

White Paper

This report is the second in a three-part series examining the evolving dynamics of strategic rivalry among the world's Great Powers, namely the United States, China, and Russia. The first report focused on the geopolitical and economic dimensions of Great Power Competition. The return to Great Power Competition has critical ramifications for the U.S., the West, and indeed, the world (for the full report, please see: [Bancroft GEOIntelligence White Paper on Great Power Competition and its Economic Implications](#)).

This installment delves into the darker edge of that rivalry: the pathways through which competition can spiral into confrontation, conflict, and potentially catastrophic escalation. It explores the concept of "Escalation Dynamics" to include how miscalculation, miscommunication, or deliberate provocation can push nation-states beyond redlines, into crisis, armed conflict, or even nuclear war. By presenting a structured framework of escalating violence, from gray zone tactics to the unthinkable prospect of existential nuclear exchange, this report aims to equip business leaders with analytical tools to understand, anticipate, and potentially mitigate the risks of Great Power escalation.

The next report will focus on escalation dynamics within the broader Great Power Competition during the ongoing Ukraine-Russia War, concentrating on Russia's expanding operations in the gray zone, its strategic objectives, Russia's horizontal escalations to include nuclear provocations, and the implications

Levels of Violence:

A structured vertical escalation ladder explains how Great Power Competition can shift from low-intensity competition to catastrophic conflict. The six primary levels of violence are: Gray Zone, Crisis, Conflict, Non-nuclear Strategic Attack, Limited Nuclear War, and Existential Nuclear War. Escalation to higher levels remains rare but is increasingly plausible. Understanding these levels is essential for anticipating, deterring, or de-escalating future crises.

Gray Zone: Coined by U.S. Special Operations Command in 2015, the gray zone encompasses actions by state or non-state actors that are coercive and aggressive yet fall below the threshold of open warfare. These include operations across diplomatic, informational, military, and economic (DIME) dimensions. Examples include cyber intrusions, economic coercion, and disinformation. All are designed to shift international norms without exceeding redlines (be they known or postulated), which, if surpassed, could trigger serious escalation against the sponsor of the gray zone activity. Within the gray zone, "proxy wars" were (and are) fought by belligerents supplied and assisted by a Great Power to avoid direct conflict. The West's support for Ukraine today could also be characterized in this light, as well as Russian drone incursions over Western nations and the apparent deliberate cuts of undersea cables and a key gas pipeline serving Western nations.

Crisis: A crisis marks the tipping point between gray zone activities and open conflict. It typically



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involves high-stakes incidents, often military, which raise the risk of war. In many crises, where both parties want to steer clear of war, once these crises are recognized by the participants, rapid communications and mutual de-escalations occur, returning to the day-to-day gray zone (examples are many, but an exemplar is the 1962 Cuban Missile Crisis). But other times, one or more of the parties in the crisis may desire further escalation into conflict to secure its objectives (a prime example of this case was the European crisis in August 1914 that led to World War I). Some crises may persist for months or years, as seen with NATO-Russia tensions over Ukraine.

Conflict: At this stage, armed confrontation is clear and deliberate. Military forces are actively engaged, often with support from other elements of national power. Conflicts can be regional or global, involve conventional and hybrid warfare, and span all domains - land, sea, air, space, and cyberspace.

Non-nuclear Strategic Attack: These attacks cause catastrophic effects without crossing the nuclear threshold. They include cyberattacks, space-based disruptions, or massive conventional strikes targeting critical infrastructure. Historical examples include Pearl Harbor, 9/11, and potentially future state-sponsored cyber offensives. U.S. doctrine intentionally leaves this category vaguely defined to preserve deterrence flexibility. Precisely defining what constitutes a non-nuclear strategic attack could invite an adversary to push the boundaries to the edge of the definition, and counter efforts to strategically deter aggression.

Limited Nuclear Attack: This involves the employment of nuclear weapons on a small scale, typically aimed at military or strategic targets. Nuclear weapons can create a wide range of effects, from High Altitude Electromagnetic Pulse (or HEMP) detonated in space to generate electrical surges on the earth's surface to cause widespread outages, to surface nuclear strikes that can devastate targeted areas, and could include nuclear fallout, etc. Even low-yield nuclear weapons such as those used on Hiroshima and Nagasaki can cause mass casualties and long-term effects. Such an attack would mark a major escalation with global repercussions.

Existential Nuclear War: This is full-scale nuclear warfare aimed at destroying an adversary's leadership, economy, and population centers. It involves massive casualties - potentially in the hundreds of millions - and would likely trigger mutual assured destruction among nuclear-armed Great Powers

For reasons detailed later in this report, the epic ramifications of escalation into higher levels of violence (especially nuclear attacks), to include likely retaliation in kind, provide powerful deterrent effects preventing such escalations in modern history. Today, the risk of Great Power escalation remains low, but it is increasing.

