



## China's Rational Calculation (Cost-Benefit) in Mediating the Normalization of Iran and Saudi Arabia Relations

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**Abstract:** Saudi Arabia and Iran are two countries that serve as powerhouses in the Middle East region. They severed diplomatic relations following the vandalism and arson of the Saudi Arabian embassy in Iran in 2016. The attack was a response by the Iranian public to the Saudi government's execution of Sheikh Nimr al-Nimr. In 2023, Iran and Saudi Arabia normalized diplomatic relations through several agreements, including the reopening of embassies and the reactivation of security and trade agreements, facilitated by China in Beijing. This study focuses on the reasons why China chose to act as a mediator in the normalization process between Saudi Arabia and Iran. The research uses a qualitative-explanatory approach through the perspective of the Rational Actor Model. It is found that China's decision to act as a mediator was a rational choice that yielded more benefits through a cost-benefit analysis. These benefits include securing energy supplies, ensuring a stable investment climate, reducing the risk of cooperation failures, and opening up opportunities for further collaboration. On the other hand, the costs borne by China include the diplomatic burden of having to succeed in this mediation and the future expectations placed on China to maintain these benefits. An alternative policy is bilateral hedging, which also presents potential advantages such as saving diplomatic resources and fostering short-term trade relations. However, it also comes with drawbacks such as energy supply disruptions, damage to the investment climate, and the loss of strategic momentum and trust for China.

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## INTRODUCTION

Iran and Saudi Arabia are two major countries that play a crucial role in the Middle East. Iran acts as a “major umbrella” for Shia-aligned countries and supports opposition factions in many Middle Eastern states (Pramasto, 2020). Meanwhile, Saudi Arabia is a key backer of Sunni countries across the Gulf (Nuruzzaman, 2017). The relationship between Iran and Saudi Arabia has been dissociative for a very long time, and it reached its lowest point in 2016, when a death sentence was handed down to a figure who held significant influence among the Iranian public—Nimr al-Nimr—by the Saudi government (Turak, 2023). The death sentence was issued on charges of carrying out provocative acts, as Nimr al-Nimr was critical of the Saudi government and was accused of inciting unrest within the country (Qiblawi, 2023). The execution was not only carried out against Nimr al-Nimr, but also against 46 other individuals on similar charges. This execution was not merely a legal issue between the two countries—it became a political and social matter, as seen in the reaction of the Iranian public. They attacked and stormed the Saudi embassy

in Iran, forcibly entering and endangering the Saudi representatives in the country (Al Jazeera, 2023).

In response to the incident, the Saudi government firmly declared a complete severance of diplomatic relations with Iran and withdrew all Saudi diplomatic representatives from the country. Iran, in turn, responded to this unilateral diplomatic break with strong condemnation of the Saudi government, criticizing both the execution and the decision to cut diplomatic ties. The severing of diplomatic relations marked the lowest point in Iran–Saudi Arabia relations (Mabon, 2018). Reflecting on the event, ties between Tehran and Riyadh remained dissociative for a prolonged period. This is evident in how both countries continued to compete for influence in the Middle East, engaged in proxy conflicts in several situations, such as the Yemen conflict, the Syrian conflict, and the Bahrain conflict (Hadzikadunic, 2019). Furthermore, Iran and Saudi Arabia have been actively involved in narrative conflicts on the international stage through official statements, speeches, and other channels of influence.

China's involvement in the conflict between Iran and Saudi Arabia did not emerge in a vacuum. China holds precedent relationships that are at least considered favorable by both Iran and Saudi Arabia (D. Sun & Zoubir, 2018). As a major power also competing with other global powers like the United States to expand its influence on the world stage, China's presence in the Middle East so far is reflected in how it has maintained relations with both Iran and Saudi Arabia (Bianchi, 2015). This includes developing strong diplomatic ties with both countries. China has established economic and political cooperation with Iran, which is mirrored by its trade and energy relations with Saudi Arabia.

