# TCATA CRISIS SIMULATION AUG. 2026

# POST-SIM REPORT

3DM CONSULTING & NEW LINES INSTITUTE


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# TABLE OF **CONTENTS**

U.S./CHINA/TAIWAN SIMULATION

# SUMMARY

**AUGUST 4, 2026**

On August 4, 2026, 3DM Consulting and the New Lines Institute for Strategy and Policy (NLI) conducted a crisis simulation for members of the Textile Care Allied Trades Association (TCATA) exploring a corporate response to the People's Republic of China (PRC)'s manipulation of Taiwan's supply chain of energy and semiconductors.

Participants in the simulation played as one fictional corporate actor "Pacific Textile Systems, Inc.," with NLI representatives playing as China and the U.S. Decisions for both countries were taken by the control group prior to the simulation and served as a basis for the players' corporate actions.

Participants were presented with different options of actions they could take in response to the unfolding scenario. As a corporate player, they could take actions along the categories of **pricing strategy, inventory strategy, and supply chain diversification.** These actions were selected through the Slido app as part of the presentation and subsequently integrated into the platform.

The participants were tasked with utilizing key analytical concepts such as empathetic analysis and strategic objectives/constraints to develop strategies to address the crisis detailed below, which was presented to the participants prior to the simulation.

Upon completion of the simulation, participants were presented with actions taken by an AI-run simulation for comparison.

## SIMULATION PLAYERS

**PLAYER**
- Pacific Textile Systems

**CONTROL GROUP**
- United States
- China

# CRISIS SCENARIO

**September 2026:** Tensions are growing between China (PRC) and the U.S. over trade, technology, and Taiwan.

## SIMULATION ARC AND ASSESSMENT OF ACTIONS

The PRC has complained that the Trump administration has destabilized the Indo-Pacific through its continued support of Taiwan and the U.S.’s prosecution of the Iran war, in addition to interfering with the Chinese technology and energy sectors and putting pressure on China’s economy through tariffs and targeted sanctions.

The U.S. and its allies claim that China has been provoking confrontations along the Taiwan Strait and in the South China Sea and manipulating Taiwan's energy and semiconductor supply chain. Additionally, the U.S. wants to secure extra trade concessions from China before the midterm elections and prevent tensions in the region from interfering in the US’s trade ambitions.

Taiwan has expressed concern about U.S. commitment to its defense in the event of a contingency, with the Trump administration having continued its complaints of "freeloading" by the Lai administration, while reiterating the need for a deal with China.

Beijing and Washington have both emphasized that they want stability in the Taiwan Strait, but the upcoming midterm election cycle in the U.S. and growing tensions between Beijing, Washington, and Taipei have spurred an escalation in tensions in the region.

ROUND 1

# CONTROL GROUP ACTIONS

## UNITED STATES

**Military/Security action -** Conduct live-fire military exercises with South Korea/Japan/Australia in the East/South China Seas.

**Economic action –** Pressure allies to limit trade with China.

**Diplomatic/Political action -** Send a cabinet-level trade delegation to China.

## CHINA

**Military/Security action -** Launch large-scale military exercises in the Taiwan Strait and around Taiwan.

**Economic action –** Put pressure on U.S. allies to limit trade with the U.S.

**Diplomatic/Political action -** Send a CCP trade delegation to the U.S.

## ROUND 1
# PARTICIPANT ACTIONS

### PACIFIC TEXTILE SYSTEMS

**Pricing Strategy –** Implement temporary surcharges linked to component costs (28%)
- ***AI Action:*** *Implement temporary surcharges linked to component costs*
- ***AI Rationale:*** *The crisis remains fluid, making a permanent list-price increase premature. At the same time, absorbing all cost increases would weaken margins and reduce the cash available for supplier qualification and inventory protection. A clearly documented surcharge allows PTS to share exceptional costs with customers while explaining that the adjustment will be reduced or removed if conditions normalize.*

**Inventory strategy –** Increase critical electronics inventory by 25% (36%)
- ***AI Action:*** *Increase critical electronics inventory by 25%*
- ***AI Rationale:*** *Approximately 70% of PTS equipment models contain Taiwan-linked electronics. These components may represent a relatively small share of total material costs but can stop final assembly and shipment. A targeted 25% increase provides a buffer against moderate lead-time disruptions without committing excessive working capital to bulky or more easily substituted components.*

**Supply chain diversification –** Pursue dual-sourcing across critical components (82%)
- ***AI Action:*** *Qualify secondary suppliers in Southeast Asia*
- ***AI Rationale:*** *The military exercises and competing trade pressure indicate a material probability of further escalation. Continuing to depend on the existing China- and Taiwan-linked supplier base would leave PTS exposed to export restrictions, shipping delays, or a Taiwan Strait disruption. Southeast Asian qualification offers a practical near-term diversification path with lower costs and shorter implementation timelines than developing an entirely North American supplier base.*

