



Between U.S. and China: Iran, Saudi Arabia, and the Geopolitics of Great-Power Competition in the 21st Century

Saima Noor¹ & Dr. Imran Ali²

¹Ph.D. Scholar, Department of Pakistan Studies, Islamia University of Bahawalpur, Pakistan,

Email: sn775892@gmail.com

²Assistant Professor, Department of Pakistan Studies, Islamia University of Bahawalpur, Pakistan,

Email: imran.ali@iub.edu.pk

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Corresponding Author:

Saima Noor

Email:

sn775892@gmail.com

ABSTRACT

The U.S.–China rivalry has become a defining feature of the international system in the 21st century, with significant implications for the Middle East, particularly Iran and Saudi Arabia. This article analyzes the nexus between great-power competition and the economic, military, and geopolitical strategies of these two regional actors in an emerging multipolar order. For Iran, under unrelenting Western sanctions and chronic diplomatic isolation, a "Look East" strategy can provide not only trade and investment but also limited political support as part of its ultimate survival mechanism and means to enhance regional power. In comparison, Saudi Arabia—a historically close U.S. ally—is hedging by diversifying its external relations towards China while simultaneously maintaining the security and financial relationship it has long enjoyed with Washington. China has developed into a post-Soviet type trade partner for both states, yet the United States projects power through acculturation across financial systems, innovation, and security collaboration. On the military side, Iran is still at risk of ongoing U.S. containment, while Saudi Arabia balances American defense assurances with advances in military cooperation with China that will include technology transfer and limited arms assistance. Such a double-edged alignment exemplifies both opportunities and constraints: Iran benefits from the sanctions relief offered by China but risks being pulled into Chinese orbit; for its own, Saudi Arabia reaps rewards of new partnerships—yet faces added strategic pressure so as not to antagonize its main source of security. Thus, the study finds that both states make active use of U.S.–China competition to garner as many benefits for national interests as they can; but both strategies also open them up to long-term vulnerabilities. The fluid triangular dynamics among Washington, Beijing, Tehran and Riyadh are shaping regional orientations and will ultimately determine whether the Middle East moves toward further polarization, pragmatic coexistence, or selective diplomatic rapprochement.



Introduction

Competition between the United States and China has been more evident in the Middle East, as Iran and Saudi Arabia became key players in the 21st century. With the increased global influence of China, it has grown closer to both Iran and Saudi Arabia two regional powers at opposite sides of Middle Eastern geopolitics threatening long-time U.S. dominance. This chapter presents a detailed discussion of how U.S.-China competition has been played in Iran and Saudi Arabia, in terms of economic, military and geopolitical issues and the way it has been reflected in the domestic politics of these countries, foreign policies and in the roles of these countries within the region. Tehran and Riyadh are faced with both opportunities and challenges as they play the Washington and Beijing rivalry game (Fulton, 2019).

The U.S-China strategic rivalry has been experienced in the economic sector by both Iran and Saudi Arabia. The approaches to economic engagement between the United States and China are different: the former traditionally relied on sanctions and selective partnerships, whereas China focused on trade and investment and its Belt and Road Initiative (BRI) to gain access to energy resources and markets. These strategies have produced contrasting results to Iran and Saudi Arabia (Garlick, 2022).

Iran: The Sanctions, Trade, and the “Look East” Strategy

The U.S. sanctions and Chinese trade have characterized Iranian economic ties with the great powers on both sides. The sanctions imposed on Iran by Washington (strengthened after the 2018 U.S. withdrawal of the Iran nuclear deal) have mostly isolated Iran in the eyes of the West since the beginning of the 2000s, and Tehran has had to turn to the East. This has made China the most important trade partner of Iran, a lifeline to the Iranian sanctioned economy (Nada, 2023). Chinese oil buying and exportation of consumer and industrial goods to Iran have kept the Iranian economy alive despite the American pressure. In 2022, China-Iran trade amounted to almost 16 billion, which is only 0.25 percent of the total Chinese trade in the world and Iran depends on China as a crucial ally (Nada, 2023). In comparison, there is minimal U.S.-Iran trade because of sanction and non-existence of diplomatic relations.

