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RESEARCH INSTITUTE

The resurgence of manufacturing

Reindustrialization strategies in Europe and the US – 2026

Make it real.

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Who should read this report and why?

This report is the third edition in an annual research series offering critical insight into reindustrialization in Europe and the US. It examines the evolution of organizational strategies and initiatives over the past 12 months, while also exploring new drivers of reindustrialization, such as sovereignty, trade restrictions/tariffs, national and economic security, and rising energy challenges. It also looks at the role of technology in enabling and accelerating reindustrialization.

Business and technology leaders across manufacturing, operations, supply chain, procurement, R&D/innovation, finance, and human resources will find value in this report.

It will also be of interest to CEOs and European and US policymakers, as well as investors and analysts who want a holistic view of this highly relevant topic.

This report draws on findings from an **industry survey of more than 1,200 senior executives** (director level and above) from organizations with annual revenue above $1 billion, across 13 sectors and 11 countries in the US and Europe, as well as **in-depth interviews with senior executives** from these industries. We conducted the global survey between January 2 and February 3, 2026. For more details, please refer to the research methodology section at the end of the report.

Executive summary

Reindustrialization remains a strategic priority to strengthen sovereignty and resilience, even as planned investments wane

Since 2024, the case for reindustrialization has strengthened steadily as crises in various forms – from COVID-19 to the Russia–Ukraine war and, more recently, the tensions in the Middle East – expose supply-chain fragility and establish uncertainty as a norm. Organizations are increasingly shifting from cost optimization to pragmatic sovereignty, resilience, and long-term competitiveness.

In 2026, nearly three-quarters of organizations have a reindustrialization strategy in place or are developing one, reflecting a strong pivot toward greater sovereignty and control over manufacturing and supply chains.

Organizations are prioritizing strategic benefits of reindustrialization - such as resilience, enhanced market access, sustainability and improved operational flexibility, over pure cost savings. In fact, **seven in ten organizations believe improved supply-chain resilience justifies their reindustrialization investments,** and a similar share believes reindustrialization will improve sustainability. Notably, **sustainability is emerging as a reinforcing outcome of reindustrialization,** with practices such as circular manufacturing strengthening supply-chain resilience and operational sovereignty.

However, despite strong reindustrialization priorities in place, the planned investments (outside a few highly strategic areas such as semiconductors and defense) show a decline in the face of policy and tariff uncertainty, bleak economic climate, and tighter capital allocation.

The approach to reindustrialization varies by region

- **Nearly half (48%) of US organizations have invested in reshoring** in 2026, compared with 30% in 2025, with federal policies, tariffs, and incentives further shaping reindustrialization decisions toward domestic production.

  Non-US organizations (notably from Europe, Japan, Korea, and Taiwan) are also significantly scaling US investments to secure market access and stability. However, tariffs can have both positive and negative implications for reshoring business cases. While some organizations may benefit from domestic shoring by avoiding tariff-related costs, others may experience significant increases in input costs.

Executive summary

- **European organizations are more inclined toward friendshoring, with 64% using this approach.** This preference is driven by elevated energy prices, higher labor costs, modest productivity growth, and complex, fragmented regulatory requirements within their domestic markets.

  However, proposed and in-force policies, such as the Industrial Accelerator Act (IAA), Competitiveness Compass, the Net Zero Industry Act (NZIA), Clean Industrial Deal and the Critical Raw Materials Act (CRMA) are targeted at addressing these underlying challenges and strengthening EU industrial resilience and competitiveness.

  European organizations are, in fact, adopting a hybrid approach, seeking to balance risk, cost competitiveness, and capability.

- Among non-domestic locations, India, Vietnam, Mexico, and Canada are the top reindustrialization destinations. For example, 82% of surveyed organizations are either planning to expand or maintain investments in India.

China remains key, with firms selectively rebalancing operations to manage sovereignty considerations without eroding competitiveness

- **64% of organizations are maintaining or increasing investments in China** (including for local/regional/global supply chains).

  Organizations are strategically rebalancing operations with China depending on destination markets, and exploring different collaboration models to leverage scale, cost advantages, and innovation, while mitigating risk exposure. Also, the strategies vary by industry—for example, A&D prioritizes security and IP protection, while electronics and consumer goods pursue "China-plus-one" strategies.

- Chinese firms are also expanding their presence in the West, to stay close to end-markets, mitigate trade and tariff risks, and embed themselves advanced manufacturing value chains.

  EU and US policymakers aim to balance this openness and investment flows with technology protection, supply security, and strategic sovereignty by tightening FDI screening, and local-content rules, as evidenced by EU's IAA. In parallel, anchored in its 15th Five-Year Plan (2026–2030), China is pivoting toward technological self-reliance and scaling next-generation industries—opening selective collaboration opportunities for US and EU firms, while intensifying competition as Chinese players move up the value chain.

Executive summary

Technology, especially AI, act as a catalyst for reindustrialization

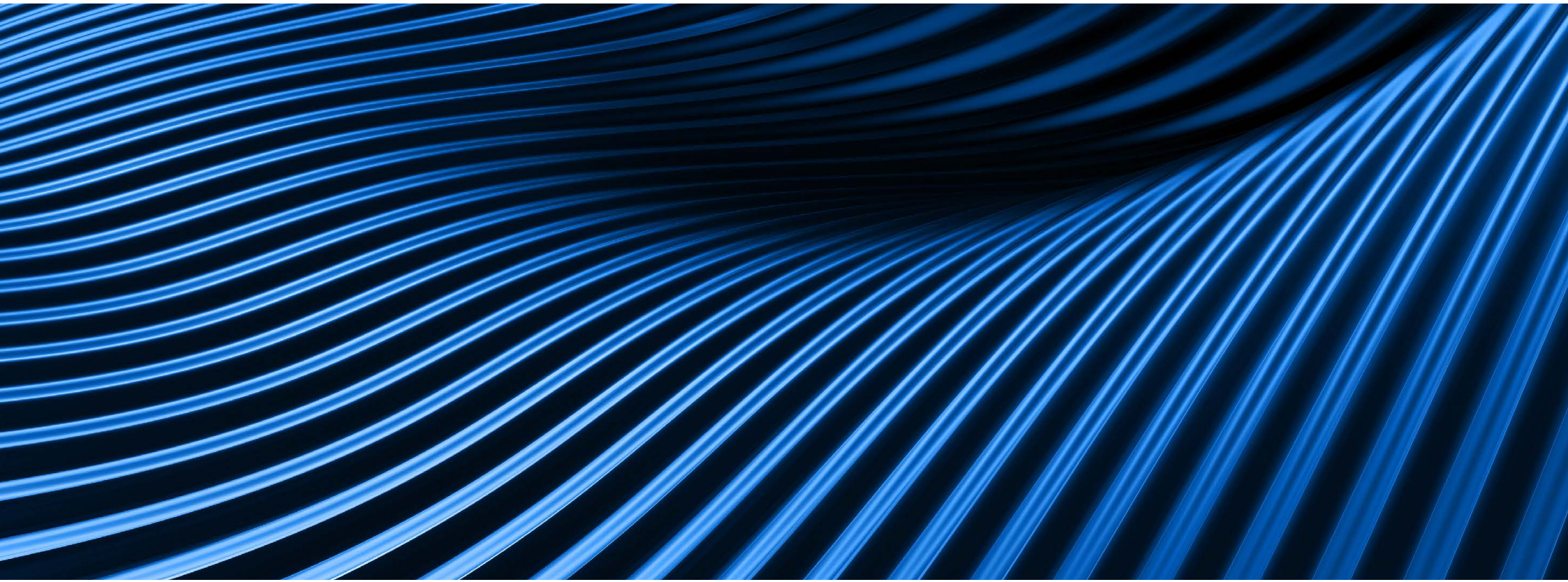
- AI (including generative and agentic AI), automation, robotics, digital twins, Industrial Internet of Things (IIoT), and edge computing can help tackle labor shortages and improve productivity, but also reduce time-to-market, enable flexible production lines, boost quality, and improve resilience. Production planning, supply-chain risk modeling/scenario modeling, and workforce optimization are some of the high-impact use cases of agentic AI in manufacturing
- Organizations are setting up tech-intensive greenfield factories in semiconductors, electronics, and electric vehicles (EVs).
- However, a shortage of skilled industrial and digital talent is a significant constraint on scaling reindustrialization.

Building a resilient and adaptive manufacturing and supply chain ecosystem

To build operational resilience and competitiveness amid geopolitical, logistical, regulatory, or demand driven disruptions, organizations should:

- Evaluate reindustrialization decisions using a **holistic value framework** that balances cost, resilience, innovation, and competitiveness
- Shift toward hybrid rightshoring strategies, adopt capital-efficient production models, and strengthen **operational sovereignty** by reducing dependence on single suppliers, regions, or external production ecosystems
- Build **adaptive and digitally-native manufacturing systems** supported by an AI-enabled architecture that integrates engineering, production, supply chain, and service operations into a cohesive data environment
- Harness **sustainable manufacturing to strengthen industrial resilience** and sovereignty
- Develop **hybrid workforce skills** and create an operating culture that supports effective human-AI teaming.

Note: The findings in the report reflect cross-sector and cross-regional trends, unless specified otherwise. The report also includes dedicated sections on life sciences, defense, semiconductors, and automotive to highlight sector-specific nuances.



Defining reindustrialization

We define “reindustrialization” as the shifting of an organization’s manufacturing or supplier base, completely or partially, to its home country or to nearshore/ friendshore locations.

Below are the definitions of key terms used in this report:

Reshoring

Bringing part of the manufacturing/production/ supplier base/service providers back to the home country.

Nearshoring

Relocating part of the manufacturing/production/ supplier base/service providers to a nearby or neighboring country.

Friendshoring

Relocating part of the manufacturing/production/ supplier base/service providers to countries that are geopolitical or trade allies of the organization's home country.

01 Reindustrialization is a boardroom priority, but investments are on the wane

Reindustrialization is a strategic focus

The concept of reindustrialization (which we define as the reconfiguration of global supply chains and manufacturing capacity, often with the aim of bringing them closer to domestic markets) has gained momentum in the past couple of years. In the first and second reports of the reindustrialization series, we highlighted how a series of crises since 2020 brought organizations to reconsider supply chain dependencies and make investments in domestic or nearby strategic capabilities.

The pandemic exposed critical vulnerabilities in global supply chains, prompting organizations to build resilience, as well as pushing governments to support reshoring. Today, the drive for sovereignty and strategic autonomy, particularly in critical industries[1], has pushed nations to roll out large scale policy targets and industrial strategies (e.g., semiconductor and clean-energy investment bills, defense build-ups, and the EU's target of 10% of strategic minerals mined domestically by 2030) with significant public funding to secure key sectors. The tensions in the Middle East injected new urgency by exacerbating volatility in global energy markets and disrupting maritime logistics across key chokepoints.

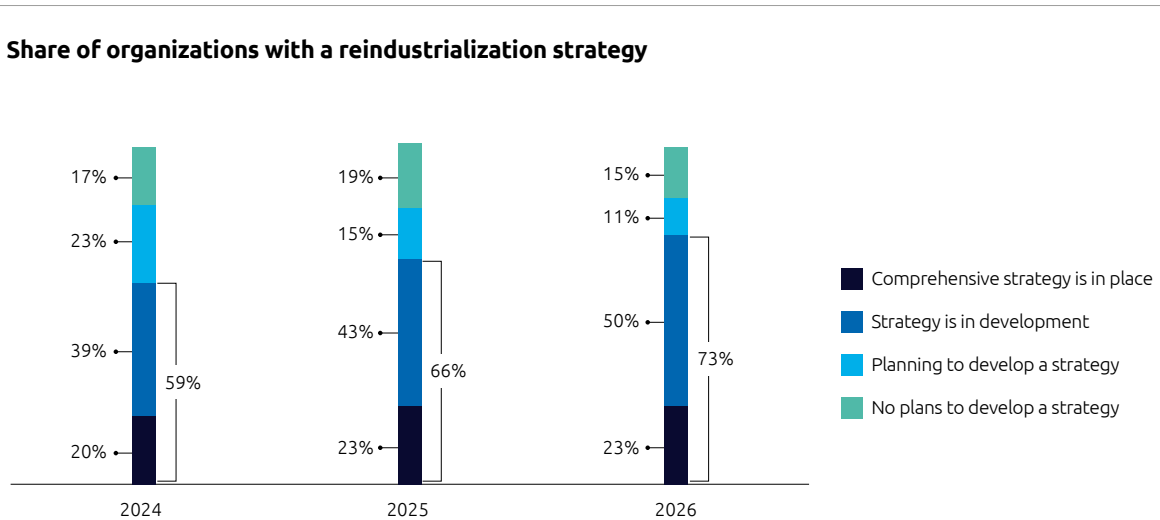
New tariffs, stricter local content requirements, and a rising wave of economic nationalism are adding further weight to the push for reindustrialization. In an environment where uncertainty has become structural, the push for resilience is a strategic imperative.

Today, almost three-quarters (73%) of organizations have a reindustrialization strategy in place or in development, up from 66% in 2025 and 59% in 2024.

73%

of organizations have a reindustrialization strategy in place or in development

Figure 1.
Strategic focus on reindustrialization continues to increase globally



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 1)*, February 2024, N = 1,563. executives; *Reindustrialization of Europe and the US (Edition 2)*, January 2025, N = 1,727 executives; *Reindustrialization of Europe and the US (Edition 3)*, January 2026, N = 1,428 executives.

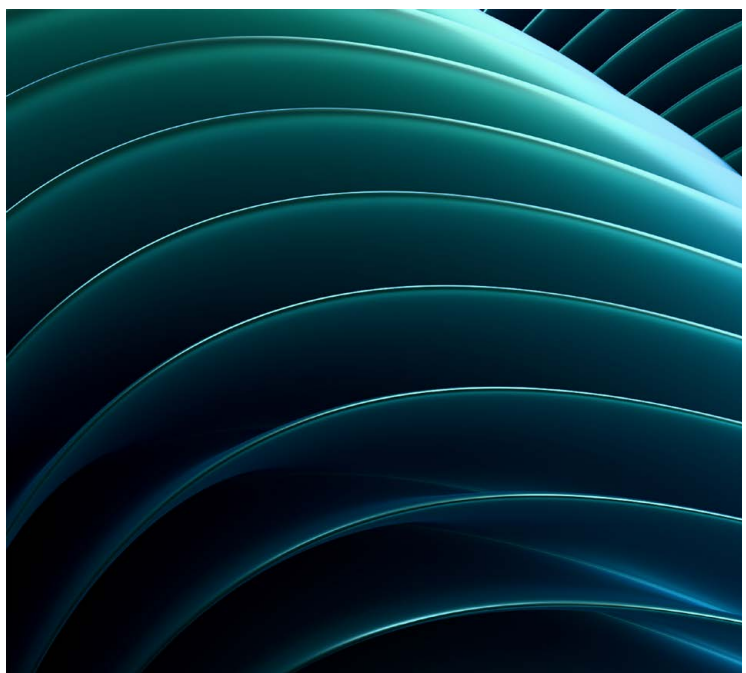
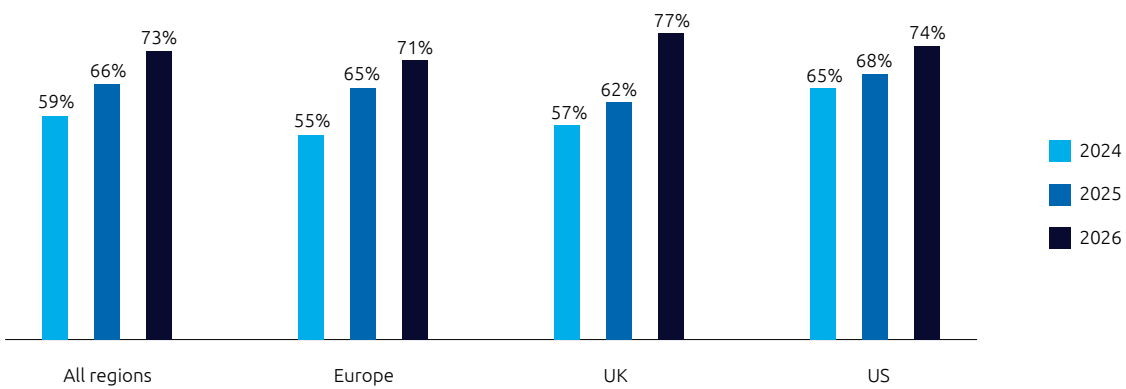


Figure 2.
Across regions, reindustrialization is gaining momentum

Share of organizations that have a comprehensive reindustrialization strategy in place or in development, by region



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 1)*, February 2024, N = 1,563 executives; *Reindustrialization of Europe and the US (Edition 2)*, January 2025, N = 1,727 executives; *Reindustrialization of Europe and the US (Edition 3)*, January 2026, N = 1,428 executives.

Reindustrialization aims to boost sovereignty, strengthen supply-chain resilience, and navigate tariffs and trade policies

Almost three-quarters (72%) of organizations are seeking **greater sovereignty or control** over essential raw materials, components, technologies, and production capabilities to avoid over-reliance on foreign suppliers and concentrated geographies. In addition, 62% report that **energy sovereignty** is critical to their business, and the Middle East conflict further underscores how exposed global energy markets remain, prompting businesses and governments to secure more stable, diversified, and domestically anchored energy sources.

Moreover, 66% highlight the criticality of sovereign tech capabilities. However, soaring demand for AI, compute power, and data-center capacity is raising questions around **technology sovereignty**, from ensuring access to reliable

“Reindustrialization is less about reversing globalization and more about correcting its vulnerabilities. It allows organizations to regain strategic sovereignty over critical materials and components, production capacity, energy, and technologies - while continuing to operate within global value chains that become more diversified, resilient, and risk-aware.”

Pierre Bagnon
Executive Vice President, Intelligent Industry Accelerator, Capgemini Invent

(and decarbonized) electricity to securing trusted domestic or allied capabilities in cloud, chips, data governance, and advanced computing infrastructure. In this context, reindustrialization is seen not just as an operational choice but as a **strategic imperative.**

Since the first edition of our study in 2024, **building supply-chain resilience** has consistently ranked as one of the top drivers of reindustrialization, reflecting a decisive shift from efficiency-first to resilience-first operating models. Organizations prioritize greater control over critical inputs, secure access to raw materials, and reduced exposure to single points of failure across global networks.

Another key factor is the **current geopolitical environment**, with as many as 85% of organizations saying it is pushing them toward domestic sourcing or production. Even while nearshoring or friendshoring, organizations increasingly favor locations with stable and predictable political environments.

Although reindustrialization often involves higher upfront investments, organizations expect stronger long-term return on investment (ROI). Consequently, **reducing total cost of ownership** (TCO) is also one of the key drivers, as shown in Figure 3 below and corroborated by the *2025 MEP National Network* report.[2] A significant 64% say they will continue reindustrialization, even if short-term costs rise and 78% anticipate offsetting these increases through economies of scale.

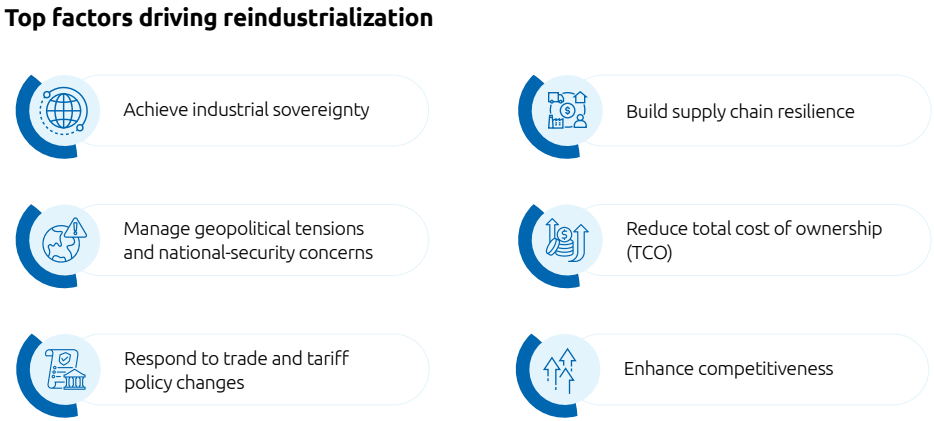
Trade and tariff dynamics are also prompting organizations to reconfigure manufacturing and supply chains. A reported 64% say import tariffs have accelerated their reindustrialization efforts. Our recent research revealed that leaders increasingly view trade disruptions as more destabilizing than global crises such as COVID-19 and the Russia–Ukraine war.[3] *(See the chapters on the US and Europe.)*

Beyond risk mitigation, organizations are pursuing reindustrialization to **strengthen long-term competitiveness**. Bringing production and sourcing closer to end-markets enables faster decision-making, shorter lead times, tighter quality control, and closer collaboration between R&D and manufacturing.

72%

seek **greater sovereignty or control** over essential raw materials, components, technologies, and production capabilities

Figure 3.
A mix of economic, operational, and market factors is shaping reindustrialization



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

The reindustrialization gap: Intent versus planned investment

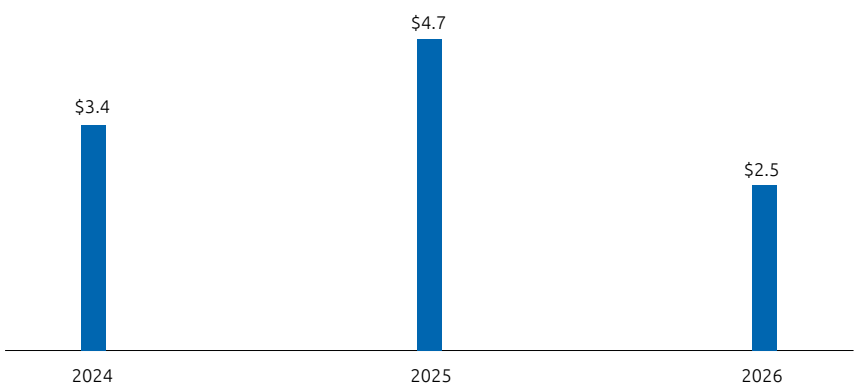
Despite strong strategic intent, overall planned investment levels for reindustrialization are declining. Notably, overall numbers of greenfield investments and project numbers in industries that rely heavily on the global value chain, such as automotive, machinery, and textiles, are on a downward curve. According to UN Trade and Development (UNCTAD), these trends reflect policy uncertainty, geopolitical tensions, and investor caution over long-term financing commitments.[4]

In contrast, data centers captured more than one-fifth of global greenfield investment in 2025, driven by surging demand for AI infrastructure and digital networks.[5] Similarly, national security priorities and the push to build domestic production capacity have boosted investment in strategic industries such as pharma, defense, and semiconductors.