## **LITERATURE REVIEW**

This study will use the Rational Actor Model perspective to dissect China's reasons and reasoning in normalizing relations between Iran and Saudi Arabia. The Rational Actor Model is an analytical framework proposed by Graham T. Allison (1999). This model is based on several fundamental assumptions. The first assumption is that each actor studied is considered a single, monolithic entity. This means that all components within a state—such as the President, Ministers, State-Owned Enterprises, and other parts—are viewed as one unified entity sharing the same goals and motivations to achieve their objectives through a common approach. The second assumption is that these actors are rational. Rationality here means that the actor evaluates all available options and information, remains consistent in this evaluation, and chooses the option that yields the greatest benefit or the least loss (Mintz & DeRouen, 2010).

The Rational Actor Model consists of four key components and those are Goals & Objectives, Alternatives, Consequences, and Choice. Goals & Objectives are the main aims and guidelines that drive the actor's actions or decisions. Allison explains that these can be translated into national interests, representing a country's domestic needs and priorities at the national, regional, or global level. Understanding national interests provides insight into why a country pursues certain foreign policy decisions. The next component, Alternatives, refers to the options available to decision-makers to achieve their Goals & Objectives. These alternatives arise from the researcher's analysis of the situation, using all available information. Limited information may constrain the options, but rational actors consistently seek to maximize benefits and minimize risks by evaluating these alternatives (Allison & Zelikow, 1999).

Consequences are the third component, involving an analysis of the costs and benefits of each alternative. Allison notes that every option has potential advantages but also comes with costs that the decision-maker must bear. Researchers use this component to justify the interactions and logical outcomes of policies chosen by the actor. These outcomes represent the potential burdens and benefits that the actor faces. The final component is Choice, which is the decision selected after evaluating all alternatives. Each option is weighed for its potential benefits and risks. According to Allison, Choice is part of the analysis that reflects the actor's rational and consistent decision-making process. The chosen policy aims to maximize benefits and minimize losses to achieve the actor's main objectives (Allison & Zelikow, 1999). Applying the Rational Actor Model, this study will examine why China chose to normalize relations between Iran and Saudi Arabia. The analysis will explore China's Goals & Objectives, the Alternatives available amid the diplomatic rupture between Iran and Saudi Arabia, the Consequences of each alternative, and the final Choice China made in its foreign policy approach.

## **RESEARCH METHOD**

This study uses a qualitative approach to obtain a comprehensive explanation of an event. It involves collecting, analyzing, and interpreting non-numeric data to gain a complete context of the research object. The study employs an explanatory research type to uncover the reasons behind the occurrence of specific events, allowing for full conclusions to be drawn in the causal analysis of the subject being studied (Sugiyono, 2013). The data collection method is conducted through a literature study technique, where secondary data from literature sources such as books, journal articles, news reports, official documents, and other credible sources are gathered. These sources are strictly filtered according to the focus of the research. This filtering process ensures a high level of relevance to the research subject in order to obtain meaningful findings that lead to comprehensive conclusions. The next step involves presenting the data to identify explanatory patterns related to the research object. Finally, conclusions are drawn that are consistent with the findings, resulting in logical and coherent interpretations (Saryono, 2010).

## **RESULTS AND DISCUSSION**

### **Formulating China's National Interest**

In analyzing the calculation of potential benefits and losses that China may have from its foreign policy of normalizing diplomatic relations between Iran and Saudi Arabia, an in-depth identification of China's national interests as the goals & objectives China wants to achieve is necessary. National interests are a set of agendas prioritized by a country at both domestic and international levels. These national interests can be reflected through a country's foreign policy to fulfill its needs or objectives. Such priority agendas can take the form of domestic conditions, political priorities, economic drives, or narratives and images the country wants to present on the global stage. These national interests are reflected in a country's actions, which become precedents for analyzing a country's goals & objectives (Mintz & DeRouen, 2010).