The oil exports that Iran has to China have been critical. As of 2023 Iran had already exported approximately 1 million barrels of oil each day to China, frequently at a discount, giving Tehran the much-needed revenue (Shokri, 2023, & Nada, 2023). The oil produced by Iran was in demand by Chinese because of the high discounts and due to the desire of the Chinese to strengthen their strategic relationships in opposition to U.S. sanctions (Shokri, 2023). This allowed the Iranian oil to come back, albeit in a modest way, to global markets, despite the American attempts to isolate the Iranian energy sector (Shokri, 2023). Nevertheless, this economic interaction is asymmetrical: Iran is much dependent on China than China is on Iran. In 2022, Iran was just the 50th largest of Chinese trading partners, which is an asymmetric dependency (Nada, 2023). One analyst identifies it as a one-directional strategic alliance - strategic to Iran, which requires China to live economically, but much less so to (Nada, 2023).

The investment of China in Iran has been behind trade. Although there was a signing of an Iran-China Comprehensive Strategic Partnership in 2021 (with headlines stating that there may be a Chinese investment of 400 billion in Iran), little Chinese FDI has actually been seen in Iran (Nada, 2023 & Shokri, 2023). During the Iranian financial year 2022-23, China invested a mere \$130 million in Iran, an insignificant amount of money in comparison with Iranian requirements and investments China made in other economies of the region (Nada, 2023). Several reasons discourage Chinese companies to make significant investments in Iran: the possibility of the second wave of U.S. sanctions on any company involved in Iran, the lack of banking transparency

in Iran (Iran is on the blacklist of the Financial Action Task Force), and the infrastructure and regulatory barriers in the country (Shokri, 2023). Instead, Beijing has focused on more established and wealthier markets in the Gulf than on Iran, and has calculated that Tehran has few other options and can be seduced by China at its own speed (Nada, 2023). This has left Iranian hopes of Chinese investment (particularly in its crucial oil and gas industry) largely frustrated. The 25-year agreement that Tehran has signed with Beijing has already yielded memoranda of understanding and cooperation plans, yet most of these agreements are still not being implemented in practice (Nada, 2023). Nonetheless, the very possibility of Chinese capital and infrastructure projects is an opportunity of Iran to de-isolate its economy one that the Iranian leaders zealously seek regardless of the disillusionments. President Ebrahim Raisi and others consistently urge to enrich trade and to match the Iranian economy with projects of the BRI as a way of growth and sanctions relief (Nada, 2023).

On the U.S. front, Iranian economic competition with China is mainly through the policy of sanctions. Washington has imposed more than a thousand sanctions against Iran in respect of its nuclear program, missile programs, support of terrorism and human rights (Nada, 2023). These sanctions not only bring Iran to its knees in terms of direct economic connections with the U.S., but also seek to deter China (and other states) to conduct business with Iran. In fact, China has occasionally acquiesced to U.S. financial sanctions - such as Chinese banks have been keen not to transact with Iran to avoid being denied access to U.S. dollar markets (Nada, 2023). In times of heavy enforcement of the sanctions, like in the 2010s, Beijing quietly decreased or underreported its buying of Iranian oil lest it escalate U.S. sanctions (Nada, 2023). Therefore, the U.S. economic pressure has indirectly limited the Iran-China economic relationship. Yet, as U.S.-China strategic relations deteriorated in recent years, China became more daring in economically engaging Iran, considering it a part of an alliance of states that assert its opposition to U.S. domination (Habibi, 2023). To conclude, the economic fortunes of Iran in the 21st century have been a game of tug-of-war, the U.S. sanctions force Iran to rely on China, whereas China tries to weigh its interest in resources of Iran against the threat of offending Washington.

Saudi Arabia: Investment, Hedging and Oil

The U.S. as well as China economically court Saudi Arabia and this has allowed the nation to take up this rivalry by involving both super powers. Historically, the U.S-Saudi economic relationship used to be based on oil and dollars: Saudi oil to the U.S. arms, investment, and unspoken security assurance (the “oil-for-security partnership”). Over the last couple of years though, China has made the kingdom its biggest trading partner with a shift in Saudi economic relations to the East (Soltani, 2025). Bilateral Saudi-China trade in 2024 came to \$107 billion, almost a hundred times higher than Saudi trade with the U.S. (approximately 26 billion) and even with the whole EU (75 billion) (Soltani, 2025). China has been expanding its trade with Saudi Arabia exponentially since 2000 and has far exceeded that of the U.S. and Europe.

