



Strategic Hedging and Balance of Power: Pakistan's Foreign Policy under Saudi Iranian Rivalry and Strait of Hormuz Geopolitics (2016–2026)

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ARTICLE INFO	ABSTRACT
Submission: August 29, 2026 Revised: September 18, 2026 Accepted: September 25, 2026 Available Online: October 13, 2026 Keywords: Pakistan, Saudi Arabia, Iran, national security, 'hedging' and 'Strait of Hormuz'. Corresponding author: Dr. Syed Shuja Uddin Email: dr.shuja.ir@fuuast.edu.pk	Pakistan has two potential rivals which are quite aggressive, its biggest financial partner and its most vulnerable land border neighbour. The Saudi-Iranian rivalry has been primarily seen as a sectarian and diplomatic issue in Islamabad for the most part. It is reviewed in light of evidence till & after October 2026, Saudi-Pakistan Strategic Mutual Defence Agreement (17th September, 2025), US-Israeli invasion of Iran that started on 28th Feb of 2026 and closure & reopening of the Strait of Hormuz, Pakistan's role as host & mediator in the US-Iran talks in Islamabad & Islamabad Memorandum of Understanding. After adopting the neoclassical realism approach and using the alliance-entrapment/abandonment approach, and following the process-tracing method, descriptive analysis of the official data and think tank data, transparent scenario simulation and judgement based exposure matrix, what are the channels through which this rivalry poses a threat to the supreme national interest of Pakistan? Three findings emerge. The economic channel is large and measurable: Saudi Arabia is the channel for a massive US\$9.78 billion (or 23.5%) of the record US\$41.6 billion in remittances in FY2025-26, and most of the crude oil imports into Pakistan go through Hormuz; the median value of the trade deficit is around US\$4.9 billion per year, with US\$8.6 billion at the 95th percentile. Secondly, the internal violence has been confined to the borders of Afghanistan and Balochistan, in which Pakistan's military bandwidth has been kept low to tackle any threat from the Iranian border. Third, sectarian channel is the lowest exposure in our exposure matrix while alliance entrapment is the highest. We believe that Pakistan's supreme interest can be best served by codifying and advancing Pakistan's Saudi commitment, institutionalizing Pakistan's mediation and building energy and remittance resilience.

Introduction

Pakistan has always spoken about its policy of 'balance' in the relations with Riyadh and Tehran in the past 40 years. In the past four decades Pakistan has been discussing its 'balancing policy' with both Riyadh and Tehran. The label has proven to be accurate in Yemen, Syria and Lebanon, and this is the weakness of Pakistan that can be overcome by not being part of the Saudi-led coalition

in Yemen in 2015. Over the years since then there have been three harbingers of its comfort. China played the role of helping to re-establish Saudi-Iranian relations in March 2023, thereby leaving Pakistan free from the need to handle rivalry between two countries. On 17 September 2025, Pakistan and Saudi Arabia signed a Strategic Mutual Defence Agreement (SMDA) which stated that an attack on one meant an attack on both (Al Jazeera, 2026a). When a potential dilemma turned into reality on 28 February 2026, with a US-Israeli effort to halt Iran's nuclear ambitions, subsequent Iranian missile and drone attacks in the Gulf region, and the closing of the Strait of Hormuz, it felt like one more threat to the Middle East was being added to an already long list.

The country's involvement in its response is underway. In May 2026, the deputy prime minister revealed the condition to all concerned that Saudi Arabia is 'no-go' for Pakistan; in 2026, it had a defence pact with its Riyadh; and in 2026, its army chief visited Riyadh to talk about 'measures needed to halt' Iranian attacks under the SMDA (Arab News, 2026a) (Business Recorder, 2026) (Al Jazeera, 2026a). On the other hand, on 11-12 April 2026, the same state hosted the first direct talks in decades between the United States and Iran in Islamabad, and facilitated the Islamabad MoU of 17 June 2026 (Anadolu Agency, 2026). The UN Secretary-General called the mediation effort of Pakistan 'remarkable' on 6th October 2026 (Aaj News, 2026). The literature, much of which was in existence prior to 2023, is unclear on how Pakistan is capable of being simultaneously a defence partner to an adversary and a trusted friend of the other nation.

In this paper there are three contributions to make. It highlights the national interest of Pakistan in five aspects – territorial security, border security, the credibility of Pakistan's nuclear deterrence, external account security, and Pakistan's position in international arena regarding the energy security. (iii) It brings in a model that explicitly models commitments to alliances and domestic constraints which takes away the triumvirate of neorealism–neoliberalism–constructivism. (iii) It contains primary institutional information, an explicit simulation and a well-structured exposure matrix including all assumptions which are clearly mentioned to allow the conclusions to be audited and modified.

The focus of this study is to address three research questions:

- **RQ1.** Considering the threats of Saudi-Iran rivalry what is the most crucial thing in the country's supreme national interest from the following options: Economic, Energy, Alliance, Border-insurgent and sectarian?
- **RQ2.** So, what is the distance between the SMDA and Pakistan's freedom to become a neutral and impartial mediator and what does the record of 2026 say?
- **RQ3.** In each of the most likely scenarios by 2027 which policy instruments will prove to be most effective in delivering the greatest benefits to the nation?