To identify China's national interests in this case, as guidance and purpose for China's actions in international arenas, several channels can be examined such as official documents, state speeches, foreign policy precedents, and so forth. One official document released by China regarding its position in the Middle East is the China's Arab Policy

Paper published in 2016 (The State Council The People's Republic of China, 2016). This document explains China's position and intentions concerning its presence in the Middle East (Kamel, 2018). It states that in building relations with Middle Eastern countries, China fully adheres to five main principles. These principles are mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in internal affairs of other countries, equality and mutual benefit, and peaceful coexistence. The document also explains how China deepens strategic cooperation with Arab countries. The methods include emphasizing China's commitment to peaceful efforts, mutually beneficial development, full commitment to peaceful development, and China's willingness to pursue new paradigms in building interstate relations, especially in the Middle East. These principles form the foundation for how China's strategic relations with Arab countries are built (Hamchi, 2017).

The broad outlines of this strategic cooperation are conceptualized in figures explained in China's Arab Policy Paper. This cooperation model is expressed as "1+2+3." The "1" is defined as China's top priority in building strategic relations with Arab countries—strategic cooperation in the energy sector. China prioritizes all its efforts and resources to develop strategic cooperation in energy. The "2" refers to how the strategic cooperation framework supports the energy cooperation. The full breakdown of "2" includes infrastructure development, trade, and investment facilities. China deepens cooperation in these areas to support the success and sustainability of strategic energy relations with Arab countries. The last figure, "3," is defined by China as cooperation that produces breakthroughs or innovations. The breakthroughs China aims for in strategic relations with Arab countries are in high technology sectors such as nuclear energy, space cooperation like satellites, and renewable energy. Through cooperation in these fields, China expects new breakthroughs to emerge from its cooperative strategic relations with Middle Eastern countries (Lons et al., 2019).

China further explains other supporting cooperation areas to help and sustain the "1+2+3" strategic cooperation framework (Fulton, 2020). These include social development and human resource development cooperation covering health and medical fields, education, science and technology, agriculture, as well as environmental and forestry protection in response to climate change. Another area is people-to-people exchanges such as cultural and religious exchanges, media and think tank publications, exchanges between NGOs, youth and women organizations, and tourism cooperation. Lastly, China commits to supporting Arab countries in achieving regional security through cooperation in security and counter-terrorism. This includes military official visits, military personnel exchanges and demonstrations, deeper cooperation in armaments, and openness to discussions on security mechanisms against terrorism within the framework of international agreements under the United Nations (Kamel, 2018).

Another finding to understand China's position in the Middle East is the concept of the New Security Architecture. This idea is a proposition on managing regional security in the Middle East, officially stated by China through Wang Yi's speech at the Middle East Security Forum in 2021 (Gering, 2023). Through Wang Yi, China affirms its support for renewing security concepts applicable to the Middle East. In the official speech, China outlined five main points in conceptualizing security in the region. The first is respect for the sovereignty of each Middle Eastern country. China reiterates that Middle Eastern countries are sovereign states with the right to determine their own paths and destinies without external interference. China positions itself as supporting the narrative that Middle



Eastern countries are the hosts of their region and firmly opposes domination by other countries with interests there. The second point concerns equality and justice in conflict management. China seeks conflict resolution through dialogic and associative efforts and calls on the UN Security Council to actively participate in resolving conflicts in the Middle East (Global Times, 2022). The third point is China's desire to build collective security through dialogic dispute management. China believes regional stability can be achieved through cooperation if Middle Eastern countries consult each other on tensions (Ford, 2020). Additionally, China encourages sustainable development cooperation in the Middle East, considering the region's prolonged conflicts, pushing social and economic development via strengthening regional forums such as the China-Arab Forum and the Belt and Road Initiative (Andersen, 2023).