The trade of Saudi Arabia with China has since 2000 shot up to a whopping 107 billion in 2024, compared to its trade with the EU and the U.S. This is a sign of the emergence of China as the largest trading partner of Saudi Arabia. The economic orientation of the kingdom is changing to that of Asia as China increases its presence in the world energy markets. This trade revolves around oil: China is the largest importer of oil in the world and Saudi Arabia is its largest oil seller, which imports about a quarter of Saudi oil exports of crude oil (Soltani, 2025).

On its part, Saudi Arabia is a country that depends on China as a key market in order to retain its oil revenues and as a source of imports of machinery to consumer goods. Although the U.S. used to be a large consumer of Saudi oil, the American shale boom decreased the U.S. imports, and by the 2020s the U.S. is a far smaller customer. This move liberated Riyadh to intensify energy

relations with China without jeopardizing its principal source of income. Furthermore, Saudi Arabia has been keen to sell some of its oil in Chinese yuan rather than dollars, a symbolic attempt at undermining U.S. primacy in the petrodollar, which is indicative of a more fundamental economic presence in the Gulf by Beijing (Zhang, 2021).

One of the most topical spheres of China-Saudi collaboration is digital technology that has both economic and governmental implications. Saudi Arabia is undergoing a digital transformation, which is extensively engaged by Chinese technology giants such as Huawei, Alibaba, and SenseTime. Huawei in 2023 inaugurated a new cloud data center in Riyadh as part of a 400 million Saudi Arabia cloud computing and 5G infrastructure investment (Graham & Singer, 2025). Huawei 5G has penetrated the networks of Saudi Arabia despite American warnings, becoming a part of the country. Moreover, Saudi officials have collaborated with Chinese companies to create the systems of smart cities, surveillance, and AI. An example is that Saudi Telecom and Alibaba Cloud have created a joint venture on cloud services, and Sense Time (a Chinese AI firm) collaborated with the Saudi Public Investment Fund to educate Saudi AI engineers and implement facial recognition technology (Graham & Singer, 2025). The Chinese companies offer AI-powered surveillance cameras and city monitoring software in Saudi cities, which aligns with the interest of Saudi leadership in the field of internal security and control (Graham & Singer, 2025). Such technology alliances are both appealing to Riyadh as a form of modernization but also due to the fact that unlike the Western counterparts, Chinese firms do not demand Saudi Arabia to act on human rights or reform in a bid to receive tech transfer (Graham & Singer, 2025).

Meanwhile, the U.S. continues to play an important part in the Saudi Arabian economy, but it is a relatively specialized role. The history of American involvement in Saudi oil (including refining and petrochemicals partnerships with Saudi Aramco) and ongoing investment in industries of the kingdom is long. Advanced services and technology are also provided by the U.S. But as Table 1 revealed, U.S-Saudi trade is small compared to that of China and much of the U.S economic activity is military sales (discussed in the following section) and not civil trade. The U.S. dollar is one of the main U.S. economic points of leverage: Saudi oil exports are predominantly dollar-based, which strengthens financial connections with the American economy. Saudi Arabia invests some of its oil proceeds in U.S. investments and the dollar peg of the riyal gives the U.S. a minor monetary control. This “petrodollar” system has underpinned U.S.-Saudi ties for decades. Nonetheless, the Saudi leaders have at times indicated their willingness to transact business with China in other currencies (such as yuan) as the relations between the two countries have come under a strain with Washington. These are small steps that show that Riyadh is diversifying its bets (Hanieh, 2021).

In summary, economically Saudi Arabia is leveraging U.S.-China competition to its benefit. It is highly dependent on the U.S. financial system and enjoys American investment and know-how, and at the same time, it is reaping enormous value in the Chinese thirst on oil and readiness to invest without any conditions. The competition has its benefits: both powers will be able to pour capital and technology into Saudi Arabia and use one of the relationships to leverage the other. But it also comes with its own problems, as further discussed below, such as the possibility of becoming reliant on China to supply important infrastructure or the possibility of U.S. retaliation in case Riyadh compromises dollar primacy or American technological hegemony. In economic terms, though, the trend is evident: the presence of China in Saudi Arabia has grown exponentially, transforming the kingdom in terms of its trade patterns and development pathway in the 21st century (Soltani, 2025).