Background & Theoretical Framework of the research

An ideology to a conflict on the doorstep of Pakistan.

Ideology to a conflict on Pakistan's doorstep.

Historically, the conflict goes back to the Iranian revolution in 1979, which resulted in the establishment of a self-defined "revolutionary republic" and put up a challenge to Saudi Crown Prince Khalid in his bid for leadership of the Islamic world (Chubin & Tripp, 1996; Mabon, 2013). A structural account by Mirza, Abbas and Qaisrani (2021) of the contest, as well as Gul, Abbasi and Haider's (2021) analysis of security in the Middle East, is more in line with Gause's (2014) view, which suggests that the contest is not about theological differences between Sunni and Shia communities, but rather a struggle for regional power through weak states. The impact of this for Pakistan – a country that has borders with Iran and as a result needs to rely on Saudi Arabia for financial, laborious and spiritual legitimacy – has long been a 'balancing act' as Pakistan policy commentary puts it, and the 2025–26 record shows that Pakistan is having a tougher time balancing its acts.

Table 1: Key events relevant to Pakistan, September 2025 – October 2026

S No	Date, Even & Source
a.	Aggression against anyone equals to aggression against all: Saudi–Pakistan SMDA signed in Riyadh, on 17 Sep 2025. Iran's President welcomed the agreement at the UN GA. Al Jazeera (2026a); Deccan Herald (2025)

- b. 28 Feb 2026 US-Israeli strikes on Iran commence, Iran responds to Israel and throughout the Gulf, traffic on the waters of the Persian Gulf stop. Gulf News (2026a); Arab News (2026b)
- c. Pakistan urges Tehran to honour Saudi commitments, army chief talks to Riyadh, Pakistan hosts foreign ministers of Saudi, Egypt, Turkey (29 Mar). Al Jazeera (2026a); Business Recorder (2026); Arab News (2026a)
- d. Almost 6 weeks of war came to a halt on 9th April, 2026 with US-Iran ceasefire talks facilitated through Pakistan. Al Jazeera (2026b)
- e. First direct U.S. – Iran talks in Islamabad conclude 11–12 April without an agreement being reached, followed by a U.S. navy blockade on 13 April. Al Jazeera (2026b); Pakistan Observer (2026)
- f. Pakistan and Iran have signed an MoU, 14 issues under discussion, a negotiation time frame of 60 days, reopening of the port of Hormuz and lifting of the blockade. These include the facilitation of Qatar, Saudi Arabia and Türkiye as well as Egypt. Anadolu Agency (2026); ProPakistani (2026)
- g. The price of USD 74 per barrel today is back to the price level set the day before the war, around USD 115-120. Profit (2026a)
- h. Meanwhile, the US president states that the MoU is 'over' (c. 8 Jul) and Iran states that it suspends its obligations (18 Jul). Pakistan resumes shuttle diplomacy. Arab News (2026c); Pakistan Observer (2026)
- i. UN Secretary-General congratulates Pakistan for its role of being a trusted mediator. Aaj News (2026)

Note: The MoU was not confirmed at the time of the evidence cut-off and should be taken into account in the future.

Theory: neoclassical realism and the alliance security dilemma

Neorealism (Waltz, 1979) provides an explanation for Pakistani hedging with regard to structure but fails to offer insights into the variation in hedging actions of states in similar situations. Neoclassical realism (Rose, 1998) introduces unit-level variables such as the role of the military in Pakistan, economic fragility and sectarian composition of the regime to explain the difference between the two types of pressures and Pakistan's policies. As Snyder (1984) demonstrates, for allies there is a tradeoff between the risk of being abandoned (the ally defects) and the risk of being entrapped (the ally is involved in a battle, which is not in his 'best interests'). However, Riyadh is more focused on Iran while other states are more focused on threats than on power; Iran has a number of roles as a neighbour, a regional partner, against cross-border militancy and as a main threat, writes Walt (1987). If a state chooses not to take the “whole child” approach, it is adopting a “portfolio of insurance policies” as Hedging (2008) calls it.

Propositions

- **P1 (channel).** The cost of this competition for Pakistan in 2026 is unlikely to be in the form of sectarian mobilisation but in terms of economic/energy and alliance channels.
- **P2 (constraint).** Pakistan is already dealing with a crisis in Afghanistan and in Balochistan, and an unnecessary burden on its military bandwidth to be added by yet another crisis at the Iranian border.
- **P3 (mediation).** It does take away the Pakistanis' murky position on the issue and introduces diplomatic solutions; however, it does not remove the entrapment danger as required by the SMMA.