The last official document identified as a proposition on China's national interests in the global constellation is the Global Security Initiatives Concept Paper. The Global Security Initiatives (GSI) is one of three major Chinese initiatives showing its position and narrative on the global stage. These three initiatives are the Global Security Initiatives, Global Development Initiatives, and Global Civilization Initiatives. The Global Development Initiatives propose a model for sustainable development cooperation and promote basic needs fulfillment through alternative narratives to existing models or institutions. The Global Civilization Initiatives focus on culture and civilization, emphasizing the equality of different values among many countries without hegemonic dominance. The Global Security Initiatives differ from the other two (Yuliantoro, 2024). Announced officially on April 21, 2022, at the Boao Forum for Asia Annual Conference and introduced by Xi Jinping, the GSI concept paper was released by China's Ministry of Foreign Affairs on February 21, 2023 (Green et al., 2024).

The document outlines China's intentions regarding global issues and how China seeks to address these problems through principles detailed in the document, offering an alternative concept of global security (Sumadinata, 2023). The six main principles China emphasizes are: the desire for a shared vision of security characterized by inclusiveness, comprehensiveness, cooperation, and sustainability; political stability achieved through dialogic and peaceful negotiation; respect for sovereignty recognizing every country's unique background while affirming equal rights and opportunities in the international community; adherence to the UN Charter's purposes and principles; serious attention to every country's security concerns without neglect or opposition; and the construction of a security framework based on dialogue and consultation, avoiding unilateral sanctions or military force (Yip, 2024). The final principle is a firm and concrete commitment to maintain both traditional and non-traditional security. To fulfill these principles, China mentions several priorities to realize its vision of global security under the GSI framework such as building good relations with all parties to achieve the agenda, resolving bilateral and regional political disputes based on non-intervention, and simultaneously addressing root causes. The document also reaffirms China's desire to realize stability in the Middle East through the five points of the New Security Architecture. Concrete steps will be implemented by optimizing forums such as the Shanghai Cooperation Organization, BRICS, and the Middle East Security Forum (Jing et al., 2023).

Next, the domestic situation in China can be identified. China's energy needs increase annually. The type of energy China heavily depends on from external countries is oil (Q. Sun et al., 2022). China is among the world's largest energy consumers and the largest importer, specifically of oil. China independently refines crude oil into products

such as fuel and petrochemicals. These refined products are distributed across China's consumption sectors, including transportation/logistics, industry and manufacturing, household consumption, agriculture, and commercial/public services. Approximately 70% of China's oil supply is imported, with 40-50% of imports sourced from Middle Eastern countries (International Energy Agency, 2023). Saudi Arabia accounts for 19% and Iran 13.6% of China's oil imports (Reuters, 2022, 2025a). China also holds significant investments in the Middle East, specifically in Iran and Saudi Arabia. China's investment in Saudi Arabia, especially in the energy sector as a key interest, is lucrative. In 2019, China invested \$10 billion, primarily in energy (Webster & Pelayo, 2023). Two years later, in 2021 until 2024, China invested \$21.6 billion across several sectors, still focusing mainly on energy (Zhou, 2024). There are also cooperation efforts related to aligning Saudi Vision 2030 with the Belt and Road Initiative, formalized through several agreements under the High Joint Level Committee (Chen et al., 2018). China's investments in Iran are also substantial. From 2016 to 2017, China invested 7 billion dollars in Iran in the energy and offshore development sectors. In other sectors such as infrastructure from 2017 to 2018, China invested 2.8 billion dollars in Iran, as well as 350 million dollars in a pelletizing project in Iran (Reuters, 2025b). And a 25-year comprehensive economic cooperation agreement between China and Iran (Fulton, 2021). This agreement covers energy, infrastructure, and trade sectors with an estimated value of \$400 billion (Belal, 2020).