**It is also important to note that while organizations are actively announcing reindustrialization investments/plans, these may not always translate into realized investments and should be interpreted with caution.*

Figure 4.
Planned reindustrialization investment shows a decline

Forecast cumulative investment in reindustrialization initiatives by all surveyed organizations over the coming three years, ($ trillion)



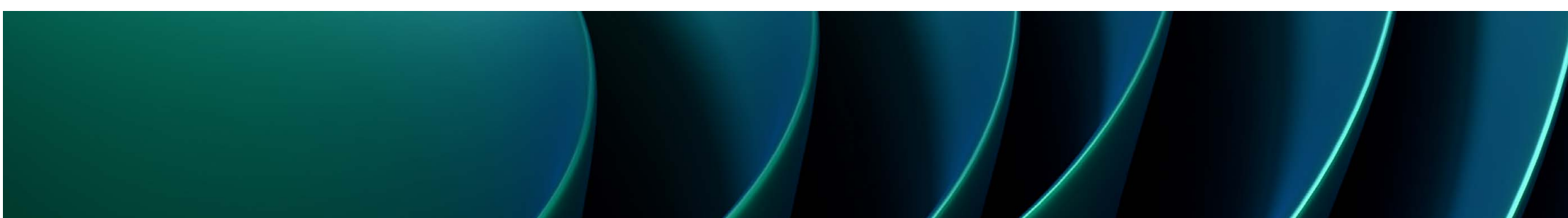
*The figures represent cumulative reindustrialization investments planned for the coming three years, as shared by all surveyed organizations. For 2026, N= 1208 is extrapolated to N=1401, to match the N for year 2025.
Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 1),* February 2024, N = 1,300 executives from organizations with a reindustrialization strategy in place or planned; *Reindustrialization of Europe and the US (Edition 2),* January 2025, N = 1,401 executives from organizations with a reindustrialization strategy in place or planned; *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Potential reasons for the decline in planned reindustrialization investments:

We primarily attribute the decline in planned investments in reindustrialization to the increasingly unstable geopolitical and business environment. Further, alternative reindustrialization pathways that require lower upfront capital, such as shared manufacturing infrastructure, and contract manufacturing partnerships, are also reducing the need for large greenfield investments.

- Geopolitical and policy volatility weakens the economy[6] and creates **uncertainty, stretching timelines and giving rise to a "no-regret" pipeline**. According to our survey results, eight in ten consider this a key challenge to reindustrialization.
- **Overall weak economic and investment conditions:** According to UNCTAD, investor caution has affected much of the economy, particularly industries dependent upon global supply chains (and consequently higher exposure to tariffs) – notably, textiles, machinery, and electronics – where project numbers fell 25%.[7]
- **Energy-price volatility** also has a dampening effect on reindustrialization investment. Europe's 2022–23 energy shock pushed gas and oil prices to record highs, raising costs and causing organizations to postpone or scale down capex plans.
- **Bigger initial investments** have already been committed **early in the cycle (in previous years)**; hence subsequent planned investments appear comparatively small.
- Organizations are decoupling access to manufacturing from ownership of manufacturing assets to reduce the need for high upfront capex investments:
  - › 60% are **sharing their manufacturing assets** (e.g., facilities, equipment, capacity)

    France's Renault announced a "strategic agreement" with Ford to develop and build two "affordable" EVs for the US marque. Renault will manufacture these two new models at its ElectriCity site in northern France. Ford will supply the designs, and the two organizations will develop the vehicles in collaboration. This partnership reflects Ford's desire to relaunch itself on the European market as economically as possible.[8]



John Deere, a US-based machinery manufacturer, and Tarter USA, an agricultural manufacturer, have announced a strategic partnership to produce a new line of John Deere Frontier Flex Wing Rotary Cutters. The manufacturing will take place at Tarter USA's advanced facility in Kentucky, which utilizes modern manufacturing technologies.[9]

- 83% **use one set of manufacturing assets to produce multiple product lines products** (flexible automation, modular plants, platform manufacturing)
- 69% **hire facilities and services of third-party domestic manufacturers** to avoid high upfront capex investments (contract manufacturers, toll manufacturers)

A VP, Industry Automation at a French multinational corporation that specializes in energy technology, reveals: *"In several categories, we've shifted from traditional OEMs [original equipment manufacturers] to deeper co-design partnerships with ODMs [original design manufacturers]. This lets us combine their specialized capabilities with our system expertise. In some cases, we even manufacture for competitors under brand-label arrangements. And we're exploring contract manufacturing where it gives us a cost or speed advantage, especially in fast-moving product lines."*

8 in 10

consider geopolitical and policy volatility a key challenge to reindustrialization

02 US receives a reshoring boost with government policies and sovereignty agenda playing a significant role

US organizations are increasingly inclined to scale up domestic manufacturing

Our research reveals a notable rise in US reshoring activity: 48% of US organizations have invested in reshoring initiatives in 2026, compared with just 30% in 2025. Moreover, 67% of US organizations are investing in strategic domestic capabilities, in alignment with the current US industrial policy priorities. Major organizations are buying into this trend. **Apple** has committed $600 billion to US investment over the next four years, which it intends to use to incentivize its suppliers and partners to move critical manufacturing to the US.[10]

While reshoring has seen a boost, a significant (42%) percentage of organizations continue to nearshore as well. But as the United States-Mexico-Canada Agreement (USMCA) approaches renewal, a new change in tariffs can again reshape trade patterns. Further, talent shortages and power availability, especially in Mexico's industrial zones near the US border, combined with persistent logistical delays and the growing imperative to cut time-to-market, can make domestic production a more attractive option.[11]

48%

of US organizations have invested in reshoring initiatives in 2026, compared with just 30% in 2025

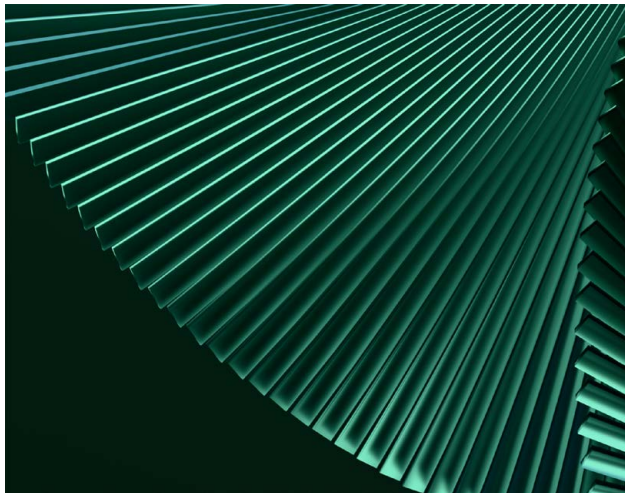
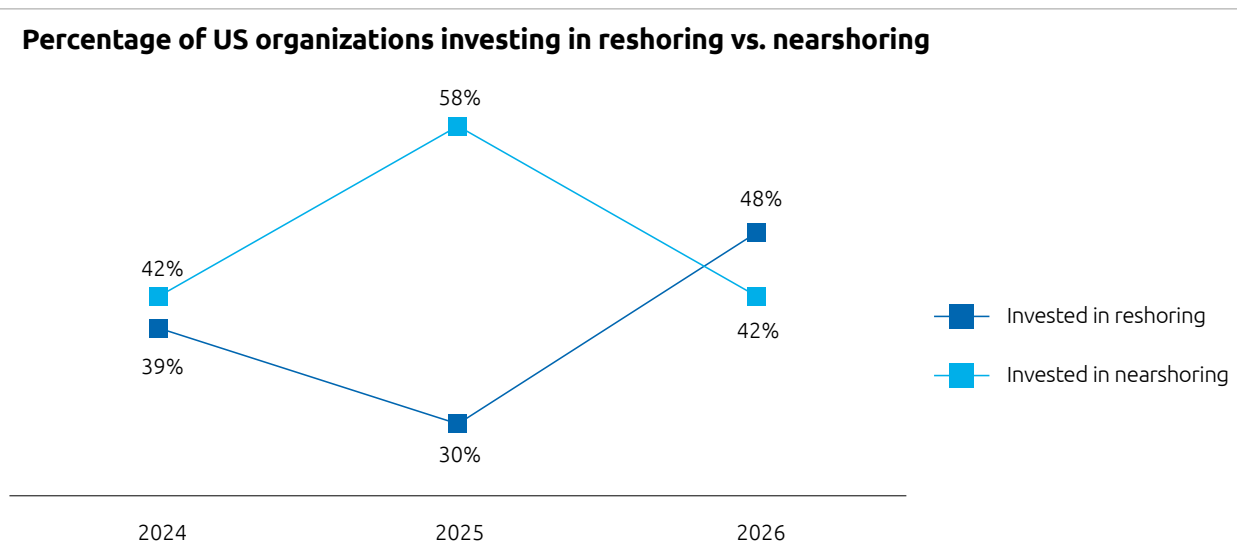
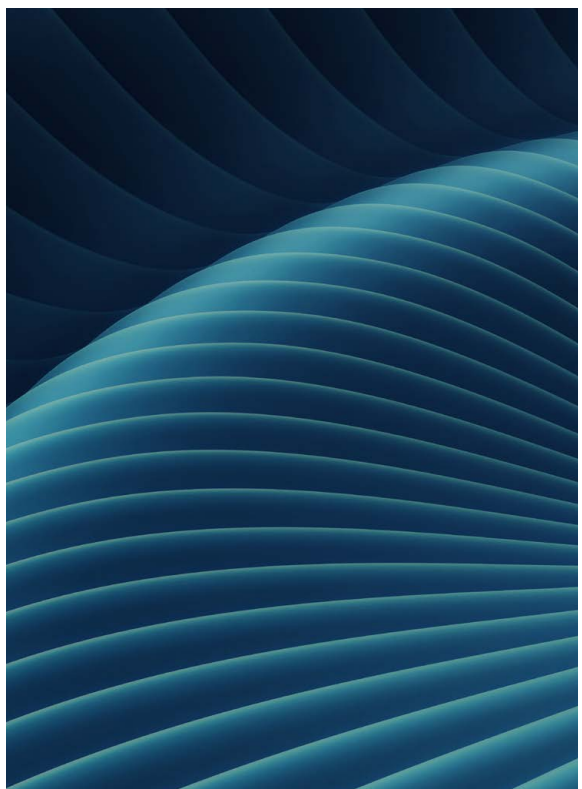


Figure 5.
Reshoring vs. nearshoring momentum in the US



NB: "Invested in nearshoring" = invested in nearshoring only + invested in a combination of nearshoring and reshoring. Similarly, "invested in reshoring" = invested in reshoring only + invested in a combination of reshoring and nearshoring.
Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 1),* February 2024, N = 1,563 executives; *Reindustrialization of Europe and the US (Edition 2),* January 2025, N = 1,727 executives; *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,107 executives.



US encourages domestic manufacturing at federal and state levels

At federal level, direct subsidies and incentives are lowering the cost of establishing and expanding US facilities, particularly in advanced and capital-intensive manufacturing. The One Big Beautiful Bill Act, for example, offers **tax-saving provisions** such as full expensing for new factories and production property; immediate expensing of domestic R&D; and permanent reinstatement of 100% bonus depreciation for qualifying capital investments.[12]

Access to federal and state **incentives is tied to domestic content thresholds, local procurement, workforce investment, and compliance with US labor and sourcing standards**. In response, organizations are expanding workforce alongside manufacturing. Carrier Global Corporation, a US-based multinational intelligent climate and energy solutions provider, announced plans to invest an additional $1 billion in US manufacturing over five years. The investment is expected to create 4,000 highly skilled jobs in R&D, manufacturing, and field service.[13]

Regulatory reforms complement these financial incentives. To promote domestic production of critical medicines, the administration issued executive orders to streamline permitting and inspection processes for domestic pharmaceutical facilities among others. These measures are designed to incentivize drugmakers to expand US-based operations, creating high-skilled jobs and reducing the risk of supply disruptions during global crises.[14]

Like in EU countries, US state and local governments are also providing **workforce training programs, tax abatements, infrastructure support, and expedited awarding of permits.** Virginia's Talent Accelerator Program and major employment linked tax credits, for example, have supported expansion including Micron's $2 billion semiconductor project, demonstrating how multi level government support boosts domestic manufacturing.[15]

Further, nearly three in five (57%) US executives believe the government's new energy policies will ease supply concerns and enhance grid reliability, supporting the expansion of domestic manufacturing.

In addition to federal and state incentives, and government regulations, **tariff and trade policies are reshaping supply chains and competitiveness of domestic production.** GE Appliances announced that it will invest more than $3 billion into its US manufacturing over the next five years, shifting some production from China and Mexico, to soften the impact of tariffs.[16] General Motors also announced a $4 billion investment through 2027 across three US assembly plants, including plans to relocate or scale up production of two vehicles that are currently built in Mexico.[17]

However, it is important to recognize that tariffs can have both positive and negative implications for reshoring business cases. While some organizations may benefit from establishing domestic manufacturing by avoiding tariff-related costs, others may experience significant increases in input costs.[18] For example, a 25% tariff could add approximately $4,239–$8,722 per vehicle[19] , placing pressure on margins rather than immediately incentivizing capacity expansion.

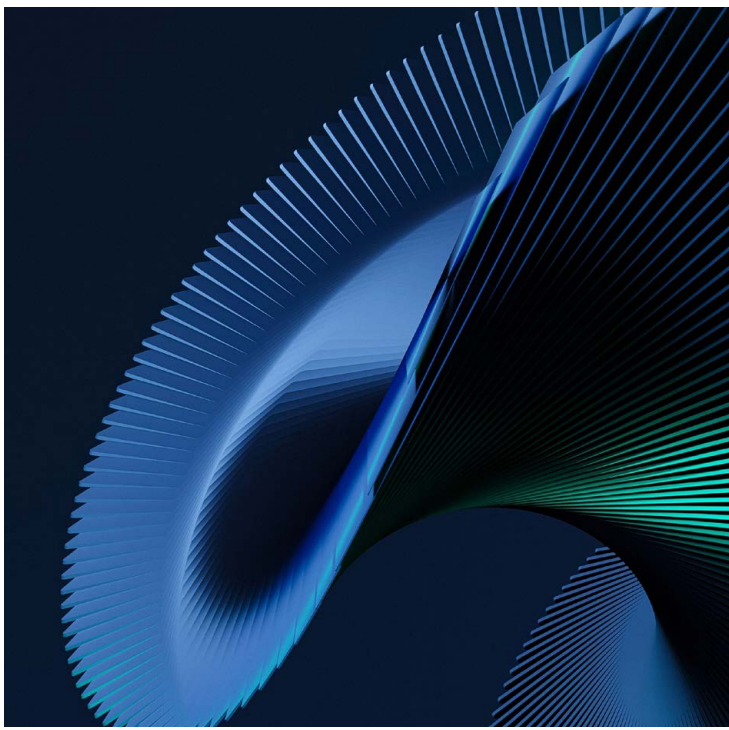
Further, the **tariff and policy environment remains subject to considerable uncertainty.** For instance, in February 2026, the US Supreme Court struck down a set of trade tariffs, prompting the administration to issue a temporary 10% tariff that has since been challenged by 24 states.[20] While many existing tariffs are outside the scope of the ruling and remain unaffected, these developments contribute to increased uncertainty in the global trade landscape. On similar lines, recent pauses and reviews of federal grants have created uncertainty around whether current subsidies will remain in place through multi-year construction cycles. Such **volatility can delay or defer decisions leading to foregone manufacturing investments.**

In addition to these considerations, there are other challenges as well. The severe **shortage of skilled manufacturing talent** – with over 400,000 open roles[21] – along with tightening visa policies, make it harder for organizations to bring in specialized talent for plant build-outs, technology transfer, and production ramp-ups.[22] These drawbacks could lead organizations to delay reindustrialization. While productivity gains from automation can partially offset labor-cost differentials, significant wage gaps persist: $25–$30 / hour in the US compared with $6–$7/ hour in China for manufacturing labor.[23]

Hence, while policy signals and investment announcements point to a strong reshoring momentum, the extent to which this translates into sustained, large-scale reshoring and manufacturing expansion will depend on how these cost, talent, and policy factors collectively evolve over time.

67%

of US organizations are investing in strategic domestic capabilities, in alignment with the current US industrial policy priorities



Reindustrialization of the life sciences sector

Reindustrialization is critical for the pharmaceutical industry as organizations seek greater sovereignty over the production of essential drugs, reduce reliance on globally fragmented supply chains, and improve resilience to geopolitical and supply chain disruptions.

There is renewed focus on building advanced domestic manufacturing capacity, even as cost, complexity, and regulatory hurdles are high. Greenfields face elevated barriers, driven by high upfront capital requirements, commissioning timelines, and stringent validation and regulatory approval processes that delay time-to-market. These challenges are compounded by the intrinsic complexity of biological manufacturing, requiring highly variable and sensitive production processes to be stabilized from day one, leaving little room for trial and error.

Digital technologies play a critical role in addressing these challenges. Digital twins accelerate commissioning and reduce scale-up risk, while AI-driven simulation and intelligent process control help stabilize yields and support proactive quality and compliance management. In addition, modular manufacturing and digitally orchestrated production lines enable greater manufacturing flexibility – supporting smaller batch sizes, faster product changeovers, and multi-product operations that are increasingly critical for the life-sciences industry. Together, these capabilities shorten time-to-value and improve the feasibility of greenfield investments, reinforcing the case for AI-enabled reindustrialization in life sciences sector.

Surge in US production

The COVID 19 pandemic increased the pressures on US drug manufacturers and highlighted the pharmaceutical sector's heavy dependence on overseas sources. Further, there are growing concerns around, long term pharmaceutical resilience including strengthening domestic capabilities in areas such as active pharmaceutical ingredients (APIs), where domestic production remains limited (only ~10% of the APIs by volume for the finished drug products used in the US are made domestically)[24] and reinforcing capacity across the value chain.[25] In 2025 the imposition of tariffs on (100% tariff on patented pharmaceuticals made abroad) has pushed global pharmaceutical organizations to shift to US market, stockpiling inventory to mitigate the effects of import tariffs.

Government reshoring initiatives such as the Food and Drug Administration's (FDA) "PreCheck" program that expedites establishment of pharmaceutical manufacturing facilities in the US [26], and the The BIOSECURE Act mandates U.S. companies and federal agencies to use U.S.-based biotech suppliers instead of foreign ones, are boosting the domestic supply.[27]

These policies have already prompted fast-tracked projects in the US with **over half (52%) of US life sciences organizations investing in reshoring** (and nearshoring). Further, almost 90% of organizations state that lower taxes and/or special incentives drive these initiatives, as well as repositioning.

Table 1: US organizations investing or announcing investments in the US

Organization	Investment	Nature of activity (Greenfield/Brownfield)	Details
Pfizer	$70bn	Brownfield	• Strengthen R&D and domestic manufacturing; secured 3 year exemption from pharma tariffs.[28]
Eli Lilly	$27bn + (plus $3.5bn PA plant)	Greenfield	• Strengthen supply chains, expand production; expand into AL, VA, TX, PA.[29] • Construction of four new U.S. production facilities. Additionally, the $3.5B Pennsylvania project is to build a new, state-of-the-art manufacturing facility.
Johnson & Johnson	$55bn	Greenfield + Brownfield	• Boost US manufacturing including NC and PA cell therapy plants.[30] • Four planned new manufacturing facilities and expansion of several existing sites.
Biogen	$2bn	Brownfield	• Add gene therapy capacity; expand NC footprint.[31] • Investment in its existing manufacturing.

Organization	Investment	Nature of activity (Greenfield/Brownfield)	Details
Merck	$70bn+ overall (incl. $3bn VA, $1bn DE, $1bn NC)	Greenfield +Brownfield	• Boost US production, expand Keytruda manufacturing; mitigate tariff impact via inventory management.[32] • New facility at its Durham site for expansion and new manufacturing facility at Elkton, Virginia site.
Amgen	$650m	Brownfield	• Expand manufacturing footprint, support R&D, add new facilities.[33] • Expansion of its existing biologics manufacturing facility in Juncos.
AbbVie	$195m	Greenfield +Brownfield	• Strengthen US R&D; inventory management to mitigate tariff impact.[34] • Expansion of its North Chicago manufacturing plant+ new facility.
Gilead Sciences	$11bn additional (total $32bn)	Greenfield +Brownfield	• Build US manufacturing + R&D hubs incl. CA.[35] • Build three new facilities and upgrade three existing sites.

