win collaboration, is more comprehensive and pragmatic than the United States' geopolitical influence. However, these traits have also been critical to China's development of soft power politics and drawing the attention of most governments across the world (Yaseen, et. al., 2022; Khan, et. al., 2019). The oil-rich Middle East has recently emerged as a critical location for China and several Gulf countries to reduce US dependency in the region. Therefore, many observers were taken aback when Beijing for the first time took on a direct diplomatic role in brokering the peace deal between Saudi-Iran on 10<sup>th</sup> March 2023. It was one of the major developments to revive the long-strained relationship between the two states of the Middle Eastern region i.e. Saudi Arabia and Iran. This development has boosted the People's Republic of China to the forefront of Middle Eastern affairs combining the country's diplomatic power with its economic dominance (Liaqat, 2023).

Moreover, China considers both, Saudi Arabia and Iran as critical to its energy security, their political, military, and economic influence make them important friends for Beijing. China is the largest oil export market of Saudi Arabia, with bilateral trade of \$87.3 billion in 2021, while in contrast, bilateral commerce between Iran and China was \$16 billion that year. Therefore, China has planned a modular balancing act while granting both Riyadh and Tehran, the status of comprehensive strategic partners, which is the pinnacle of China's Middle Eastern partnership diplomacy. On the other hand, relations between Iran and Saudi Arabia were established during the 1930s. As Iran and Saudi Arabia have distinct religious identities Shia and Sunni respectively, both have had a long history marked by mistrust, wars, sporadic problems, etc. However, during the Cold War era, both Islamic states were important regional allies of the United States in the Persian Gulf. Furthermore, relations between Iran and Saudi Arabia weakened as a result of the Iranian Revolution (1979), which toppled down government of the US-backed Shah by installing Ayatollah Khomeini's Islamic Republic (Bilal, Begum, & Farooq, 2024).

Since the 1970s, Iran-China relations gradually developed into multifaceted collaboration. During the 1980s, when Iran was caught up in the disastrous war against Iraq, sanctions from Western countries pushed it to move toward China and North Korea to acquire arms and ammunition. For the next two decades, the energy sector became the focal point of partnership. In 2017, China imported roughly 10% of its yearly oil needs from the Islamic Republic of Iran. Before the Trump administration, "maximum pressure" approach wreaked havoc on the Iranian economy, Sino-Iranian commerce was worth \$37.18 billion per year.

The commencement of BRI in 2013 increased Iranian worth for China. Although the BRI's blueprint was not explicitly mentioned when it was first announced, its significance for the "Asian Economic Corridor" was clear because Iran along with Pakistan, was grouped in China's East Asia "home affairs" region. Its geostrategic importance to Beijing is evident from the writings of Chinese experts who understand that Iran has a growing political and military presence, in a strategically important region of the world (Ain, et. al., 2024)

China is playing an important role in the politics of the Iran-Saudi rapprochement by strategically interacting with both nations to ensure its energy security and economic interests. China's strategy entails striking a careful balance between the two competing nations, using its diplomatic model of not taking sides to draw them closer together. China aspires to strengthen its economic and energy security through projects such as BRI, by formulating agreements with major energy suppliers e.g. Iran and Saudi Arabia. Despite geopolitical tensions between Iran and Saudi Arabia, Chinese presence in the region is increasing as it wants to create strong partnerships with both countries while maintaining balance among all Middle Eastern states (Ali, 2023)

For decades, Iran and Saudi Arabia's complex and frequently volatile relationship has defined the Middle Eastern geopolitical landscape. The two regional powers have long considered each other adversaries, fighting for influence and engaging in proxy wars that have destabilized the region. Against this context, China has emerged as a crucial participant, attempting to strike a balance with both countries while pursuing its own geopolitical and economic goals. China's rising participation in the region, notably its increased security collaboration with Saudi Arabia, has alarmed some foreign watchers about potential alterations in the regional power dynamic. However, China has maintained some level of contact with Iran, understanding the need to have open lines of communication with all significant Middle Eastern players. As the regional dynamics shift, China, Iran, and Saudi Arabia's capacity to handle their ties with one another will be critical in defining the Middle East's future stability and security (Parchami, 2021).