Research Design, Data and Methods

We will use convergent mixed methods design (Figure 1). This manuscript is a prequel to the first manuscript. Each of its empirical statements was audited against official or institutional sources at the time of the report, and those that were outdated were updated and those that we were not able to locate were deleted (Table 2). Then, the audited evidence is analyzed in three parallel analyses: Descriptive Quantitative analysis of remittance, Energy and security data, and Exposure matrix and scenario analysis of events 2025-26 September to 2026-27 October. The results are triangulated in a testing of P1-P3.

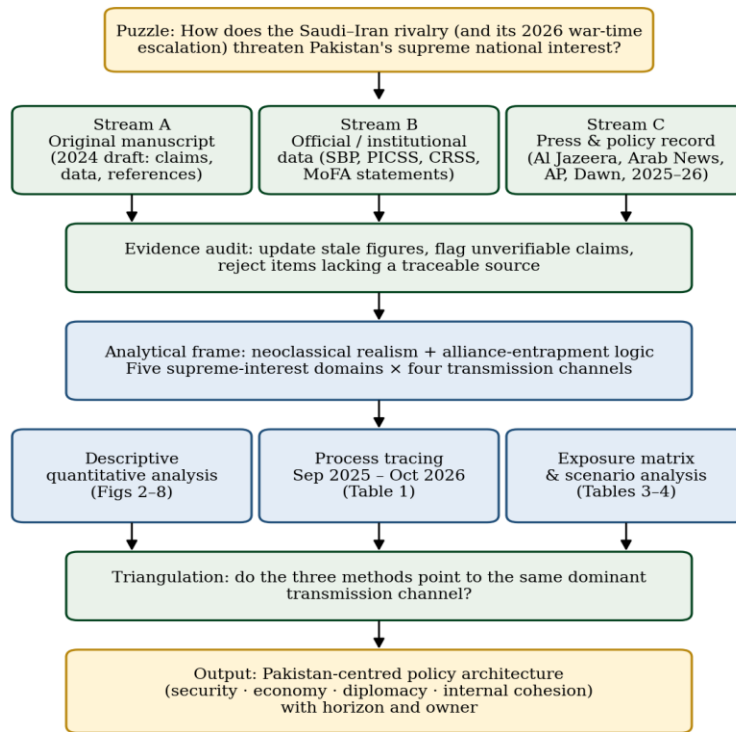


Figure 1. Study flow diagram: evidence streams, audit, analytical frame, parallel methods, triangulation and output.

Data sources

The data regarding remittances have been obtained from Associated Press of Pakistan (APP, 2026), Arab News (Arab News, 2026d) and The News as reported by the State Bank of Pakistan (SBP). The security information is from Pakistan Institute for Conflict and Security Studies (PICSS) and Gulf News (2026b) while Dawn (2025) is reported from Centre for Research and Security Studies (CRSS) and sourced from Centre for Research and Security Studies (CRSS) (2026b). The Energy-exposure parameters are from Pakistan Institute of Development Economics (PIDE), Federation of Pakistan Chambers of Commerce and Industry and Press reports of official statements (The News, 2026c; Arab News, 2026b; Profit, 2026a). The estimated annual numbers of Total remittance are based on data provided by SBP, which will be rechecked before submitting to SBP for FY2019-FY2024

Table 2. An audit of earlier manuscript claims which were inherited into this one.

S. No	Inherited claim, Status & Action in this article		
a.	Saudi remittances ≈ US\$5.7 bn per year (2020)	Superseded	Replaced with FY2025-26 SBP figure of US\$9.78 bn (APP, 2026)
b.	Over 1,000 Pakistani personnel in Saudi Arabia (IISS, 2018)	Not used; only historical numbers used for qualitative purposes (Steptoe, 2026)	numbers of personnel in Saudi Arabia (IISS, 2018)
c.	Share of shia population 15-20%	No census count - estimates are widely divergent	Estimate range (not point value)
d.	Pakistan mediated the attacks in 2019 in Abqaiq.	Dropped and replaced with the confirmed 2026 mediation record.	
e.	The MBS visit of 2019 resulted in a 'investment of US\$20 bn' which is accurate as far as MoUs are concerned but not disbursements.		

- f. Pakistan–Iran trade $\approx$ US\$1 bn
- g. Neorealism / neoliberalism / constructivism framework: Descriptive not explanatory: Replaced by neoclassical realism and alliance-entrapment framework.

Please note that 'dropped' does not mean that the claim is wrong it means that it hasn't been analysed.

Analytical procedures

Descriptive analysis. All counts, compositions and growth rates are determined using sources. The period used in Figures 6 and 7 is the time for which data were available regarding the SBP corridors (February, March, April, June, July and August 2026 for the Saudi Arabia and July and August 2025 for back-calculating the YOY changes). There are then only 4-8 samples ($n = 4-8$) and results are suggestive.

Simulation. The energy-price channel is limited by 10,000 numbers from the triangular distribution of: US\$74 minimum, US\$95 mode, and US\$120 maximum, representing the price that the energy has been re-opening at, and the range of prices reported in the press during the war. The value of each draw is the annualized widening of the trade deficit due to a \$80 - \$160 rise in oil prices in the time span of the PIDE scenario, which is \$24 bn - \$41.8 bn widening of the trade deficit per year, or \$0.22 bn widening per US\$1 of oil price. The model is of a simple type, no volume adjustment, no lags, not LNG contract pricing, not Saudi supply offsets etc and is a “bounding” exercise, not a prediction.

