German companies in competition with China

DIHK Special Survey 2026

DIHK German Chamber of Commerce and Industry

IHK German Chambers of Commerce and Industry

Summary

Competition from Chinese suppliers is becoming an increasing challenge for German companies: German firms are losing market share to Chinese competitors in Germany, within the EU single market, in China and in third-country markets. This is putting increasing pressure not only on the vital export sector, but also on Germany as an industrial location as a whole.

Two-thirds of companies are increasingly feeling competitive pressure from Chinese rivals. More than a third of firms rate this competition as strong or very strong. The pressure is particularly acute in the Manufacturing Industry and amongst companies that have invested in China or established their own operations there. However, even companies with no direct business links to China are feeling the growing competition, albeit to a lesser extent.

Competitive pressure is perceived more strongly within the EU single market than in third-country markets. Industrial firms in the European single market are currently under particular pressure, whilst the retail sector perceives Chinese competition primarily on the domestic market. Companies that have invested in China and set up their own operations there feel the competitive pressure most acutely within the Chinese domestic market. The open-ended responses indicate that Chinese companies have long since ceased to compete solely on price. They are technologically strong, innovative and increasingly present on the international stage. At the same time, many German companies also complain of distortions of competition on the Chinese side.

Innovation as the key response to increasing competition: Withdrawing from highly competitive business sectors is out of the question for the vast majority of companies (88 percent). Instead, three in five companies are focusing on product innovation, half are focusing on cost reduction (50 percent), and 39 percent are stepping up their search for new markets to counter the growing competition from China. Around a third are cooperating with Chinese partners.

Above all, companies expect Europe to adopt a united approach: two-thirds of companies call for the EU to present a united front towards China (67 percent). 60 percent state that the EU should reduce strategic dependencies, whilst just under half would like to see Chinese companies excluded from critical infrastructure. More than one in three companies advocates stricter restrictions on Chinese competitors' access to the EU single market. Thirty-one percent of companies are in favour of more robust trade defence measures. At the same time, a quarter of companies are in favour of removing mutual trade and investment barriers, and almost one in five companies are in favour of facilitating innovation partnerships. German companies therefore continue to see benefits in cooperation for mutual gain, provided that the same rules apply to all market participants.

Countering distortions of competition with stronger EU measures: 55 percent agree or tend to agree with stronger trade policy measures towards China, even if their own company were to suffer negative consequences. In addition to trade defence measures, this could also include other measures, such as the introduction of EU preferences. 37 percent tend to disagree or completely disagree; eight percent did not give an opinion. One thing is clear: the EU should not sit back and wait, but should take an active role in trade policy.

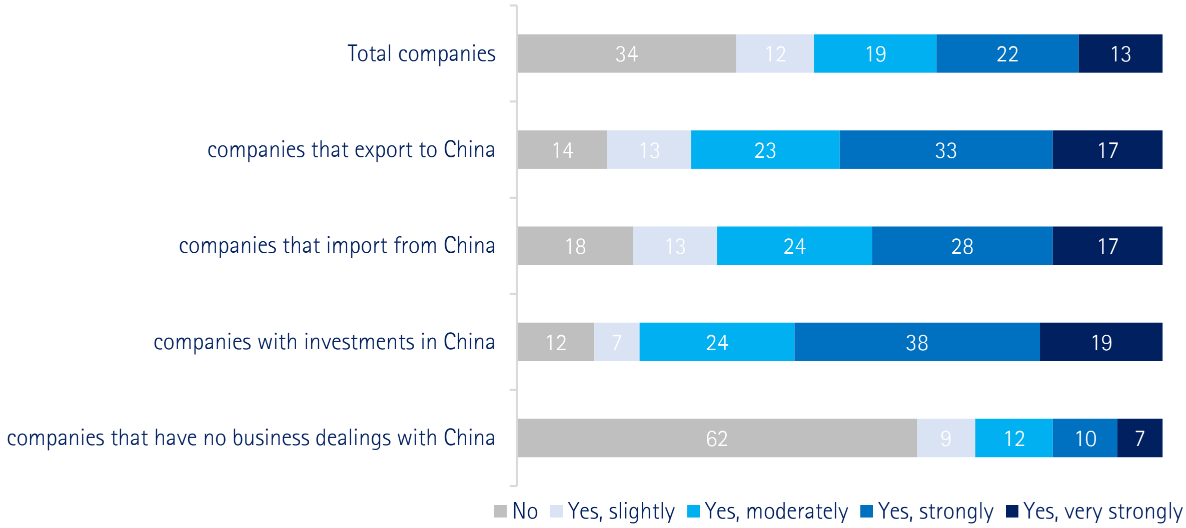
The German economy is currently adapting to a new competitive reality. Chinese manufacturers have caught up enormously in terms of quality and technology. For many companies, China is simultaneously a sales and procurement market, a partner and a competitor. It is precisely for this reason that companies expect a more active European economic and trade policy.

