STRONG POWER TO WEAK POWER STRATEGIC HEDGING IN REGIONAL CONFLICTS AND CHINA’S INVOLVEMENT IN THE SAUDI ARABIA-IRAN RIVALRY

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ABSTRACT

This paper proposes a new typology of hedging, strong-to-weak conflict strategic hedging, which occurs when a strong power hedges in a regional conflict among weaker states. This paper proposes scope conditions and identification criteria for the classification of this specific type of hedging. After outlining the theory, this paper applies the framework to the case of China’s involvement in the Saudi Arabia-Iran rivalry. The results indicate that China’s involvement in the Saudi Arabia-Iran rivalry is a valid example of strong-to-weak conflict strategic hedging according to the proposed framework. In its conclusion, the paper provides insights into future work on this subject, such as the possibility to create a quantitative framework to support the existing qualitative theory. This research serves two purposes: to expand the current strategic hedging theory in international relations and to apply the expanded framework to analyze China’s hedging behavior in the Saudi Arabia-Iran rivalry.

Contribution/Originality: This study expands the framework of strategic hedging by providing a set of definitions, scope conditions, and criteria for strong state to weak state hedging analysis. It also applies the proposed mechanics into the discussion of China’s hedging strategies in the Saudi Arabia-Iran rivalry, presenting its feasibility.

1. INTRODUCTION

In recent years, scholars have focused on “hedging” strategies in international relations. Strategic hedging describes how relatively weaker states seek to develop their competitiveness, including military and economic capabilities, through balancing between relatively stronger powers (Goh, 2005). Tessman and Wolff (2011) introduced four criteria for distinguishing hedging behaviors; building on this foundation, numerous papers have presented analyses of states’ behavior through their framework of strategic hedging (Koga, 2018; Larivé, 2016; Salman & Geeraerts, 2015). However, few scholars have employed the concept of hedging to explain a relatively strong power’s balancing actions when dealing with weaker regional rivals. Garlick and Havlová (2020a) first did so in their examination of China’s involvement in the Saudi Arabia-Iran rivalry. However, unlike Tessman and Wolff,
Garlick and Havlová did not present criteria to distinguish such hedging behavior. Therefore, this paper fills a gap in the literature by proposing criteria for this distinct type of strong-to-weak hedging.

This paper specifically explores China's involvement in the Saudi Arabia-Iran rivalry, which is crucial to understanding China's emerging role in the Middle East. The Saudi Arabia-Iran rivalry has long been the most influential regional conflict in the Middle East. Saudi Arabia and Iran, the two most powerful states in the Arab world, became rivals after the 1979 Iranian Revolution. Although the international order has changed dramatically since then, the conflict between the two countries continues, and has even expanded in form. In addition, more and more powerful states and regional hegemonies—including the United States, the EU, and Russia—have become involved. China, because of its dramatic advances in national strength and extensive trading (especially energy trading) within the region, has notably become entangled in the Saudi Arabia-Iran regional conflict.

China has implemented a "balancing" strategy focused on building proper relations and cooperating with both Saudi Arabia and Iran, which is reflected in its diplomatic and trade relations with the two countries. During Xi Jinping's 2016 visit to the region, China announced an "all-around strategic partnership" with both Riyadh and Tehran. The country has promised to massively expand economic interaction with both Middle East powers, pledging to increase bilateral trade to $600 billion dollars with Iran and signing deals amounting to $70 billion dollars with Saudi Arabia while offering to buy 5% of Saudi Aramco (Lidarev, 2017). According to official data from the Chinese government, Chinese export volumes to both countries were almost equal throughout the period 2010–2018 (Garlick & Havlová, 2020b). Data published by the World Bank and United Nations Conference on Trade and Development confirm that Chinese exports to Iran and Saudi Arabia were nearly equal in 2017, at $18.58 billion and $18.38 billion, respectively (WITS, 2019). China has also signed numerous economic bills with both states in a variety of trade sectors, including energy, military devices, infrastructure, and healthcare devices.

The structure of this paper is as follows. First, I offer background on China's involvement in the Saudi Arabia-Iran conflict. The literature review then summarizes existing work on "strategic hedging" in international relations. I subsequently propose scope conditions and identification criteria for a strong-to-weak conflict (SWC) hedging strategy4. I then employ the case of China's involvement in the Saudi Arabia-Iran conflict to demonstrate the feasibility of these scope conditions and analytical criteria. Afterward, I summarize the results of the case examination. Finally, I offer a conclusion about the limitations of a SWC hedging theory and insights for future elaborations of the strategic hedging theory.