Exposure matrix. The five areas of greatest interest are rated on a 1-5 scale in four respective modes of transmission, against the probability and impact of the events over the last 12 months. These scores should be replaced by a Delphi panel of Pakistani security and economic experts in the future and are not empirical estimates, they are the authors' structured judgement.

Results

The economic channel: remittances

Saudi Arabia was Pakistan's single largest remittance source in FY2025-26, at US\$9.783 bn out of a record US\$41.585 bn, a share of 23.5% (Figure 2; APP, 2026). The UAE was in the 2nd position with a value of US\$8.807 bn and the United Kingdom in the 3rd position with a value of US\$6.326 bn. The economic activity in the Gulf as a whole was about US\$22.5 bn (54%) and US\$3.934 bn in the other GCC states. This concentration is most vital quantitatively in terms of Pakistan's balance of payments and the most susceptible in case of any conflict in the region that may jeopardize the activities of the Gulf countries.

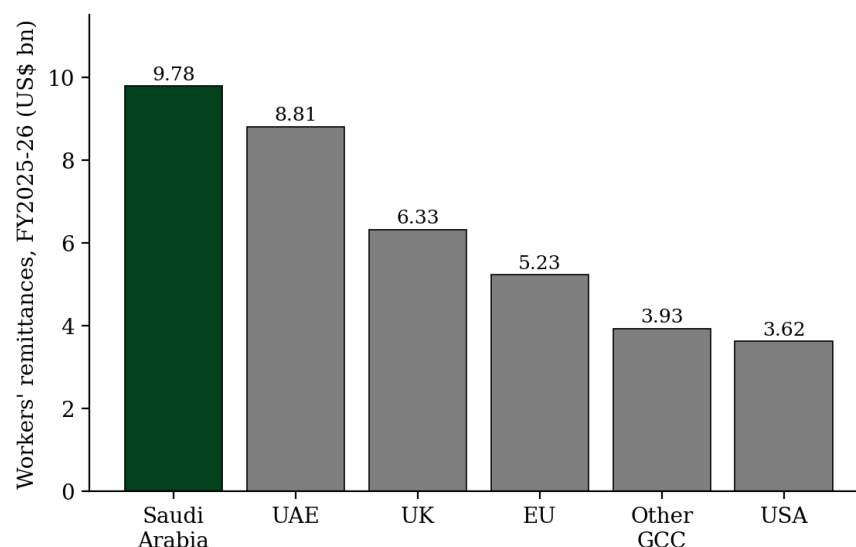


Figure 2. The bar graph shows that workers' remittances to Pakistan by source in FY2025-26 (US\$ bn). Source: SBP via APP (2026) and The Standard (2026). EU (The Standard) overall.

But during the conflict remittances grew. Total inflows grew 8.6% in FY2026 (Figure 4), and Saudi inflows were US\$914 m in July 2026 and US\$873 m in August 2026, 19% above August 2025 (The News, 2026b). The prevailing picture was far from sunny: the Saudi inflows in March 2026 were actually 5.5% less than in March 2025 (APP 2026b). That evidence is for resilience and not immunity; the Gulf labour market did not fail, it merely had a decline in the numbers, which was caused by the time of the year and the Eid seasonality.

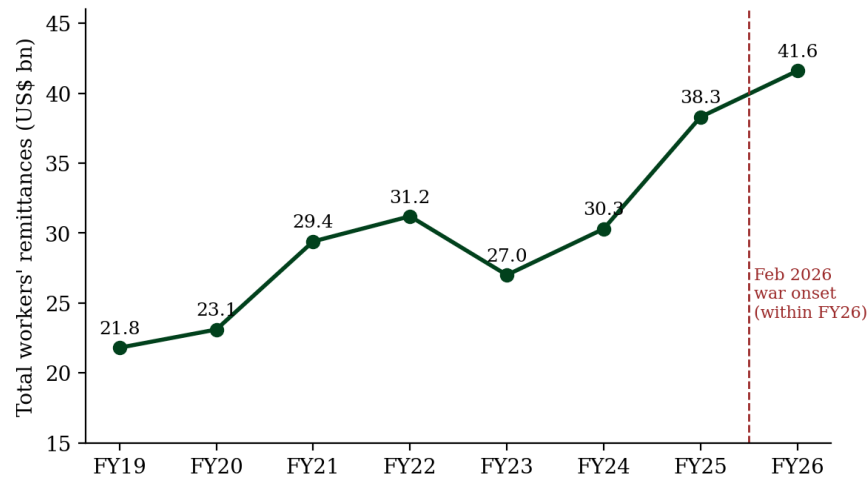


Figure 3. A line graph displays the remittance of workers to Pakistan during FY19-26 in US\$ bn. Data Source: SBP; FY2025 and FY2026: APP (2026); Other data rounded from annual series of SBP. The War starts in FY2026.

