The theoretical and modeling efforts presented in this report provide a systematic understanding of the interaction between a proto-peer and the hegemon that might lead to any number of final states, ranging from accommodation to rivalry. The specific utility of the theoretical and modeling efforts is to structure the analysis, view the interaction as a process, and to note the important role of error in assessment in leading to the adoption of inefficient (unnecessarily costly) policies.

Predicting a competition well before a state becomes a peer is exceedingly difficult. The long time horizons associated with such predictions and the inability of contemporary forecasting tools to predict nonlinear change\(^1\) virtually ensure an unacceptably high margin of error. Modeling the decision structure available to the proto-peer and the hegemon offers a possible alternative to the more traditional approaches.

The theoretical and modeling work presented in this report leads to at least three inferences regarding the potential for the emergence of a peer competitor (each of which is discussed in more detail below):

- U.S. preponderance of power makes the emergence of a peer competitor unlikely in the near future.

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The most likely route for the emergence of a peer competitor any time soon is by way of an alliance.

Errors in a hegemon’s assessment of a proto-peer are more critical than errors in assessment of a hegemon by a proto-peer.

Regarding the first point, at the most general level, given the preponderance of power that the United States currently has, the emergence of a peer competitor any time soon would stem as much from U.S. actions as it would from those of potential peers. Power preponderance lessens the age-old hegemon problem of having to walk a fairly narrow line between conciliation and conflict, both of which can speed the growth of a peer competitor. The United States can still either delay the emergence of a peer or try to moderate a proto-peer’s potential competitive tendencies, but the extent of current power preponderance allows it to err on the side of caution and try to use less conflictual and more positive incentives.

On the other hand, the conditions of power preponderance constrain further a proto-peer’s already difficult balancing act of needing to pursue policies that enable it to aggregate power without simultaneously alarming the United States. There are incentives in place for proto-peers to pursue internally focused and less threatening strategies that lead to slower power growth and strengthen the domestic interests in favor of accommodation with the United States.

The above assumes the existence of the widely accepted power preponderance. But what if the extent of U.S. preponderance is not as great as most defense analysts believe? The modeling effort illustrates the role of error in assessment and its potential to lead to unnecessary escalation and potential rivalry that would be difficult to undo. Moreover, the model illustrates that in certain situations, too much conciliation can speed the growth of a competitor, and that pattern is more pronounced the more powerful the proto-peer is at the outset of an analysis. Barry Buzan referred to a similar phenomenon in discussing the potential for a conciliatory policy being a double-edged sword in U.S. policy toward China:

To pursue trade and investment with [China] is to gamble that the liberal logic of interdependence and domestic transformation (from market to democracy) will work more quickly and powerfully than the realist logic of foolishly strengthening an opponent that you
may one day have to fight. The inconsistencies of American policy towards China . . . illustrate the difficulties of choice, and perhaps nowhere does this liberal-realist dilemma operate more clearly than in relation to a potential superpower such as China. By engaging with the Chinese economy Asian and Western traders and investors enrich themselves and China, and entangle Beijing in the liberal incentive scheme of joint gains requiring peaceful relations. But by enriching a still authoritarian China, and upgrading its technological capacity and economic weight, they also make it more powerful, increasing its means to make trouble should its leaders want to go in that direction.2

As for the second point, assessment error aside, even in conditions of current U.S. power preponderance, the fact remains that if three or more other major states of the world were to coalesce against it, the United States might be faced with something akin to a peer competitor. Similarly, the breakdown of the U.S. alliance system in Europe and/or east Asia and the potential emergence of former allies as competitors would change radically the strategic position of the United States in the world. Both types of change would amount to an endogenous shock to the power hierarchy in the international state system and reduce the relative power dominance of the United States. At any one moment, such events seem unlikely, but over time the probability increases of such a change occurring. That long-term increase in probability should serve as a reminder that the hegemon’s old problem of choosing the right mix of conciliation and conflict may have lessened in intensity for the United States (given its power preponderance), but it remains in place. Given the U.S. position at the apex of the international power hierarchy, it matters greatly how it upholds the rules or establishes new ones for the international state system in terms of the levels of satisfaction with the system that proto-peers may have. At stake is the potential for a proto-peer to metamorphose into a “principal rival,” reminiscent of the Cold War.

As to the third point, perhaps the most important inference that can be drawn from the modeling work presented here for U.S. defense policy is the importance of accurate intelligence assessments and the

need for the intelligence community to recognize the extent of accept-able error in its assessments of a proto-peer. On the basis of the research reported here, it is possible to construct a tool that would be suited to analysis of the potential error in assessment and the likely impact of error in that assessment on decisionmaking and policy.