Intensified competition is affecting the economy across the board

Two-thirds of the companies that responded are experiencing growing competition from Chinese rivals. A third of these perceive the growing competition as strong (22 percent) or very strong (13 percent). Nineteen percent rate it as moderate, and twelve percent as low.

The proportion is particularly high in the Manufacturing Industry: there, 83 percent report increasing competitive pressure, with 50 percent perceiving it as strong or very strong. Chinese machinery and automotive manufacturers are competing with German companies in key sectors. In the retail sector, 73 percent perceive growing competition. Other service providers, as well as companies in the transport and logistics sectors, are affected significantly less frequently, at just under a third in each case.

Proportion of companies experiencing growing competition from Chinese rivals
in percent



The nature of a company's business relationship with China influences the extent to which it feels the increasing competitive pressure from China. At 88 percent, companies with investments or their own sites in China feel the growing competition from Chinese rivals most acutely. The figure stands at 86 percent for companies with export business to China and 82 percent for those with import business. Even companies without direct business relations with China are feeling the growing competition from Chinese rivals in their business activities. More than one in three of these companies are feeling the growing competition from China (38 percent).

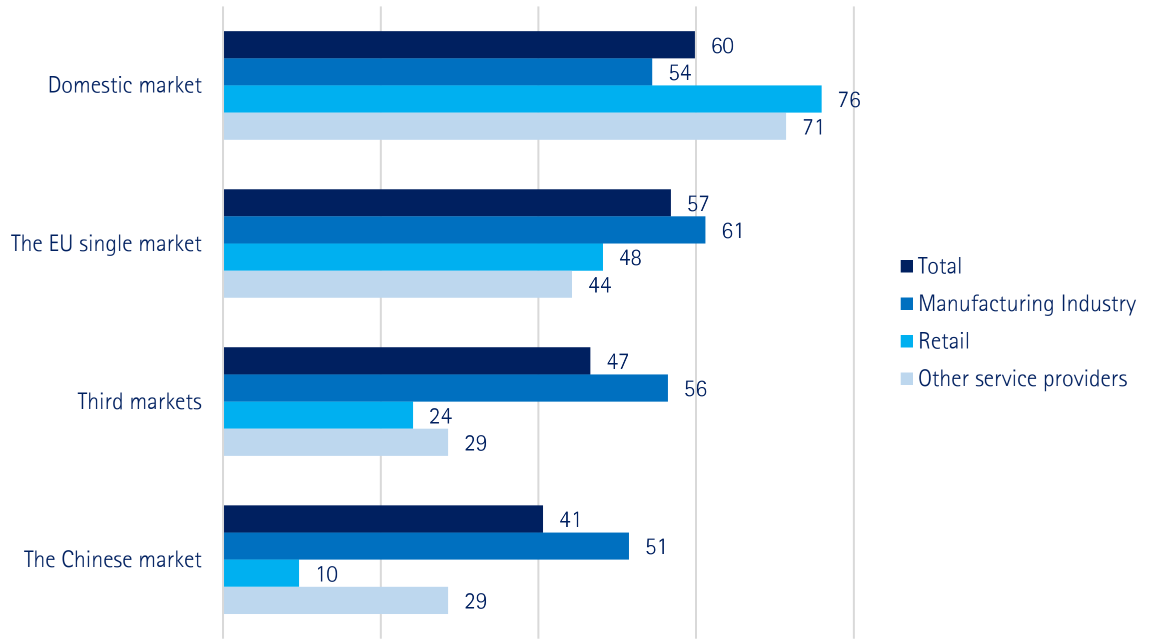
China accounts for more than 14 percent of global exports of goods. Consequently, mounting competitive pressure is also being felt by companies with no direct business in China: in the Manufacturing Industry, 53 percent of companies report feeling increasing competition from Chinese rivals. The figure is similar in the retail sector (52 percent).