Figure 4 shows the correlation between the 4 main monthly corridors and DISPERS. The Saudi corridor had the highest median value (US\$836 m) with inter quartile range (IQR) (US\$802–883 m) accounting for 28% of the median value. The UAE corridor has a median of US\$737 m (range US\$665–824 m); the UK's median is US\$548 m and the US's US\$317

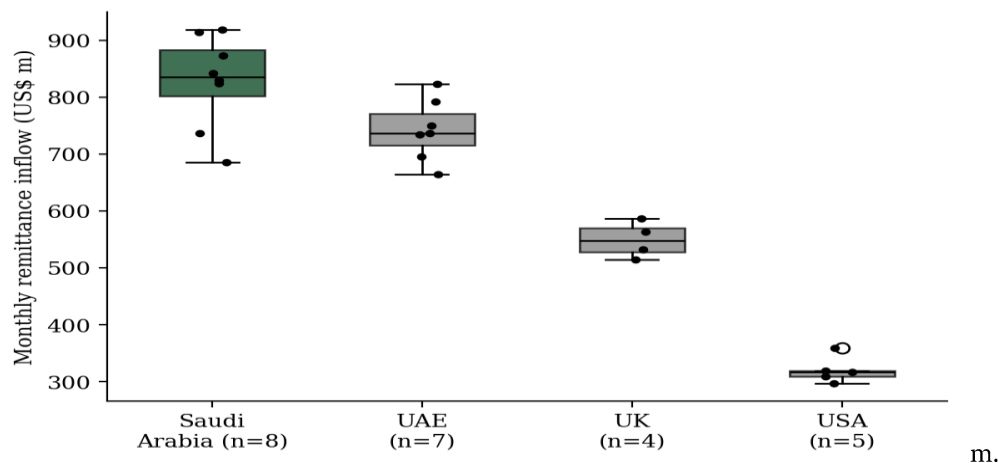


Figure 4. Remittances inflows by corridor (US\$ m) – Box and Whisker plot for months for which SBP data is available. Boxes show the inter quartile range, whiskers show the minimum and maximum and the dots are the individual months and n is small, indicates only.

The energy channel: a bounded simulation

According to the News (2026c), 81.6% of Pakistan's crude oil imports are through the Strait of Hormuz. According to PIDE, 80% of the crude oil imports pass through the Strait of Hormuz (The News, 2026b). Press reports indicated that the weekly petroleum import bill increased from US\$300 m to US\$800 m during this closure while the petroleum import bill for April 2026 amounted to the highest US\$2.27 bn compared to US\$1.35 bn a year ago (Institute for Strategic and Developmental Studies Opinion, 2026). The simulated expansion of the trade deficit in 2019 is US\$4.9 bn (median) with a range of US\$74 to US\$8.6 bn (mean and 95th

percentile, respectively). The values are lower than a linear annualisation of the April 2026 shock (US\$0.9 bn per month, or US\$11 bn per year), which means that the simulation is conservative under closure conditions.

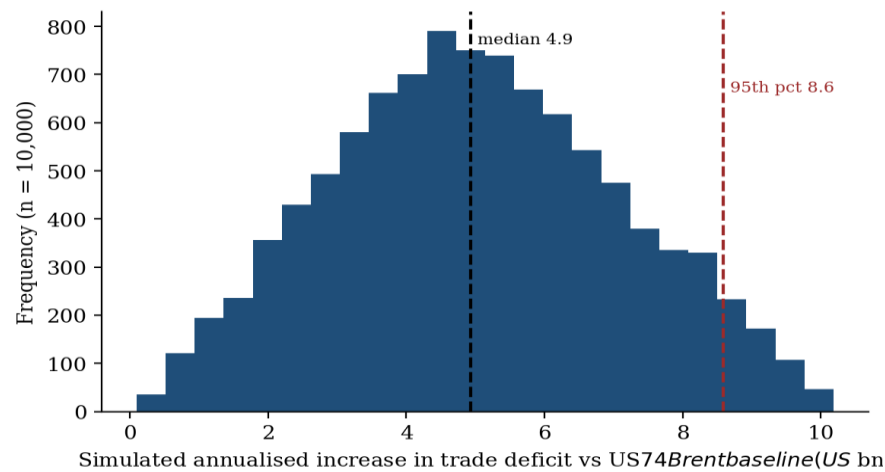


Figure 5. The simulated annualised increase in the trade deficit for Pakistan (US\$ bn) is added to a US\$74 Brent basis, 10,000 draws; Brent ~ Triangular(74, 95, 120); pass-through US\$0.2225 bn per US\$1 (PIDE scenario). Author's simulation.