Table 2: Non-US organizations investing or planning to invest in the US

Organization	Headquarters	Investment	Nature of activity (Greenfield/Brownfield)	Strategic drivers
GSK	UK	$30bn	Brownfield	• Strengthen US R&D and supply chain.[36] • Additional new biologics flex factory at existing plant.
Roche	Switzerland	$50bn + $550m + $2bn	Greenfield + Brownfield	• Diagnostics + drug manufacturing expansion; job creation; increase US capacity.[37] • New R&D sites and new and expanded manufacturing facilities.
AstraZeneca	UK	$50bn	Greenfield	• Build new VA facility; manage inventory + tech transfer to minimize tariff impact.[38]
Novartis	Switzerland	$23bn	Greenfield	• Set up of new facilities (10 US sites); expand R&D; create 1,000+ jobs.[39]

Organization	Headquarters	Investment	Nature of activity (Greenfield/Brownfield)	Strategic drivers
Sanofi	France	$20bn+ by 2030	Brownfield	• Increase US manufacturing capacity; limit tariff impact by stockpiling inventory.[40] • Expand US manufacturing capacity via direct investments in Sanofi sites.
Cipla	India	Not stated (capacity expansion)	Brownfield	• Expansion + Increase US production for respiratory products.[41]
CSL	Australia	$1.5bn	Brownfield	• Build plasma-derived therapy facilities in US.[42] • Expansion of its state-of-the-art manufacturing facility in Kankakee, Illinois.

EU outlook

Europe has been facing persistent medicine shortages, between 2022 and October 2024,according to the European Court of Auditors (ECA), EU authorities reported 136 critical drug shortages.[43] There is a rising imperative to guarantee uninterrupted drug availability in Europe's pharma and this will require MedTech organizations to build production models that are more flexible, diversified, and resilient to disruption.

However, Europe's share of the global drug development pipeline has declined from 40% in 2010 to an estimated 25% for 2025, with China overtaking it in this respect.[44] The potential 15–25% US tariffs on non generic drug imports, and MFN-linked price caps in the US make the Chinese market more attractive for new manufacturing and R&D expansion, and are further deterring pharma investments in Europe.[45]

But policy momentum within Europe is strengthening, and pharmaceutical companies are responding by engaging with EU-supported initiatives and investment programs. I. In March 2026, Novo Nordisk announced a €430 million (around $495 million) expansion of its Athlone (Republic of Ireland) facility to produce the tablet form of its Wegovy weight-loss drug, adding new manufacturing capacity for current and future GLP-1 medicines and reinforcing Ireland's role in the global supply chain.[46] In November 2025, Eli Lilly announced an investment of $3 billion in an advanced manufacturing facility in Katwijk, Netherlands, to significantly expand its oral medicine manufacturing and reinforce its Europe based supply chain.[47]

- Under the **EU Pharmaceutical Reform**, the EU life sciences sector is shifting toward greater strategic

autonomy.[48] The reform aims to accelerate medicine supply chains by cutting regulatory delays, speeding up approvals, and strengthening the European Medicines Agency (EMA) to improve patient access. It also positions the EU as a global leader in pharmaceutical innovation.

- Further, in early 2026, the EU launched the **European Biotech Act** to close the gap with the leading biotech regions, ease funding issues, and support growth and incentives.[49] The European Commission and the European Investment Bank (EIB) Group have launched a joint initiative to invest €10 billion ($11.5 billion) in the growth and global competitiveness of Europe's biotechnology and life sciences sector.[50] This pilot program cuts clinical-trial approval timelines to under 50 days.
- The EU also announced the **Critical Medicines Act** to address shortages of medicines and critical ingredients and reduce dependencies.[51] The Act also aims to strengthen pharmaceutical manufacturing capacity within the EU and reduce dependence on non-EU producers.

52%

of US life sciences organizations are investing in reshoring (and nearshoring)

03 Europe turns to friendshoring amid geopolitical instability, labor and energy issues, and regulatory hurdles

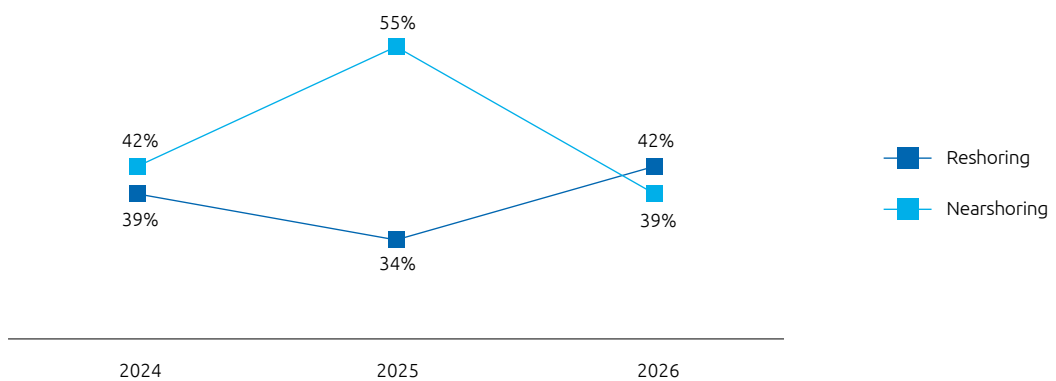
Europe organizations tilt toward friendshoring over home and neighbor countries

While nearshoring within the EU has dropped from 55% to 39% over the past year, investment in reshoring has grown modestly, from 34% to 42%. Further, our survey shows that 64% of European organizations are engaged in friendshoring, compared with 45% in the US and 39% in the UK.

Also, European organizations are expanding their footprint in the US to benefit from tariff and tax advantages, incentives, and proximity to the US market. China also continues to be a key component of European supply chains, although initiatives such as the IAA seek to build sovereignty and reduce reliance on China. Strategically aligned, friendly far-shore destinations such as India are also becoming a key part of this strategy, as evidenced by the recent EU–India Trade Agreement. Thus, Europe is adopting more of a hybrid approach, seeking to balance risk exposure, cost competitiveness, and capability as per the specific industry's nuances. *(details in the following sections)*

Figure 6.
Reshoring vs. nearshoring momentum in Europe

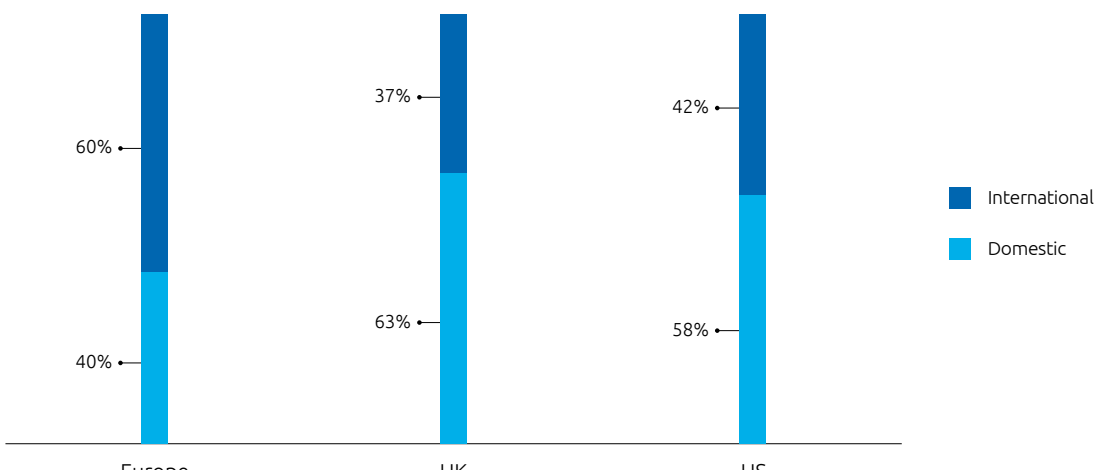
Percentage of organizations investing in reshoring vs. nearshoring



NB: "Invested in nearshoring" = invested in nearshoring only + invested in a combination of nearshoring and reshoring. Similarly, "invested in reshoring" = invested in reshoring only + invested in a combination of reshoring and nearshoring.
Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 1),* February 2024, N = 1,563 executives; *Reindustrialization of Europe and the US (Edition 2),* January 2025, N = 1,727 executives; *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,107 executives.

Figure 7.
Average expected reindustrialization investment over the next 3 years

Domestic vs. international split of planned reindustrialization investment over the next 3 years



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Compared with the sharper shifts observed in the US and Europe, UK reindustrialization strategy is developing incrementally. The share of UK organizations investing in reshoring increased from 37% in 2025 to 44% in 2026, while the share investing in nearshoring declined from 46% to 40% over the same period. UK organizations favor domestic markets as investment destinations.

64%

of European organizations engage in friendshoring

Macroeconomic and structural factors influence domestic manufacturing

The overall bleak economic outlook, geopolitical instability, elevated energy costs, and stringent regulatory requirements collectively impact the competitiveness of domestic production (albeit with some variation by country).

Average EU **electricity prices** in 2025 were over twice US levels and nearly 50% above those in China, similar to 2024, putting competitive pressure on energy-intensive EU industries.[52] The rise in energy costs has been further intensified by the ongoing Middle East conflict.

With hourly **industrial labor costs** in 2025 increasing by 4.1%, compared to 2024, Northern and Western Europe (e.g., Belgium, Germany, France) often face rates up to €57 (~$64) per hour, which hampers manufacturing competitiveness.[53] The EU is experiencing blue-collar labor shortages and demographic shifts, with estimates indicating it will lose around one million workers annually until 2050.[54]

European Central Bank chief economist Philip Lane said AI could lift euro zone productivity growth by more than 4 percentage points over the next decade, albeit a prolonged energy shock could slow progress.[55]

On average, German unit labor costs in 2024 were 22% higher than in the 27 other countries, which included European countries as well as major non-European industrial nations such as the US, Canada, and Japan.[56] Producer confidence in Germany reached its lowest point in April 2025, standing 19 percentage points below the 10-year average.[57] Meanwhile, the rapid transition to EVs, combined with intensifying competition from US and Chinese EV manufacturers, is challenging Germany's longstanding industrial leadership.

> **"The tax burden, regulatory complexity, and energy costs mean the 'brain'– the engineering, the premium innovation – stays in Germany but the 'body' moves to the US, Asia, and eastern Europe. It's about de-risking and controlled exposure."**

Abid Shah
VP, Corporate Strategy at Mercedes- Benz Germany

Abid Shah, VP, Corporate Strategy at Mercedes-Benz Germany: *"The tax burden, regulatory complexity, and energy costs mean the 'brain'– the engineering, the premium innovation – stays in Germany but the 'body' moves to the US, Asia, and eastern Europe. It's about de-risking and controlled exposure."*

The French finance ministry reported that in 2025, the country saw 160 factories close while only 103 factories opened. This was attributed to a tougher international climate, stagnant demand, and rising energy costs.[58] However, France shows a much higher reshoring orientation among European countries, primarily driven by state-accelerated permitting and funding support.

These pressures are also affecting the attractiveness of Eastern Europe, historically a key beneficiary of Western European investment due to its lower labor costs and geographic proximity. Today, however, rising wages, higher input costs, political uncertainty, and the repercussions of the Russia–Ukraine conflict have eroded some of that advantage. We found that 31% of EU respondents plan to increase investments in the US, 28% in APAC, and only 22% in Eastern Europe.[59]

Extensive regulatory requirements, particularly European environmental and labor regulations, add compliance complexity and cost. Our research shows 55% of European organizations view environmental regulations as a constraint on reshoring or nearshoring decisions due to added costs, compared with only 26% in the US.

Many of the EU's flagship environmental and labor regulations, such as the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDD), the EU Deforestation Regulation (EUDR), and the Carbon Border Adjustment Mechanism (CBAM) influence reshoring and nearshoring decisions in more complex ways than simply rising costs.

While these frameworks increase compliance requirements and may elevate short term operational costs, they also incentivize shorter, more transparent, and trusted supply chains. In particular, CBAM strengthens the

case for reshoring by levelling the carbon cost between domestic production and imports, while CSRD, CSDD, and EUDR can encourage friendshoring or reshoring by discouraging reliance on opaque or high risk supply networks.

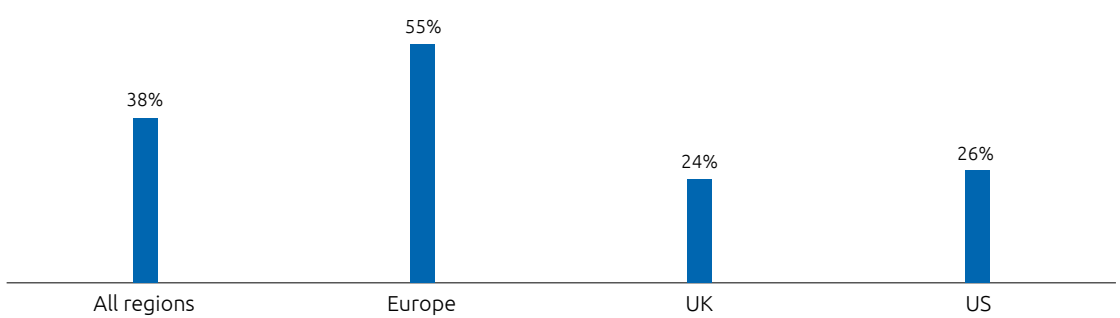
In addition, while such regulations may moderate the pace of reindustrialization in some traditional sectors due to added complexity, they are also likely to redirect reindustrialization towards cleaner more advanced industries.

55%

of European organizations view environmental regulations as a constraint on reshoring or nearshoring decisions due to added costs

Figure 8.
Stringent European environmental regulations constrain reshoring

Percentage of organizations who agreed to the following statement: Environmental regulations in our home country increase the cost of domestic manufacturing, negatively influencing our reindustrialization plans



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

To counterbalance these pressures and support industrial sovereignty, European governments are launching policies aimed at modernization, strategic autonomy, innovation, and sustainability.

In March 2026 legislative proposal, the **Industrial Accelerator Act (IAA),** clearly shows that industrial sovereignty and reindustrialization has moved to the forefront of the EU agenda.

The Act aims to raise manufacturing's share of EU GDP to 20% by 2035, up from 14.3% in 2024, and targets energy-intensive industries, net-zero technology manufacturing, and the automotive sector. Some key provisions supporting this agenda include:

- **Union-origin requirements** for net-zero technologies (including batteries, solar PV, wind, heat pumps, electrolyzers, and nuclear), ensuring that a defined share of products and key components is produced within the EU
- **Foreign investment conditions,** requiring approval for FDI above €100 million in emerging strategic sectors where a third country controls over 40% of global manufacturing capacity, covering areas such as batteries, EVs, solar technologies, and critical raw materials
- **Streamlined permitting,** including a single national access point for industrial projects and accelerated environmental assessments for energy-intensive decarbonization projects
- **Industrial manufacturing acceleration areas,** designed to cluster strategic projects, accelerate permitting, and strengthen value chains, skills development, and workforce training.[60]

In addition, the following EU initiatives are also intended to strengthen domestic industrial sovereignty and improving the competitiveness of EU-based manufacturing:

- The EC's "Competitiveness Compass" intends to close the innovation gap and revitalize European growth and competitiveness by proposing: Targeted support for start-ups and scale-ups, support in the development and adoption of advanced technologies such as AI, quantum, and robotics, simplification of regulatory frameworks, tailored decarbonization transition action plans for energy-intensive sectors and an affordable energy action plan designed to lower energy prices and costs. It also prioritizes diversification and reinforcement of supply chains through clean trade and investment partnerships, like the one signed with South Africa in November 2025.[61]
- The Net-Zero Industry Act (NZIA) is designed to enhance the manufacturing capacity and competitiveness of Europe in net-zero technologies.[62]
- The Clean Industrial Deal outlines concrete actions to position decarbonization as a driver of industrial growth for Europe, including initiatives to reduce energy costs, creating quality jobs and the right conditions for companies to thrive.[63]
- Omnibus Simplification Packages aim to reduce administrative burdens, targeting a 25% cut in reporting obligations and amending CSRD and CSDDD to make sustainability reporting more efficient and less burdensome.[64]
- The EU's Critical Raw Materials Act (CRMA) aims to reduce dependence on external suppliers for strategic materials such as lithium, cobalt, and rare earth elements. The RESourceEU Action Plan, launched in December 2025, builds on this to establish dedicated platforms to aggregate demand, joint purchasing, expedited permitting, investment support, supply-chain partnerships, targeted funding, and measures to boost recycling and diversify sources.[65] These are expected to reduce dependencies by up to 50% by 2029. Over the next 12 months, €3 billion of EU funds will support similar projects.[66]

Reindustrialization in the defense sector

Supply vulnerabilities in defense directly affect operational readiness and national security, making resilience a strategic imperative. Our research confirms that most defense organizations (85%) consider manufacturing and supply chain sovereignty to be of strategic importance to their organizations or national defence ecosystems. As a result, the sector is accelerating the shift toward domestic production.

42%

defense organizations have comprehensive reindustrialization strategies, almost twice the cross-sector average (23%)

Currently, 42% of defense organizations have comprehensive reindustrialization strategies, almost twice the cross-sector average (23%). Several structural challenges drive this shift. Across the US and Europe, the **most common concern is overreliance on a single foreign source of supply, cited by 73% of respondents.**

Defense in Europe

While the EU is collectively the world's second-largest military spender (an estimated £381 billion in 2025, 2.1% of GDP), this has not translated into industrial strength.[67] In 2024, US defense spending was roughly 2.5 times that of the EU.[68] Additionally, Europe's defense sector remains fragmented, lacking joint initiatives and economies of scale, and relies heavily on external suppliers.[69]

- **Defense in Europe remains largely nation-led, missing an EU-level strategy**
  - **French** policy centers on strategic autonomy, supported by long-term investments in domestic manufacturing including nuclear deterrence and advanced aerospace platforms.[70]
  - **The UK** similarly prioritizes high-end capabilities, within a NATO-first framework, focusing on modernizing nuclear submarines, missile systems, cyber defense, sixth-generation aircraft capabilities, and battlefield technologies.[71]
  - **Germany** is accelerating its military investments and modernization of the Bundeswehr, fostering self-reliance and innovation.[72]
  - **Poland** is pursuing rapid military expansion, accelerating the acquisition of new weapons and gear for the armed forces, with 2025 military budget estimated to have reached an unprecedented 4.7% of GDP.[73]
  - **Italy** is focusing on technological innovation, including its participation in the Global Combat Air Programme (GCAP) with the UK and Japan, alongside unveiling a new AI and defense strategy in February 2026.[74]
  - **Sweden** is positioning itself as an attractive partner by strengthening its security relations within and beyond the EU and NATO.[75, 76]

- **Less than half of equipment is sourced within the EU,** with a large share procured from the US and **limited collaborative procurement.**[77, 78]
- The industry suffers from a **lack of standardization and interoperability** of equipment. For example, 12 different variants of a particular product are manufactured in the EU, whereas the US manufactures only one.[79]
- **Scarcity of skilled talent** is also a growing constraint for the defense industry. Defense-related positions are expected to expand from around 1 million to more than 1.46 million direct jobs by 2030, creating significant demand for engineers, cybersecurity specialists, and advanced manufacturing experts. Moreover, the sector is facing demographic pressures, with **blue-collar workers retiring faster than being replaced, and in some trades, up to A green dash has come on the text the workforce expected to exit by 2030.** Attrition in the EU defense workforce currently stands at around 13%, more than four times the US rate.[80]
  - › KNDS, a pan-European defense organization, has expanded shifts at its main production site in Bourges, central France, and is boosting hiring by 50%.[81]
  - › Rheinmetall, Europe's largest ammunition maker, plans to increase its workforce by around 29%, or up to 9,000, by 2028.[82]
  - › The defense sector is also drawing talent from the automotive industry. Oliver Doerre, CEO of German sensor and radar maker Hensoldt, says that his organization welcomes former auto workers because they are accustomed to just-in-time manufacturing.[83]
- Rapid surges in demand due to escalating tensions and evolving security environments is putting manufacturers under considerable operational pressure.

To address these challenges, initiatives such as the EU's **Readiness Roadmap 2030** seek to achieve defense readiness through **increased investment, coordinated procurement, joint development, and maintenance of interoperable strategic capabilities. unbold selective external dependencies to bolster strategic autonomy.**[84] In addition, as part of the broader European defense sector transformation, the **EU Skills Guarantee pilot aims to reskill around 600,000 workers, or around 12% of the existing workforce per year,** for the defense sector by 2030.[85]

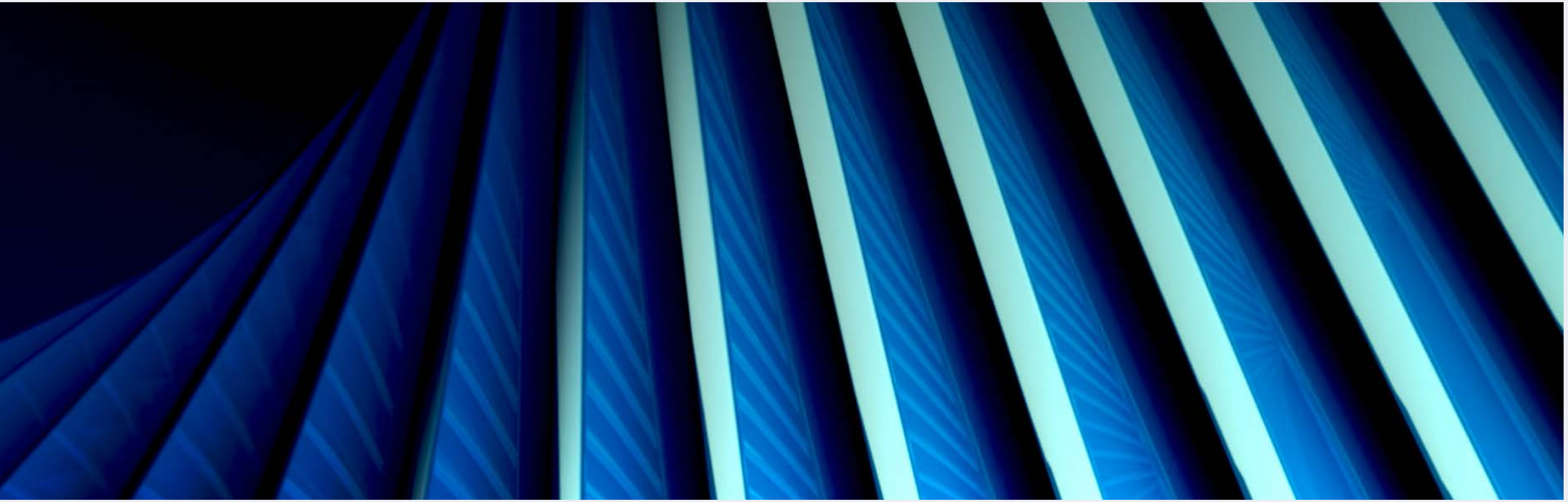
The next phase of Europe's defense reindustrialization will likely be defined not by how much is invested, but by how effectively countries align on shared capabilities, standards, and supply chains. Therefore, countries and organizations that operate collaboratively to procure and produce will be better placed to scale capabilities and harness Europe's collective strength.

