



CYBER SECURITY AND BUSINESS CONTINUITY

SCENARIO 2: US-China confrontation over Taiwan

Anna Anderssen was listening to the news as she packed her bag for work. Philippine coast guard vessel struck a Chinese fishing vessel near the Second Thomas Shoal in the Spratly Islands. Several fishermen had been injured, and two coastguard personnel had been killed. Anna had been to the Philippines on holiday 15 years before, but she did not follow events in the region and was not sure of the location of the Spratly Islands. Anna was not very interested in international affairs. Her brother-in-law Henrik, who worked for the Ministry of Defence, spoke of little else, but Anna found it depressing. Anyway, the South China Sea was a long way from Southern Denmark, and she had to get to her job as a Chief Financial Officer of a quantum computing company that designed and developed medical robots.

When Anna arrived in the office, the news was on the TV in the office kitchen. By mid-morning, the President of the Philippines issued a statement condemning Chinese aggression in the South China sea, claiming that the collision between the two vessels was a deliberate attack meant to thwart foreign ships from sailing in the South China Sea. China countered that coast guard's actions were territorial aggression, a deliberate attack on a civilian vessel within Chinese waters. The Philippines argued that the South China Sea was international water, and by the UNCLOS ruling of 2016, Philippine vessels were free to sail without interference. Within hours, Brunei, Indonesia, Malaysia, and Taiwan issued statements siding with The Philippines, as they too opposed Chinese claims to the resource-rich waters.

Although it claimed to have no position on the South China Sea, the US Navy regularly sailed warships near the Paracel and Spratly Islands as gesture of support for the principle of freedom of navigation. This activity did nothing to improve the relationship between the US and China. Indeed, the Sino-American relationship had steadily deteriorated, with the Trump administration's imposition of punitive tariffs on China in 2025. Now, in the wake of the fatal collision, the 1951 mutual defence treaty meant the US was obligated to support the Philippines if came it under attack. Anna and most of her colleagues, spent the morning in the kitchen, glued to dramatic news coverage of the situation brewing in the Pacific.

By the afternoon, The Philippines mobilised their navy. US declined to qualify the incident as a deliberate attack or not, but sent an aircraft carrier towards Manila, in a demonstration of support. Australia issued a statement of support the Philippines, indicating it would mobilise the Australian

navy assist the Philippines as well. Australia had invested heavily in upgrading its armed forces for some time, concerned about an aggressive China attempting to dominate the Indo-Pacific region. Over the course of the day, many maritime countries, issued statements about the importance of upholding the principle of freedom of navigation, but stopped short of criticizing China directly. There seemed to be no further escalation.

A few days later, however, China accused Taiwan of allowed disrespectful memes of the South Thomas Shoal collision site to circulate to the Line messaging app. In response, Taiwan accused China of cyber espionage, of hacking into personal messages of Taiwanese officials and ordinary citizens. Accusations between the two countries flew and tensions escalated rapidly. Anna could not keep up with all the details.

China instituted a full blockade of Taiwan, preventing ships from entering all 15 of its ports. The PLA even threatened to shoot down civilian aircraft transporting goods in and out of Taiwan. Airlines rerouted Pacific flights to avoid the South China sea, adding additional kilometres and considerable cost to air freight and passenger travel.

In retaliation, Taiwan launched a counter-blockade of China. The five busiest Chinese ports - Shanghai, Ningbo-Zhoushan, Shenzhen, Qingdao, and Guangzhou - all lay within a thousand miles of Taiwan, well within range and within the range of the Taiwanese Ching Dien supersonic cruise missiles. Both sides attempted to jam each other's electro- magnetic frequencies, and launched large-scale cyberattacks to disable communications and financial services.

At one time, this would have resulted in an emergency meeting of the UN Security Council. However, with two permanent Security Council members in dispute with each other, it was impossible to convene a gathering. The dispute resolution mechanisms that had been in existence for nearly a century were no longer acknowledged. The European Union tried to maintain its economic and diplomatic relationships with both China and the US, with French President Macron making several diplomatic trips to Washington and Beijing, but he made no progress in resolving the dispute.

Within weeks, shipping delays and disruptions rippled through almost every economic sector. Prices on items manufactured, or partially manufactured, in Taiwan and China soared, particularly electrical and electronic goods, as well as alloy steel, graphite, and gallium arsenide. European chip manufacturer ASML soon had difficulty sourcing material for chip manufacture, as China had bought up mineral rights to rare-earth deposits, and graphite mining and smelting operations in Europe and North America were too small to meet demand. Across Europe, shops had to ration items like batteries, phone charging cables and battery banks. Cyberattacks on digital payment systems meant consumers had to revert to cash, and in-store rather than on-line purchasing. Anna could not believe she was queuing for good in shops. With so much of manufacturing and trade besieged, global GDP dropped 5%.

Very soon, Anna's business directly was impacted. They were unable to source necessary computer chips for their products, and thus could not fulfill orders. The procurement team spent weeks

searching for alternative suppliers elsewhere in the world. Then, an email from a potential new supplier, turned out to be a phishing attack that halted all business operations for over a week. The attack cost the business its reputation and a one of its largest contracts with a prominent Danish pharmaceutical company. Anna did not know if the business would survive, and she was worried about finding another job in such a difficult economy.

The impact of the economic blockade was politically and economically unsustainable for all sides. U.S. and Japan, and South Korea indicated willingness to use military force to thwart the blockade. Facing the possibility of such a challenge, China began a full-scale mobilization of all PLA ground, sea, and air forces. The mobilization put the US, Japan, and South Korea on high alert. Anna had never been interested in international affairs, but now she thought of little else.

US China Confrontation over Taiwan Potential risks for business
1. What are the key risk factors and vulnerabilities in this scenario?
2. What risks does this scenario pose to Danish businesses?
3. What vulnerabilities affect your business?
4. What mitigation, if any, has your business considered or implemented?