Competitive pressure is evident across all major markets

Companies that perceive increasing competitive pressure are feeling it across a wide range of markets: locally in the Chinese market, in third-country markets, but also in the EU single market and domestically. Manufacturing firms in particular are feeling the increasing competitive pressure from Chinese suppliers across all markets – to a similar degree.

Retail companies are exposed to increased competition primarily in the domestic market (76 percent), but not to the same extent in the Chinese market (ten percent). The focus here is particularly on competition from both high-street and online retailers with Chinese platforms specialising in small-item shipments. In their open-ended responses, companies particularly cite competitive disadvantages arising from the inadequate enforcement of product and safety standards for Chinese imports. The EU has already recently implemented the abolition of the European de minimis duty exemption through a customs reform and is planning further tightening of regulations in this area.

In which markets do companies feel competitive pressure from Chinese suppliers?
Figures in percent, multiple responses permitted, data from companies facing growing competition

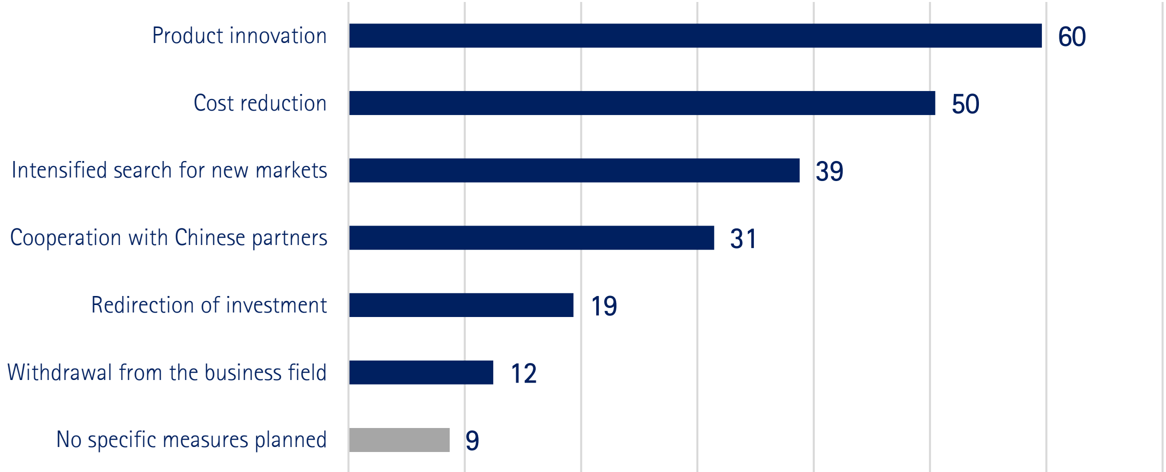


Innovation as the most important response to increasing competition

The companies affected are responding to the growing competition primarily by taking measures to strengthen their own competitiveness. Three in five companies are focusing on product innovation, whilst 50 percent are focusing on cost reduction. 39 percent are stepping up their search for new markets. Almost one in three companies is cooperating with Chinese partners; amongst companies that source goods and intermediate inputs from China, the figure is as high as one in two (49 percent). Overall, nearly one in five German companies plans to relocate its investments due to growing competition from China (19 percent). Among companies with investments or sites in China, the figure is as high as 38 percent – twice as many.

Withdrawing from their current business sector in response to increasing competitive pressure from Chinese manufacturers is not an option for the vast majority of companies. Only 12 percent of companies are abandoning their business field due to growing competition.

How are companies responding to increasing competition from China?
Figures in percent, multiple responses possible, data from companies facing growing competition



Above all, companies expect a united Europe

Two-thirds of companies want the EU to adopt a unified approach to foreign trade. 60 percent state that the EU should reduce strategic dependencies, whilst just under half would like to see greater protection for critical infrastructure. The majority of companies therefore want Europe to be able to act effectively in dealing with growing competition from China and to adopt a strategy that makes Europe more resilient and less vulnerable.

What economic policy measures should the EU take with regard to China?
Figures in percent; multiple responses permitted

By contrast, more restrictive trade policy instruments receive less support: only 36 percent are in favour of more restricted access to the EU single market. Looking solely at those companies that are feeling the pressure from the single market, more than two in five are already calling for it to be closed off more tightly (42 percent). Just under a third are in favour of a more market-determined euro/renminbi exchange rate (31 percent), whilst an equal number support stronger trade defence measures. At the same time, a quarter of companies advocate the removal of mutual trade and investment barriers, and just under one in five companies favour facilitating innovation partnerships. Out of concern over retaliatory measures, seven percent reject additional market interventions.