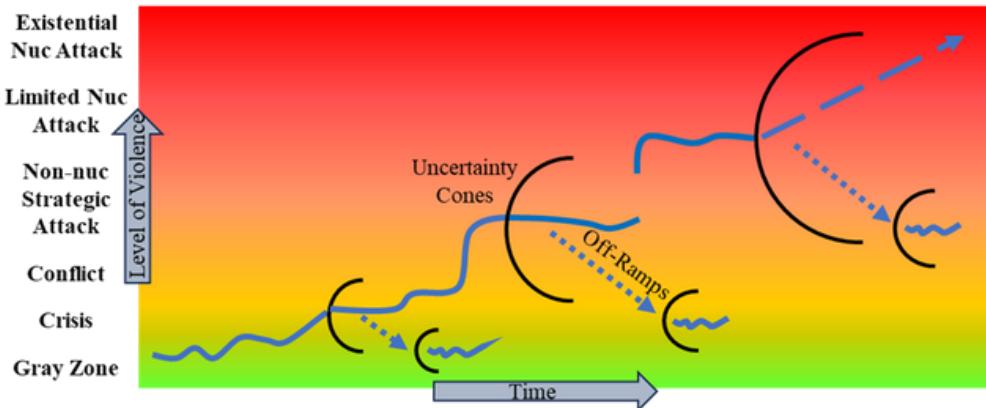
Great Power Escalation Dynamics:

A few points to make before tearing into some escalation scenarios. First, is that volumes have been written (with more to come) on the incredibly complex dance between Great Powers in terms of Escalation Dynamics – this report will reveal several interesting nuances, but it will not attempt to cover all of them in the interest of brevity.

Second, of course, Escalation Dynamics can occur between all state and non-state actors. But

this model focuses on the Great Powers, as the Great Powers have many advantages over non-Great Powers in levels-of-violence options. First, Great Powers enjoy enhanced capabilities across DIME. Plus, focusing on the military element, Great Powers have robust capabilities across all domains; they are capable of global reach (to varying degrees) and backed up by large assured second-strike nuclear arsenals that can threaten the other Great Powers all the way up to an existential nuclear attack. Bottom line, Great Powers have unique escalation capabilities.

GREAT POWER ESCALATION DYNAMICS BETWEEN TWO PARTIES



The above graph depicts a model of possible escalation between two Great Powers since the nuclear era. There could be scenarios where all three Great Powers are simultaneously escalating, but for simplicity, let's just stick with two (and two are complicated enough).

The left of the chart shows the level of violence that each party is capable of escalating to, from the day-to-day gray zone, to crisis, which could lead to conflict in some scenarios, then the potential of further escalation with non-nuclear strategic attacks. Finally, the very high bar of limited nuclear attacks, and at the height of the escalation, large-scale existential nuclear attacks that could threaten the existence of one or more nation-states.

The horizontal bar at the bottom of the chart reflects the passage of time.

Note the “uncertainty cones” that are placed on the graphic at increasing levels of violence. The cones signify the potential of unintentional crossing of red lines, misreading of adversary stakes, faulty or missing intelligence, and the potential of chaotic decision-making that can always occur, but that can be made worse in a time-compressed period of escalation, etc. Within the uncertainty cones, each side attempts to influence the other to gain an advantage. Both may decide on a mutual path to de-escalation if a return to the status quo is desired. Or, one or both could deliberately decide to either remain in crisis or to further escalate.

Also note the “off-ramps” with the dashed arrows pointing down to lower levels of violence. These show opportunities for de-escalation if both parties mutually decide that it is in their best interest to do so. Or perhaps one side is compelled to de-escalate due to the action (or the threat of action) by the other side and believes further escalation would just make matters worse. There will be more on this later, but Great Power Competition from the Cold War to the present frequently employed these “off-ramps” to de-escalate.

It also bears noting that one side cannot “control” escalation of the other, though statements as such are frequently made. Each side will attempt to influence decision-making on the other side by threatening potential unacceptable costs and/or by denying the benefits of adversary escalation, but it is each side that controls whether or not it is in its best interests to escalate into a conflict or even higher levels of violence. Perceptions of adversary leadership and the things that influence decision-making are critical, acknowledging that perfect knowledge of perceptions is impossible, and estimates can range from being relatively accurate to assessments that are widely incorrect. Further, the “cones of uncertainty” likely grow in scale and consequence as parties climb the escalation ladder as stakes and consequences increase.

Escalations can be dramatic as they increase vertically up the ladder of violence, but escalations can also be horizontal in nature. Horizontal escalation does not increase the intensity of actions within a specific level of violence but rather increases the geographic scope and space of escalations. The third report in this series will delve deeper into this topic.