The security environment: where Pakistan's forces are committed

The number of security-force deaths rose by 26% in 2025 compared to 2024, while the number of militants killed by security forces reached 1,063 – the highest since 2014 – and the number of suicide attacks increased to 26 from 17 in 2024 (Figure 3; Dawn, 2025). The number of deaths attributed to combat increased 73%, to 3,387. According to the CRSS data, over 96% of all deaths (2,331) took place in Khyber Pakhtunkhwa while 28% (956) of the deaths occurred in Balochistan (Gulf News, 2026b). This is because Balochistan is the second most violent province in Pakistan and the inter-state counter insurgency clash between Pakistan and Iran in the Pakistani and Iranian territories against Baloch militants in January 2024, respectively, clearly demonstrates that the counter insurgency war can easily escalate into an inter-state war. A south-west and north-west which already have a depleted military presence will face a third challenge from a problematic and dangerous Iran border.

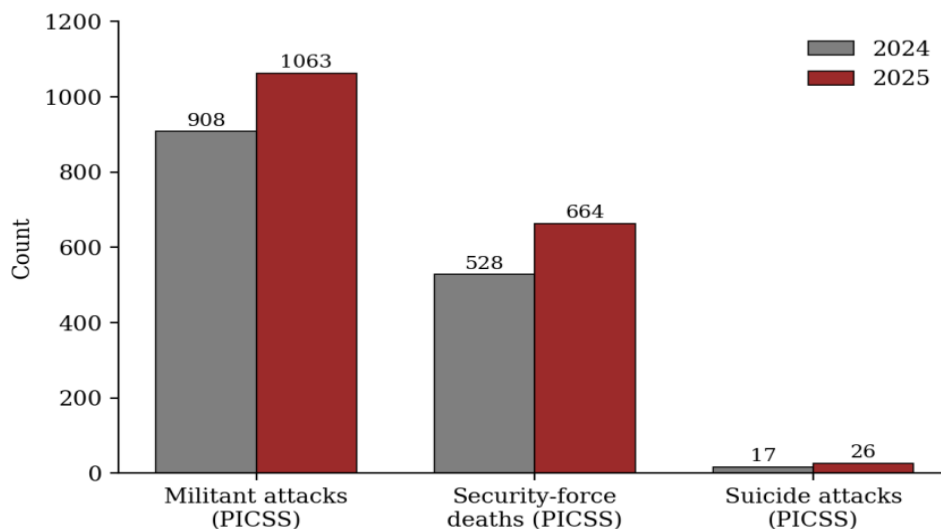


Figure 6. Selected militancy indicators in Pakistan 2024 compared to 2025 (Bar graph). Source: PICSS via Dawn (29 Dec 2025)

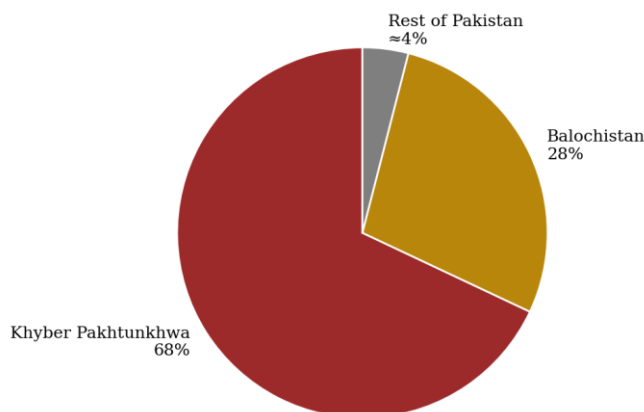


Figure 7. The chart is a pie chart that shows the number of deaths caused by violence in each of the provinces in 2025 as percentages. Gulf News's CRSS Security Report 2025 (2026b) had a brighter outlook for the security industry in the UAE.

This dataset, in which the sectarian channel is visible but not dominant, may include the individuals involved in this spike as not Saudi or Iran-backed sectarian outfits, but as members of the Tehreek-e-Taliban Pakistan, its affiliates and the Balochistan Liberation Army and the Islamic State – Khorasan Province (PICSS, 2026). We stress that this is not an exhaustive list of sources of violence, but rather an illustration of the main sources of violence; also, the extent of external patronage by sect is difficult to gauge from open sources.

Co-movement of Saudi and total remittances

The monthly Saudi inflows are plotted against the total monthly inflows and are shown in Figure 6, for the eight months of data. The Pearson correlation is $r = 0.82$ ($n = 8$, $p = 0.013$); the slope on the fitted regression line indicates that an extra US\$1 m of inflow to the Saudi corridor is correlated with an extra inflow of around US\$2.4 m per capita to the total inflow. As this slope is primarily mechanical and seasonal (all the corridors have to go through this one when they experience surge, from Saudi) it should not be looked at as a causal slope, and just 25% of the total inflow comes from Saudi.