The preferred measures vary depending on the company's focus. Companies with no business in China cite the reduction of strategic dependencies (64 percent) and the exclusion of Chinese companies from critical infrastructure projects (54 percent) with above-average frequency. By contrast, companies with export business to China, as well as those with investments or operations in China, are more likely to favour the removal of trade and investment barriers (32 percent and 38 percent respectively) and a more market-determined euro/renminbi exchange rate (41 percent and 43 percent respectively). Here, the focus is more on creating a level playing field.

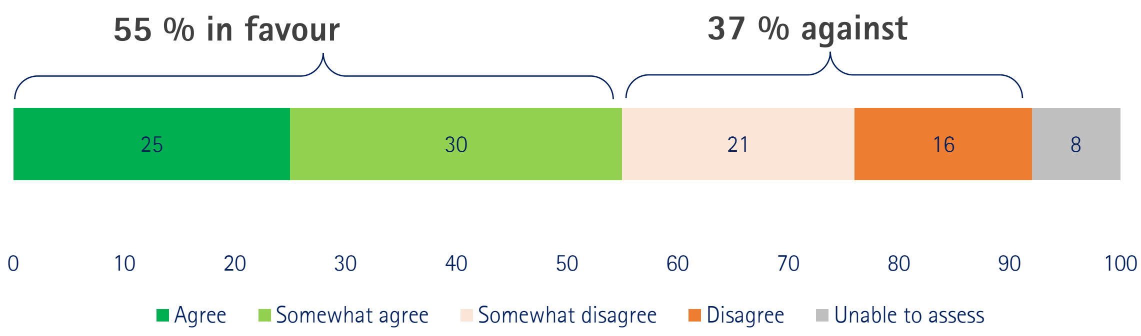
This is also supported by the open-ended responses, which some companies used to suggest further measures. In these responses, the companies advocate strengthening the competitiveness of Germany and Europe as business locations. They mention reducing bureaucracy and lowering the costs of doing business. Some companies call for a level playing field, with fair competitive conditions and the same regulatory requirements for Chinese suppliers as for European companies. In addition, companies would like to see stronger incentives for innovation, targeted support for future technologies and a more active industrial policy at European level.

The EU should be more active in trade policy rather than remaining passive.

55 percent of companies are in favour of the EU introducing stronger trade policy measures against China to counter distortions of competition, even if their own company were to be affected by negative consequences:

Overall, 25 percent agree with stronger measures against China, whilst a further 30 percent tend to agree. Just over a third tend to oppose stronger trade policy measures: 16 percent disagree with the statement, whilst a further 21 percent tend to disagree. The results show that a majority want a level playing field with China, but there is no broad consensus on which EU measures would be most effective in achieving this.

"Should the EU introduce tougher trade measures against China to counter distortions of competition, even if my company were to be affected by negative consequences (e.g. administrative costs, higher prices, tariffs, retaliatory measures, supply bottlenecks)?"
Figures in percent



It is worth noting that companies with no direct business in China are more likely to support such trade policy measures (58 percent) than companies that engage in export or import trade (54 percent and 52 percent respectively). Among companies with investments or their own operations in China, the ratio of support to opposition is almost evenly balanced (49 percent in favour, 46 percent against).

Differences are also evident across sectors. In the Manufacturing Industry, approval stands at 59 percent, which is above the overall result. In the retail sector, 51 percent are in favour, compared with 40 percent who are against. These differences illustrate that stronger measures are assessed differently depending on a company's market position and business model.

Among companies that perceive growing competition from Chinese rivals, 59 percent support stronger trade policy measures, even if these could have a negative impact on their business. It is noteworthy that even among companies that do not perceive any direct competitive pressure from China, support for stronger trade policy measures stands at 46 percent.

Price and cost pressures characterise competition with China

A closer look at the individual descriptions of competitive situations reveals that the cause of competitive problems is often seen not solely in China, but equally in European locational disadvantages such as bureaucracy and energy costs.