2. BACKGROUND

China and the Middle East have been inextricably linked since the 21st century. This connection is partly due to China's high demand for energy. Sustained high economic growth and structural shifts in energy consumption following China's accession to the World Trade Organization (WTO) in December 2001 contributed to this rapid increase in energy demand (Kahrl & Roland-Holst, 2009). China became the world's largest net importer (imports minus exports) of total petroleum and other liquid fuels in 2013 (EIA, 2018). The Middle East, home of the largest oil reserve in the world, is the largest energy trader with China: approximately half (47.1%) of Chinese imported crude oil originates from nine Middle Eastern nations (Workman, 2021). According to the Observatory of Economic Complexity (OEC) database, Saudi Arabia surpassed Russia to become the largest oil supplier to China, with annual oil exports valued at 35.5 billion dollars, representing 17.4% of China’s total oil imports (OEC). Iran, another large oil-exporting country, while facing severe sanctions by the United States at the time, contributed $6.29 billion dollars (USD) in oil exports to China in 2020, representing 50.9% of Iran’s total oil exports that year (OEC). In 2013, Xi Jinping unveiled the Belt and Road Initiative (BRI). Although the BRI slogans emphasize rebuilding the great Eurasia network, the initiative primarily seeks to open up new markets and secure global

4For convenience, I will be using “SWC strategic hedging” as the equivalent for strong to weak conflict strategic hedging.
supply, complicated regional conflicts prior to the hostage crisis, resulting in a deterioration of U.S.-Saudi relations. On the other hand, after the successful establishment of a theocratic Islamic Republic, the ambitious plan formulated by Ruhollah Khomeini, the founding figure of the Islamic Republic, to encourage the oppressed populations of Arab countries to rise up against their corrupt rulers extended to the entire Arabian Peninsula, threatening Saudi Arabia’s leadership as the “protector of the Holy sites of Islam and leader of Muslims” (Garlick & Havlová, 2020a). Iran and Saudi Arabia’s “Islamic Cold War” for regional dominance thus emerged, with the United States as an external superpower favoring Saudi Arabia (Chubin & Tripp, 2014).

Since the conflict began, Iran and Saudi Arabia have been engaged in a variety of proxy wars and indirect confrontations around the region. When Iran began to prevail in the Iran-Iraq War in the early 1980s, Saudi Arabia provided money, weapons, and other logistic support to Iraq in order to prevent Iran from expanding its dominance. The 2017 Qatar crisis—with Saudi Arabia and its Middle East allies cutting off diplomatic ties with Qatar—was a consequence of Saudi Arabia’s accusation of Qatar’s close relations with Iran and terrorists (Pradhan, 2018). In Syria, Iranian support for President Bashar al-Assad has enabled his forces to largely rout the Saudi Arabia-backed rebel groups (Marcus, 2019). The war in Yemen between the Iran-backed Houthi rebellion group and the Saudi-backed central government has also exacerbated tensions. The conflict reached its climax in 2016, when hundreds of Iranians ransacked the Embassy of Saudi Arabia in Iran after Saudi Arabia executed Nimr al-Nimr, a Shia clergyman and a critic of the Saudi Arabian government (Hubbard, 2016). These events eventually resulted in the cessation of diplomatic relations between Saudi Arabia and Iran. Though the two countries have occasionally presented less-hostile attitudes toward each other, they have not yet implemented concrete steps to end proxy warfare. Thus, there is no indication that an end to the conflict is near. On the contrary, external superpower and potential superpower states—including the U.S., China, Russia, and the EU—have become more deeply involved in the conflict because of their needs from the Middle East, causing the conflict to become even further entrenched. Given its intensive involvement in the Middle East, China has inevitably become entangled in the Saudi Arabia-Iran rivalry. However, in contrast to the United States’ policy of standing on one side of the rivalry, Beijing has implemented a “hedging” policy, seeking to ensure that it simultaneously maintains solid political relations with both powers (Garlick & Havlová, 2020b). This decision is largely attributed to the vast energy resources in both countries. In the following sections, I outline the theory of strategic hedging and apply this theory to evaluate China’s hedging behavior in the Saudi Arabia-Iran relationship.

3. THEORY

This section of the paper consists of three parts. In the first part, I provide a literature review on the development of the term “strategic hedging” in the international relations field. In the second part, I introduce the
scope conditions required for a case to be considered a case of strong-to-weak conflict hedging (SWC hedging), in which a stronger state hedges against two relatively weaker conflicting states. In the third part, I present the qualitative criteria for identifying a SWC hedging case after the case meets the scope conditions.