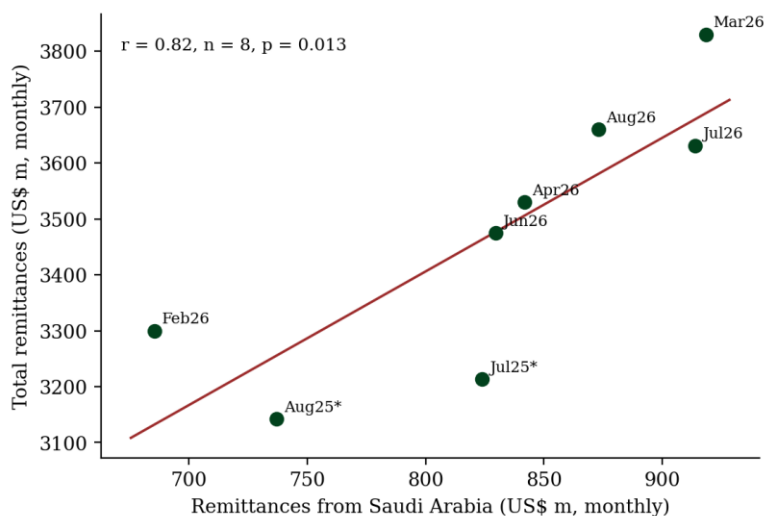


Figure 8. Scattered plot of the monthly Saudi remittances and remittances (US\$ m) including the least squares line. Year-on-year comparisons, July/Aug totals back-calculated. Source: SBP via The News, Arab News, Zameen and APP (2026)

The exposure matrix

Each supreme-interest domain is rated on each channel in Table 3. The sum of the rows show external-account and energy security (D3) and internal cohesion (D4) are the highest among the scores (11 each), followed by territorial integrity and diplomatic standing (10 each) and strategic autonomy (8). The most risky channels are all from the alliance entrapment category (17) and the border and insurgent spill over category (13) and the energy channel (11) and sectarian mobilisation (9). The energy channel earns the highest score in one cell, which is in the external-account domain and is exposed to the hormone, while the energy channel also has low reserves—as its monetary reserves stood at US\$16 bn at the end of March 2026, equivalent to three months' imports, according to press reporting (Nukta, 2026).

Table 3; The Supreme interest was the only interest considered for which exposure was assessed as negligible or severe for a time horizon of 12 months.

Supreme-interest domain	Alliance entrapment	Energy Hormuz	/ Border insurgent spillover	/ Sectarian mobilisation
D1 Territorial integrity and border security	3	1	4	2
D2 Strategic autonomy and nuclear deterrence	4	1	2	1
D3 External-account and energy security	3	5	2	1
D4 Internal cohesion	3	2	3	3
D5 Diplomatic standing and alliance portfolio	4	2	2	2
Column total	17	11	13	9

Note: the scores are not quantitative but qualitative judgements made by the author, see Section 3.2. This shading is done with the intention of being readable and not intended to be accurate.

Discussion

Re-weighting the sectarian channel (P1)

This analysis follows other analyses, such as the manuscript, which were focused on the size of the Shia minority in Pakistan, and the worry that both Riyadh and Tehran could be cultivating competing sectarian groups. That risk exists but the channel that poses the greatest risk to the state is on the evidence of 2025-26. The money (Figures 2 and 4), the fuel (Figure 5) and the alliance (Table 3) is more important. But it would not mean that the sectoral policies of the country could be left untouched, as in a protracted war in the Gulf if Pakistan is seen to be "tilting" to one side or the other then the three lines of D4 would be crossed by the local macho-fever. That is why P1 is supported in the weak sense; for the economic and alliance channels are dominant while the sectarian is latent and positive.

Military bandwidth and the Iranian frontier (P2)

The figures in figure 6 and 7 show that the Pakistan Armed forces have deployed relatively heavily on the Pakistan-Afghanistan border on 11 October 2025 when the border was shut because of tensions between the two cities (Gulf News, 2026b). However, in that specific instance it is the only land border with Iran where Pakistani can maintain small land forces. That condition's preservation is a supreme national interest, on its own: In the episode which aired in January 2024, if there are border management mechanisms and crisis communications mechanisms, it's cheap to deter when deterring at the Iranian frontier. P2 is supported.

Entrapment, abandonment and the SMDA (P3)

The SMDA is steering the Pakistan's towards the 'entrapment' end of the Snyder trade-off. Both have also made promises unconditionally to react against aggression with aggression and it will be interesting to see what definition of 'aggression' has been agreed, and whether this covers Pakistan's nuclear deterrence (Steptoe, 2026). As such, Pakistani authorities have been adopting the rhetorical bounding, 'no-go area' mantra that implies the protection of Saudi territory and the holy places, and refrains from committing to an offensive against Iran (Arab News, 2026a). Islamabad has meanwhile made it clear that it is not ready to give up the Tehran channel, attacked the strikes against Iran and capitalized on the trust to organize the Islamabad talks. While Riyadh has requested clarity on Pakistan's stance, this is not necessarily applicable to Press comments. The take home lesson from P3 is that alliance and mediation cannot be combined unless the understanding of the SMDA is defensive and understood by both sides.