Defense in the US

The US Defense Industrial Base (DIB) remains the largest military production ecosystem globally. Nevertheless, it faces challenges linked to over-consolidation, supply-chain dependencies, and workforce shortages,[86] These pressures have prompted more proactive approach to industrial policy and government support.

- China's dominance in rare earths and other critical minerals poses strategic challenges to US autonomy (and tariff setting), as the US imports 70% of its rare earths from China.[87] In response, the US Department of Defense (DoD) launched a US$1 billion initiative in October 2025 to rapidly expand its stockpile of critical minerals.[88]
- Long-standing globalized production models have contributed to a high degree of US reliance on overseas production – particularly in Taiwan – for advanced semiconductor chips. In September 2025, the US administration announced imposing substantial tariffs on semiconductor imports from organizations that retain manufacturing bases overseas, while exempting firms investing domestically.
- The "America First Arms Transfer Strategy" prioritizes the domestic industrial base in arms export decisions to support domestic production, strengthen supply chains, and prioritize foreign military sales to partners with higher defense spending and regional strategic importance.[89]
- At the same time, the US has pushed its allies to spend more on defense, with NATO committing to 5% of their GDP on defense by 2035.[90]

Overall, the US defense industry is prioritizing resilience, scalability, and technology leadership. Organizations that reinforce domestic production for critical capabilities, diversify supply chains to avoid single-source dependencies, and invest in advanced manufacturing and technological capabilities, will be better positioned to respond to evolving defense priorities.

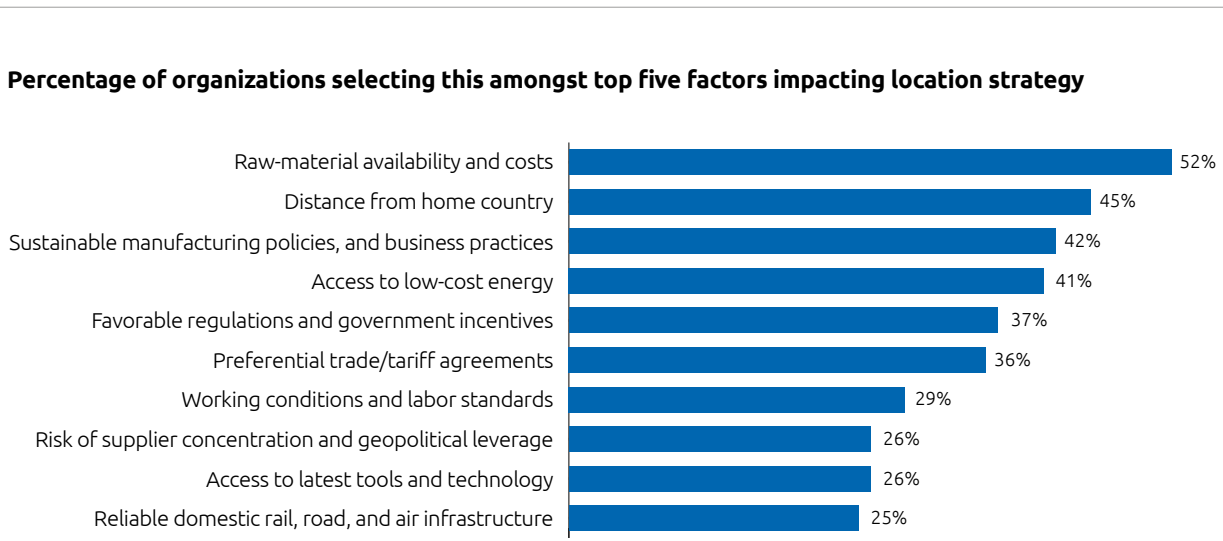


04 Organizations are reconfiguring, not redrawing their global supply chain ecosystems

Organizations around the world are adjusting to evolving supply-chain dynamics. Rather than shifting them to entirely new locations, or totally disengaging with some regions, they are diversifying suppliers, collaborating in new ways, adapting to new trade policies, and reviewing investment strategies within existing supply-chain structures. Bella Oung, Senior Director, Digital and IT Portfolio Management at Regal Rexnord, an electric motors and power transmission components manufacturer, adds: *"As we reindustrialize, partnerships with external vendors have become essential. Policy can shift overnight, and our internal teams can't always keep up. Collaborating with partners helps us move faster within our existing supply chain structure, adapt to new trade rules, and keep critical initiatives on track."*

Raw-material availability, cost, distance from home markets, sustainability policies, energy access, and trade and regulatory conditions are the main factors governing investment decisions.

Figure 9.
Key factors influencing location strategy



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

"As we reindustrialize, partnerships with external vendors have become essential. Policy can shift overnight, and our internal teams can't always keep up. Collaborating with partners helps us move faster within our existing supply chain structure, adapt to new trade rules, and keep critical initiatives on track."

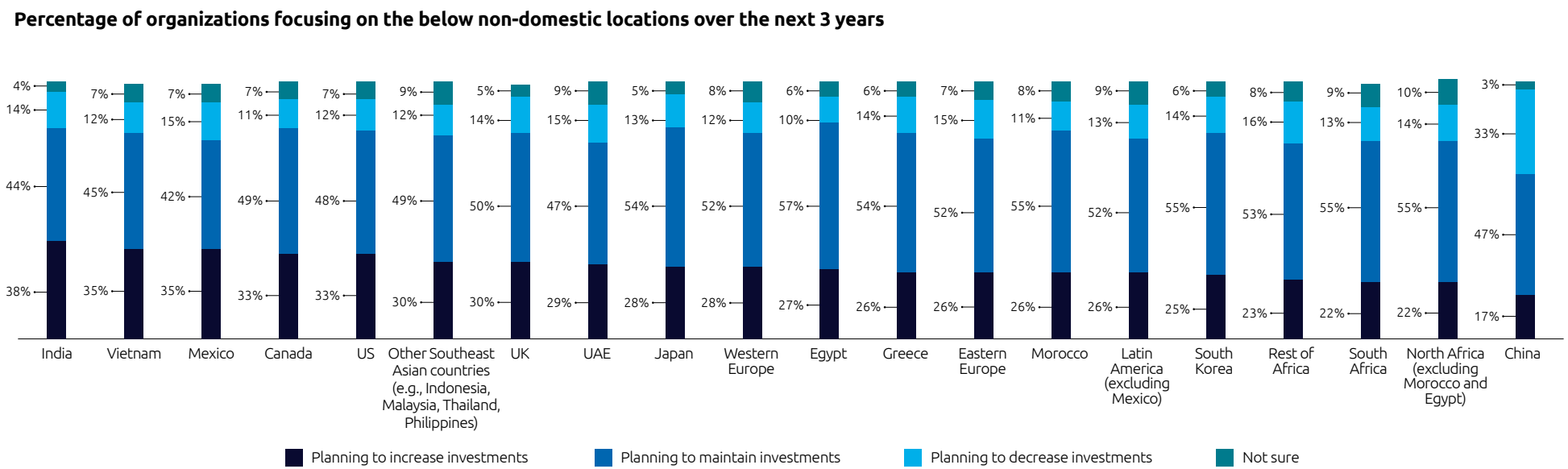
Bella Oung
Senior Director, Digital and IT Portfolio Management at Regal Rexnord

In this volatile scenario, the overall approach is one of pragmatic hedging and balancing sovereignty with competitiveness. Rather than sweeping strategic and ideological realignments, organizations are incrementally resetting trade relations and optimizing existing supply chain structures.

India, followed closely by Vietnam, Mexico, and Canada, emerges as the preferred location for manufacturing diversification

Our survey results show that India, followed closely by Vietnam, Mexico, and Canada, is emerging as a key manufacturing beneficiary of US and EU supply-chain diversification. India's attractiveness is driven by production-linked incentives (PLI), geopolitical risk mitigation, a massive domestic market, and strengthening trade alignment with major global economies. Foreign direct investment (FDI) into India increased 18% year over year, to almost $48 billion in April–December 2025. Several prominent organizations, including Apple, Siemens, and Airbus, are expanding their manufacturing footprints in India.

Figure 10.
Organizations are rebalancing their manufacturing footprint, towards more diversified ecosystems



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Below are some of the key drivers of diversification:

China diversification

As global trade volatility and tariffs push organizations to reduce dependence on any single country (especially China), they are looking at India as one of the alternatives/ complementary manufacturing bases for supply-chain resilience and diversification. Apple has shifted its manufacturing operations for US-bound products, especially iPhones, from China to India and Vietnam. It assembled around $22 billion worth of iPhones in India in FY 2025, a ~60% year-over-year increase. It intends for most US-bound iPhones to be of Indian origin.[91]

Government policies

The Indian government has implemented targeted policy interventions to build domestic manufacturing capacity and strengthen India's role in global supply chains. One such intervention is the provision of performance-based incentives, which now extends across 14 sectors, with a total outlay of around $24 billion.[92] Samsung is participating in the PLI scheme to establish India as its complementary component manufacturing hub for both domestic and overseas markets. Rather than relocating existing production lines, Samsung has chosen to create fresh capacity in India.[93] It also plans to make India its second-largest R&D base (after Korea).[94]

EU trade alignment

The EU and India conduct bilateral annual trade exceeding €180 billion. A new free-trade agreement (FTA) will create the world's largest free-trade zone (FTZ), eliminating or reducing tariffs on 96.6% of EU exports, with the aim of doubling trade in the coming years.[95] India can also be used as a cost-effective manufacturing base for EU-bound supply chains, due to the low import tariffs on Indian goods such as textiles.[96]

US trade alignment

In 2025, investment proposals were deferred due to high tariffs imposed by the US government. Following tariff reductions in early 2026, organizations are reviving projects and applying for capacity expansions. For example, global footwear organizations (including Nike, Adidas, and Puma) and their contract manufacturers from Taiwan, Vietnam, and China are restarting plans to establish non-leather footwear factories in India that will target the US market.[97]

Market access

Organizations setting up a manufacturing base in India benefit from a huge (1.4 billion) and constantly expanding domestic market. Airbus, for example, plans to source nearly $2 billion worth of components and services from India by 2030 to support India's aviation ecosystem. It is also actively advancing key programs in the defense sector, in collaboration with homegrown organizations. It recently announced plans with Tata Advanced Systems Limited (TASL) to set up a Final Assembly Line for its H125 helicopters, aimed at unlocking market potential in India, as well as the rest of the South Asia region.[98]

Robust infrastructure and labor and cost dynamics

India has quite competitive labor costs relative to China, as well as better availability of skills and a young workforce (median age of 28). Siemens AG, for example, plans to make India a global capability hub amid projections that Germany will lose 15–20% of its workforce over the next decade, owing to demographics changes.[99] It is also positioning India as one of the organization's four main global locations, citing India's robust infrastructure investments and growing manufacturing capabilities.[100]

China's rebalancing act

US–China dynamics: Escalating competition between the US and China, spanning trade policy, technology export controls, and national security, has led to strategic **decoupling, altering the supply chain structures for multinationals.** While selective easing of trade measures occurred in late 2025 and 2026, the underlying policy frameworks remain intact and reversible, reinforcing long term uncertainty.[101] US–China tensions have increasingly had global repercussions, compelling non-US organizations to proactively de-risk and hedge their exposure to maintain market access and supply continuity.

EU–China dynamics: The EU is less explicit in its approach to decoupling. It **remains significantly reliant on China** for critical raw materials, advanced manufacturing inputs, and selective digital technologies. So it has adopted a more incremental approach, emphasizing selective de-risking rather than full disengagement. Measures include tightening foreign ownership rules, classifying certain upstream inputs as security critical, and strengthening domestic and allied capacity.

The EU remains significantly reliant on China for critical raw materials, advanced manufacturing inputs, and selective digital technologies. Conversely, China continues to view **Europe as an important destination to absorb industrial overcapacity**[102] as access to the US market tightens. However, Europe's fragmented regulatory and governance framework limits its leverage in shaping economic outcomes with China. Further, European organizations face intensifying competition from Chinese players, particularly in the EU's historically strong industries, such as automotive, both at home and in third country markets.

In this scenario, **organizations are taking a pragmatic approach,** strategically rebalancing operations to mitigate risk exposure and collaborating where beneficial.[103] For example, multinationals are **minimizing or disengaging China from their US-facing supply chains but retaining links in local/regional and European supply chains.** Unsurprisingly, European reliance on China continues to be heavy for most industries. Organizations are also exploring different collaboration models to extend trade ties without compromising sovereignty. Strategies such as "China for China," which involve designing, engineering, and manufacturing in China for the huge Chinese market and often for APAC.

Our survey data shows that around **two-thirds (64%) of organizations are maintaining or increasing their China investments** *(this could be for "China for China" localization/ regionalization or for their global supply chains),* **while one-third (33%) are reducing exposure.** More than 70,000 new foreign invested enterprises (FIEs) were established in China in 2025, marking a 19.1% increase from 2024.[104] According to Chinese Ministry of Commerce (MOFCOM) data, investment into China from Switzerland, the UAE, and the UK increased by 67%, 27%, and 16% year over year, respectively.[105] German organizations also invested €7 billion in China in January–November 2025, a 56% increase from 2024.[106] Interestingly, in late 2025 and 2026, top leaders from the UK, Canada, and France visited China to support dialogue on trade and investment cooperation.

64%

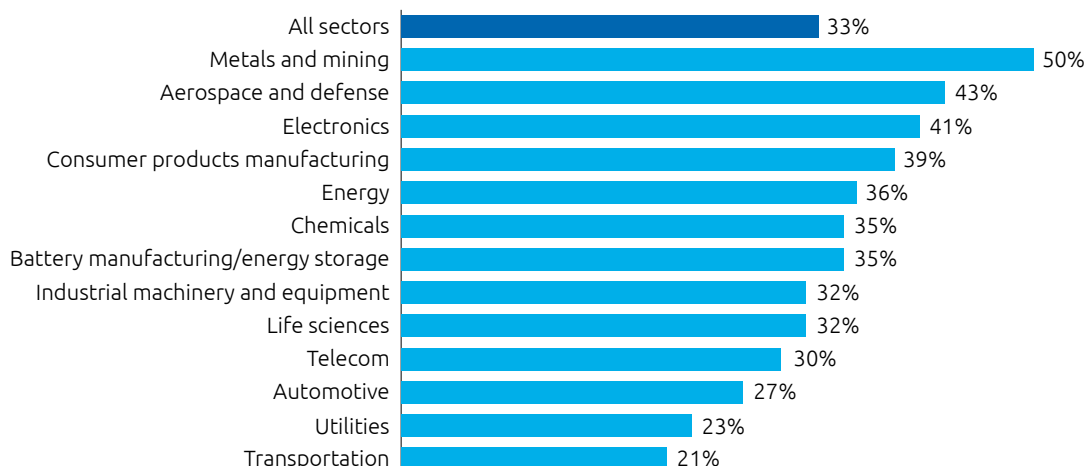
of organizations are maintaining or increasing their China investments

Another significant factor shaping China relations has been **China's strong position across critical raw material value chains.** China controls nearly 60% of global extraction, 87% of processing, 91% of metal production, and 94% of permanent magnet manufacturing, which are critical for EVs, wind turbines, and some advanced electronics and defense applications.[107] When China imposed export controls on some critical minerals, some European automakers faced production shutdowns.

Thus, depending on the nature of industry, strategies could vary from targeted decoupling to de-risking or collaborating. However, even where collaboration remains the preferred route, policymakers increasingly acknowledge the need to balance access to China's scale and capabilities with safeguards against asymmetric technology transfer and IP leakage risks.[108]

Figure 11.
One-third of organizations are planning to decrease investments in China in the next three years

Percentage of organizations planning to decrease investments in China in the next three years



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Aerospace and defense

China is not a direct supplier of finished weapons to the West, but it remains a critical upstream supplier of materials, components, and processing capacity. Risks such as supply cut-off, intellectual property (IP) leakage, and potential hardware compromise or sabotage are prompting action. For example, with nearly one in ten Tier-1 subcontractors to US defense OEMs being Chinese organizations,[109] the US is intensifying scrutiny of Foreign Ownership, Control, or Influence (FCOI)[110] across defense subcontractors.

Metals and mining

Governments are pursuing supply diversification and alternative sourcing to reduce concentration risk in critical minerals. The US, for example, launched a $12 billion critical minerals stockpile initiative.[111] Following the publication of the CRMA, the Commission has also adopted the RESourceEU Action Plan to secure the EU's supply of critical raw materials and reduce dependency on China.[112] Both the US and EU are diversifying their sourcing of critical materials from Australia, Canada, Japan, etc. Germany and India also established a rare-earth partnership to secure critical mineral supply chains outside of China.[113] The US recently signed a joint-venture (JV) with Australia to build rare-earth processing capacity outside China.[114] The US DoD has bought direct stakes in organizations such as MP Materials to support domestic mine-to-magnet capacity.[115]

Electronics

Organizations from the electronics industry are adopting "China Plus One" diversification strategies and tapping into "friendly" hubs such as Vietnam, India, and Mexico. HP is accelerating diversification, announcing that nearly all products sold in North America will be manufactured outside China by June 2025.[116] Foxconn invested $1.5 billion in India to double Indian iPhone production capacity to 60+ million devices annually, in support of Apple's broader diversification strategy.[117]

Other consumer products

Organizations that produce "high-volume, low-margin" goods are increasingly turning to Vietnam, India, or Cambodia. Nike has significantly reduced its manufacturing footprint in China over the past decade, operating 11 fewer factories there as production has steadily shifted to lower-cost, scalable hubs.[118] Vietnam has emerged as Nike's principal base, accounting for over 50% of global footwear output and 31% of apparel production, far surpassing China.

78%

of organizations agree that they have developed or developing a strategy to benchmark and adopt China's world-class manufacturing practices in their local set up

Automotive

In industries such as automotive, China's ecosystem is hard to replace, especially for certain components and particularly in Europe. Chinese imports account for nearly one-third of the EU market.[119] The US is seeking to reduce dependence on China, imposing high tariffs and disincentivizing imports, and organizations such as Tesla and GM are instructing suppliers to phase out China-sourced parts. However, they continue to rely on China for non-core markets (i.e., outside North America).

The Nexperia episode (Dutch government's temporary takeover of Nexperia, a semiconductor supplier owned by a Chinese parent, which subsequently led to disruptions in China-based exports of automotive chips)[120] highlighted Europe's heavy reliance on China-linked suppliers for critical auto components, increasing the risk of production stoppages. While de-risking from China is critical, it is difficult to achieve in the present scenario.[121] At the same time, auto organizations continue to invest locally. For example, Volkswagen has committed €3 billion to a new R&D center in Hefei, China, as part of a strategy to develop cars for the Chinese market.[122]

In industries such as **life sciences, robotics, industrial automation, and EVs, where China leads in terms of innovation and technology, organizations are taking the collaborative route.** For example, Stellantis is planning to partner with China's Leapmonitor to build EVs in Spain using the latter's technology.[123] in March 2026, Siemens expanded industrial automation and AI R&D in China, partnering with Alibaba Cloud to co-develop cloud-based industrial simulation and AI-driven factory solutions for global deployment.[124]

Similarly western pharma organizations are turning to China for lower discovery costs, and faster enrollment and innovation.[125] GSK entered into a $12.5 billion agreement with Jiangsu Hengrui Pharmaceuticals. AstraZeneca is establishing a co-located innovation center in Beijing with Harbour BioMed.[126] AstraZeneca has committed $15 billion in investment in

China through 2030 to expand the R&D and manufacturing of next-generation therapies including cell therapy and radio conjugates.[127]

Nearly 78% of organizations agree that they have developed or are developing a strategy to benchmark and adopt China's world-class manufacturing practices in their local setup. Not surprisingly, as stated in a World Economic Forum article, China's manufacturing playbook can serve as an object of emulation for the rest of the world.[128, 129]

While Western organizations are adopting strategies to de-risk or collaborate, their **Chinese peers are expanding their footprints in the West, especially Europe:**

- **BYD** announced plans to manufacture all EVs sold in Europe locally within two to three years, moving production in Hungary, Turkey and potentially Spain, to navigate EU tariffs.[130]
- **Xiaomi** opened a Munich-based EV R&D and design center as part of its plan to enter the European EV market in 2027.[131]

However, FDI investments in the EU are being subjected to stricter scrutiny, with the share of manufacturing FDI cases under detailed review rising to 50% in 2025, presumably due to concerns around technology/knowledge leakage and security of supply.[132] Furthermore, the IAA's 'Made in EU' procurement preferences, mandatory local content and employment requirements, and FDI conditionality provisions are designed to counter China's overcapacity absorption into Europe, and directly impact how Chinese FDI scales up in EU, as EU policymakers try to balance the two opposing objectives - welcoming Chinese investment to fill industrial gaps and encourage innovation, and maintaining strategic sovereignty and protecting the industrial base.

On similar lines, the US is also systematically constraining Chinese expansion through tariffs and policy controls, limiting Chinese investments in the country.