### **The Path to Saudi-Iranian Rapprochement (2023–2024)**

The earliest bilateral discussions, of senior security personnel took place in Baghdad, in April 2021. Iraq and Oman provided a mediation forum to Iran and KSA. The discussion raised concerns over security issues e.g. war in Yemen, Iranian support of Hezbollah, the nuclear program of Iran, naval attacks on seaports of each other, and the issue of Iranian pilgrims performing hajj, etc. Later on, peace negotiations took place in Muscat which also discussed various issues related to the security of the region.

Talks broke down in April 2022 but without any fruitful results. According to a Saudi source, “the biggest challenge” from KSA was questioned on the previous fruitless talks, held between the two states., whereas Iran showed positive concerns for re-establishing relations with KSA. In retrospect, an Iranian official stated, “The Saudis wanted to discuss Yemen first, while we wanted to discuss bilateral relations first”. It was evident that the only path ahead was to address both these challenges simultaneously.

On the other hand, in December 2022, the Chinese premier traveled to KSA for the first-ever “Chinese-Arab meeting”, where China revealed its intentions to participate in initiating an accord between Iran and KSA. One month later, Foreign Ministers of Iran and Saudi Arabia exchanged greetings at the forum of the Baghdad Conference in Amman, Jordan. It marked the greatest degree of interaction between nations after 2016. The good tone of the conversation between Saudi and Iranian officials urged them to meet again in Brazil, at the inaugural event of the Brazilian President in January 2023. The above-mentioned discussions did not prove to be meaningful as they should be. However, the talks revealed the intentions of both states to maintain friendly relations and showed goodwill gestures. More importantly, it laid the groundwork for China to convene a fresh round of bilateral talks between Iran and KSA in Beijing. The successful results of these conversations resulted in a Joint Trilateral Statement, which clinched the accord. Only a few statements have been made public. With the help of China, Iran and KSA resumed diplomatic relations, while reaffirming principles of mutual non-interference and territorial integrity. They also committed to reinstate the agreements signed in 1998 and 2001 and agreed to seek new avenues for cooperation (Jash, 2023)

According to statements, it was said that Iran had committed to reducing Houthi attacks on Saudi Arabia by stopping the provision of weapons to them. Iran also committed to providing a platform to conduct efforts to achieve peace in Yemen. Both parties agreed to minimize their aggressive statements toward each other in state media sources. In February 2023, Xi Jinping's visit to Saudi Arabia and President Ibrahim Raisi's visit to China raised those discussions from a regional to a global level. As far as the Chinese interest in the Middle Eastern region is concerned, there are various reasons but the most specific reason is the geo-economic and geopolitical significance of the Middle Eastern region in the world. Moreover, regional stability, economic opportunities, and diplomatic influence are some reasons for the Chinese presence in the region. As China is acute to acknowledge the situation in the Middle East, therefore it is using both nations to establish its diplomatic influence and grow its economy. Additionally, Saudi Arabia and Iran's agreement will prove to be beneficial for both countries as well as China. After years of fighting, signing this agreement has caused stability in the region while creating new pathways to their economic growth. During the meeting, the two sides reaffirmed in a joint statement that they would strongly support each other's basic interests, protect national sovereignty, and territorial integrity, and uphold non-interference in other states.

### **Main Motives of Iran & Saudi Arabia to Join Peace Deal 2023**

As both countries try to create economic opportunity, shared economic interests would establish new relations. Saudi Crown "Prince Mohammed bin Salman" has promised to usher in a new era of economic reforms which is a major goal of KSA. Iran, on the other hand, has long felt left out due to economic restrictions. These two dynamics may combine to pave the route for both nations' future prosperity. Tehran, for example, aims to enhance commerce with Saudi Arabia by at least \$1 billion. Furthermore, Saudi Arabia plans to attract 100 million annual visitors, by 2030, by resuming direct flights to Iran which might promote tourist exchange while benefiting both countries (Alotaibi, 2023).