Mediation as national-interest strategy

A positive dividend of the Islamabad process was received by Pakistan from Washington and Tehran, which both singled out the Islamabad process as a good one, in tandem with the UN Secretary-General (Aaj News, 2026; Al Jazeera, 2026c). It also revealed the extent to which mediation can go: The MoU mediated by Pakistan soon became taut, and the Hormuz issue was not resolved (Pakistan Observer, 2026). A national-security reading of mediation is not about mediation itself, but about how it can be used as a tool to accomplish a national-security goal. What will be advantageous for Pakistan is that none of those in Tehran, Riyadh and Beijing would consider Pakistan to be their true enemy if they are to be Pakistan's partners in Washington.

Scenarios to 2027

Table 4; The scenario analysis for Pakistan will be based on qualitative judgement (no probabilities attached) from the Met Office.

Scenario, Description, Main risk to supreme interest & Priority Pakistani response	
S1	Managed de-escalation - MoU process re-activated; Hormuz re-opens; Security architecture in the Gulf is re-built. Leverage erosion due to other mediator stepping in, Saudi untrust in the warm relations between Iran and Pakistan. Make Islamabad channel a reality; get benefits of energy and trade.
S2	Frozen conflict ('no war, no peace'). Continuous threats to strike/ blockade in Hormuz and the continued disruption. Chronic oil and freight shocks, loss of reserves, fatigue.
S3	Regional renews war – US vs Iran (Gulf attacks, extended closing of the Hormuz) The issues concerning the balance of payments, the lack of labour in the Gulf and the delicate situation of the borders. Contingency evacuation, Emergency energy plan, Rapid IMF engagement.
S4	Saudi-Iran direct clash invoking SMDA Iranian attacks on Saudi land or holy places, calls for Pakistan's assistance. The British were engaged in a number of other affairs. The British were busy with other matters. Defensive only interpretation (pre-agreed); Briefing in Parliament; Hotline with Tehran on crisis.

Policy Recommendations

The recommendations have been prioritised and are based on findings. Responsibility to be set to the leader; horizons indicative.

Table 5: The policy document for the best interests of the state of Pakistan

Recommendation, Lead institution & Horizon	
1.	Adopt a defensive understanding of the SMDA: meaning territorial defense of Saudi Arabia and holy sites – no offensive Saudi-Iran conflict – it is a joint discovery and not an unilateral demand. Levels 0-6 months: PM Office, MoFA, GHQ, Parliament.
2.	Create a permanent mediation centre at the Foreign Office which could link up with Tehran, Riyadh, Washington and Beijing and function together with Qatar, Türkiye and Egypt. MoFA 0-6 months
3.	Build energy resilience through increase and maintenance of strategic stocks of petroleum and LPG above Days of Cover; pre-arrange supply of Yanbu/LNG from Red Sea; diversify LNG; accelerate domestic renewables. It will take the Ministry of Energy, OGRA and SBP anywhere between 6 to 36 months to do so.
4.	Secure remittance base: Contingency evacuation planning of Gulf workers, formalisation of remittance pathways, diversifying skills and destination markets. Overseas Pakistanis Ministry; SBP 6-24 months
5.	Strengthen border security of Iran: Restart the joint border commission and military hotline; conduct integrated border management in Balochistan and exchange intelligence in respect of counter-insurgency operations. Infants (0-12 months); FC Balochistan; MoFA
6.	Ensure internal balance: A single framework of supervision of madrassas, transparency in relation to foreign funding for madrasa seminaries, reviving the NAP supervision. A 6- to 24-month time period of up to 600,000 euros is set aside for religious affairs, the interior and the provinces.
7.	Expand the economic base and economic corridors; don't make economic competition between countries of the Gulf region a thing of Gwadar and regional connectivity. Planning; Commerce 12-48 months
8.	Maintain the portfolio of external partners (China, the United States, Türkiye, the Gulf) for not being a single partner a veto. MoFA; Finance Continuous

Limitations and Future Research

These four limitations will be highlighted. The data were only available monthly on the corridor level, with small numbers of data in each sample, and the correlation is indicative, as is the box plot. Secondly, the energy simulation is a 'bounding' exercise in which a published elasticity is used with an 'ex stylised' price distribution. Thirdly, the exposure matrix is based on the authorial judgment and a Delphi or a structured elicitation with the Pakistani practitioners would enhance the validity of the matrix. Fourth, much of the evidence for 2026 is from press reports of official statements; and the situation was changing as this paper was completed. Future work should focus on (i) developing monthly data set between the two countries of Pakistan and Gulf states, (ii) study of field data for Saudi and Iranian financial and religious transactions with Pakistan and (iii) a comparison of Saudi and Iranian financial and religious transactions with other middle powers (Türkiye, Oman, Qatar) who mediate between the two powers.

Conclusion

The threat to Pakistan's security and survival is undeniable in the name of Saudi-Iran rivalry, but this threat is not happening in the form of sectarian contagion, it is happening through three vectors which can now be quantified: dependence on Saudi remittances (23.5% of the total remittance receipts in FY2026), exposure to Hormuz (about 80% of crude imports) and through an alliance commitment whose scope is deliberately ambiguous. Pakistan is yet to deploy its army on its western and south-western border and in the event of a war in Iran, the result would be a high cost war.

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