3.1. Literature Review

The theory of strategic hedging has only recently emerged in the international relations discourse. The term first appeared in Mello and Parsons (1999) finance paper about risk management (Mello & Parsons, 1999). "Strategic hedging" was first formally used in international relations literature by Goh (2005) derived the term from the categories of the realist balance of power theory and defined "hedging" as "a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon a more straightforward alternatives such as balancing, bandwagoning, or neutrality," but instead "cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another." Goh used the concept to analyze the behavioral strategies of weak states countering hegemonic powers, such as the U.S. (Goh, 2005). Around the same time, Medeiros (2005) employed hedging in an analysis of superpower strategies, including China and the United States. Medeiros defined hedging as "pursuing policies that, on one hand, stress engagement and integration mechanisms and, on the other, emphasize realist-style balancing in the form of external security cooperation" (Medeiros, 2005). Following these two papers, several analyses of weak state-countering hegemonies or China-U.S. hedging appeared.

In the second decade of the 21st century, scholars expanded strategic hedging theory to balancing behaviors between superpowers and potential superpowers. Tessman and Wolfe (2011) presented strategic hedging as "a type of behavior that helps states cope with certain kinds of uncertainty that are likely to exist in unipolar systems" and promoted the theory's applicability by establishing a four-step criterion for classifying the strategic hedging behavior of a state (Tessman & Wolfe, 2011). Their theory fits particularly well in analysis of the hedging and balancing behavior of a potential superpower toward a stronger superpower, the most fitting case being China hedging against the regional influence of the U.S. Following Tessman and Wolfe's strategic hedging framework, Salman and Geeraerts (2015) began to examine China's strategic hedging policy in the Middle East as a way to counter U.S. influence (Salman & Geeraerts, 2015; Salman, Pieper, & Geeraerts, 2015).

In short, much of the existing literature is confined to understanding hedging as a "weak-to-strong" behavior. In this perspective, strategic hedging explains the behavior of a relatively weaker state countering the influence of a hegemonic power through nonmilitary means, whether it is Thailand balancing between China and the U.S. or China countering the influence of the U.S. in the Middle East. Following Korolev (2016) distinction of hedging as a denotation of "interstate political matters unfolding at the unit and regional levels" separate from the traditional realist terms of balancing and bandwagoning, which describe "great powers' behavior in response to system-level forces," Garlick and Havlová (2020a) expanded the theory in order to describe how a relatively strong power (e.g., China) hedges in the regional conflicts of weaker powers (e.g., the Saudi Arabia-Iran rivalry) in order to maximize its gains, which is "strong-to-weak" hedging (Garlick & Havlová, 2020b; Korolev, 2016). In doing so, Garlick and Havlová (2020a) returned the term "hedging" to its original usage in finance, which emphasizes "the mitigation of risk via the diversification of strategic investments and interests." They redefined hedging as "a sui generis strategy of multilateral engagement" in order to "diversify the risk of interest" rather than "a form of balancing or bandwagoning intended either to weaken a hegemon such as the United States or to strengthen or weaken regional

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* For potential superpowers, I refer to second tier countries like China, Russia, Japan, the EU, India. See Fishman (2005); Rurland (2006); May (1998) and Grimm, Gänzle, and Maklan (2012).
* This concept as well as the following term "strong to weak" is created by the author in order to classify the two types of hedging in IR literature.
powers such as Saudi Arabia and Iran" (Garlick & Havlová, 2020b). However, while Garlick and Havlová (2020a) successfully expanded the theory of strategic hedging into another scenario, they did not establish criteria for practitioners to classify this kind of strategic hedging behavior.

### 3.2. Scope Conditions

To mark a case of SWC hedging, multiple scope conditions should be met. As previously proposed, SWC hedging is the relationship between a relatively stronger state and two countries that are relatively weaker. Here I show a linear procedure to find cases that meet the scope conditions to be examined as a SWC hedging case Figure 1. For the relatively stronger state, the following conditions should be met:

1. The state needs to be relatively independent militarily, which is crucial for the sovereignty of the state and for independent diplomatic decision-making. Although strong military alliances with other countries are allowed, none of the state’s allies should be able to exercise operational control of the subject state’s military.
2. The state has to be unisolated, which excludes highly centralized totalitarian states that are extremely closed to the international environment.

For the two relatively weaker states, the following condition must be met:

The two relatively weaker states must be regional rivalries or are currently the two subject states of a regional conflict.

Finally, the following condition between the relatively strong state and the relatively weaker state must be met:

The relatively stronger state must have consistent economic trade with these two conflicting countries.

As these scope conditions are met in a case, it can then be examined whether the it is an example of SWC strategic hedging or not through the following criteria.

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**Figure 1. Scope conditions for SWC hedging identification.**
3.3. Criteria for SWC Hedging

In order to define a case of SWC strategic hedging, three criteria should be considered:

1. Diplomatic Neutrality:
The hedging state shows no intention to support either party or declares equal respect to both parties in the regional conflict through announcements made by the diplomatic administration and through its government leaders’ political activities.

2. Proportionally Balanced Economic Strategies:
The hedging state pursues proportionally balanced economic strategies with both countries in the conflict.\(^7\)

3. Balanced Military Cooperation:
The hedging state shows its intention to balance cooperation with both countries on the military level.