China's pivot towards "high-standard" open growth and its implications for US and European companies

Anchored in its recently announced **15th Five-Year Plan (2026–2030),** China is executing a deliberate industrial pivot. This shift is not merely a response to evolving US and European dynamics, but signals a structural transition aimed at **building technological self-reliance, boosting domestic consumption, modernizing traditional industries, scaling clean energy and cultivating and accelerating large-scale development of emerging and future growth pillars** - such as the low-altitude economy, advanced materials, NEVs, robotics and embodied intelligence, semiconductors, biomanufacturing, etc.[133] The target for "High-value invention patents per 10,000 people" has been increased from 12 to 22 in this plan as compared to the previous one, while the **GDP share of core digital economy industries is now targeted at 12.5%** as compared to the previous plan's target of 10%.

The plan also recognizes that persistent industrial overcapacity is structural in nature, driven by intense domestic competition and policy-backed capacity expansion, resulting in sustained cost pressure and trade surpluses.[134] Further, unlike the previous plans that were focussed on largely on overseas expansion of manufacturing, this plan explicitly encourages Chinese companies to expand overseas in the tech sector particularly artificial intelligence and digital technologies. **Overseas expansion is being viewed as a tool to advance domestic growth and innovation by providing the scale required for effective commercialization,** while adopting selective overseas capital allocation that lays strong emphasis on investment security and risk management for Chinese companies investing abroad.[135]

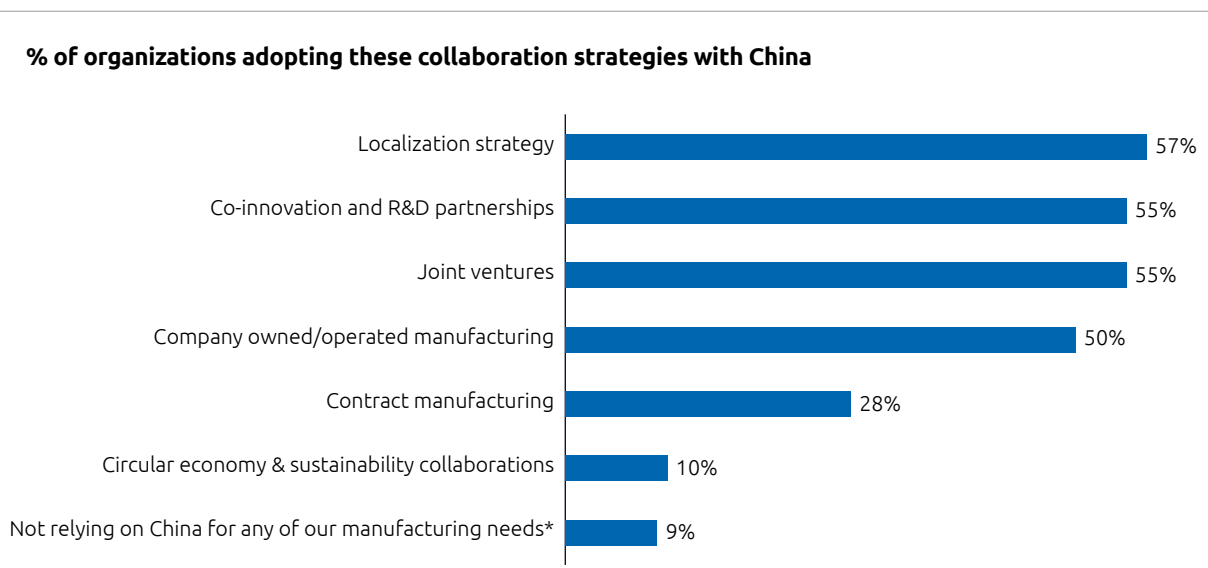
For foreign companies operating in China, the government is advancing a model of high-standard but tightly governed openness, particularly in digital and green sectors and free-trade zones, while simultaneously strengthening security reviews, export controls, and data governance for such companies.[136]

This direction creates a **complex mix of opportunities and challenges for foreign businesses:**

- **Targeted collaboration opportunities** remain in areas aligned with China's strategic priorities including clean energy, advanced manufacturing, sustainable production, and AI- and digitally driven technologies.
- China's push for technological self-reliance will **progressively reduce dependence on foreign technologies** and suppliers, especially in strategic sectors, limiting long-term market access for foreign firms.
- **Competitive intensity will increase as Chinese companies, supported by domestic competition and supportive polices, move up the value chain and scale rapidly** across emerging growth pillars.
- An **emphasis on 'high-standard tightly governed openness' will increase regulatory scrutiny** of foreign investment, data flows, technology transfer making compliance, risk management, and localization critical differentiators.

For example, low-altitude economy, which is included as a strategic priority under the plan, benefits from access to preferential policies, coordinated investment, easier certifications, and fast-tracked approvals (China accepts target catastrophic failure probabilities of one in a million flight hours, as for autonomous operations as opposed to one in a billion flight hours requirement by Western regulators pushing the a 1-2 year certification process in China to 3-6 years in the West). Such provisions that allow Chinese firms to compress the innovation to commercialization cycle, can give it a commanding lead by providing them with early operating scale, cost advantages, real-world data that competitors from EU and US lack, as well as an opportunity to shape de-facto global standards as an early mover.[137]

Figure 12.
Organizations are adopting various collaboration models with China



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

The US is becoming more attractive as a manufacturing destination – not just for domestic organizations, but also for non-US firms

In 2025, there was a sharp increase in foreign (non-US) organizations announcing or accelerating manufacturing investments in the US, particularly in semiconductors, automotive/EVs, pharma, and industrial equipment. Total new FDI in the US in 2024 was $151 billion, with manufacturing accounting for $67.7 billion.[138]

Organizations consider localizing production in the US to be a **key strategy of managing exposure tariff volatility.** Honda, for example, is planning to shift production of its next-gen Civic hybrid from Guanajuato, Mexico, to its facility in Indiana, US, to avoid high tariffs and manage rising costs.[139] Moreover, generous federal and state incentives are making US production more competitive even with higher labor costs, especially in semiconductors, EVs, and batteries.

Additionally, for industries that require **shorter, more resilient and politically stable supply chains** – particularly for national-security-sensitive products such as semiconductors – local sourcing and manufacturing provide supply chain resilience and safeguard against geopolitical tensions.

Additionally, being inside the US also ensures **direct access to the world's largest consumer** market, including alignment with domestic content and procurement frameworks such as "Buy American" provisions. As discussed in the pharmaceutical insert on page 23, numerous pharmaceutical manufacturers have established or expanded US operations over the past year. .

Investments by European organizations: As per our survey, nearly 85% of EU-based organizations (including those in the UK) are investing in US-based manufacturing for the tariff and tax advantages, incentives, and proximity to the US market. For many organizations, this also simplifies operational complexity by consolidating production within a single regulatory environment.

- Siemens is investing $285 million in its US-based electrical and industrial manufacturing.[140]
- Switzerland's ABB is investing $120 million to expand electrification manufacturing in Tennessee and Mississippi.[141]
- BMW is considering adding shifts to its Spartanburg plant in South Carolina to boost output by up to 80,000 units.[142]

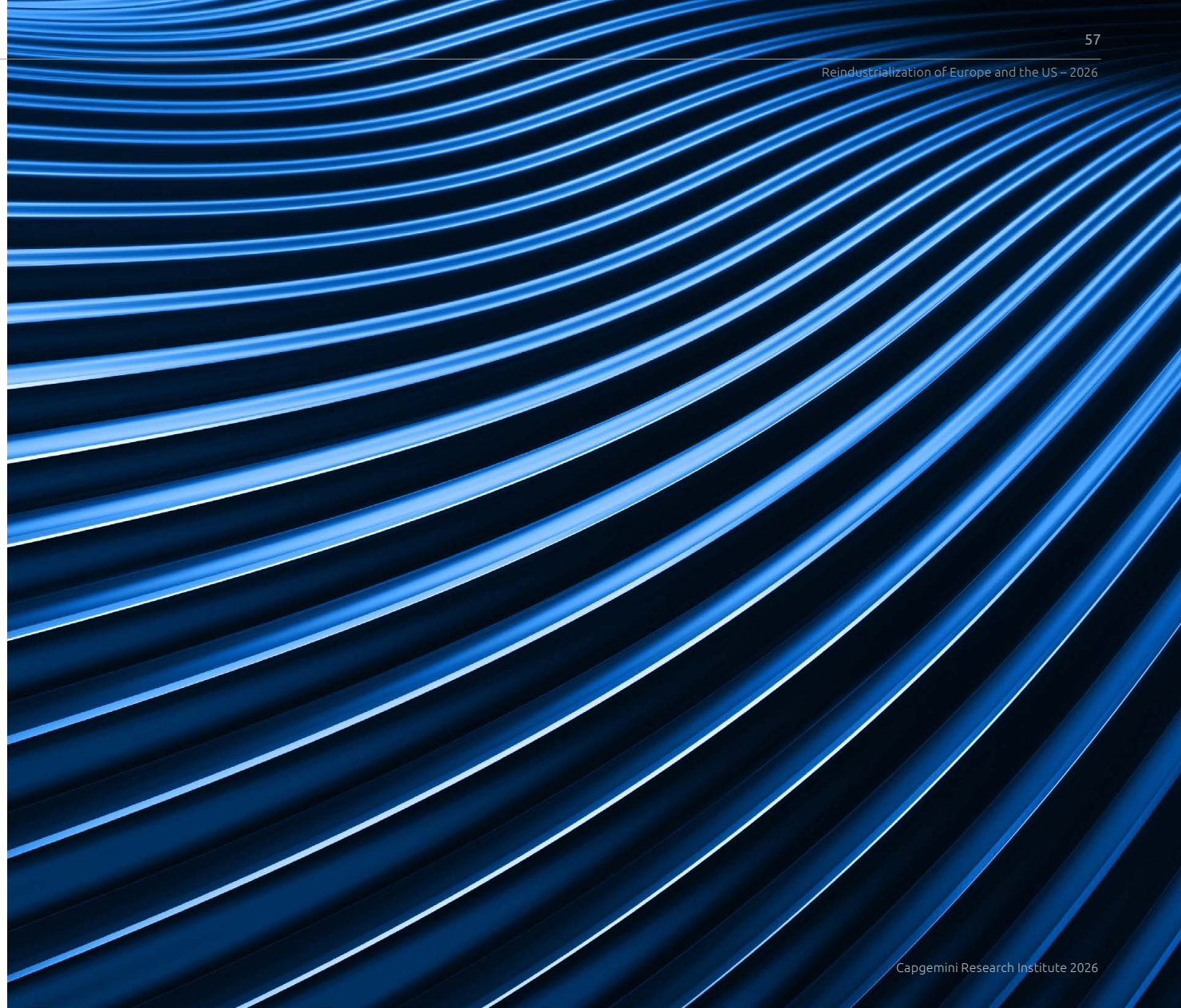
Investments from APAC: Organizations from Taiwan, Japan, and South Korea are also investing in US-based manufacturing.

- TSMC is committing $165 billion to develop advanced semiconductor fabrication plants (fabs), packaging, and R&D in Arizona, driven by the CHIPS Act and national security priorities.[143]
- Toyota is expanding EV battery manufacturing in North Carolina to qualify for Inflation Reduction Act (IRA) incentives and comply with EV localization requirements.[144]

- Hyundai is investing $7.6 billion in an EV metaplant in Georgia and $5.8 billion in a low carbon steel plant in Louisiana, explicitly to secure US market access amid trade uncertainty.[145]
- Nippon Steel finalized a $14.9-billion acquisition of US Steel in June 2025, committing $11 billion in US to upgrade and expand US steel plants.[146]

85%

of EU organizations are investing in US-based manufacturing



Reindustrialization in the semiconductor industry

Semiconductors are now at the center of the AI and data center boom. They are foundational enablers across a wide range of sectors and industries, including automotive, healthcare, energy, aerospace and defense, and consumer electronics. Unsurprisingly, this puts them among the most attractive investment areas, with the value of newly announced semiconductor projects rising by ~35% in 2025.[147]

But the semiconductor value chain **remains highly geographically concentrated in** East and Southeast Asia, with multiple single point dependencies. Any trade restrictions, supply shortages, or export controls can cascade across industries, and threaten national security and economic stability. For example, China's export curbs on gallium and germanium (which are critical to high end manufacturing) led to heightened downstream disruption for the European automotive industry. These dependencies are not limited to infrastructure and supplier ecosystems but **extend equally to talent.** For example, while the US is strong in semiconductor R&D and IP, Taiwan holds deep manufacturing expertise, and India leads in chip design talent.

Given these strong dependencies and the critical nature of this industry, the need for supply-chain resilience and sovereignty is driving a structural reindustrialization push globally, **with 83% of organizations prioritizing reindustrialization over near term profitability.** A further 67% of semiconductor organizations cite supply chain resilience as a key driver (versus 54% cross industry).

Another **critical factor in semiconductor reindustrialization is government incentives,** policies, and controls, with the highly capital intensive nature of the industry amplifying the government's role. In fact, according to the Semiconductor Industry Association (SIA), building and operating a fab in the US costs 1.3–1.5 times what it does in Taiwan or China, with ~50% of the cost differential attributable to incentives.[148]

67%

semiconductor organizations cite supply chain resilience as a key driver (versus 54% cross industry)

The US is becoming a hub for semiconductor investment

The US's share of global manufacturing fell from ~37% in 1990 to ~10% in 2024, as manufacturing moved to East Asia, where governments offered substantial subsidies and ecosystems developed around foundry services.[149]

In recent years, however, government incentives and grants, most notably the CHIPS Act and the Advanced Manufacturing Investment Credit, have contributed to renewed momentum in US semiconductor investment. Since 2020, more than 140 projects across 30 states, representing over $640 billion private investment, have been announced.[150] Recent examples include NVIDIA's $500-billion planned investment over the next four years to manufacture AI chips, supercomputers, and supporting infrastructure;[151] Micron Technology's $200 billion investment in memory manufacturing;[152] and TSMC's investment in five advanced fabs and an R&D center to boost domestic AI chip production.[153]

Meanwhile, the US–Taiwan semiconductor trade and investment agreement will push at least $250 billion in Taiwanese semiconductor and tech investment into US manufacturing and innovation clusters.[154]

Despite this surge, the US still faces some underlying challenges, including higher fab construction costs, shortages of skilled semiconductor technicians and construction labor, continued dependence on Asia for critical materials, and advanced packaging capabilities. As a result, recent investments increasingly target not only volume expansion and strengthening existing capabilities, but also capability gaps including leading edge logic chips (<7 nm fabs), advanced packaging, materials, and equipment. The recently signed US–Taiwan trade and investment agreement provides a further boost to the sector through a $250 billion commitment in US investments alongside $250 billion in credit guarantees.[155] From an export standpoint, the US is also advancing legislation and intensifying enforcement to reassert oversight and potentially block sales of advanced chips to some countries, citing national-security interests.

140 projects

representing over $640 billion private investment have been announced in the US since 2020.

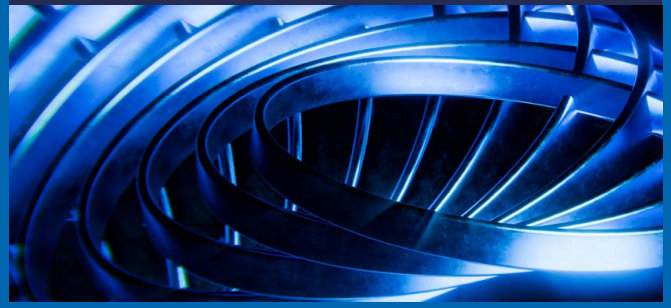
The EU is reshaping its semiconductor ecosystem to meet its 2030 target

The EU has specific strategic strengths within the industry, including ASML's leadership in advanced lithography, IMEC's global role in semiconductor research and materials, and ARM's world class processor design. However, it lacks scale in leading edge logic manufacturing, has limited capabilities in design automation, and holds only a small share of advanced node production. The European Chips Act (2023) focuses on reducing reliance on non EU supply chains and addressing some of these gaps by strengthening R&D and design capabilities and improving ecosystem wide resilience. It has already catalyzed ~€80 billion in announced investments – nearly double the original target.[156] Europe has also introduced Integrated Production Facility (IPF) and Open EU Foundry (OEF) designations to fast track strategic projects and encourage vertical integration. One such example is the planned €10 billion investment in Dresden, Germany led by TSMC with Bosch, Infineon, and NXP, which is seeking OEF status to supply automotive, industrial, and AI demand.[157]

However, Europe continues to face some underlying challenges: fragmented national policies, slow permitting regimes, capital shortfalls for leading edge manufacturing, severe talent shortages, and persistent dependencies on non EU suppliers for materials, tools, EDA software, and advanced packaging capacity.

Several member states have called for a reinforced "Chips Act 2.0" to, help address these constraints and support EU's ambition of increasing its share of global semiconductor production to 20% by 2030.[158]

The European Chips Act (2023) has already catalyzed ~€80 billion in announced investments – nearly double the original target



05 Organizations prioritize long-term strategic value in reindustrialization decisions

Strategic benefits outweigh near-term cost considerations

While organizations anticipate higher short- to medium-term costs of reindustrialization, logistics and tariff related costs are expected to remain stable or decline as supply chains move closer to home. A high 86% are prioritizing long-term strategic benefits, such as improved market access and resilience against supply-chain disruptions, over near-term savings. A significant **seven in ten feel that improved supply-chain resilience justifies their reindustrialization investments,** while **75% expect reindustrialization efforts to support revenue growth.** Further, 78% believe that economies of scale will bring down unit production costs.

For example, a major tool maker chose to keep production in the US after an automated welding system cut changeovers from 1–2 hours to 90 seconds, slashing downtime, improving quality, and reducing waste. The resulting lower operating costs and TCO validated staying in US. rather than producing in the existing facility in China.[159]

VP, Industry Automation at a large European industrial manufacturer, *"We've improved time-to-market, especially for large equipment. Reindustrialization has also helped us win government projects that we might have lost without local manufacturing. Sometimes, costs go up intentionally because we value responsiveness, resilience, or strategic positioning over pure cost. It's always a trade-off, but the benefits are clear."*

Ramakrishnan Ramanathan, VP – Engineering at Renault, agrees: *"The direction is clear. Every region is gradually building the capability to support its own industrial base. Over the next decade, we're likely to see more localized ecosystems take shape, new supply chains emerging around regional needs, and a rebalancing of where value is created."*

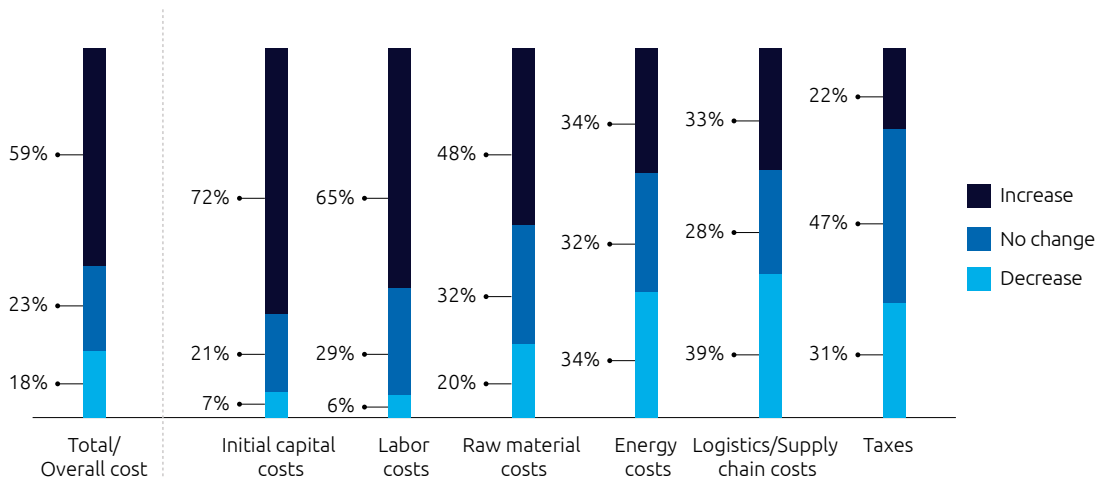
75%

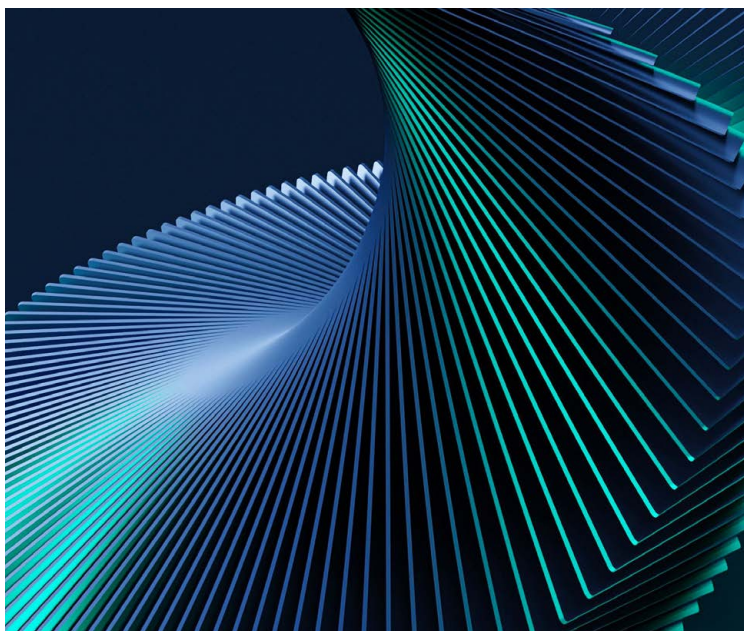
expect reindustrialization efforts to support revenue growth

"The direction is clear. Every region is gradually building the capability to support its own industrial base. Over the next decade, we're likely to see more localized ecosystems take shape, new supply chains emerging around regional needs, and a rebalancing of where value is created."