The blue line, beginning at the bottom left of the chart, shows the ebbs and flows of the potential for escalation as two Great Powers compete. As depicted in this case, as time moves to the right, the two Great Powers steadily edge toward the point of a crisis. Most likely (though not in every case), a crisis between Great Powers would probably begin with a regional flashpoint of increasing friction, either head-to-head or in support of allies or partners.

Then, once in crisis, one or both parties may choose not to “off-ramp” for any number of reasons, and this scenario may advance into conflict. Perhaps like the World War I example highlighted previously, one of the parties intends to secure an objective through force. Or perhaps both sides stumble into conflict from factors within the “cone of uncertainty” described earlier.

Once at war, many phenomena are likely to occur. Though the stakes in the conflict may not be equal, the stakes will be high for both parties, as a loss will have ramifications beyond the war itself and likely would diminish one’s status as a Great Power. Further, a loss could result in regime change – a situation that authoritarian leaders in China and Russia are very sensitive to.

One or both sides may determine that additional escalations (but short of nuclear employment) are desired. There are many reasons why further escalation can occur. For example, a leader may believe that escalation with non-nuclear strategic attacks may more quickly and assuredly secure a victory. Second, escalation could offer an option to attempt to restore deterrence with its adversary (in other words, “to escalate to de-escalate”). Other reasons include escalating to offset a loss, to show superior stake/resolve, or because of domestic pressures, miscalculations, and so on. In the graph above, one side escalates vertically with a non-nuclear strategic attack. After one side escalates, the other party would likely reciprocate, possibly even more so.

Things could go sideways with Great Powers going after each other with the gloves off, and with stakes continuing to climb for both. At some point, one side may believe it needs to escalate to nuclear to either achieve its objectives (Russian doctrine has examples of this) or, more likely, to offset an impending loss with all the ramifications that come with defeat. Decisions before this point were heavy, but with the standing taboo against nuclear employment and with the likelihood that the other side will similarly respond, the decision to escalate into nuclear war, even in small numbers, is huge...and this is an understatement.

Unfortunately, history lessons cannot inform decision makers on how to attempt to manage a limited nuclear war, as it has never occurred. When the U.S. attacked Japan in 1945 with nuclear weapons, Japan could not retaliate in kind. Strategists believe that de-escalation after initial nuclear weapon employment will be difficult because of the tremendous stakes in the war by both sides. The scope and scale of nuclear retaliation strikes could steadily (or quickly) increase as the stakes increase. If this tragedy were to ever occur, ideally, both sides could come to their senses and choose to off-ramp to a lower level of violence and/or a ceasefire, instead of further nuclear escalations.

But at some point in a limited nuclear war, one side may believe that restoration of nuclear deterrence is impossible with the other side, and that the least bad option is to launch a surprise large-scale nuclear attack to gain an advantage (of sorts...acknowledging that there are no winners in large scale nuclear war) by making the first the move...or to borrow a business phrase, to gain “first-mover advantage.” But since all three of the Great Powers have assured second-strike nuclear capabilities for this very reason, after one side “goes big first” with a large-scale strike, the other side will still have enough surviving nuclear weapons that can it conduct an existential retaliation even after being forced into the “second mover” position, in other words, “mutual assured destruction” on both parties.

Who is the winner at this point? Obviously, neither of the two Great Powers that existentially attacked each other would qualify. The only winning Great Power in this scenario is the one that did not participate (assuming the third Great Power kept out of the conflagration).

Geopolitical Implications:

There are reasons why the world (and within that, the Great Powers), thankfully, has not experienced an existential nuclear attack, a limited nuclear attack (exempting Japan in 1945), and in fact, not even conflict between Great Powers since the end of World War II.

During the “Cold War” (lasting from roughly 1948 to 1991), each side learned to compete with the other, without resorting to traditional conflict or a “hot war,” as the advent of nuclear weapons created a fear that direct military conflict between nuclear powers could escalate into a nuclear war (similar to the scenario above). This is not to say there were no wars associated with the Cold War; in fact, there were many (to include Great Power proxy wars as mentioned earlier). But the worst form of conflict, a direct war between the Great Powers, was prevented prior to the threshold of war.

Unfortunately, it is an open question if the lessons learned from the Cold War that disincentivized Great Power direct conflict (and therefore, potential escalation that could increase all the way up to existential nuclear attacks) remain the case today. Could one or more of the Great Powers believe there are scenarios that are advantageous for it to intentionally make war with another Great Power despite the risks of escalation? It only takes one Great Power to test this theory. Then the other Great Power would need to decide if it should concede...or fight.

There is no foreseeable scenario where the United States would initiate a direct war with either Russia or China. The international status quo advantages the United States; the United States will work hard to maintain the status quo and strategic stability.



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But, as many of our reports have articulated, both China and Russia seek to alter the international status quo, norms, and behaviors, and there are scenarios with one (or both) that could lead to direct conflict with the United States and its allies and partners.