The procedure for identification is as follows Figure 2. If the state does not satisfy the first criterion, which means that it supports one side in the regional rivalry, then the state is not pursuing a hedging policy. If the state satisfies the first criterion but not the second and third criteria, then the case is defined as ostensible SWC strategic hedging due to the fact that the state only presents a hedging attitude, but no actual economic or military actions. If the state satisfies the first and second criteria but not the third criterion, then the case is defined as an economic SWC hedging. If a case satisfies all three criteria, then it is considered an example of SWC strategic hedging.

![Figure 2. SWC strategic hedging criteria framework.](image)

In the following section, I use the case of China’s involvement in the Saudi Arabia-Iran rivalry to assess the applicability of the above-listed criteria. Although this paper examines the case of China and Saudi Arabia and Iran, this classification is theoretically applicable to any other cases of SWC strategic hedging.\(^7\)

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\(^7\) This is due to the fact that the two opposing parties in the regional conflict often have different aggregate size on the comparing aspects such as politics and economics.
4. CASE STUDY: SWC STRATEGIC HEDGING IN CHINA’S INVOLVEMENT IN THE SAUDI ARABIA-Iran CONFLICT

4.1. Scope Conditions

4.1.1. Scope Conditions for the Relatively Stronger State

China fits the two scope conditions. First, China is an independent country with no allies interfering heavily in its military operations. Second, although China is an authoritarian country, it is not isolated from the international community, which can be shown from its economic and diplomatic openness.

4.1.2. Scope Conditions for the Two Relatively Weaker States

Saudi Arabia and Iran fit the two scope conditions for the weaker states. First, they are currently regional rivals. Second, according to the OEC, China’s trade with both Saudi Arabia and Iran has continually represented more than 10% of the countries’ total annual trading with all other countries (OEC, n.d).

4.2. Criterion One: Diplomatic Neutrality

4.2.1. Diplomatic Announcements of Not Taking Sides

China has officially emphasized its intention to not take sides in the Saudi Arabia-Iran conflict and its will to maintain pragmatic equidistance with both countries. In a press conference in 2016, Hua Chunying, the spokesperson of the Foreign Ministry of China, announced that “both Iran and Saudi Arabia are important and influential countries in the Middle East” and that “the Chinese side would like to develop friendly and cooperative relations with the two,” affirming Beijing’s aim to maintain proper relations with the two countries (Ministry of Foreign Affairs of the People’s Republic of China, 2016a). On the same day, when a reporter asked how the Chinese government would handle the escalated conflict between Saudi Arabia (and its allies) and Iran, Hua responded that “the Chinese side hopes that relevant parties could remain calm, exercise restraint, properly address their disputes through dialogues and consultations,” and eventually “ease up the situation,” again demonstrating China’s intention not to take sides in the conflict (Ministry of Foreign Affairs of the People’s Republic of China, 2016b). Indeed, the Foreign Ministry has been careful not to address the cause of the tensions (lest it be seen as blaming either party), instead calling on both sides to exercise restraint (Tiezzi, 2016a). These actions clearly signal China’s neutral position in the Saudi Arabia-Iran rivalry.

Because of the proxy warfare characteristics of the rivalry, China’s neutrality in the Saudi Arabia-Iran conflict may also be reflected in how it deals with the parties supported by Saudi Arabia and Iran in Middle East proxy wars. On December 22nd, 2015, after the Syrian Deputy Prime Minister and Foreign Minister Walid al-Moallem announced a visit to China from December 23rd to 26th, Hong Lei, the spokesperson of the Foreign Ministry, announced that China would also invite the Syrian opposition, which is supported by Saudi Arabia, for a visit in order to “promote peace talks and the political settlement of the Syrian issue” (Ministry of Foreign Affairs of the People’s Republic of China, 2015). By issuing cautious and subtle official statements about the hosting of two opposing sides in the Saudi Arabia-Iran proxy war, the Chinese government demonstrated its firm resolution to not back specific sides. In the case of the proxy war in Yemen, the Permanent Representative of China to the United Nations Zhang Jun emphasized China’s focus on a stable regional order without choosing a specific side in the conflict in his report to the United Nations. He stated that China “encourages all Yemeni parties to maintain dialogue, take more confidence-building measures based on the prisoner exchange arrangements and support the Special Envoy’s mediation, so as to advance the process of a political settlement” and called for “a new government be formed soon and military and security arrangements be implemented” (Ministry of Foreign Affairs of the People’s Republic of China, 2020). Moreover, during the Iraqi civil war, Yang Jiehu, the Minister of Foreign Affairs at the time, similarly stated that China “respects the choice of the Iraqi people” and would not be supporting any specific faction to lead the government (Ministry of Foreign Affairs of the People’s Republic of China, 2007).
addition, after the recent Afghanistan coup, an event that is closely related to the influence of Saudi Arabia and Iran, although it seemed most likely that the Taliban would ultimately lead the government, the Chinese Foreign Ministry declared that China will "fully respect Afghanistan's sovereignty and the will of all factions in the country and play a constructive role in promoting the political settlement of the Afghan issue," avoiding alignment with a specific faction (Ministry of Foreign Affairs of the People's Republic of China, 2021c). These examples affirm that China does not intend to choose one side in the Saudi Arabia–Iran conflict.