Military and Security Aspects of the Contest

Military and security involvement is also a source of competition between the United States and China, albeit on a different level. The U.S. has long dominated the Middle East with its military presence and the Chinese military presence has been negligible until recently. This aspect of competition in Iran and Saudi Arabia entails the sale of arms, defense collaboration, strategic positionings and the overall security system in the Gulf region.

Iran: Adversarial U.S. Pressure vs. Chinese Arms and Security Ties

Hostility with the United States has been a long-standing characteristic of the security posture of Iran. The U.S. does not have formal relations with the Islamic Republic but adopts a policy of containment and deterrence towards Iran. This has involved the presence of a substantial American military force around the borders of Iran, including the Fifth Fleet base of the U.S. Navy in Bahrain to patrol the Persian Gulf, U.S. air bases and troops in other members of the Gulf Cooperation Council (GCC) to reassure allies and monitor Iranian operations. The U.S. has established regional alliances (e.g., with Israel and the UAE) against the influence of Iran. On the military front, Washington has been supplying intelligence and missile defense equipment among other services to the Gulf States to counter Iranian missiles or proxy forces. The direct antagonistic relationship is reinforced by periodic crises, including clashes in the Strait of Hormuz and the shooting down of drones: the Iranian forces have engaged in skirmishes with American naval resources, and the U.S. has engaged in clandestine and open operations (like the 2020 drone strike that killed Iranian General Qassem Soleimani) to curtail Iranian military operations. This continuing U.S. pressure contextualizes the U.S.-China security alignment of Iran (and Russia) as Tehran finds other great-power allies (Katzman, 2020).

The attitude which China takes towards the security of Iran is less pronounced yet notable. The Iran-Iraq War of the 1980s saw China as a significant supplier of weapons to Iran, with Tehran receiving billions of dollars' worth of fighter jets, tanks, and missiles, when Iran was isolated by Western arms embargoes (Nada, 2023). Such sales (such as Silkworm anti-ship missiles which Iran deployed against Gulf shipping) showed early on that Beijing was ready to compromise U.S. interests to its strategic advantage (Nada, 2023). Under the UN sanctions (2010-2020) and international embargoes, Iran was limited in its importation of weapons in the 21st century. However, with the lifting of the UN arms embargo on Iran in 2020 (as per the schedule of the 2015 nuclear deal), China could have got a chance to resume its involvement in the Iranian arms market. The U.S. officials feared that China would sell Iran high-tech weapons as soon as they would be allowed by the law (O'Connor, 2019). In fact, a report by the U.S. Defense Intelligence Agency foresaw Iran purchasing fighter jets, tanks, and air defenses mostly of Russian and to a lesser degree, Chinese origin when the embargo was lifted (O'Connor, 2019).

In summary, the U.S. and China represent very different military influences for Iran. The U.S. is Iran's primary military *adversary*, working to contain Iran's capabilities through sanctions, regional forces, and alliances. China, conversely, is increasingly a security *partner* to Iran – supplying technology, potentially arms, and diplomatic backing. This dynamic gives Iran some breathing room to resist U.S. pressure. However, China is cautious not to trigger a direct confrontation with the U.S. in the Gulf. Beijing has thus far calibrated its military aid to Iran (e.g., focusing on surveillance tech and selective arms) to gradually build Iran's capacity without overtly violating international norms or jeopardizing China's ties with richer Gulf States. The result is a delicate balancing act in which Iran benefits from Chinese support but cannot rely on China for a full security umbrella in the way Saudi Arabia relies on the U.S.

Saudi Arabia: U.S. as Patron, China as Emerging Defense Partner

The military and security relations of Saudi Arabia are an experiment of opposites between long-time dependence on the United States and the ever growing but constrained contacts with China. The U.S. has been the main security patron of Saudi Arabia since the mid-20th century. No formal treaty exists; however, the partnership is strong: the U.S. has sold sophisticated weapons to Saudi Arabia, trained the latter military, and, periodically, deployed troops on the territory of Saudi Arabia. The U.S. military contributed significant support in incidences such as the Gulf War in 1990-91 where U.S.-led troops were in Saudi Arabia to save it against Iraqi aggression. The U.S.-Saudi relations have always been supported by the arms trade up to the current day. In 2019-2023, Saudi Arabia was second-largest in the world in terms of imports of arms (only India is higher) and among the top importers of major arms, the United States provided 75 percent of the major importation by Saudi (in that time) (Wezeman, Djokić, George, Hussain, & Wezeman, 2024). These American weapons have encompassed the advanced ones: F-15 fighter jets, Apache attack helicopters, Patriot and THAAD air defense system, Abrams tanks, and precision guided bombs (Wezeman, Djokić, George, Hussain, & Wezeman, 2024). This equipment has enabled Saudi Arabia to possess one of the most technologically sophisticated militaries in the region (qualitatively outmatched by that of Iran, e.g), but it also left Saudi troops reliant heavily on U.S. training, maintenance and spares.