Another potential conundrum is if the United States finds itself in a major escalation (such as a conflict that would likely include non-nuclear strategic attacks) with one of the other Great Powers, with the third Great Power deciding to simultaneously also escalate with the United States. The third party could do this in cooperation with the second party or do so for its own opportunistic reasons. Either way, the United States would have its hands full dealing with escalations with one Great Power – dealing with two simultaneously would be a wicked problem.

U.S. decision makers must closely consider moves up the Escalation Dynamics ladder against other Great Powers, and determine if its stakes, objectives, and the implications are worth possible extreme consequences – and this must be carefully weighed early on and after each escalation. Conversely, the U.S. must be careful not to be self-deterring by other Great Powers to maintain international order along with its allies and partners, as doing so can establish a “new normal” that disadvantages the West writ large.

U.S. defense treaties with NATO, Japan, South Korea, Australia, the Philippines, and Thailand, as well as strategic commitments to Taiwan and Israel, strengthen deterrence by signaling resolve and collective defense. However, they also heighten the risk of escalation, as allied nations may have different risk tolerances and strategic priorities than the U.S. An attack on a NATO ally, for example, could trigger Article 5 and obligate U.S. military involvement, even in response to a limited provocation. Similarly, U.S. support for Taiwan could transform a regional standoff with China into a broader conflict. As mutual defense obligations expand, escalation management becomes increasingly complex, making de-escalation more difficult in a fast-moving crisis involving multiple actors and overlapping national interests.

Economic Implications:

As highlighted in this and other reports, the risk of Great Power Competition spiraling into conflict with either China or Russia (or worst case, both simultaneously) is “low,” perhaps even “very low,” but unfortunately, it is not zero. And the risk is increasing, with Russia in the near-term and China in the longer-term. There will likely be indicators that would precede conflict with a series of crises, especially those of military nature, which could occur over years to months. Less likely, but not impossible, could be “black swan” events that could develop rapidly. If competition with China and/or Russia were to escalate to a Great Power conflict, ramifications could be epic, ranging from wrecked economies to large-scale loss of life. In the early nuclear era, the ramifications of head-to-head conflict and mutual vulnerabilities contributed to deterring direct conflict between Great Powers – time will tell if this trend continues.

It can be argued that NATO (and within that, the United States) is in a crisis zone with Russia since its invasion of Ukraine in 2022. As such, an upcoming report will highlight the escalations from Russia since its invasion of Ukraine in 2022, along with potential ramifications.

As for China, in the past few years, it has ratcheted up tensions in both the South China Sea and in/around Taiwan (please see the following reports for additional details: [Bancroft GEOIntelligence Executive Summary on the South China Sea Implications and Economic Considerations and](#)

Bancroft GEOIntelligence Executive Summary on Taiwan Security Implications and Economic Considerations). While these activities are in the new gray zone, further escalations could easily increase to a crisis and beyond.

In the current environment, we are already seeing the economic impacts of the escalating uncertainty across the globe due to Great Power Competition. The economic element of DIME is being actively pursued through sanctions, tariffs, and other economic incentives to deter aggression in the near term through non-military means. As discussed in prior papers on Great Power Competition, the interconnectedness of the global economy increases the complexity of the methods to escalate and de-escalate gray zones, crises, and indirect and direct conflicts using economic tools with financial consequences in the near term to deter aggression.

For business leaders navigating today's volatile geopolitical landscape, understanding Great Power Escalation Dynamics is no longer optional; it is a core element of strategic risk management. As competition between the United States, China, and Russia intensifies, the risk of miscalculation or crisis carries profound implications for global markets, supply chains, energy security, and economic stability.

Many executives now embed geopolitical foresight into planning, recognizing that crisis preparedness, diversification, and intelligence are no longer exclusive to governments. These tools are critical for enterprise resilience in a world where Great Power Competition shapes the business environment.

While global economic markets do not like uncertainty, they often only focus on near-term implications of the geopolitical environment, such as the cost of supply chain disruption. The other important consideration, given the high inter-dependence between economies, is the long-term strategic position. Future capabilities requiring assets such as natural resources, industrial base, and technology leadership will influence Great Power Competition over the coming decades. Existing conflicts like Ukraine and gray zone tensions in Taiwan, the South China Sea, in Space, Cyberspace, and in the Arctic reflect strategic positioning for the future capabilities by the powers to change the world order over time.

Businesses should be aware of their exposures and use a strategic near and long-term mindset for diversification of value chain elements, including supply chains, raw materials, production, talent, customer concentrations, technology assets, including data centers, global partners, and funding sources to balance the risk-reward in this increasingly uncertain world. Opportunities will also exist in developing new markets and creating products and solutions across all sectors, especially in technology, cyber, defense, energy, and agriculture.

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