4.2.2. Political Visits

China's hedging behavior is also reflected in its government leaders' political visits to both Iran and Saudi Arabia, which indicate similar intentions and expectations to cooperate with the two countries. For example, at the time of Xi Jinping’s visit to the Middle East in 2016, the relationship between Iran and Saudi Arabia was at its most tense, and Xi Jinping carefully managed the visit by visiting Saudi Arabia and Iran in close succession. During the visit, Xi Jinping signed agreements to form comprehensive strategic partnerships, the highest form of diplomatic recognition and cooperation Beijing can bestow short of a formal alliance, with both Iran and Saudi Arabia (Burton, 2021). In addition, Xi published an article in both countries' government newspapers, emphasizing China's intention to prioritize increased cooperation on energy, infrastructure, industrial capacity, and finance—all areas that fall under the larger subheading of cooperation on the BRI (Tiezzi, 2016b).

The visits of Chinese diplomats to both countries serves as further evidence of China's pursuit of a parallel strategy with Saudi Arabia and Iran. In March 2021, Foreign Minister Wang Yi's visited six Middle Eastern countries. In Saudi Arabia, his first destination, Wang proposed a “Five-Point Initiative on Achieving Security and Stability in the Middle East,” a broad initiative for China-Middle East relations concerning issues that China regularly addresses, such as the Israeli-Palestinian conflict, Iran’s nuclear program, wider proliferation concerns, maritime security, counterterrorism, economic development, vaccine cooperation, and post-conflict reconstruction (Papa, 2021). In addition, Wang discussed the plan for launching the first China-Arab states summit, which was proposed at the ninth Ministerial Conference of the China-Arab States Cooperation Forum. It was eventually decided that Saudi Arabia would host the summit. Before leaving the country, Wang Yi praised the successful cooperation between China and Saudi Arabia by referring to three “number ones:” China comfortably remained the largest trading partner of Arab states; Arab states represented the largest source of China's oil imports; and the two sides agreed to hold the first ever China-Arab states summit (Ministry of Foreign Affairs of the People's Republic of China, 2021a). Days after, in Iran, Wang announced China's determination to help reestablish the Iran nuclear deal, the Joint Comprehensive Plan of Action (JCPOA), and signed an oft-heralded “Comprehensive Cooperation Plan” that serves as a roadmap for bilateral cooperation in security, economic, and cultural exchanges (Papa, 2021). After he returned to China, Wang again expressed China’s policy of equal treatment of the regional rivals in a press conference, mentioning that China "does not engage in geographic competition and divide spheres of influence," but "upholds the spirit of equality and friendliness and respects the independent choice of regional countries" (Ministry of Foreign Affairs of the People’s Republic of China, 2021c). As Papa (2021), a researcher at the Washington Institute, argued, Wang's trip demonstrated China's strong will to balance its regional relationships (Papa, 2021).

4.3. Criterion Two: Proportionally Balanced Economic Strategies

4.3.1. Bilateral Trade between China–Saudi Arabia and China–Iran

China exhibits proportionally balanced behavior regarding economic cooperation with Saudi Arabia and Iran, further demonstrating its equal treatment policy. According to the OEC, in 2018, total exports from Saudi Arabia to China amounted to $37.5 billion dollars, consisting of 14% of the total exports of Saudi Arabia to other countries; in the same year, the total exports from Iran to China amounted to $37.5 billion dollars, consisting of 14.8% of the total exports of Iran to other countries (OEC, n.d). This trend is also clear in other years. For example, in 2017,
Saudi Arabia’s exports to China represented 12.6% of its total exports to other countries and Iran’s exports to China represented 14.3% of its total exports (OEC, n.d).  

4.3.2. Technological Cooperation

China’s pursuit of economic equality toward Saudi Arabia and Iran is also demonstrated through Chinese technological cooperation with both countries: Beijing almost unreservedly offers both countries technology products and training based on their needs. In the case of Iran, Beijing engages in technology transfers and innovation sharing across multiple sectors. Although Iran possesses the world's largest gas reserves, it lacks the technology to exploit them on its own. Beijing has established research and development parks in Iran, and the two countries have signed several deals on promoting cooperation in science and energy (Butch, 2021). China is the most significant foreign player in Iranian energy exploration and extraction operations, currently undertaking the task to develop the giant Azadegan and Yadavaran oil and natural gas fields and the South Pars Field, according to the (Tehran Times, 2011). In addition to cooperation in the energy field, the two countries have signed several memoranda of understanding to promote cooperation in nanotechnology, medicine, quantum computing, big data, and 5G technology (Butch, 2021). Representatives of both countries have organized events, participated in scientific and academic exchanges, and stressed the importance of technology transfers in the fields of energy and medicine (Butch, 2021; Hong, 2019).