It must be emphasised that respondents frequently assess that China has caught up significantly in terms of innovation and quality. The quality advantage enjoyed by German companies is often insufficient to offset the cost disadvantage. In some cases, the quality of Chinese manufacturers is on a par with that of German companies. In some sectors, such as electric mobility, China has even achieved technological leadership. In addition, the open-ended responses essentially highlight six further points raised by the companies:

1. German companies face significantly higher energy and labour costs than their Chinese competitors.
2. German and European companies are faced with a multitude of regulations, requirements and reporting obligations (e.g. CBAM, PPWR, CSRD, CSDDD, EUDR)[1], which do not affect Chinese manufacturers, or affect them to a lesser extent, or are not sufficiently monitored. This applies in particular with regard to product and safety standards on online platforms.
3. The Chinese government's 'China First' policy makes it difficult for German companies to gain access to the Chinese market, for example through discrimination in public procurement. Even outside the realm of public procurement, German companies feel increasingly disadvantaged.
4. The undervalued renminbi and Chinese subsidies give Chinese exporters an unfair competitive advantage.
5. China can use its dominant position in raw materials to give its own companies preferential access to critical raw materials.
6. German companies are frequently exposed to illegal product counterfeiting and the theft of intellectual property.

However, some of the feedback also shows that many companies rely on cheap intermediate goods from China or favourable production conditions at Chinese sites in order to remain competitive overall.

[1] CBAM: Carbon Border Adjustment Mechanism (CO_2 border adjustment mechanism); PPWR: Packaging and Packaging Waste Regulation; CSRD: Corporate Sustainability Reporting Directive; CSDDD: Corporate Sustainability Due Diligence Directive; EUDR: EU Deforestation Regulation.

Tables

Does your company feel increasing competition from Chinese rivals?
Figures in percent

Sector	Total	Manufacturing Industry	Retail	Construction	Transport	Other Service providers
No	34	17	27	67	68	70
Yes, low	12	11	20	13	5	9
Yes, moderately	19	22	25	5	17	9
Yes, very	22	32	16	10	5	8
Yes, very strongly	13	18	12	5	5	4
Total Yes	66	83	73	33	32	30

China business	Total	of which companies exporting to China	of which companies importing from China	of which companies with investments in China (operations)	of which companies with no business relationship with China
No	34	14	18	12	62
Yes, low	12	13	13	7	9
Yes, moderately	19	23	24	24	12
Yes, strong	22	33	28	38	10
Yes, very strongly	13	17	17	19	7
Total Yes	66	86	82	88	38

In which markets does your company feel competitive pressure from Chinese suppliers?
Figures in percent, multiple answers permitted, data from companies facing increasing competition

Sector	Total	Manufacturing Industry	Retail	Construction	Transport	Other Service providers
Domestic	60	54	76	50	60	71
In the EU single market	57	61	48	55	40	44
On third markets	47	56	24	40	5	29
On the Chinese market	41	51	10	20	30	29

Business in China	Total	of which companies exporting to China	of which companies importing from China	of which companies with investments in China (operations)	of which companies with no business relationship with China
Domestically	60	49	71	53	78
In the EU single market	57	59	73	60	48
On third markets	47	61	60	65	18
On the Chinese market	41	67	46	77	4

How is your company responding to increasing competition from China?
Figures in percent; multiple responses permitted

Sector	Total	Manufacturing Industry	Retail	Construction	Transport	Other Service providers
Product innovation	60	66	41	60	30	56
Cost reduction	50	58	32	50	25	36
Intensified search for new sales markets	39	45	20	20	25	34
Cooperation with Chinese partners	31	31	33	10	40	40
Shift in investment	19	23	8	25	20	11
Withdrawal from the business segment	12	13	11	15	15	13
No specific measures planned	9	5	19	10	5	13

China business	Total	of which companies exporting to China	of which companies importing from China	of which companies with investments in China (operations)	of which companies with no business relationship with China
Product innovation	60	67	72	72	43
Cost reduction	50	56	65	69	36
Intensified search for new sales markets	39	46	47	44	30
Cooperation with Chinese partners	31	35	49	44	8
Shift in investment	19	22	26	38	14
Withdrawal from the business segment	12	11	13	6	18
No specific measures planned	9	6	6	3	18

What economic policy measures should the EU take with regard to China?
Figures in percent; multiple answers permitted