ROUND 2
# CONTROL GROUP ACTIONS

## UNITED STATES

**Military/Security action -** Conduct disruptive cyber operations against China.

**Economic action –** Cut technology, energy, and agricultural exports to China by 50%.

**Diplomatic/Political action -** Announce intensive trade restrictions against China, including 150% tariffs.

## CHINA

**Military/Security action -** Launch quarantine (selective restriction of goods/geographic area) of Taiwan.

**Economic action –** Cut critical mineral, machinery, and component exports to the U.S. and allied countries by 50%.

**Diplomatic/Political action -** Reciprocal match of U.S. tariffs.

ROUND 2

# PARTICIPANT ACTIONS

## PACIFIC TEXTILE SYSTEMS

**Pricing Strategy –** Implement temporary surcharges linked to component costs (54%)
- ***AI Action:*** *Prioritize strategic customers for price stability and product availability*
- ***AI Rationale:*** *PTS should avoid spreading limited production so broadly that it fails to meet commitments to its most important customers. This accepts lower demand and service levels among less strategic accounts, but it protects the relationships most important to recurring revenue and long-term recovery. Cost surcharges can remain in place where contractually permitted, but priority customers should receive greater price predictability.*

**Inventory strategy –** Increase critical electronics inventory by 25% (37%)
- ***AI Action: I****mplement dynamic inventory allocation*
- ***AI Rationale:*** *Dynamic allocation allows PTS to direct available electronics and other constrained components toward: equipment already close to completion, contractually committed orders, strategic customers, products with the strongest margins, models requiring the fewest scarce components, service parts necessary to keep installed customer equipment operating. This protects shipments and customer relationships while avoiding a rigid focus only on the highest-margin products.*

**Supply chain diversification –** Pursue dual-sourcing across critical components (68%)
- ***AI Action:*** *Redesign products around alternative components*
- ***AI Rationale:*** *Geographic diversification alone is insufficient. Southeast Asian suppliers may still depend on Chinese machinery, critical minerals, or Taiwan-produced electronics. Alternative suppliers cannot help if PTS equipment is designed around proprietary or narrowly specified components. Modular product architecture and approved substitute components would allow PTS to switch suppliers as conditions change. The investment addresses the underlying technical dependency and provides greater resilience than simply searching for another supplier of the same restricted component.*

## CONCLUSION & FEEDBACK

Attendees engaged in vibrant discussion of the pros and cons of each decision vector option at their round table but voted as individuals. The voting results were varied, with multiple options selected by the audience for each decision. In some cases, the winning decision option selected had less than 50% of the vote, illustrating the diverse range of opinions held by participants. Rationale for decision-making was offered by volunteers for each vector. The simulation demonstrated the need for companies to have contingency plans for a variety of potential scenario outcomes, as a single strategy is no longer sufficient in a rapidly changing geopolitical landscape with far-reaching economic, operational, and supply chain-related ramifications.

"The session was fun, highly engaging, and generated lots of great interaction. I learned a lot!"
- Participant

## OTHER SCENARIOS

This simulation explored a potential flare-up in geopolitical tension in the Indo-Pacific region, focusing on a breakdown in trade between the U.S. and China. Other simulations, including a Suez Canal or Panama Canal disruption, are available for consideration for a future TCATA event.

## CONTINUED APPLICATION

# GEOPOLITICAL FORECASTING PLATFORM

**PROVIDING CLARITY IN UNCERTAIN TIMES**

The Geopolitical Forecasting Platform, developed by New Lines and Mantis Analytics, is a unique and customizable tool meant to give businesses and policymakers a way to plan for geopolitical shifts, anticipate crises, and identify opportunities.

Through the platform, teams can receive daily updates on relevant geopolitical developments, including tariffs, trade, and technology. This AI-powered platform can be adapted for stakeholders in industry, governments, and civil society who seek to mitigate risk and plan amid political, economic, and security uncertainty.