China’s technological cooperation with Saudi Arabia is equally intensive, with China providing products and other assistance to the country on demand. For example, China has built high-profile technological projects related to energy exploitation in Saudi Arabia, including the construction of the Middle East’s largest power plant north of Jeddah by the Power Corporation of China, and the joint Aramco-Sinopec construction of the Yanbu refinery (Fulton, 2018). During the 2017 High-Level Joint Committee (HLJC) meeting, the Saudi Technology Development and Investment Company and China Nuclear Engineering Group Corporation signed a memorandum of understanding for a seawater desalination project using gas-cooled nuclear reactors in place of existing oil-fired reactors (Fulton, 2020; Reuters, 2017). China is also cooperating with Saudi Arabia on constructions related to solar, wind, hydropower, and other renewable energy sources (Kenderdine & Lan, 2018). In addition to technological cooperation related to energy, in 2017, the Abdul-Aziz City of Science and Technology and the China National Space Administration signed the China-Saudi Lunar Exploration Cooperation Memorandum, marking an intent to cooperate on space exploration (Al Arabiya English Staff Writer, 2020). China’s Foreign Minister Wang Yi has further stated that China “wants more hi-tech cooperation with Saudi Arabia” (Reuters, 2019).

4.3.3. Economic Cooperative Institutions

China has also pursued its hedging policy in the Saudi Arabia-Iran rivalry by inviting both countries into regional economic institutions founded by China, such as the Shanghai Cooperation Organization (SCO) and the Asian Infrastructure Investment Bank (AIIB). In July 2021, China agreed to grant Saudi Arabia the status of dialogue partner in the SCO after reaffirming several times its determination to grant Iran status in the SCO, including in an announcement in Iran by Xi Jinping during his 2016 visit to the country (Bhaya, 2021; Tiezzi, 2016b). At the 21st summit of the SCO leaders in Dushanbe, Tajikistan on September 17th, 2021, Iran was admitted as a full member of the SCO (Tehran Times, 2021). Furthermore, in 2015, China announced that it would grant

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* As an exception, trade between China and Saudi Arabia and Iran is not proportional or balanced after 2018. Although the proportion of Saudi Arabia’s exports to China to its total export that year did not change much compared to years before, the proportion of Iran’s exports to China to its total export that year surged to almost 50%. Meanwhile, when comparing the bulk amounts of export from Iran to China during 2019 and 2018, we may discover that excluding natural economic fluctuations, this number almost did not change: from $12.8 billion dollars in 2018 to $12.1 billion dollars in 2019. Thus, the change of proportion is actually due to the collective trade cut-off of the United States and its allies and Iran, resulting from the United States' drop out from the Iran Nuclear Deal in 2018.
both Iran and Saudi Arabia the status of founding members of the AIIB, a bank established by China to pursue RMB (the official currency in China) trading in Asia, reflecting its policy to integrate the two rivals into regional institutions (Staff, 2015). The invitation of both countries into two economic IGOs founded by China clearly demonstrates China’s strategic hedging policy: although Saudi Arabia is often invited into economic organizations, Iran, which is only an observer in the World Trade Organization (WTO), was also invited, highlighting China’s determination to include both parties in the Saudi Arabia-Iran conflict.

4.4. Balanced Military Cooperation

China’s strategic hedging behavior in the Saudi Arabia-Iran regional rivalry is also reflected in its equal military support to both countries. In the case of Iran, according to research by the RAND Center for Middle East Policy, the breakdown of Iran’s relations with the U.S. after the 1979 Iranian Revolutions determined that it would receive no military assistance from the U.S. Meanwhile, during the Iran-Iraq war, because the Soviet Union and major European states decided to support Iraq, no military aid could be supplied to Iran by these countries as well. Therefore, the Chinese military provided Iran with the majority of military sales, albeit through indirect transfers via third-party countries like North Korea (Harold & Nader, 2012). According to John W. Garver, China supplied Iran with not only small arms, but also tactical ballistic cruise missiles, the most famous being the Silkworm and C-802 missiles (Garver, 2011). China is also reported to have provided Iran with advanced fast-attack boats and other naval capabilities (Garver, 2011). In addition to selling military products, China also helped facilitate Iran’s military modernization. With the assistance of China, Iran designed various missile series, including the short-range Oghab and Nazeat missiles, the anti-ship cruise missiles, and the Nasr missiles (Jane’s strategic weapon systems Vols 100-101). In addition, it is suspected that Chinese and Iranian defense cooperation has extended to developing Iran’s chemical weapons (Iran Watch, 2019). The cooperation between the Chinese and the Iranian military is further reflected in frequent joint military exercises. Since 2014, the People’s Liberation Army Navy has visited and participated in Iran-China joint exercises more than three times (Segev, 2021). Through the Comprehensive Joint Agreement between the Chinese government and the Iranian government drafted in 2020, China and Iran have formalized their continued commitment to mutual military cooperation. The document calls for joint training and exercises, joint research and weapons development, and intelligence sharing (Fassili & Myers, 2021).