The historical aspects of the military relations of China and Saudi Arabia need to be noted as limited but significant in particular aspects. Saudi Arabia resorted to China during the Cold War when the U.S. was unwilling to sell the kingdom some of the strategic weapons. In 1980s, one of such notable instances occurred when Saudi Arabia covertly purchased Dongfeng-3 (DF-3) nuclear-tipped ballistic missiles in China, since the U.S. declined to sell equal missiles (O'Connor, 2019). In the recent times, circa 2007, Saudi Arabia is said to have purchased more sophisticated DF-21 ballistic missiles in China too (O'Connor, 2019). These agreements provided Saudi Arabia with long range attack capability (allegedly towards Iran) that was completely Chinese made. Over the past years, there have been indications of continuing missile dealings: U.S. intelligence allegedly discovered that Saudi Arabia is collaborating with China on developing an in-country ballistic missile assembly plant (Masterson, 2022). When true, this implies an intensification of the Sino-Saudi security relations implicated by more than merely buying and selling - by way of technology transfer as well as joint production. To the Saudi side, China replies as an alternative to the strategic weapons that are not attached to political conditions of U.S. or European weapons (which U.S. or European weapons are occasionally withheld due to human rights concerns or due to regional tensions).

To sum up, militarily Iran and Saudi Arabia offer contrasting sides to the U.S.-China opposition. Iran is aggressive towards the U.S. and gradually moving to join China (and Russia) to strengthen its defense and regime security. Saudi Arabia is an ally of the U.S. on security matters but is tentatively welcoming China to its defense industry to increase its choices. The U.S.-China competition thereby increases the tilt of Iran to the east and tempts Saudi to hedge their position, the two regional powers aiming to gain the maximum security without becoming overly reliant on one great power.

Navigating Opportunities and Challenges: Iran vs. Saudi Arabia

Both Iran and Saudi Arabia have found themselves in an intricate web of opportunities and threats as they navigate between the U.S and China. Their policies mirror their contrasting situations as Iran as a sanctioned revolutionary state that tries to survive and Saudi Arabia as a rich monarchy that tries to diversify and become leaders. This part provides an overview of each of the countries by summarizing their major opportunities and challenges to negotiate the U.S.-China rivalry.

Iran's Opportunities and Challenges

Opportunities of Iran: The most important opportunity of Iran is the possibility to overcome international isolation by combining with China (and the whole East). The Chinese economic activity gives Iran oil markets and imports even when sanctions by the U.S. are in place, alleviating the strain on its economy (Shokri, 2023 & Nada, 2023). This economic lifeline together with the Russian aid has assisted Iran to withstand what would otherwise have been crippling sanctions. On the diplomatic front, China provides Iran with a platform in other global organizations (SCO, BRICS) and frequently protects the major interests of Iran, such as the right of Iran to nuclear development and the need to lift the sanctions of the U.S (Abu Zafar, 2023). The aid of Beijing in restoring the JCPOA (nuclear deal) and the countermeasures to western actions against Iran in the UN Security Council are assets to Tehran. Militarily, the possibility of Chinese accessibility to arms and technology (since the UN sanctions are no longer in effect) provides Iran with the hope of being able to modernize its forces to a certain extent (O'Connor, 2019).

Although Russia may be a bigger supplier, China is willing to negotiate the sale of arms (drone, anti-ship missiles and so on), so Iran does not rely on a single supplier. Lastly, the mediator role of China creates a possibility that Iran will be able to solve regional disputes to their advantage. The Chinese-negotiated agreement with Saudi Arabia in 2023 lowered the threat in the short term, and may result in reduced tensions in Yemen, Syria, and others - which are beneficial to the Iranian security and influence.