Ramakrishnan Ramanathan
VP, Engineering at Renault

Figure 13.
Expected reindustrialization-driven change in costs over the next three years





Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Government grants and incentives lower reindustrialization cost barriers

To finance reindustrialization initiatives, organizations continue to make significant use of government grants, subsidies, and tax incentives. This underscores the importance of government support in accelerating domestic and regional manufacturing investments by helping address upfront cost barriers.

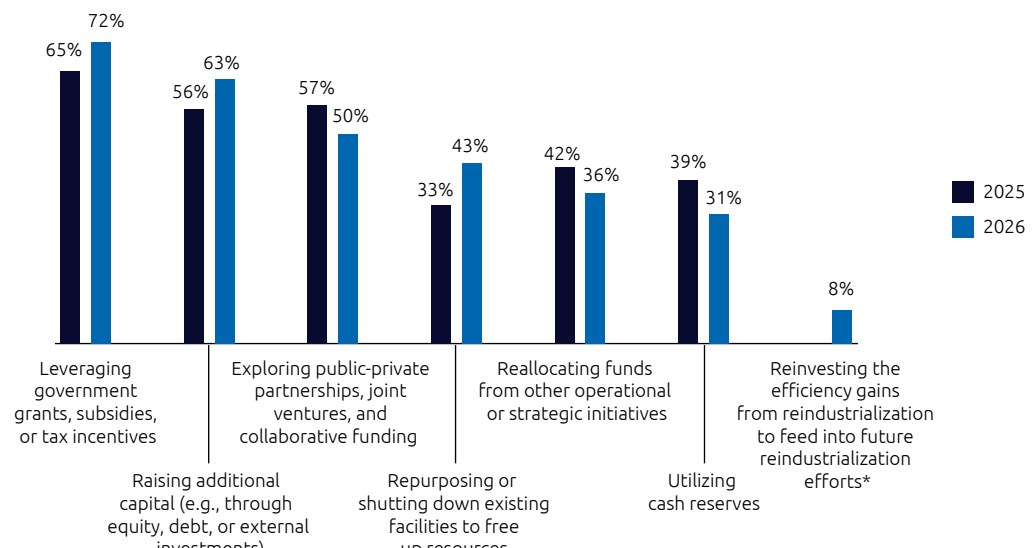
In addition to government backing, organizations are pursuing a mix of financing strategies, including equity and debt financing, public-private partnerships (PPPs), and the reallocation of internal resources.)

85%

of organizations expect significant improvements in operational resilience/flexibility within the next three years by bringing manufacturing closer to home and/or end markets

Figure 14.
Most organizations continue to leverage government grants, subsidies, or tax incentives to finance reindustrialization initiatives

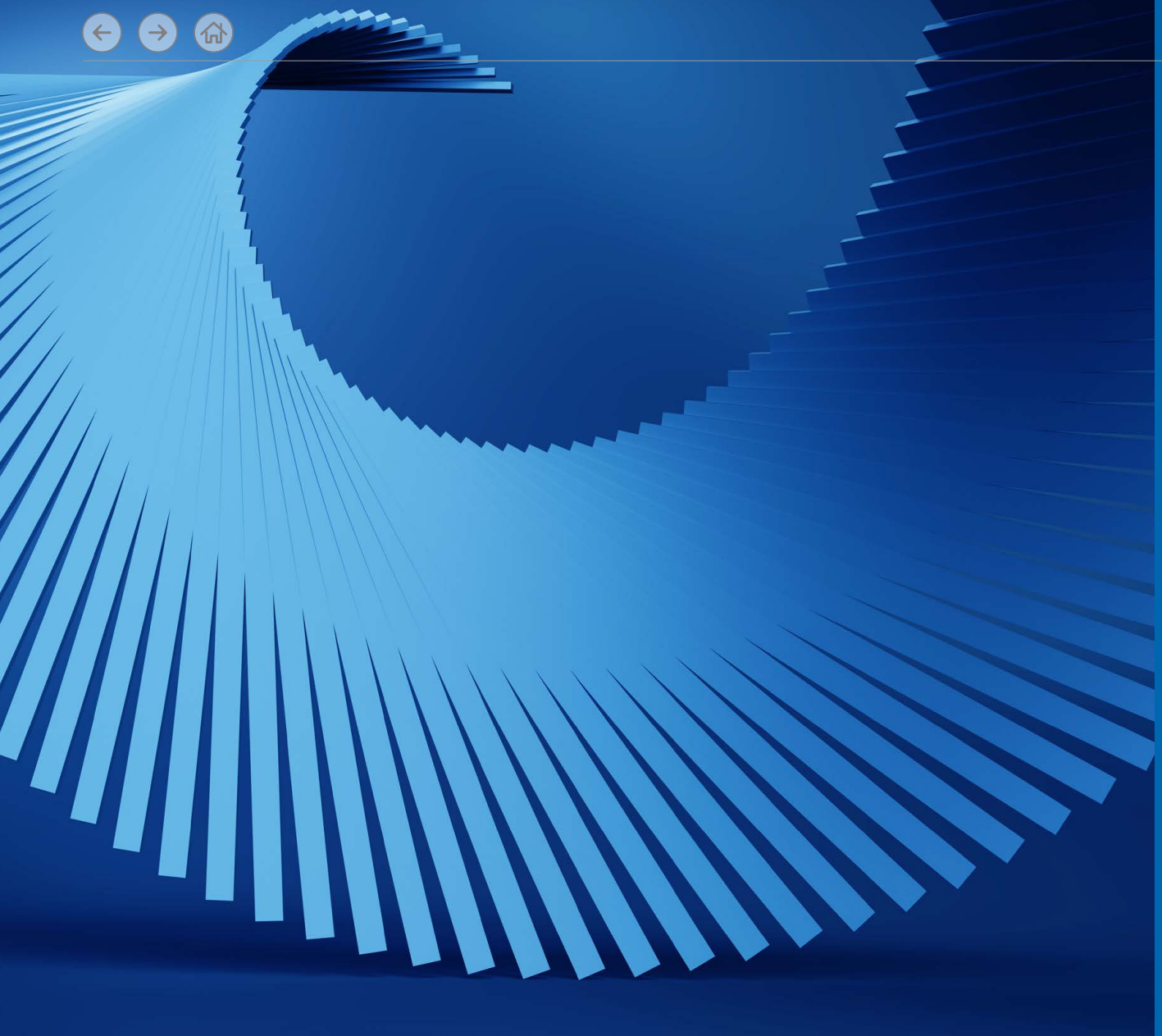
Percentage of organizations planning to finance reindustrialization initiatives using the following modes



*Was not given as an option in last year's survey
Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

“Cost is still a key driver, but now we also measure resilience: exposure to risk if we rely on a single country versus two or four. Lead time, logistics cost, supplier proximity – all of these go into the end to end analysis. A factory deep in Mongolia might be cheap to run but slow to ship from, which erodes competitiveness through inventory and obsolescence risk. We can’t look at just one part of the chain – it must be the full chain.”

VP, Industry Automation at a large European industrial manufacturer

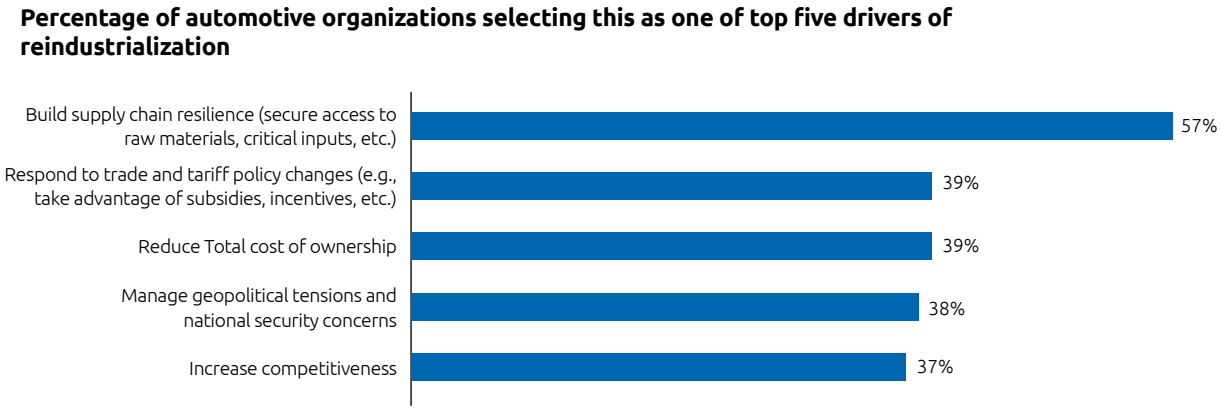


Reindustrialization in the automotive industry

Global automotive sales recovered modestly in 2025 to 91.7 million (+1.7%), but sales in Europe (EU, EFTA, UK) and the US stayed below pre-COVID levels.[160] Consequently, average capacity utilization in the US remained around **60% through October 2025,**[161] while China's was below **50% in 2024.**[162] Trade and tariff volatility, ongoing supply-chain vulnerabilities, cost inflation, uneven demand, and surging competitive pressure, especially from Chinese EV manufacturers expanding globally, continue to shape the industry.[163]

Unsurprisingly, around 67% of organizations already have a reindustrialization strategy in place or under development, while another ~11% plan to develop one. Supply chain resilience, navigating trade and tariff changes, and increasing market competitiveness are some of the leading drivers of localization. For instance, localization can result in transportation savings of around 20% of operating costs,[164] while a 25% tariff increase can result in a rise of around 13% in vehicle prices.[165]

Figure 15.
Supply-chain resilience, tariff changes, and competitiveness drive automotive reindustrialization



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 105 automotive executives from organizations with a reindustrialization strategy in place or planned.

Reshoring gains momentum in the US automotive industry

In the US, every $1 spent on vehicle manufacturing creates an additional $4.23 in economic value.[166] The industry employs 436,000 workers directly and supports an additional 9.2 million other jobs.[167]

Through policies such as the 'One Big, Beautiful Bill' and other 'America First' initiatives, the US government provides incentives for both vehicle manufacturers and consumers. Trade agreements such as the USMCA have further strengthened the localization and regionalization business case. A significant amount of manufacturing and sourcing has shifted to Mexico and Canada to meet the 75% Regional Content Value (RCV) requirement to qualify for tariff free importation into the US.[168] In 2025, Mexico provided a record 46% of total imports to the US.[169] Organizations within **USMCA rules of origin**

thresholds can, at least temporarily, avoid Section-232 tariffs. Without an FTA with the US, tariffs on certain vehicle categories could be as high as 50%.[170]

The USMCA is up for renewal in 2026, and any amendments could significantly influence future location decisions, leading automakers to begin expanding domestic production. **As per our survey, nearly 62% of US automotive organizations have invested in reshoring.**

European, Japanese, and Chinese automakers are also increasing US manufacturing investments to gain market access, reduce tariff-related cost impacts, and benefit from national and state-level incentives for local production. In fact, international automakers manufacture nearly 4.9 million vehicles in the US annually, accounting for 48% of total US auto production and directly employing 156,000.[171]

62%

of US automotive organizations have invested in reshoring

Notable examples of OEMs that have announced investments in the US include:

Organization	Investment	Strategy
General Motors	$4 billion over the next two years	To expand US manufacturing capacity for gas and EVs[172]
Hyundai Motor Group	$21 billion in 2025–28	Expansion of localized vehicle and part production, and strengthening supply-chain control by investing in steel production and logistics infrastructure[173]
Toyota	$912 million across five US plants	Expansion of hybrid vehicle production in the US, increasing domestic output in response to incentives and shifts in market demand[174]
Stellantis	$13 billion over the next four years for five new vehicle model launches and 19 production actions	Aiming to boost US manufacturing presence and flexibility[175]

Recently, Nissan announced that, from 2027, it will join Honda and Toyota in importing vehicles from the US to its home market.[176]

However, it remains to be seen how many of these proposed investments become reality. Also, the US is the world's largest importer of automotive components, So, as the OEMs move toward reshoring, and reducing reliance on imports, the broader ecosystem including Tier-1 and Tier-2 supply-chain partners, spare-parts manufacturers, etc., will need to scale domestic capabilities to support localized supply chains.

EU's automotive reindustrialization at a crossroads

The EU auto industry is navigating subdued demand conditions both domestically and in overseas markets. Its trade surplus is narrowing as auto component exports to China fall below imports,[177] and exports to US re affected by tariff measures (the US is the EU's second-largest market after UK).[178] Additionally, the EU faces intensifying global competition, especially from China, which is expected to account for 10% of sales in the European market by 2030.[179]

Moreover, **production is stagnating.** In 2018–25 China's auto components value-added output increased by around 40%, that of the US by roughly 11%, while EU's declined by 15% due to weakening cost-competitiveness, regulatory requirements, labor shortages, lack of incentives, and supply-chain fragility. European suppliers faces a 15%-35% cost disadvantage vs. best cost countries, driven by rising energy, labor and regulatory costs.[180] Additionally, as the industry shifts toward software-defined architectures and AI, European organizations will need to ramp up on this front.

As per our survey, **nearly 35% of European automotive organizations versus 62% in the US have invested in reshoring production.** European automakers continue to engage nearshore locations in Eastern Europe.[181] **Hungary**, for example, is emerging as the regional leader for EV and battery integration. In 2025, BMW began localizing its iX3 production in Debrecen, while BYD announced a new assembly plant in Szeged. European organizations are also expanding selectively into markets such as **South America and Asia** to diversify growth opportunities.

European companies are also engaging in partnerships with Chinese companies owing to their cost competitiveness and leading technology position in **new energy vehicles (NEVs).** For instance, German automotive supplier ZF Group taps into China's fast-paced innovation ecosystem to create market-ready solutions.[182] Chinese battery manufacture CATL plans to send 2000 skilled workers to Spain to commission a new JV battery plant with Stellantis, and will later also train 3000 local workers to run the plant.[183] BMW has started the construction of its sixth-generation power battery project in Shenyang, China.[184]

The EU is taking multiple measures like conditional-access and other support mechanisms to revive the sector and maintain its competitiveness. For example, the **Automotive Omnibus** eases the administrative burden, and the **December 2025 Automotive Package** provides flexibility around emissions-reduction targets if manufacturers use low carbon steel produced in the EU. The €1.8 billion **Battery Booster** program accelerates the development of a fully EU-made battery value chain,[185] while the C**lean Corporate Vehicle proposal** aims to accelerate fleet decarbonisation. The **European Connected and Autonomous Vehicle Alliance (ECAVA)** brings together stakeholders to develop next-gen vehicles.[186] The **EU's 2025 Automotive Action Plan (AAP) has introduced** measures to address Europe's growing shortage of blue collar manufacturing talent. Further, the recently proposed **Industrial Accelerator Act (IAA)** further supports local manufacturing.

But challenges remain. Overambitious timelines, the use of mandates rather than incentives, inadequate flexibility, and overly high policy complexity all drag on progress. To compete, organizations will need to strengthen resilience and manage critical dependencies through partnerships and strategic investment.[187]

Overcapacity and market access drive Chinese auto expansion

With new US tariffs coming into force and the EU introducing measures targeting Chinese pricing practices, Chinese automakers are encountering increasing headwinds in these markets and the domestic market is already saturated on the internal combustion engine vehicles front. To offset this, Chinese manufacturers are accelerating expansion and production in **Asia, Eastern Europe, and Latin America.**[188] **Chinese automakers have announced overseas manufacturing** moves, including factory setups in Spain, Russia, and Hungary and factory acquisitions in Thailand and Brazil, in order to mitigate tariffs, addressing domestic overcapacity and localizing production.

The EU's imposition of 17–35% duties on Chinese battery electric vehicles (BEVs) **makes European production** a more viable route to access the EU market. BYD, for instance, has begun installing production-line equipment at its new Hungary plant, with trial assembly set for early 2026.[189] Chinese OEMs are also establishing manufacturing facilities in **Mexico** to serve North American markets.

Can India be the next China?

India is rapidly emerging as a global automotive export hub, shipping **858,000 vehicles in 2025,** up **15%** from 2024, driven by strong demand across Africa, South America, West Asia, and increasingly Europe and Japan.[190] Global OEMs, including Suzuki and Honda, are using India as a strategic manufacturing base. This momentum reflects India's growing appeal for large scale, export oriented automotive manufacturing due to its cost competitiveness, expanding supplier network, and favourable geopolitical and trade climate. However, matching China's manufacturing scale will require India to overcome gaps in upstream supply chains especially EVs, logistics efficiency, advanced manufacturing skills, and the speed of industrial execution.

06 Reindustrialization and technological advances are symbiotic forces

Reindustrialization is pushing manufacturing beyond brownfield upgrades toward greenfield, tech-driven smart factories

As part of the reindustrialization agenda, organizations are increasingly complementing brownfield upgrades with investments in greenfield facilities that allow for flexible manufacturing, faster ramp-up, and compliance with existing and upcoming regulations. These facilities also allow organizations to take advantage of local incentives and policies. Many are being designed as digital-first smart factories, featuring advanced automation, data systems, and physical production technologies.

This greenfield, technology intensive and digitally native approach allows organizations to pursue productivity, resilience, and compliance objectives that can be more challenging to achieve in legacy factories. It also allows manufacturers to explore fully automated "lights out" manufacturing models that minimize human intervention while maximizing consistency and throughput. For instance, Xiaomi operates a fully automated dark factory that runs 24/7 using AI, robotics, and its Hyper Intelligent Manufacturing Platform, producing up to one smartphone every second with no human intervention.[191]

Bella Oung from Regal Rexnord comments: *"In an environment shaped by trade and policy uncertainty, we're investing in new U.S. manufacturing capacity rather than simply shifting production across existing locations. Building new operations gives us greater flexibility, built-in resilience, and a stronger foundation for long-term competitiveness."*

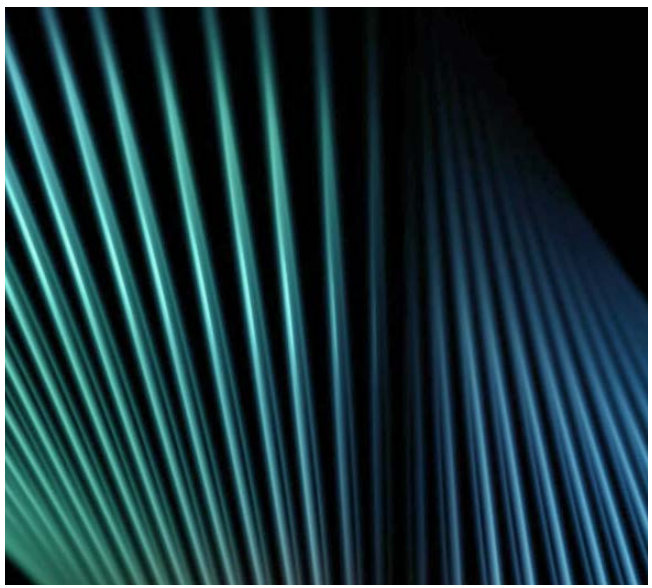
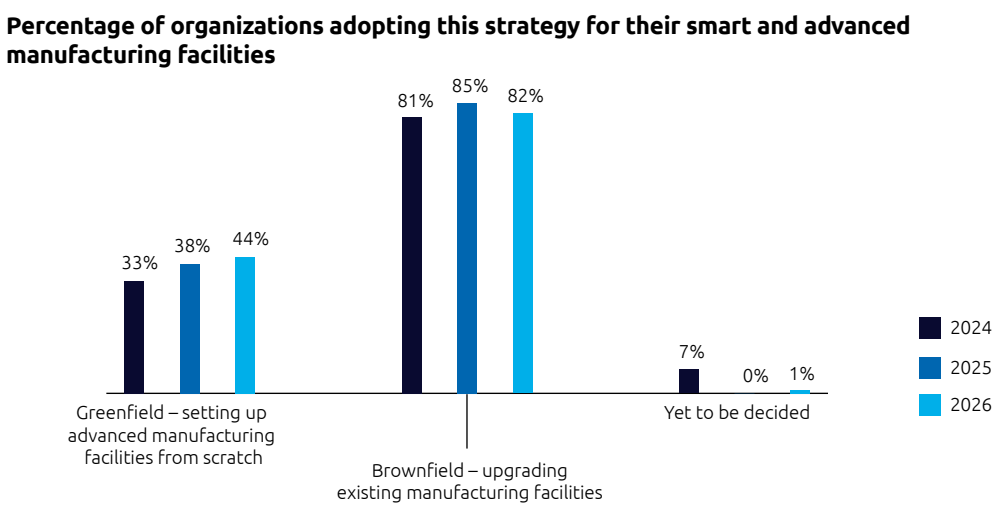


Figure 16.
Approach taken to establish smart and advanced manufacturing facilities



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 1),* February 2024, N = 1,300 executives from organizations with a reindustrialization strategy in place or planned; *Reindustrialization of Europe and the US (Edition 2),* January 2025, N = 1,401 executives from organizations with a reindustrialization strategy in place or planned; *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

At the same time, brownfield sites remain the primary pathway to efficient factory upgrades. For instance, Stellantis is converting existing internal combustion engine (ICE) plants in France, Italy, and the UK to produce electric vans and passenger EVs.[192] The group's 2025 Factory Booster and AI programs focus on retrofitting legacy lines with AI, automation, and logistics robotics to cut transformation costs by 11% and energy use by 23%.[193]

A significant proportion of greenfield investments were concentrated in areas such as AI/data centers and semiconductors. According to UNCTAD, the total value of greenfield investments rose by ~22%, largely driven by a fourfold increase in France and a 46% rise in the US.[194] Greenfield projects announced in the US reached an estimated $360 billion, with a significant share going to semiconductors ($137 billion) and data centers ($38 billion).[195] In 2025, data centers accounted for one-fifth of global greenfield project values.[196]

While reindustrialization – whether brown or greenfield – is accelerating AI adoption across factories, supply chains, and local manufacturing ecosystems, it may also restrict the democratization of AI in certain regions, as some countries move aggressively to limit who can access advanced AI chips and high end AI models. Governments are asserting digital sovereignty, prioritizing secure and sovereign AI ecosystems while limiting access for designated "countries of concern." For multinational companies, this could also create a more fragmented global IT landscape, where some countries gain access to the most advanced new technologies while others are left with significantly lagging capabilities.