Meanwhile, China has shown equally strong support for Saudi Arabia’s military sector. China has made multiple missile deals with Saudi Arabia since the emergence of the Saudi Arabia-Iran rivalry, the most famous being the East Wind sale in 1986. In 2007, China signed two large military deals with Saudi Arabia, supplying the Saudi Arabian army with PL2-45 155/45 mm self-propelled howitzers and CSS-5 missile series (Alterman & Garver, 2008). China’s military sales to Saudi Arabia have increased in recent years. According to the South China Morning Post, Chinese arms sales to Saudi Arabia in 2016–20 rose by nearly 400% from the previous five years (Zhou, 2022). Similar to China’s help to the Iranian army, China is also providing Saudi Arabia with guidance on how to develop its own weapons. At the end of 2021, CNN reported that evidence suggests that China is now assisting Saudi Arabia to build its own ballistic missile programs (Cohen, 2021). During the World Defense Show in March 2022, Saudi Arabia’s Advanced Communications and Electronics Systems signed an agreement with a Chinese defense firm to establish a research center in Saudi Arabia, focusing on designing unmanned aerial products including various drones, radars, flight-control systems, and wireless detection systems (Saballa, 2022). The interaction between the Chinese army and the Saudi Arabian army is also extensive. For instance, Chinese navy vessels have often visited the Saudi port of Jeddah as part of increasingly active maneuvers in the Gulf of Aden. The port has now become a place for the navy force of the People’s Liberation Army’s to call for rest and to replenish its supplies (Fulton, 2018). In a virtual meeting between China’s Minister of National Defense, Wei Fenghe, and Saudi Arabia’s Deputy Defense Minister, Khalid bin Salman, in January 2022, Saudi Arabia and China pledged to “expand their cooperation in the field of defense and bilateral military relations in opposition to hegemonic and bullying
tactics in the region,” marking China’s determination to continue to strengthen its military relationship with Saudi Arabia (Middle East Monitor, 2022).

In military sales, military development assistance, and military exercises, China has exhibited an equally supportive attitude toward Iran and Saudi Arabia. Although it is often argued that China sells arms to “wherever it can,” its support of military modernization and frequent military exercises with Saudi Arabia and Iran indicate a calculated intention to balance in this regional rivalry. China’s hedging at the military level toward Saudi Arabia and Iran has proven to be effective.

5. RESULTS

China’s involvement in the Saudi Arabia-Iran regional rivalry satisfies the scope conditions proposed. Regarding scope conditions for the relatively stronger state, China is a country independent of military intervention and unisolated from the international environment. Considering the scope conditions for the two relatively weaker states, Saudi Arabia and Iran have consistently strong economic ties with China and are involved in an intense regional rivalry.

For criterion one, this paper demonstrated that China’s diplomatic administration firmly maintains a position to not support either side of the Saudi Arabia-Iran regional rivalry. This analysis is built through quotes from Chinese diplomats on China’s neutral stance toward the two states and toward the opposing sides in the regional proxy warfare supported by the two countries. While some argue that China never asserts support for specific sides in regional rivalries, China has been adopting increasingly firm stances in regional conflicts. For instance, regarding the Palestine-Israeli conflict, Zhang Jun, China’s UN envoy, declared that “the Palestinian people can always count on China’s support” when addressing the UN Security Council in 2020 (Cafiero, 2021). In addition, this paper demonstrated that China presents its intention to not intervene in the Saudi Arabia-Iran rivalry and its respect for both sides of the conflict through calculated political visits by Chinese government leaders. China’s visits to both countries include not only normal visits by Chinese diplomats but also visits by President Xi Jinping. Although Saudi Arabia often receives political visits from other state leaders, given the incredibly rare visits that Iran receives from countries outside of Asia and the Middle East, Chinese visits to Iran are strong reflections of its pursuit of hedging strategies.