Iranian challenges: One of the problems is that Iran is too dependent on China and this is a weakness. In economic terms, Iran has become so reliant on Chinese oil imports that it has become quite exposed to Beijing, and is able to negotiate deep discounts (and has done so with Iranian oil being sold to China reportedly at rates 30-40% below the market in recent years) (Nada, 2023).

In the event that China chose to reduce (say, it struck an agreement with the U.S. or discovered less expensive sources), the Iranian economy will be crippled. This disparity in the trade implies that Iran would end up being a follower nation with minimal bargaining power. Politically, the association with China may drive Iran further away, in the eyes of other partners and the Iranian populace. Already, as observed, anti-regime Iranians regard China as part of the problem; should a post-Islamic Republic Iran ever appear, it may be antagonistic to Chinese interests (Habibi, 2023). Which Chinese planners must surely take into account (provoking Beijing about the security of its investment in the present regime of Iran).

Furthermore, the fact that China is simultaneously friendly to Iranian adversaries is an issue: Iran cannot expect China to take its side in any conflict because, as of today, Beijing has friendly relations with Riyadh, Abu Dhabi, and even Tel Aviv, which China will attempt to remain neutral in any conflict because it respects everyone. This was seen when China developed Saudi-Iran reconciliation not because it favored Iran, but because they wanted to stabilize their energy supply lines and gain influence (Wang, 2023). China may urge Iran to exercise restraint in any Iran-Israel or Iran-Gulf crisis, instead of unconditionally supporting it.

Lastly, there is an umbrella issue of strategic autonomy. Iran boasts of its foreign policy that is independent-Neither East nor West was one of the revolutionary slogans. Being too much in line with China is dangerous because it is a case of replacing one form of dependence (on Western-led systems) with another (on China). It is not an easy task to retain a certain degree of autonomy to move when one feels heavily sanctioned and has only one big patron. In case of the intensification of the U.S.-China rivalry, China may push Iran to be more overt in its support of Chinese interests (such as in Xinjiang or South China Sea) that Iran has little interest in. This kind of entanglement may make the diplomacy of Iran difficult. In conclusion, although the emergence of China offers

Iran with a lifeline and a balance to the U.S. it also offers Iran with a fine balancing act not to be left behind or controlled by its new friend (Jones & Hameed, 2021).

Saudi Arabia's Opportunities and Challenges

Opportunities of Saudi Arabia: Saudi Arabia will benefit greatly by striking a balance between the U.S. and China. In the economic context, it can have the highest investment and technology since it is accommodative of both powers. The U.S. presents with it hi-tech military technology, education and finance; China presents with it infrastructure expertise, consumer markets and cheap technology. This bilateral involvement could expedite modernization in Saudi Arabia, such as tapping into Chinese experience in creating smart cities and renewable energy and tapping into U.S. collaborations in higher education and finance to create human capital. Playing both sides enhances the international influence of Saudi Arabia politically. Being a key swing state in the contest, Saudi Arabia is given the first-rate treatment: it is visited by presidents and premiers who are willing to gain their popularity, and can be rewarded with strategic agreements (Nuruzzaman, 2020).

Locally, the hedging by Saudi Arabia enables it to play the role of mediator or bridge. It is able to have a dialogue with Iran via Chinese routes and at the same time with Israel via the U.S. routes. Such a distinctive position would enable Saudi Arabia to influence the results in the regional hotspots. A credibility with both great powers implies, e.g. Saudi offers of a regional economic integration (a green initiative of the Middle East, or a new security architecture) will be more likely to get traction with the support of one or both patrons. The new groupings (such as an Arab-Asian summit, Red Sea forum) could also be led by Saudi Arabia with the support of its relationships with China to include Asia and with the U.S. to include Western buy-in (Downs, 2019; Fulton, 2021).

Security diversification is another opportunity. Although the U.S. is the most important security partner, the alternative of Chinese weapons or training will allow Saudi Arabia to bargain the better terms and to close the gaps that the U.S. will not. One relevant example is that of drones: the purchase of Chinese UAVs at the time when the U.S. had limitations satisfied an urgent defense requirement in Saudi Arabia. Whenever the U.S. may limit sales in the future (some issues with the Congress related to human rights), Saudi need not worry as it can find its defense requirements elsewhere in non-Western countries. Moreover, combined drills with China or Pakistan, etc., provide Saudi troops with more experience and contacts (Garlick, 2020).