"Automation and AI keep supply chains alive when everything else is uncertain. I see automation becoming the catalyst that finally makes localized and resilient manufacturing viable."

Alessandro Miranda
Director – Radio Access Network (RAN) Design and Optimization at ZTE Corporation

Technology enables advancing reindustrialization strategies

Increasingly, organizations are turning to advanced manufacturing technologies to manage reindustrialization costs, with 87% of organizations indicating they plan to invest in tools such as AI, automation, and digital twins, to help lower these expenses. Norbert Luetke-Entrup, Head of Strategy at Siemens Digital Industries, says: *"Reindustrialization becomes feasible when the cost of producing in different regions converges, and the only realistic lever here is AI-powered automation. The Holy Grail is a fully automated, flexible factory that can handle new product variants or design changes without significant reengineering. This will require four building blocks: software-defined automation, physical AI, as well as AI-enhanced production engineering and operations SW to implement agentic production workflows."*

Technology accelerates reindustrialization by providing multiple benefits around efficiency, quality, resilience, and time-to-market. For example, in 2025, GE Appliances announced reshoring production of more than 15 front loading washing-machine models from China to the US. The project relies heavily on advanced technologies, including automation, robotics, and vertically integrated manufacturing.[197] Similarly, BMW uses digital twins through its "Virtual Factory" to simulate entire vehicle production lines before physical deployment. As a result, production-planning activities that previously took nearly four weeks can now be completed in three days, and the production-planning costs is expected to reduce by 30%, improving factory efficiency and time-to-launch across new vehicle programs.[198]

In volatile conditions, use of automation, digital twins, and advanced robotics supports flexible and agile manufacturing. In our survey, 82% anticipate increased innovation over the next three years as a direct result of reindustrialization efforts. Leading US manufacturers, including Foxconn, Toyota, TSMC, Caterpillar, Lucid Motors, Wistron, and Belden, are using NVIDIA's Omniverse-powered factory digital twins and collaborative robot workforce to overcome labor shortages, accelerate AI-driven manufacturing, and drive reindustrialization in the US.[199]

Alessandro Miranda, Director – Radio Access Network (RAN) Design and Optimization at ZTE Corporation, comments: *"Automation and AI keep supply chains alive when everything else is uncertain. I see automation becoming the catalyst that finally makes localized and resilient manufacturing viable."*

87%

of organizations indicate they plan to invest in tools such as AI, automation and digital twins, to help offset reindustrialization expenses

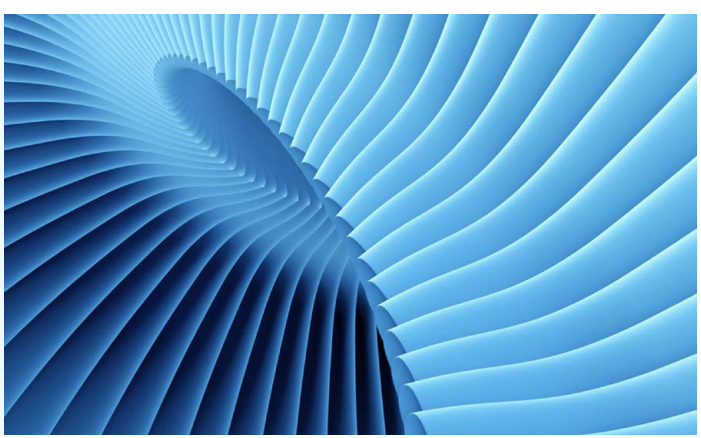


Figure 17.
Key technology pillars that enable sustainable and scalable reindustrialization

Technology	Description	Example
Automation	*Automation enhances throughput, precision, and reliability, and reduces labor cost*	Roche has integrated digital bots into its laboratory ecosystem to manage the lifecycle of medical samples resulting in faster clinicals, directly improving patient outcomes by shortening the diagnostic window.[1]
Adaptive manufacturing architecture	*A standardized, event-driven architecture that connects data, applications, and infrastructure across the organization. Built on shared IT-OT and data foundations spanning edge and cloud, it enables centralized management, monitoring, and security; supporting real-time visibility, sensing, and faster decision-making.*	Chinese appliance maker Midea uses AI agents to dynamically adapt manufacturing in response to real time event triggers. For example, the quality agent inspects the injection-molded rear drum of a washing machine. If the part is approved, it dispatches a humanoid agent for pickup; if it is rejected, the quality agent collaborates with other agents to automatically adjust machine parameters and optimize the process.[2]
AI, Gen AI & AI agents	*Help speed up engineering, design, development, and operational processes and decision-making, improving quality and productivity and accelerating product ramp-ups, powered by massive computing capabilities.*	Rolls-Royce is using Gen AI in its defect-detection process during manufacturing. It assisted inspection of specific areas, improving fault detection and raising operation time by 30% and reducing scrappage[3]
Edge & Cloud	*Enables faster, scalable, and autonomous operations with real-time hybrid architecture enabling AI workload where it makes more sense*	Procter & Gamble uses an edge-to-cloud architecture with Azure IoT Operations to rapidly deploy models across plants, cutting model rollout time by up to 90%, while reducing unplanned downtime[4]
Physical AI	*Operationalize AI on the shop floor by embedding it into machines and control systems (such as robots, cameras, and equipment) that use sensors to interpret their environment, interact with dynamic situations, and operate under unforeseen conditions.*	At Eaton, as control-box wiring complexity increased, wiring errors accounted for over half of yield loss, and troubleshooting, on average, took 50 hours. Eaton piloted humanoid robots, reducing inspection time by 90% and improving accuracy by 99.8%.[5]
Digital twin & simulation	*Real-time virtual replica of products, processes, and resources to simulate, optimize, or predict real-world outcomes, bridging physical and digital worlds*	PepsiCo uses digital twin composer to validate, and optimize plant and warehouse layouts before physical construction, eliminating costly trial-and-error and reducing design cycles from months to days raising throughput by 20%[6]
IoT / IIoT	*IIoT connects machines, sensors, and systems to continuously improve OEE, energy, and quality, making local production more efficient and predictable*	To manage domestic price pressures and rising demand volatility, AstraZeneca Wuxi implemented an IoT-driven smart manufacturing program, with 99% reduction in material-dispensing lead time and 31% reduction in unplanned downtime.[7]

1. Healthcare Digital, "Top 10: RPA in Pharmaceuticals," March 2026. 2. Inf.news, "Midea has built an intelligent factory, but this is just the beginning," March 2026. 3. Microsoft, "Rolls-Royce saves millions in cost avoidance with Microsoft Cloud for Manufacturing," April 2025. 4. Microsoft, "Procter & Gamble cuts model deployment time up to 90% with Azure IoT Operations," August 2025. 5. WEF, "Global Lighthouse Network: Rewiring operations for resilience and impact at scale," January 2026. 6. PepsiCo, "PepsiCo announces industry-first AI and digital twin collaboration with Siemens and NVIDIA," January 2026. 7. WEF, Global Lighthouse Network.
Source: Capgemini Research Institute analysis.

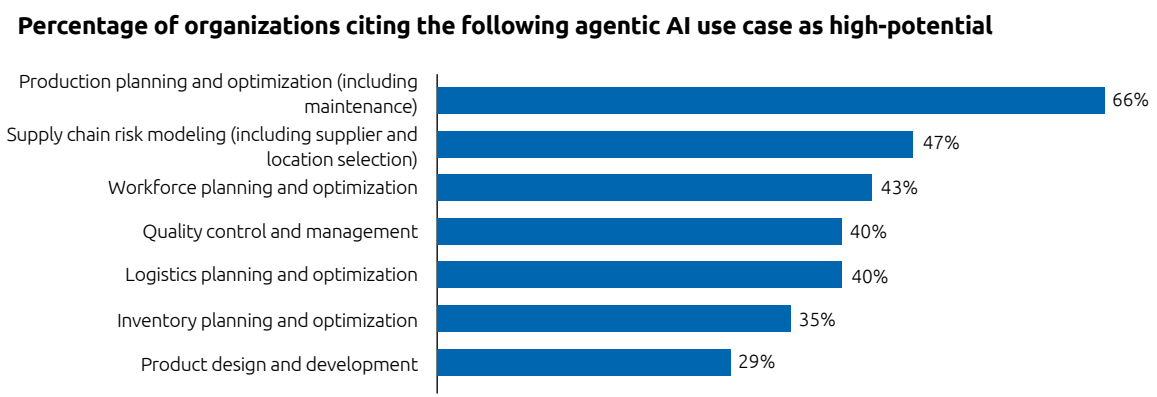
A head of strategy at a multinational American pharmaceutical company says: *"We're investing significantly in technologies like agentic AI and digital twins to model our processes, accelerate tech transfers, and reduce manual workload. We're also working toward building a fully digital data backbone across development and clinical operations so that one click tech transfer becomes possible."*

Production planning, supply-chain risk modeling/scenario modeling, and workforce optimization are some of the high-impact use cases of agentic AI in manufacturing (see Figure 18). In fact, AI-driven scenario modeling can emerge as a very impactful use case (discussed in detail in the recommendations).

"Reindustrialization was born out of crisis, from pandemic-driven supply chain failures to energy shocks, but it is unfolding differently across the Atlantic. The US is doubling down on reshoring, while Europe, constrained by energy costs and regulatory complexity, is pursuing friendshoring as a pragmatic path. With 85% of organizations expecting gains in operational resilience, execution and scale remain the main challenges. AI is proving particularly critical where the pain is greatest, optimizing energy use in heavy industries and addressing labor shortages through agentic and physical AI. More than ever, technology is central to the next phase of industrial sovereignty."

Charlotte Pierron
Perles, Executive Vice President, Intelligent Industry, Capgemini Invent

Figure 19.
Production planning, optimization, and risk modeling are top agentic AI use cases



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Below are some illustrative examples of the enterprise-level impact technology can deliver, supporting reindustrialization and scaling:

- **Narrowing the labor arbitrage and addressing labor shortages:** By automating labor-intensive tasks, robots and cobots lower unit labor costs and reduce dependency on workforce availability, thereby improving the economics of domestic production.
- **Boosting efficiency:** AI-driven planning, predictive maintenance, IIoT monitoring, and digital twins reduce downtime, increase productivity, minimize waste, and help cut overall production expenses. **GE Aerospace** AI models analyze data from 44,000 jet engines, predicting maintenance issues before they occur and reducing unscheduled downtime by 40%.[200]
- **Building agility:** Modular automation and programmable robots allow manufacturers to rapidly reconfigure production lines, enabling flexible, high-mix, and low-volume manufacturing and faster responses to customer demand. This saves time and reduces costs linked to production adjustments.[201] At its Nanjing facility in China, **Siemens** uses digital twins for cycle-time optimization and line re-balancing. This has led to an 83% reduction in delivery lead times, and 50% increases in units per hour.[202]

- **Improved quality and traceability:** Automated inspections and sensor-based controls enhance quality, reduce defects, and improve traceability. For example, at its Regensburg plant, where a car is built every 57 seconds, **BMW** uses generative AI (Gen AI) to automate quality inspections for each vehicle.[203] Using AI for production testing and modeling, Epiroc, a Swedish mining equipment manufacturer could achieve 30% decrease in customer rejections and returns.[204]
- **Supply-chain resilience:** Digitally connected production and supply chains improve visibility, responsiveness, and continuity. **Siemens** uses digital twins to simulate 500+ production scenarios daily, capturing real-time sensor data, supplier lead-time variability, and transport risk probabilities, allowing it to reallocate resources accordingly. As a result, it has seen a 20% reduction in downtime.[205]
- **Empowering the workforce:** AI and digital tools automate repetitive tasks, freeing up talent for higher-value roles and enabling quicker upskilling. This helps address labor shortages and lowers costs associated with recruitment and training. **F. Zimmermann GmbH** uses Siemens Gen AI tools for many repetitive engineering tasks.[206]
- **Enhancing sustainability:** Reshoring with smart technologies helps optimize energy usage, reducing emissions and resource consumption. **Mitsubishi Electric Air Conditioning Systems Europe (M ACE)** performed an IIoT energy-monitoring retrofit and achieved energy savings of up to 56%.[207] **Schneider Electric's** Évreux site integrated data, financial, and physical systems to secure new sources of critical raw materials, expanding its circular product offering to 38%, resulting in a 43% reduction in Scope-3 emissions, a 40% reduction in single-use plastic, and an 18% reduction in energy consumption in two years.[208]
- **Accelerating innovation:** At its Devens site, **Bristol Myers Squibb** used AI to create more than 30 new use cases, resulting in a 42% reduction in new product introduction (NPI) time and an increase in volume of over 40%.[209]

Demand is rising for hybrid talent to support reindustrialization

A significant 83% of organizations in our survey reported that shortage of skilled industrial workers poses a significant challenge to their reindustrialization efforts, with a similar percentage citing a need for more advanced industrial skillsets. However, only one in three (34%) is prepared to incorporate workforce capabilities (skills evolution, training, digital fluency) into their manufacturing production, highlighting the urgent prioritization of skills to support reindustrialization.

There is a shortage of blue-collar labor in manufacturing. According to the National Association of Manufacturers (NAM), the average manufacturer had ~4.2% of positions unfilled in Q3 2025, with nearly one in four reporting vacancy rates above 5%.[210] In addition, executives also highlighted critical talent gaps in emerging technical

domains required for modern manufacturing, including advanced engineering (62%), digital twins (50%), AR/VR (50%), IoT (46%), and supply-chain management (42%).

As manufacturing evolves, workforce requirements are shifting toward a hybrid skills profile. In addition to traditional operational capabilities, factory workers increasingly require competencies such as cybersecurity awareness, technical maintenance skills in robotics, sensors, and predictive maintenance, and data-handling skills to interpret machine data, troubleshoot using analytics, and interact with AI-enabled systems. Addressing these talent gaps, across both advanced digital capabilities and traditional industrial skills, will be critical to translating reindustrialization ambition into reality.

83%

of organizations reported that shortage of skilled industrial workers poses a significant challenge to their reindustrialization efforts

"Reindustrialization is no longer about relocating factories, cost, or scale. It is about engineering systems that perform under uncertainty. The winners embed resilience, flexibility, and intelligence at the core, building the ability to sense, decide, and act across their value chain."

Idriss Elasri
Chief Core Engineering Officer, Capgemini Engineering

07 Recommendations: How can organizations build a resilient, adaptive manufacturing and supply chain ecosystem

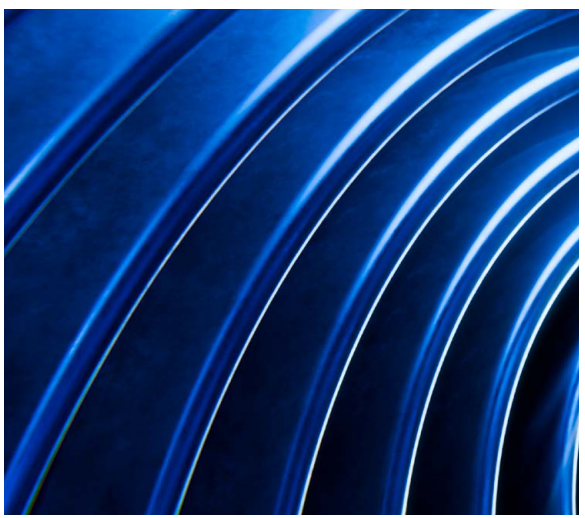
We present below a few recommendations to create a resilient, agile manufacturing and supply chain ecosystem that can anticipate disruptions and respond quickly to shifting demand and supply conditions.

Anchor reindustrialization decisions in a holistic, financially aware value assessment

Organizations should evaluate reindustrialization decisions using a comprehensive value framework that captures not only production costs but also resilience, innovation, and competitiveness:

- **Total cost of ownership,** including labor, energy, logistics, tariffs, and regulatory compliance
- **Value of resilience or cost of vulnerability,** estimating financial exposure to supply disruptions, supplier concentration, and geopolitical restrictions
- **Market responsiveness,** such as proximity to customers and innovation ecosystems, and shorter lead times
- **Technology use,** evaluating whether automation, AI, and advanced manufacturing technologies can offset costs and offer added advantages

Organizations should complement this assessment with scenario-based financial modeling, assessing the projected performance of different manufacturing configurations in the face of potential disruptions such as trade policy shifts, supply shortages, or energy-price volatility. This ensures that reindustrialization investments are guided by long-term value creation and operational robustness, rather than short-term geopolitical, economic, or regulatory pressures.



Adopt hybrid, market-specific pathways for reindustrialization that balance costs and resilience

A blanket reshoring, nearshoring, or friendshoring approach is unlikely to be effective. In the previous edition of this report, we recommended focusing on "rightshoring" – evaluating domestic, nearshore, and friendshore production options, and selecting a hybrid configuration that optimally balances cost, resilience, and competitiveness. Building on this, organizations must identify pragmatic pathways to shift or expand industrial capacity, while maintaining operational resilience.

Develop capex-light pathways to shift or expand production capacity

Given the high capital intensity associated with building new and upgrading existing manufacturing facilities, organizations should prioritize capital-efficient pathways to reindustrialization:

- **Shared manufacturing infrastructure,** particularly within industrial clusters or regional manufacturing hubs
- **Contract manufacturing partnerships** that allow organizations to expand capacity without large upfront capital investments
- **Joint-ventures** with regional partners to access local manufacturing ecosystems and regulatory advantages
- **Repurposing** or **modernizing existing production assets** (owned or acquired), rather than building entirely new facilities

Not all production expansion requires new greenfield factories. Repurposing existing facilities and partnerships can allow organizations to scale regional production quickly, while reducing capital exposure.

Strengthen operational sovereignty

Organizations should seek to reduce dependence on single suppliers, regions, or external production ecosystems by identifying and reducing critical supply-chain vulnerabilities, particularly in relation to critical raw materials, components, technologies, energy sources, and infrastructure.

Organizations can implement mitigation strategies such as diversifying supplier bases across multiple regions; localizing production of critical components (where feasible); developing in-house capabilities for strategically important resources; establishing alternative sourcing arrangements; and exploring alternative raw materials. The objective is not complete self-sufficiency but, rather, balanced and resilient interdependence, ensuring operational continuity during geopolitical disruptions, trade frictions, or supply shocks.

Build adaptive industrial capacity with a digital backbone

The long-term ambition of reindustrialization efforts is to build a manufacturing and supply ecosystem that is intrinsically resilient and responsive. A unified digital backbone is essential to enable this outcome.

Standardize manufacturing systems across facilities

Unified and modular manufacturing systems allow equipment, production cells, and workflows to be reconfigured as product portfolios evolve, supporting low-cost introduction of product variants, faster technology adoption, and smoother capacity adjustments.

Harness AI (including edge AI and physical AI) to enable autonomous, responsive, event-driven systems

Robotic process automation (RPA) and physical automation have helped manufacturers streamline repetitive digital tasks and mechanize predictable shop floor activities. But these systems operate within predefined rules, offering limited flexibility. Organizations must evolve from static, **preprogrammed automation to intelligent, flexible systems.**

- They must **embed intelligence across both digital workflows and physical operations** using agentic AI and physical AI systems that can sense, decide, and act in real time.
- Further, organizations can **use AI to capturing ecosystem signals and perform AI-driven scenario modelling** to anticipate shocks, test strategic options, and build resilient operating models.
- **By integrating digital models with physical execution,** physical AI allows the manufacturing and supply chains systems to **respond autonomously and instantaneously to any external and internal events** such as equipment issues, demand shifts, or supply chain disruptions. For example, AI inspection agents can detect quality deviation automatically, triggering robotic adjustments.

Ensure an integrated digital backbone

Reindustrialization efforts cannot succeed without a unified and coherent digital backbone that integrates factories, suppliers, logistics networks, and other supply-chain partners across locations. Organizations must invest in seamless data flows and connected systems that enable real-time information sharing, cross-functional visibility, synchronized operations, and orchestrated planning. These capabilities form the foundation for effective real-time responses to disruptions, dynamic reconfiguration of production assets and supply chains, and optimized capacity utilization across global networks.

Harness sustainable manufacturing to strengthen industrial resilience and sovereignty

As manufacturers expand domestic and regional production, integrating sustainable manufacturing practices can help organizations address multiple structural challenges. Nearly three-quarters (74%) of organizations believe that reindustrialization will drive a shift toward sustainable and environmentally friendly manufacturing practices, unchanged from 2024 (73%), demonstrating the criticality of sustainability. Shorter, localized supply chains further reinforce this shift by reducing transport-related emissions, improving traceability, and increasing control over environmental and social standards.

Adopt circular production models and local sourcing to reduce dependence on critical inputs

Circular economy principles, such as reuse, repair, remanufacturing, recycling, and local sourcing of materials and components, enable manufacturers to decrease dependence on imported or limited raw materials, while enhancing resource efficiency. Seven in ten (68%) executives agree that these practices reduce supply-chain vulnerability.

Strengthen energy resilience across manufacturing operations

Investments in energy efficiency, electrification, and clean energy sources can reduce operational costs and improve long-term energy security, while supporting decarbonization objectives.

74%

of organizations believe that reindustrialization will drive a shift toward sustainable and environmentally friendly manufacturing practices

Redesign workforce models to support next-gen manufacturing and supply chain

Modern manufacturing requires both skilled trades and technological expertise to meet current demands. As production environments become more automated and digitally enabled, the need to rethink workforce models becomes more urgent.