For criterion two, this paper confirmed that China is pursuing a proportionally balanced economic policy toward both parties in the Saudi Arabia-Iran rivalry. This analysis was conducted by comparing the general export data between China and the two states, the level of technological trading cooperation, and China’s wooing of both states to join in regional economic institutions, including the AIIB and SCO. Some may argue that China is purely inviting the two countries into regional institutions to counter U.S. influence. However, given the integration in such institutions of Iran, which has almost no interaction with the U.S. due to the adversarial relationship between the two countries, this argument can be dismissed. Others may argue that China is inviting the two countries only for the purpose of boosting the economic power of the two regional organizations. Nevertheless, this assertion can also be negated by the inclusion in the organizations of Iran, which contributes less than 30% of Saudi Arabia’s trade with China and is rarely accepted into any economic IGOs.

For criterion three, this paper concluded that China is pursuing equal support for the Saudi Arabian army and the Iranian army, as exhibited by military sales, military development assistance, and military exercises between China and the two states. Although China engages in military sales to almost all countries in need, given the large amount of trade between China and the two states and the Chinese military’s relatively frequent joint military exercises with both state’s armies, it is safe to say that China has been meticulous in calculating its hedging strategy in the Saudi Arabia-Iran regional conflict at the military level.

Although limitations exist in case study analysis, the results indicate that China’s involvement in the Saudi Arabia-Iran rivalry satisfies the scope conditions proposed and almost all three criteria in the classification.
framework. Thus, this paper concludes that China’s involvement in the rivalry represents a likely case of SWC strategic hedging.

6. LIMITATIONS

This paper has successfully applied the SWC strategic hedging criteria in the case of China’s involvement in the Saudi Arabia-Iran rivalry and confirmed that China’s behavior is reflective of SWR strategic hedging. Yet, the classification framework still requires additional modifications to prove its general feasibility. Possible adaptation of the theory includes the expansion of cases that can be identified as strategic hedging and refinement of the identifying criteria. This section presents suggestions for future improvements of the SWC hedging theory in terms of scope conditions and proposed criteria.

Regarding the scope conditions, limitations exist on time, political system, and conflict types between the two relatively weaker countries. First, further testing is needed to check if the theory is able to explain hedging behaviors before World War II, when the international system and diplomatic practices were different from today. If the theory is not applicable, the question arises, how can it be adapted to cases in earlier eras? Second, examination is necessary to understand if the same criteria apply to all types of sociopolitical systems. If not, it is crucial to develop a generalized framework or create different frameworks for different political systems. Finally, regarding the regional rivalry, it is important to determine if the same criteria apply for different tactics of confrontation between the two regional rivalries. In our analyzed case, the two parties are engaging in regional proxy warfare. However, would the theory still hold if the two regional rivalries confront each other through a cold war?

There is significant work remaining to empirically test this theory and its propositions. Although this paper proposed a framework for identifying when a strong state is hedging in a regional conflict among relatively weaker rivals, there are still cases of strategic hedging that cannot be explained through the existing hedging theory. These cases include, for example, a state hedging in a regional conflict with both sides as powerful as the state itself. Moreover, this paper only discussed a relatively stronger state hedging in a regional conflict between two relatively weaker states; it is critical to demonstrate in later studies how this framework would apply in cases in which the regional conflict involves more than two states with different power statuses, some stronger than the hedging country and some as strong or weaker than the hedging country. These issues must be addressed in order to affirm the usefulness of SWC strategic hedging.

Regarding future refinement of the SWC hedging criteria, it is crucial to provide more identification guidelines based on a variety of case situations. For instance, in the case analyzed in this paper, China participates in energy trade with both countries, which both possess abundant energy reserves. However, in many cases, the trade between relatively stronger states and relatively weaker states is not related to energy. Therefore, it is crucial to provide sub-criteria to identify cases with different trade subjects. Furthermore, although this paper only presented a qualitative mechanism for identifying SWC hedging, the construction of a quantitative method to accompany the qualitative framework is necessary. Further research needs to be conducted to add more criteria in order to address cases that do not match the criteria presented in the framework but still represent strategic hedging.

7. CONCLUSION

This paper provided criteria for identifying cases of “strategic hedging” in international relations. Although the proposed framework still requires further empirical testing, the framework and case study approach presented in this paper have built a solid foundation for the expansion of strategic hedging theory. This paper specifically examined the case of China’s involvement in the Saudi Arabia-Iran rivalry in light of the proposed framework for SWC strategic hedging and found that China’s behavior satisfies all three criteria, marking China’s involvement in the conflict as a strong example of SWC strategic hedging. This analysis of China’s involvement in the Saudi
Arabia-Iran conflict also contributes to the discussion on China’s increasingly involved role in the Middle East at a time when the United States has gradually begun to disengage from the region (ANI, 2021). Moreover, the analysis in this paper supports understanding of China’s involvement in other regional conflicts, including in Asia, as China’s national strength is dramatically increasing.

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