### **China's Goals & Objectives**

As Graham T. Allison (1999) explains, Goals & Objectives are the technical and operational derivatives of how a country addresses an issue through foreign policy instruments. This manifestation is strictly derived from national interests and the factual conditions of the issue. Based on the data and facts presented above, China's Goals & Objectives can be identified. Here, Goals & Objectives can be understood as China's main targets in facing the severance of diplomatic relations between Iran and Saudi Arabia, which has also increased tensions in the Middle East region. China itself has national interests originating from its economic interests in the Middle East, especially in Iran and Saudi Arabia. China depends externally on fulfilling its energy needs, as well as having investment and cooperation interests in various sectors with Iran and Saudi Arabia. Iran and Saudi Arabia are strategic partners for China in addressing these issues (Ponížilová, 2019).

China's first Goal & Objective is energy supply interests. Through Iran and Saudi Arabia, China secures energy supplies from the Middle East, primarily from these two countries as powerhouses of the region. The conflict between Saudi Arabia and Iran, stemming from the severance of diplomatic relations, can certainly increase tensions in the Middle East. This situation can affect China's national interests concerning these two strategic partners. Tensions between Iran and Saudi Arabia could disrupt China's energy supplies. This dynamic may lead to supply route interruptions and impact energy prices. Therefore, China has an urgent interest in addressing the Iran-Saudi Arabia issue alongside the broader Middle East context (Xuming Qian, 2016).

China's second Goal & Objective is investment climate certainty. Considering China's substantial investments in both Iran and Saudi Arabia, both in amount and valuation, increasing tensions between these countries can disrupt the investment climate for China. The conflict not only threatens the investment environment but also risks hindering the success of ongoing investment projects and cooperative initiatives in both

countries. Hence, it can be concluded that China's Goals & Objectives in facing the Iran-Saudi Arabia tension include protecting its investment interests in both countries (Kenderdine & Lan, 2018).

### ***China's first Alternative and Consequences as Choice: Mediator***

As explained by Graham T. Allison (1999), Alternative is the second derivative after Goals & Objectives in the Rational Actor Model theory. Alternative can be understood as the options available to the agent—in this case, China—in addressing the tension in the relations between Iran and Saudi Arabia, which escalates complexity in the Middle East region. The next derivative accompanying the Alternative analysis is Consequences. Here, Consequences can be defined as the cost-benefit analysis if a foreign policy is adopted by an actor, in this case China, the main subject of this study.

At the beginning of 2023, Beijing suddenly announced the success of mediation between Iran and Saudi Arabia. The mediation was conducted in a closed and limited manner, with China acting as the host. The mediation involved Wang Yi as China's representative, Ali Shamkhani as the representative of Iran and a high-ranking security official, and Musaid al-Aiban as the Saudi Minister of State representing Saudi Arabia during the mediation event (Wardah, 2023). The agreement reached covered two points: the reopening of the embassies of both countries, Iran and Saudi Arabia, and the rejuvenation and reactivation of agreements made in 2001 and 1998 between the two countries on cooperation in security sectors and mechanisms for cooperation in trade, economy, and investment (Batrawy, 2023).

The announcement of the successful mediation can be interpreted as China's final decision, using its foreign policy instruments to achieve China's Goals & Objectives in facing the severance of diplomatic relations between Iran and Saudi Arabia. It has been studied that China has national interests in Iran and Saudi Arabia as strategic partners. This decision will be analyzed regarding the actual and potential gains and losses resulting from China's foreign policy in successfully normalizing relations between Iran and Saudi Arabia.

The first benefit that China can gain through this foreign policy is energy supply security. Through the normalization of diplomatic relations between Iran and Saudi Arabia, tensions between the two countries can be reduced, leading to de-escalation of tension in the Middle East region. As a result, China obtains security in its energy supply from these two countries, which are major energy exporters to China. Through this mediation, China has managed to defuse potential direct and indirect confrontation between Iran and Saudi Arabia that could disrupt China's energy supplies, which largely come from external sources. China not only succeeded in normalizing diplomatic relations between the two countries but also ensured that energy distribution routes from Iran and Saudi Arabia to China remain secure. Thus, the security of these supply routes prevents significant fluctuations or dynamics in energy prices affecting China. With the channels and momentum China has by building good economic relations with both countries as a precedent, China's success in mediating between the two countries can be realized (Abdullah, 2025).