Difficulties facing Saudi Arabia: The main difficulty is how to deal with the U.S. alliance and also to engage China. The U.S. has very distinct red lines regarding some of the Chinese involvements- especially the ones that would jeopardize the military benefits and intelligence of the U.S. In case the integration of Huawei 5G in the defense communications area gains traction in Saudi Arabia, such as, the U.S. may end up cutting down intelligence sharing. Warnings are already coming through: the U.S. allegedly compelled Saudi Arabia to close one of its Chinese military bases connected to ballistic missiles; the details of this move remain confidential, but this is indicative of the U.S. worry about a Saudi turn to China in the sensitive domain (Masterson, 2022).

The Saudi decision-makers will therefore need to balance the extent to which they go with China to avoid causing punitive U.S. retaliations, which may include curtailing security collaboration or imposing sanctions. Should the polarization of the world grow, Saudi may be asked to join them or be against them, which would be extremely challenging given the fact that its interest is in both. A trade or technology war between the U.S. and China would put Saudi in a dilemma e.g. in case the

U.S. slapped the Chinese technology firms, Saudi Arabia would be forced to either drop some of the Chinese solutions at a cost or would be subjected to secondary sanctions (Erdoğan, 2022).

Long term dependency is an additional challenge. Although diversification is a goal, Saudi Arabia might become over-reliant on China in some areas (as much as it is relying on U.S. to supply weapons). In the case of Saudi critical infrastructure such as power grids or smart cities, which are mostly, Chinese-made, Saudi Arabia may be exposed to supply chain risks or pressure on diplomacy in Beijing. The dependence on the U.S. weapons can be seen as the reflection of the possible overdependence on Chinese telecommunications or AI. To avoid replacing one dependency with another, the kingdom will have to make sure that it develops domestic capacity (which Vision 2030 prioritizes) (Fulton, 2020).

Overall, the problem facing Saudi Arabia is how to have a best of both worlds situation without offending either world. The chance of becoming a dominant power in the region with the help of all key players in the world is right there but stumbling in finding the balance might require hard decisions to be made soon. In order to maintain their present course in an ever more polarized global system, Saudi Arabian leaders will require diplomacy to wield.

Conclusion

The American-Chinese rivalry of the 21st century has certainly become the hall mark of the Middle East and Iran and Saudi Arabia are a classic example of how the great-power rivalry is manifested in the regional context. Both Tehran and Riyadh are living in a new multipolar world economically, militarily, and geopolitically. Iran, an isolated state by the west has welcomed China as a life raft to oppose U.S dominance by using Chinese trade and diplomatic assistance to build its regime and interests in the region. Traditionally an ally of Washington, Saudi Arabia is expanding its choices by broadening relations with Beijing -balancing its bets to promote its development agenda and gain more strategic freedom. In doing so, each state has gained opportunities: Iran found an alternative market and protector in China, and Saudi Arabia gained an avid investor and potential mediator. Both also have their problems: Iran runs the risk of being overly dependent on a patron who might not come to its full aid during a crisis, and Saudi Arabia must walk the fine line of not estranging its long-time American security guarantor even as it gets pulled into the Chinese orbit.

In prospect, the analysis of the study has some general conclusions. To begin with, Iran and Saudi Arabia keep playing off of the U.S.-China rivalry to their national interests, Iran to survive and lift sanctions, Saudi Arabia to change and achieve prestige. This is bound to escalate as the competition itself is expected to escalate in the future. Second, there will be tough choices made by the United States and China on how to deal with these regional powers. The U.S. will struggle to balance the need to stay influential in Saudi Arabia and have leverage in Iran without getting sucked into a zero-sum Cold War game; China will want to increase its presence as a power broker and economic partner in the Middle East without becoming a quagmire or to its international reputation. Third, the effect on regional stability might go both ways: competition may drive arms race and polarization, but it may also drive diplomatic breakthroughs such as the Saudi-Iran detente as each superpower proves that it is a peacemaker. The response of other regional actors - of Israel to Turkey to the smaller Gulf States - will only add to the mosaic, as they each adapt to the new great-power reality. To sum up, the changing Washington, Beijing, Tehran, and Riyadh dance will be a harbinger of the wider international order: is it headed toward engagement, comity, or a chilly co-existence, at what cost and to what end to those who live under its umbrella.

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