Both Iran and Saudi Arabia have numerous reasons to pursue this accord. Since 2019, Saudi Arabia has become increasingly concerned about Iran's active support for the Houthis. The Riyadh government has also recognized that the US has been unable to halt the Houthi attack. Furthermore, reduced tensions with Iran and a negotiated settlement with the Houthis would strengthen Saudi Arabia's economy and transform it into a global power. For Iran, the accord comes at a time when the country is reeling from a series of scandals and protests and its economy is in chaos (Ijaz & Jafri, 2023). Efforts for rapprochement between Iran and Saudi Arabia were facilitated by Chinese mediation on the 10th of March, 2023, which holds significant prospects and benefits for both nations along with the whole region. This historic agreement, brokered in Beijing, marked a turning point in the often-contentious relationship between the two regional powers. Here are the major prospects and benefits of this alliance:

One of the most immediate and impactful prospects of the Iran-Saudi Arabia rapprochement is enhanced regional stability. The rivalry between these two nations has fueled numerous conflicts and proxy wars in the Middle East, especially in Yemen, Syria, and Iraq. By normalizing relations, Iran and Saudi Arabia will reduce tensions and foster a more peaceful environment. This de-escalation could lead to a reduction in military expenditures and a shift towards diplomatic solutions for ongoing conflicts, benefiting the entire region by fostering an atmosphere conducive to development and cooperation.

The normalization of relations opens up substantial opportunities for economic cooperation between Iran and Saudi Arabia. Both countries have significant economic potential, with vast natural resources and strategic geographic locations. However, improved diplomatic ties will facilitate trade, investment, and joint ventures in various sectors such as energy, infrastructure, and technology. For instance, both nations could collaborate on oil and gas projects, leveraging their combined capabilities to influence global



energy markets more effectively. Additionally, infrastructure projects, such as transportation networks linking the two countries could boost regional connectivity and trade. The peace deal offered substantial economic benefits for both countries, including the lifting of sanctions, increased trade, and opportunities for joint investments. This economic carrot helped overcome historical grievances and ideological differences. Tehran expected Saudi investment to be very beneficial as Iran is struggling with a fragile economy, further weakened by US sanctions, internal mismanagement, and corruption, etc. An Iranian official stated, "We need investment, and the Saudis need leverage against us", while the statement implies that both states will achieve their objectives.

Moreover, Prime economic statistics for Iran look to be positive as GDP rose by 5% in 2023, and is expected to grow by 3.2% in 2024, oil exports increased and major sectors such as services and manufacturing performed quite well. However, the rise in inflation led to a downfall in currency while foreign investment is below forecasting and non-oil trade is running at deficit. Iranian officials urged their Saudi counterparts to begin a new chapter in bilateral commerce and investment.

From a strategic standpoint, the alliance offers significant security benefits. Both Iran and Saudi Arabia have faced security challenges, including terrorism and regional instability. By working together, they will better coordinate efforts to combat extremist groups and enhance border security. Furthermore, improved relations will lead to more effective cooperation in areas such as intelligence sharing and counter-terrorism, strengthening the overall security framework of the region. This collaboration could also help mitigate the influence of external powers in their internal affairs, allowing for greater sovereignty and stability.

Iran and Saudi Arabia came to see that de-escalating their rivalry was necessary to address shared security threats, such as the rise of extremist groups and the risk of unintended military escalation. The peace deal provided a framework for cooperation on regional stability. However, Iranian Defense Minister, Mohammad Reza Ashtiani, said on Tuesday, that his ministry is eager to deepen military and technical collaboration with Saudi Arabia. During a meeting with the Saudi Ambassador, the Iranian Defense Minister emphasized sites where the armed forces of both states could cooperate for joint military ventures. He highlighted that adjacent countries should also maintain efforts for collective security. He also stated that Iran is fully prepared to participate in joint military and security ventures with KSA, and other states of the region (Omidi, Fallahi, & Ziabari, 2021).

