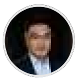
Europe's Manufacturing Sinks,German Bac Up Its Future in China: Taicang's Secret an the Life-or-Death Choice of 560 German Firms

German Backs Up Its Future in China



KARL
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> While Europe's manufacturing PMI has contracted for 11 consecutive months hitting a new low of 45.4%, the world's most dynamic industrial heart has quie shifted to a small city at the mouth of the Yangtze River.

Europe's electricity costs are three times that of China, and its natural gas prices five times that of the United States—this is not a prediction but the reality for European's industrial sector today. As European steel and chemical plants shut d due to energy prices, and as Germany's automotive sector sheds over 50,000 jobs year, Germans are accelerating a great eastern migration.

When the first German company, **Kern-Liebers**, set up a factory in Taicang in 19 one foresaw that thirty years later, it would be home to over **560 German enterpı with an annual industrial output exceeding 67 billion yuan**. Today, this small Jiangnan city has become Germany's "**Eastern Backup Disk.**"

01 Sinking Europe: Energy, Costs, and Stalled Innovation

European manufacturing is undergoing a silent submersion. According to the lat data, Europe's manufacturing PMI has remained below the 50% boom-bust line f consecutive months, dropping to 45.4%. This is not a cyclical adjustment but the beginning of a structural decline.

One staggering statistic is that Europe's industrial energy costs are 3 to 5 times t of the U.S. and 2 to 3 times higher than China's. By "decoupling" from Russian e to maintain geopolitical alignment with the U.S., the EU has slipped a noose aro its own manufacturing neck.

In 2022, net foreign direct investment flowing out of Germany reached a recor of 125 billion euros. Some analyses suggest Germany has begun a process of "deindustrialization."

Internal EU documents admit: "High energy prices, the need for large-scale decarbonization investment, and unfair global competition are putting energy-intensive industries at a competitive disadvantage, with signs of industrial declir becoming increasingly evident."

Meanwhile, China is taking a dominant position in emerging clean technologies leaving European companies behind. The competitiveness of European manufac is being dragged into the abyss step by step by its own high costs and sluggish innovation.

02 Betrayal and Self-Rescue: U.S. Tariffs and Germany's Eastern Strategy

The tariffs imposed by the Trump administration are like a dagger to the heart o European manufacturing. Germany's automotive sector lost approximately 51,50 in just one year, equivalent to 6.7% of the industry's total employment.

Volkswagen's global deliveries grew by 1.5% in the first half of 2025, while its deliveries in the U.S. dropped by nearly 10%. The 15% tariff has completely erase price competitiveness of Germany's advantageous products like cars and machin the American market.

Faced with this double squeeze of internal high costs and external high tariffs, **sı Germans began their self-rescue long ago.** Their strategy is not to stay on the si ship waiting for rescue but to bet their future on the East—in Taicang, China.

The output per mu(0.067 hectare) of land for German companies in Taicang reacl million yuan, with profit of 1.5 million yuan and tax revenue of 1.1 million yuan. Behind these figures lies German companies' shrewd calculation of cost-effectiv

"Currently, 600 local enterprises in Taicang have entered the supply chains of Ge firms, and over 800 institutions are cooperating with German companies in R&D talent, and capital," revealed Zhang Luoyin, a relevant person in charge of the Ta

High-Tech Zone. This number sketches the complete ecosystem German manufacturing has built in China.

03 The Taicang Model: From “Master Apprentice” to “Reverse Global Output”

At the Taicang Sino-German Cooperation Exhibition Center, a map dotted with markers vividly illustrates what “**industrial chain symbiosis**” means. About 70% German-funded enterprises focus on the automotive industry chain, creating the unique scene of “one industrial chain gathered along one street.”

Schaeffler Group, the German enterprise that started with a small factory of just 30 people in Taicang 30 years ago, now employs 19,000 people in China, with 6 R centers and 17 factories. Behind 13 consecutive capital increases lies German manufacturing’s firm confidence in the Taicang model.

The essence of the Taicang model lies in “two-way empowerment” and “innova feedback.” A relevant person in charge of Schaeffler admitted frankly: “It used to ‘master-apprentice’ model. But now, especially in the field of new energy vehicle technology and products from Schaeffler’s Chinese factories can already feed bac other global factories.”

This shift marks a fundamental change: Taicang is no longer a “low cost area” fo foreign capital but an “innovation highland” and a “global node” in the global lay foreign enterprises.

Bona Environmental Equipment supplies products not only for Chinese clients for the entire Asia-Pacific region; the Asia Regional R&D Center established by t **fischer Group** in Taicang serves markets in China, Southeast Asia, India, and the Middle East.

04 The Logic Behind the Data: 92% of German Firms Choose to Deepen Roots in China

According to the German Chamber of Commerce in China's 2024/25 Business Confidence Survey Report, over half of the surveyed German companies plan to increase investment in China in the next two years, **92% stated they would conti deepen their presence in the Chinese market**, with no plans to leave.

This figure rose further to **93%** in the 2025/2026 report. Meanwhile, the EU is urg drafting "Made in Europe" laws, attempting to protect homegrown industries by setting thresholds for foreign investment, but this seems more like a sinking shi trying to patch holes.

China's appeal to German companies lies not only in its market size but also in i well-developed industrial ecosystem and cost advantages. Within a 4-kilometer r of Taicang, over 40 foreign-invested enterprises are concentrated. Taking one bu can almost assemble the entire electric drive system for a new energy vehicle.

This kind of industrial agglomeration effect is becoming increasingly rare in Eu According to EU Commission documents disclosed by Germany's **Bild**, one-qua German SMEs are considering moving production lines abroad, especially in ene intensive industries.

05 The Future Landscape: Europe's Decline and the Rise of the

European manufacturing faces a triple blow: exorbitant internal energy costs, th industrial siphon effect of the U.S. Inflation Reduction Act, and China's rapid ris emerging fields.

While the EU is still debating "de-risking," **German companies have voted with feet**. Volkswagen Group launched a full-process R&D and testing center in Hefei Anhui, achieving end-to end development of a new car platform "from concept t market launch" outside its German headquarters. The Bosch Group plans to inve billion yuan over the next 5 years to build an intelligent driving control industry innovation R&D project in Suzhou.

Taicang's success is not accidental but a rational strategic choice by German manufacturing. It offers not only energy costs at one-third to one-fifth of Europe also complete supply chains, efficient infrastructure, and sustained innovation capability.

Europe's "re-industrialization" slogan has been chanted for years, but the reality that since 2012, the share of EU manufacturing value added in GDP has decrease rather than increased. Meanwhile, the cluster of German companies in Taicang i growing at a rate of about 30 firms per year.

When **Brose** holds its annual supplier conference in Taicang, when **Schaeffler** ac a 95% localization rate for its supply chain, when **Crown Bioscience** establishes a AAALAC-accredited international laboratory in Taicang, Germany's industrial "backup" has transcended simple capacity transfer.

The sinking of European manufacturing is not a prophecy but a fact in progres layout of German companies in China is not a temporary risk hedging measure b strategic bet on the future.

In Taicang, Germans did not wait for Europe's recovery but built their own indus ark with their own hands. While Europe is still debating the pros and cons of protectionism, 560 German companies have completed the remarkable transforn from "Made in Europe" to "Intelligent Manufacturing in China" at the mouth of Yangtze.

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