Sector	Total	Manufacturing Industry	Retail	Construction	Transport	Other Service providers
Working together and coordinated approach	67	69	63	57	67	65
Reducing strategic dependencies (e.g. through supply chain diversification)	60	62	54	67	60	62
Strengthen trade defence measures (e.g. by imposing customs duties)	31	36	33	27	11	18
Restrict access to the EU single market more strictly ("Buy European")	36	40	34	38	24	28
Exclude Chinese companies from critical infrastructure projects	49	50	41	65	49	50
No market intervention due to concerns about retaliatory measures	7	7	9	3	8	7
Mutual trade and investment barriers remove	25	26	25	11	25	28
German-Chinese innovation partnerships facilitate	18	16	19	13	16	26
Advocate for a free – and therefore fairer – euro/renminbi exchange rate	31	36	26	13	24	27
Cannot be assessed	6	3	6	13	8	9

China business	Total	of which companies exporting to China	of which companies importing from China	of which companies with investments in China (operations)	of which companies with no business relationship with China
Acting jointly and coordinated approach	67	73	71	76	58
Reducing strategic dependencies (e.g. through supply chain diversification)	60	59	59	59	64
Strengthen trade defence measures (e.g. by imposing customs duties)	31	31	32	30	30
Restrict access to the EU single market more strictly ("Buy European")	36	37	36	37	36
Exclude Chinese companies from critical infrastructure projects	49	49	48	46	54
No market intervention due to concerns about retaliatory measures	7	9	11	9	4
Mutual trade and investment barriers remove	25	32	28	38	16
German-Chinese innovation partnerships facilitate	18	22	22	25	13
Advocate for a free – and therefore fairer – euro/renminbi exchange rate	31	41	36	43	19
Cannot be assessed	6	2	2	1	12

Assessment of the statement on tougher measures against China

Sector	Total	Manufacturing Industry	Retail	Construction	Transport	Other Service providers
Agree	25	27	26	35	11	21
Tend to agree	30	32	25	24	35	29
Tend not to agree	21	22	20	11	29	20
Disagree	16	15	20	11	14	15
Cannot be assessed	8	4	9	19	11	15

China business	Total	of which companies exporting to China	of which companies importing from China	of which companies with investments in China (operations)	of which companies that have no business relationship with China
Agree	25	20	22	24	30
Somewhat agree	30	34	30	25	28
Tend not to agree	21	26	24	27	15
Disagree	16	17	19	19	12
Cannot be assessed	8	3	5	5	15

Questionnaire

1. Is your company experiencing increasing competition from Chinese rivals?

- No
- Yes, to a small extent
- Yes, moderate
- Yes, strong
- Yes, very strong

1.a. In which markets does your company feel competitive pressure from Chinese suppliers? (only if 'Yes' was selected for question 1; multiple selections possible)

- Domestically
- In the EU single market
- On the Chinese market
- In third-country markets

1.b. How is your company responding to the increasing competition from China? (only if 'Yes' was selected in question 1; multiple answers possible)

- Cooperation with Chinese partners
- Intensified search for new sales markets
- Cost reduction
- Product innovation
- Redirection of investment
- Withdrawal from the business sector
- No specific measures planned

2. What economic policy measures should the EU take with regard to China? (Multiple answers possible)

- Adopt a joint and coordinated approach to foreign trade
- Reduce strategic dependencies (e.g. through supply chain diversification)
- Strengthen trade defence measures (e.g. by imposing tariffs)
- Restrict access to the EU single market more strictly ('Buy European')
- Exclude Chinese companies from critical infrastructure projects
- No market intervention, due to concerns about retaliatory measures
- Remove mutual trade and investment barriers
- Facilitate German-Chinese innovation partnerships
- Advocate for a free – and therefore fairer – EUR/renminbi exchange rate
- No assessment possible
- Other (free text)

3. How do you assess the following statement:

"The EU should introduce stronger trade policy measures against China to counter distortions of competition, even if my company were to be affected by negative consequences (e.g. administrative costs, higher prices, tariffs, retaliatory measures, supply bottlenecks)?"

- Agree
- Tend to agree
- Tend not to agree
- Disagree
- Unable to assess

4. Free text: Would you like to explain in more detail your company's competitive situation in relation to Chinese suppliers?

Methodology

The results are based on a survey conducted by the DIHK and the IHKs amongst their committee members.

Between 20 July and 10 August 2026, 1,325 companies took part.

Broken down by economic sector, the responses were distributed across the Manufacturing Industry (55 percent), construction (five percent), retail (17 percent), transport and logistics (five percent), other service providers (18 percent) and the hospitality sector (less than one percent).

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