The rapprochement facilitated by China also enhances the diplomatic leverage of both Iran and Saudi Arabia on the international stage. By demonstrating a willingness to engage in dialogue and resolve longstanding disputes, both countries can improve their global standing and foster better relations with other nations. For Saudi Arabia, this move aligns with its broader strategy of diversifying its alliances beyond traditional Western partners. For Iran, it offers a pathway to break out of its international isolation exacerbated by sanctions. This diplomatic shift can lead to more balanced and multipolar international relations, benefiting the broader geopolitical landscape.

Improved relations between Iran and Saudi Arabia will also promote social and cultural exchanges, fostering greater understanding and cooperation between their peoples. Initiatives such as student exchange programs, cultural festivals, and joint academic research can build bridges and reduce mutual distrust. Enhanced people-to-people connections can pave the way for a more harmonious relationship while seeking to maintain peace and stability in the region.

The normalcy of relations can also facilitate broader regional initiatives aimed at economic integration and collective security. Both countries can play pivotal roles in regional organizations such as GCC and OIC. Their cooperation can lead to more effective

regional policies and initiatives, promoting economic growth, social development, and political stability. This collaborative approach can help address common challenges such as climate change, water scarcity, and migration, benefiting the entire Middle East (Afzal, Yaseen, & Muzaffar, 2020; Houghton, 2022).

So, the Iran-Saudi Arabia rapprochement mediated by China on March 10, 2023, holds substantial prospects and benefits. Enhanced regional stability, economic cooperation, strategic security benefits, increased diplomatic leverage, social and cultural exchanges, and the facilitation of regional initiatives all underscore the potential positive impact of this historic agreement. By moving past their longstanding rivalry, Iran and Saudi Arabia have the opportunity to usher in a new era of peace, prosperity, and cooperation in the Middle East. This alliance has also various prospects for China to enhance its hegemony in the region and as well as in the world.

## **Conclusion**

China is playing an important role in the politics of the Iran-Saudi rapprochement by strategically interacting with both nations to ensure its energy security and economic interests. China's strategy entails striking a careful balance between the two competing nations, using its diplomatic model of not taking sides to draw them closer together. China aspires to strengthen its economic and energy security through projects such as BRI, by formulating agreements with major energy suppliers e.g. Iran and Saudi Arabia. Despite geopolitical tensions between Iran and Saudi Arabia, Chinese presence in the region is increasing as it wants to create strong partnerships with both countries while maintaining balance among all Middle Eastern states.

For decades, Iran and Saudi Arabia's complex and frequently volatile relationship has defined the Middle Eastern geopolitical landscape. The two regional powers have long considered each other adversaries, fighting for influence and engaging in proxy wars that have destabilized the region. Against this context, China has emerged as a crucial participant, attempting to strike a balance with both countries while pursuing its own geopolitical and economic goals. China's rising participation in the region, notably its increased security collaboration with Saudi Arabia, has alarmed some foreign watchers about potential alterations in the regional power dynamic. The unstable Iran-Saudi relations are also a major challenge in furthering this trilateral cooperation. Despite the fact, that both states are engaged relations are not stable.

However, China has maintained some level of contact with Iran, understanding the need to have open lines of communication with all significant Middle Eastern players. As the regional dynamics shift, China, Iran, and Saudi Arabia's capacity to handle their ties with one another will be critical in defining the Middle East's future stability and security. The unstable Iran-Saudi relations are also a major challenge in furthering this trilateral cooperation. Despite the fact, that both states are engaged relations are not stable. China should play its role in stabilizing the Middle East. As it would help China to gain her economic objectives. This can only be achieved if Saudi Arabia and Iran put aside their historic rivalry.

## **Recommendations**

- Saudi Arabia and Iran should first invest in infrastructure development at home moreover they must also engage with each other to foster effective cooperation.
- Lastly, China may extend its role in normalizing relations between Iran and Saudi Arabia, to engage constructively within the framework of UNO and other international organizations as well.

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