Develop hybrid digital–industrial skillsets

As manufacturing operations become increasingly automated and data-driven, workers must combine traditional engineering or production expertise with digital capabilities. A majority (73%) of organizations intend to invest in workforce training and upskilling within the next six months to support reindustrialization initiatives.

Enhance the attractiveness of a career in industry

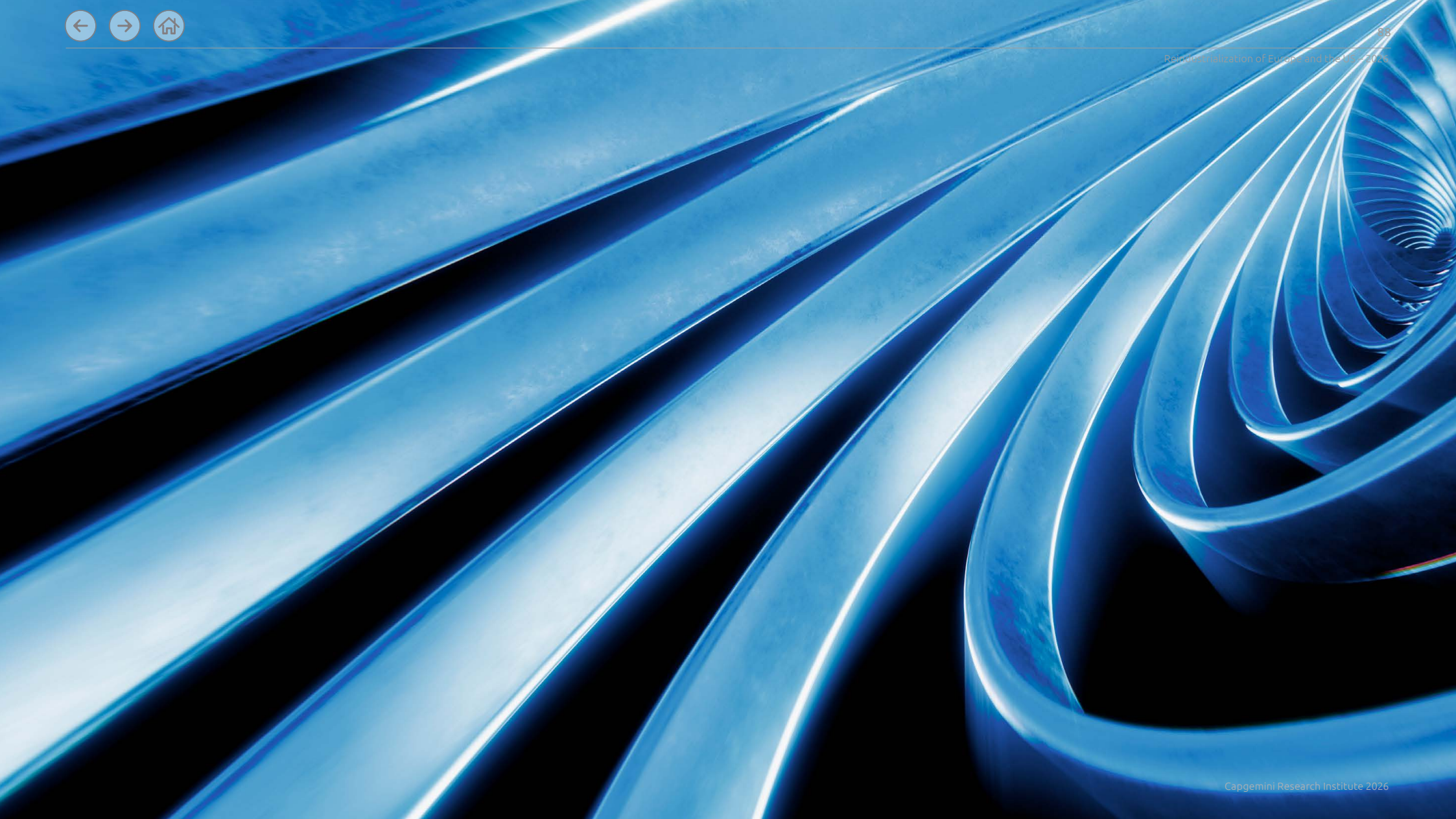
Beyond training initiatives, organizations must also address perception challenges around manufacturing careers. This includes improving working conditions, offering clearer career progression, integrating digital tools into production environments, and highlighting the role and use of advanced technologies in modern manufacturing.

Strengthen industrial talent pipelines through ecosystem partnerships

To address persistent labor shortages and evolving skill requirements, organizations should deepen collaboration with universities, vocational institutes, technology partners, and regional training programs. Notably, 78% of organizations report that that they are already establishing these kinds of partnerships.

Rethink workforce governance and culture

As AI becomes more embedded in operations, organizations must clarify decision rights, accountability, and human-machine collaboration models. Human-centric governance frameworks and continuous learning cultures will be essential to building trust and unlocking value.



Conclusion

Reindustrialization is now recognized as an essential long-term strategic adjustment. Organizations across Europe and the US are reassessing production footprints, strengthening supply resilience, adopting technology and talent models, and recalibrating their risk exposure to volatility. While the pace and pathways vary by region and sector, **the overall direction is consistent: organizations are moving toward more adaptable, resilient, technology enabled, and regionally balanced manufacturing systems and supply chains.**

Organizations are also evaluating the economics of reindustrialization more systematically. While upfront costs remain significant, the long term strategic benefits, including resilience, reduced tariff exposure, proximity to end markets, and greater control over critical inputs, merit serious consideration. As advanced manufacturing technologies such as digital twins, automation, and AI mature, the benefits grow in terms of competitiveness and flexibility.

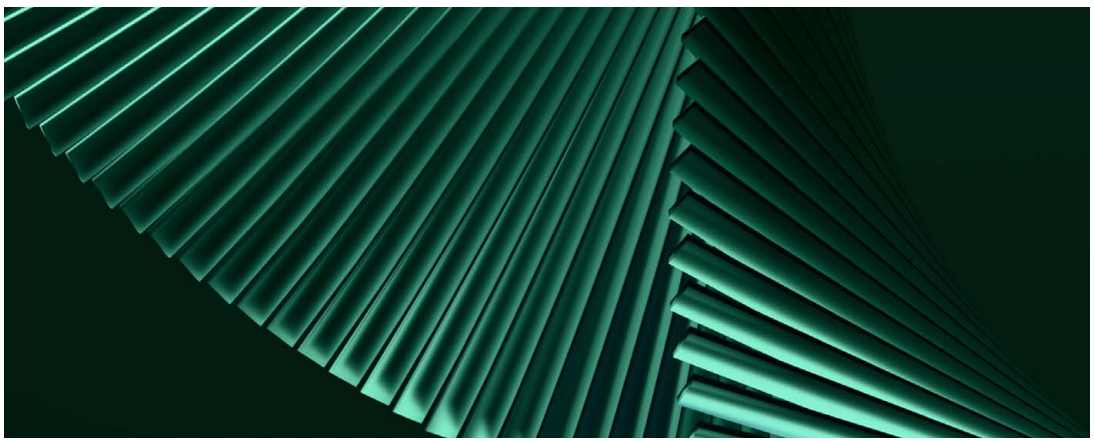
To build resilience and responsiveness, organizations must ground reindustrialization decisions in long-term value, adopt hybrid rightshoring strategies with capital-efficient models, and build adaptable and flexible manufacturing and supply ecosystems. A unified, intelligent digital backbone along with a focus on skills and workforce transformation will be critical to translate reindustrialization ambition into reality.

Research methodology

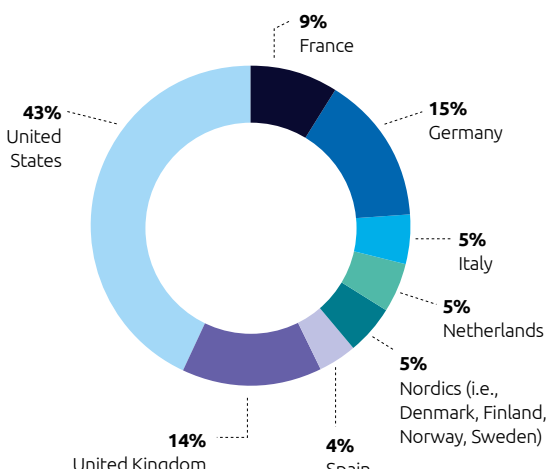
From January 2 to February 3, 2026, we surveyed 1,208 executives employed at organizations with annual revenue exceeding $1 billion (or $500 million for the defense sector), across the US, the UK, and continental Europe (France, Germany, Italy, the Netherlands, the Nordics, and Spain).

Surveyed organizations operate across 13 key industries. Executives surveyed are at director level and work across diverse business-, technology-, and manufacturing-related functions. The distribution of executives and their organizations is provided in the following figures. In addition to the survey, we interviewed supply-chain and manufacturing executives and experts at large global organizations. The findings are validated through extensive secondary research, with information incorporated up to 26th March 2026; subsequent changes may not be reflected.

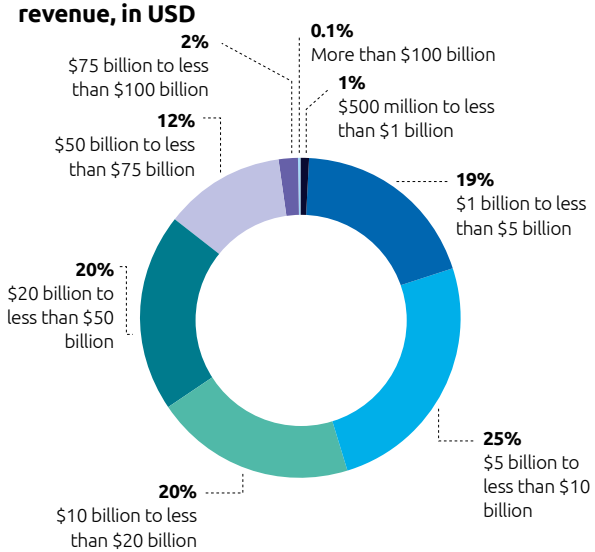
The study findings reflect the views of respondents and are intended to provide directional guidance. Please refer to the methodology for details of respondents and get in touch with a Capgemini expert to discuss specific implications.



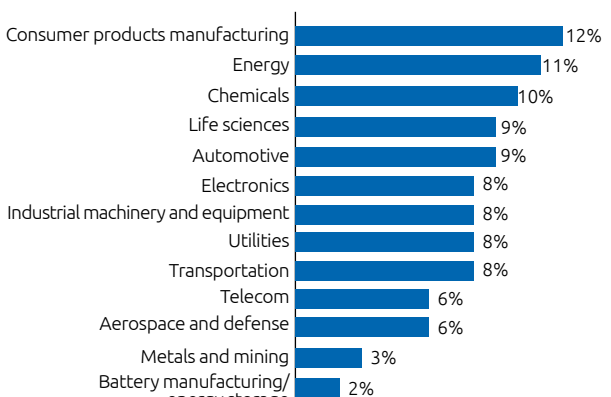
Executives by country in which current organization is headquartered



Executives by their organization's enterprise-level revenue, in USD

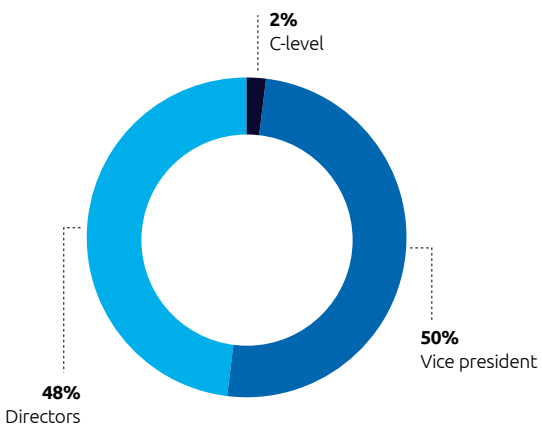


Executives by industry

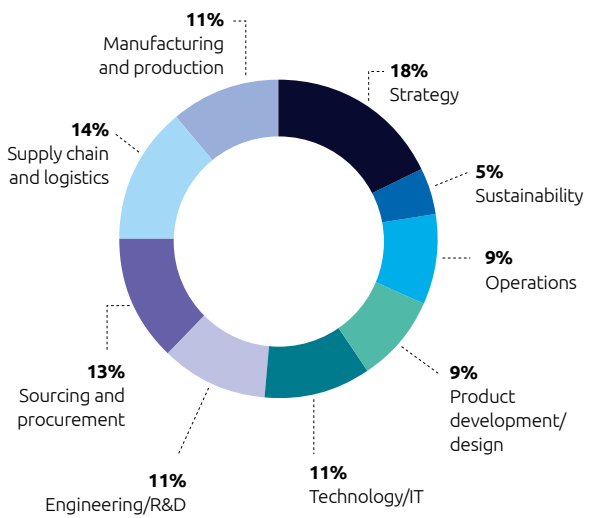


Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

Executives by current job title



Executives by function



Source: Capgemini Research Institute, *Reindustrialization of Europe and the US (Edition 3),* January 2026, N = 1,208 executives from organizations with a reindustrialization strategy in place or planned.

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The authors would like to especially thank Andreas Conradi, Jean-Marc Barniol, Florent Andrillon, Frédéric Combes, Bruno Bouf, Thorsten Rall, Laurence Noel, Ravi Gupta, and Claire Gauthier for sharing sector and geo specific nuances.

The authors would also like to thank Anthony DeMarco, Antoine Martin, Patrick Sitek, Denis Uzdil, Emma Tourancheau, Eric Dalla-Vecchia, Salma El Afia, Holger Lips, Christophe Vidal, Nicolas Nguyen Tan Cuong, Frederic Cabezas, Shekhar Burande, Mike Dwyer, Mark Landry, Adrien Girard, Khalid Sebti, Sam Baker, Emmanuelle Bischoffe-Cluzel, Richard Bolton, Frank Arnold, Toni Sullivan, Vincent Charpiot, Hinrich Thölken, Lorna Neville, Laura Immonen Beatty, Christine Tendel, Vito Labate, Bedanta Das, Emma Karlsson, Marisa Slatter, Dominique Banon, Punam Chavan, Mithun Dutta, and Sonali Abhishek for their contribution to the report.

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CAPGEMINI OFFERING

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We have entered a new era of digital transformation one shaped by the convergence of products, software, data, and services, and by an accelerating need to re industrialize economies with more resilient, sustainable, and competitive operations.

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- **Smart manufacturing & assets:** Enable smarter, safer and more efficient factories and asset operations. Leverage industrial IoT, MES, digital twins and AI driven use cases – such as operations control towers, predictive maintenance, digital quality and dynamic scheduling to improve operational performance, reliability and scalability across plants and asset portfolios. Support the evolution toward next generation, software defined and increasingly autonomous factories and asset operations, overcoming siloed systems and enabling measurable gains in efficiency, quality and cost.

Intelligent products & systems

We put digital at the heart of products and processes. We merge the physical and the virtual world by developing and testing products virtually and managing them over the entire product life cycle.

- **Connected product & services:** Bringing new technologies to physical objects, offering personalized, real-time and seamless interactions to improve customer experience and engagement.
- **Software product engineering:** We help to architect, develop and deploy Cloud Native systems and integrated products to enable complex engineering software product development in specialized fields.
- **Connectivity 5G & edge:** We help to design, integrate, and operate secure 5G and edge computing solutions to enable resilient, scalable, and high performance digital transformation across industries.

Intelligent support & services

We enhance customer support with data-driven insights, uncovering new opportunities for customer experience, monetization, and service creation.

- **Service support, maintenance, and sustenance activities:** We help clients sustain, operate, and continuously improve their products through end to end service support, maintenance, and sustenance to ensure product continuity, reliability, and value across the full lifecycle.

Intelligent Industry value propositions are accelerated by

- **PLM | Digital continuity | Simulation:** Implement a single source of data truth across the product lifecycle (PLM, ERP and MES), unifying engineering, manufacturing and maintenance to improve engineering performance and accelerate time-to-market.
- **AI:** We empower businesses to make smarter decisions by blending human expertise with agentic, generative, and analytical AI - designing and orchestrating intelligent agents, AI assistants, and analytics on trusted data foundations - unlocking value at every step.
- **Cybersecurity:** Help enterprises withstand disruption, adapt in real time, and recover with speed and confidence, through an AI first cybersecurity portfolio that ensures secure, uninterrupted access to data and sustained momentum toward strategic business goals.

To learn more, visit us at:
Intelligent Industry – Capgemini

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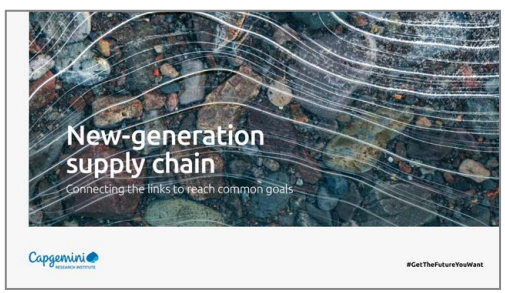
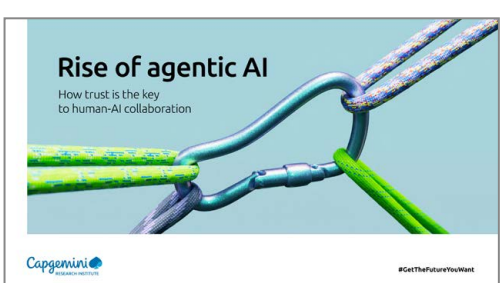
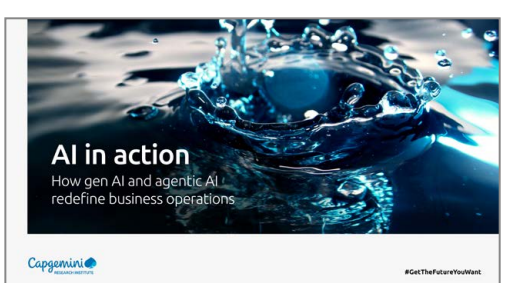


New-generation supply chain



Rise of agentic AI



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Digital continuity in aerospace and defense

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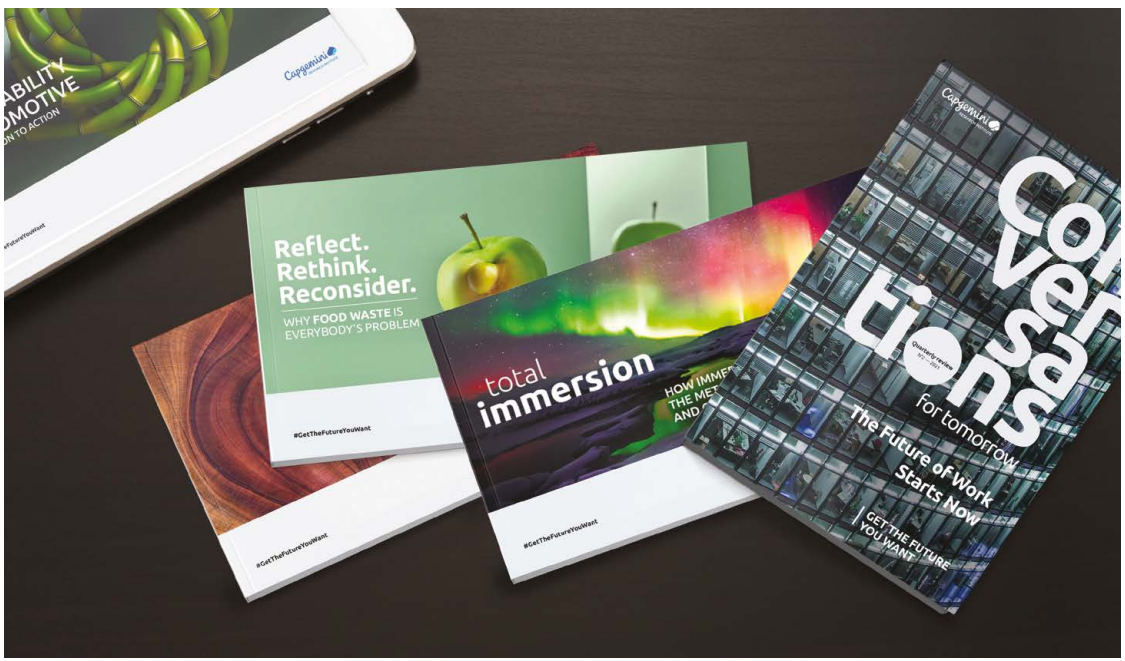

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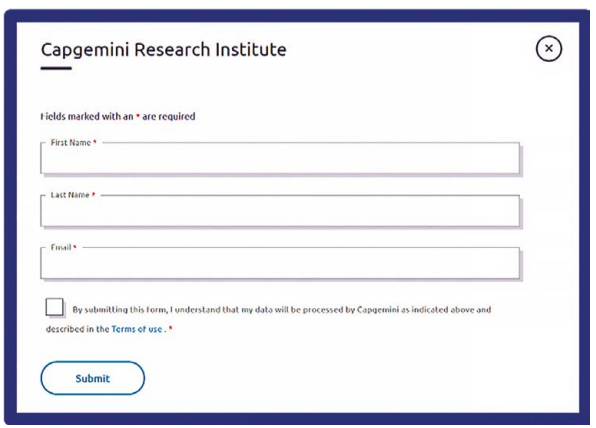

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About Capgemini

Capgemini is an AI-powered global business and technology transformation partner, delivering tangible business value. We imagine the future of organizations and make it real with AI, technology and people. With our strong heritage of nearly 60 years, we are a responsible and diverse group of over 420,000 team members in more than 50 countries. We deliver end-to-end services and solutions with our deep industry expertise and strong partner ecosystem, leveraging our capabilities across strategy, technology, design, engineering and business operations. The Group reported 2025 global revenues of €22.5 billion.

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