The second benefit China can take is certainty in the investment climate. With the normalization of Iran and Saudi Arabia, the reduction of tensions between these two countries and the Middle East region can be achieved. This security enables a favorable investment climate for China's investments in Iran and Saudi Arabia. Tensions between

the two powerhouses in the Middle East can obstruct ongoing investment processes in both countries. Confrontation would certainly stall the progress of projects under construction in both countries funded by China. This could disrupt the potential return on investment that China receives. Therefore, China's success in mediating between Iran and Saudi Arabia can ensure the investment climate for China remains stable in both Iran and Saudi Arabia (Kamaluddin Nashir, 2024).

China's successful foreign policy in mediating Iran and Saudi Arabia also brings potential benefits. These potential benefits include China's ability to reduce the risk of cooperation failure with both countries. Through lucrative cooperation with Iran and Saudi Arabia, projects could be delayed or stalled if tensions between Iran and Saudi Arabia escalate further (Rashid et al., 2017). Hence, China's decision to negotiate normalization between Saudi Arabia and Iran can positively impact the continuity of China's cooperation with both countries. The positive and associative conditions between the two countries may also open other potential opportunities for cooperation within China's long-term strategic context. The diplomatic normalization between Iran and Saudi Arabia becomes a starting point for building good relations between the two countries, which can become potential benefits for China in forming other cooperation across various sectors (Jingqi Tian et al., 2017).

Next is the analysis of the cost or price China pays for conducting foreign policy by acting as mediator in the normalization of Iran and Saudi Arabia. It can be identified that China must successfully conduct intense communication between Saudi Arabia and Iran in Beijing. This is based on the fact that China, both by self-claim and in its international trade steps with Saudi Arabia and Iran, holds economic interests, primarily energy. Alongside this is China's principle in its international moves based on dialogue combined with respect for absolute sovereignty for every country. This intersects with the historical fact that Iran and Saudi Arabia have had a dissociative relationship for a long time and have been involved in several proxy conflicts. Given that both countries are powerhouses for the Sunni and Shia nations and communities, this presents a challenge for China in normalizing relations between Iran and Saudi Arabia (Ali et al., 2024).

Another cost related to China's normalization of Iran and Saudi Arabia is the precedent set for China's role in their relations. In maintaining the gains China has achieved through this normalization, Iran and Saudi Arabia's relationship becomes dependent on China. This dependency can be understood in the context of the future. If another tension arises between Saudi Arabia and Iran, or if regional Middle East tensions increase at another time, China will again be seen as the country that resolved the issue. This normalization success becomes a positive precedent for China in terms of its image and presence in the midst of Iran, Saudi Arabia, and the Middle East region. However, to maintain this success in the future, China must continue to take associative efforts in de-escalating relations, which will naturally require new approaches if new disputes arise (Singh, 2021).

### **China's second Alternative and Consequence: Bilateral Hedging**

Referring to Graham T. Allison's explanation regarding Alternatives in the Rational Actor Model, Alternatives are foreign policy options available to the agent—in this case, China—in achieving the country's Goals & Objectives. Alternatives can be generated through a strict selection process based on available research facts such as national interests, economic interests, information, timing, and so on. Thus, in this study,



it can be identified that the second alternative for China in its foreign policy regarding the normalization between Iran and Saudi Arabia is to build bilateral relations separately. The author formulates this alternative in the phrase “bilateral hedging,” which can be interpreted as how China continues to conduct trade and diplomacy with Iran and Saudi Arabia separately, similar to what happened before the discourse and realization of diplomatic normalization (D. Sun et al., 2024).

This alternative can be derived through analysis and scrutiny of facts and data regarding how China maintains relationships with Iran and Saudi Arabia separately, official Chinese government documents explaining China’s interests and intentions in the global constellation. This alternative is available to China to achieve its previously mentioned Goals & Objectives. Naturally, this is complemented by a rigorous analysis of the potential benefits and losses that China may face if it takes the second alternative, bilateral hedging. Therefore, this alternative is logically coherent with the research and consistent with the Rational Actor Model analysis.