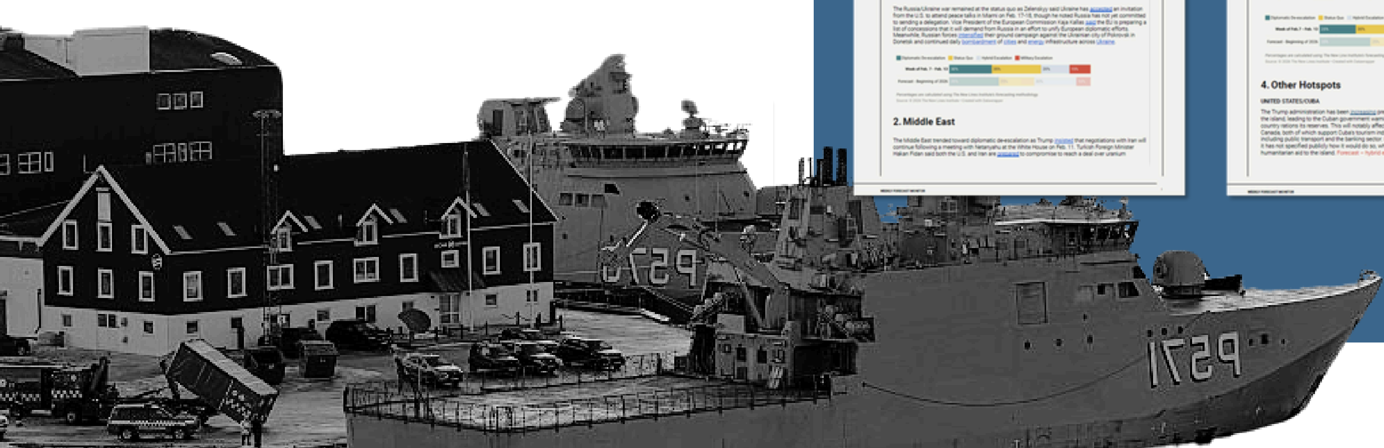
### Features

**Global geopolitical real-time incidents feed, and strategic country/business profiles** – Reliable data updated daily, providing context and insight into the global actors influencing trade, supply chains, and geopolitics.

**Visualization of current trade flows -** Mapping your supply chains against a geopolitical backdrop.

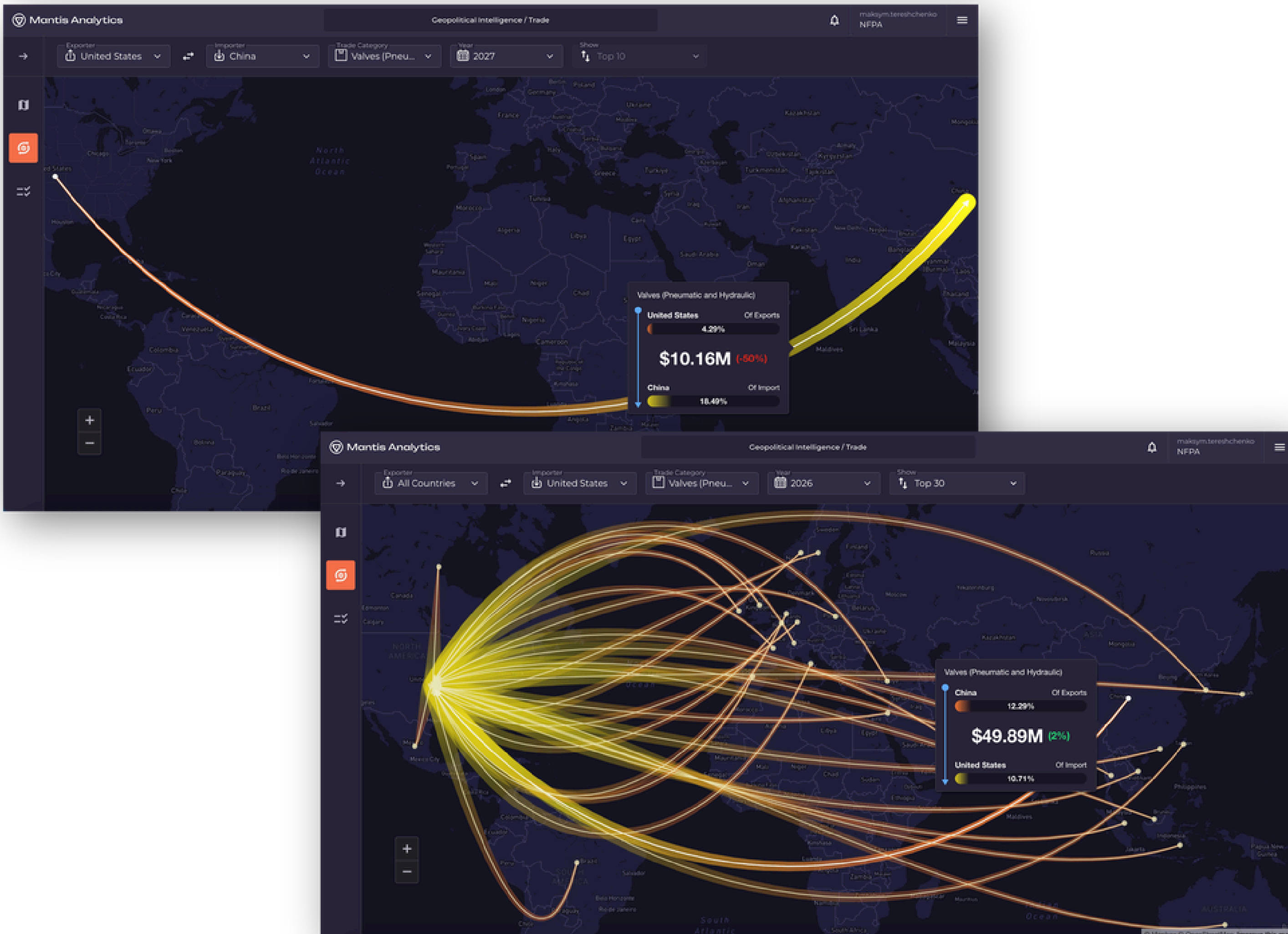
**Weekly, quarterly, and annual forecast reports** – Analyzing economic, political, and diplomatic shifts that present risks and opportunities.

### RELIABLE, VERIFIED GEOPOLITICAL COVERAGE

CONTINUED APPLICATION

# GEOPOLITICAL FORECASTING PLATFORM





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