If China takes the second alternative in its foreign policy, it will come with potential benefits and costs. The first benefit for China is that it can avoid using diplomatic resources. This directly relates to how China negotiates directly with Iran and Saudi Arabia as a mediator for normalization. By building bilateral relations separately, China can directly minimize and save diplomatic resources. China would not need to normalize relations between two countries that are historically and ideologically opposed (Garlick & Havlová, 2020).

The second benefit is how China can still maintain trade relations with Iran and Saudi Arabia separately. This trade relationship can be interpreted as a short-term benefit that China gains by engaging in bilateral hedging (Chaziza, 2019). China keeps a distance from the ongoing conflict between Iran and Saudi Arabia while maintaining existing trade relations with both countries (M. Dorsey, 2017). However, this alternative decision also comes with costs that China must bear. These costs include how China’s distance from the severed diplomatic relations between Iran and Saudi Arabia may escalate tensions in the Middle East. Instability in the Middle East will certainly disrupt China’s interests in the region, particularly its energy import needs from the Middle East, specifically from Saudi Arabia and Iran. This disruption is a crucial cost for China in the context of bilateral hedging (Taş Yetim & Hazar, 2025).

The next cost is the worsening investment climate. Considering the large valuation of Chinese investments in Iran and Saudi Arabia, this could bring losses for China if it chooses the bilateral hedging foreign policy approach. Another loss is that China might lose the momentum to normalize relations between Iran and Saudi Arabia (Fraihat & Leber, 2019). This momentum can be built from China’s positive trajectory with both countries and can also generate strategic trust as a precedent for China’s success in mediating conflicts in the Middle East. This successful precedent could bring exponential potential benefits to China in the future. However, if China pursues the bilateral hedging alternative in dealing with the conflictual relations between Iran and Saudi Arabia, it risks missing this momentum and failing to reap potential future benefits (Ahmad, 2025).

## CONCLUSION

The dissociative relationship between Iran and Saudi Arabia has lasted for a very long time. This is reflected in the history of conflictual relations between the two, not only as countries in the Middle East but also as powerhouses for Sunni and Shia nations and

communities. This tense relationship reached its peak in 2016 when Saudi Arabia unilaterally severed diplomatic ties with Iran in response to the vandalism and arson of the Saudi embassy in Iran. The unrest occurred as a reaction from the Iranian public to the execution of Sheikh Nimr al-Nimr in Saudi Arabia. Then in 2023, China successfully normalized the relationship between the two countries in Beijing, which included agreements such as the reopening of embassies and the reactivation of security and trade cooperation agreements from 2001 and 1998.

China's reason for choosing to act as a mediator in this normalization process can be examined through the lens of the Rational Actor Model to understand why a state takes certain steps in response to a given issue. The issue can be identified as China's interest in both Iran and Saudi Arabia—specifically its need for energy supplies and investment climate stability. It can be observed that by taking on the role of mediator, China gained several benefits, such as the assurance of energy supply and a favorable investment climate. However, this choice also comes with costs, such as the obligation for China to succeed in mediating between Iran and Saudi Arabia, which can be seen as a diplomatic burden and future expectations, serving as a precedent for China's success in mediation should future conflicts involving Iran, Saudi Arabia, and the wider Middle East arise. Through the Rational Actor Model perspective, a second alternative for China can be identified, namely bilateral hedging, or building separate bilateral relations. China may adopt this foreign policy choice, which also comes with a set of costs and benefits. The advantages of such a policy include conserving diplomatic resources and fostering short-term trade relations with both countries. However, the accompanying disadvantages include instability in Iran and Saudi Arabia and the broader Middle East, disruptions to energy supplies, damage to the investment climate, and the loss of momentum and strategic trust from Iran, Saudi Arabia, and the Middle East region toward China.

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