# Intel halts construction of chip factory in Magdeburg, Germany

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Chipmaker Intel has put the construction of its €30 billion factory in the southwest of Magdeburg, Germany on hold and postponed the start of construction by two years. This was announced by company CEO Patrick Paul Gelsinger. Nobody knows what will happen in two years. It is more than questionable whether Intel will even complete the two chip factories originally planned in the state capital of Saxony-Anhalt. Construction of the Intel plant in the Polish city of Wroclaw has also been suspended.

A total of 3,000 jobs were to be created by the two chip factories. Construction of the first factory was scheduled to start this year. The investment for the project currently amounts to €30 billion, with the German government wanting to support the construction of the chip factories with €9.9 billion in state subsidies. These funds have not yet been approved by the European Union (EU).

In the former East Germany (GDR), Magdeburg was an important industrial centre, particularly in the energy industry, heavy machinery construction, potash production and building materials. The largest factories in Magdeburg included the Ernst Thälmann heavy machinery combine (SKET), which employed more than 29,000 workers, the Karl Liebknecht heavy machinery factory, which employed around 9,000, and the Karl Marx valve factory, which employed around 7,000.

These jobs were destroyed in the course of German reunification and the reintroduction of capitalism. The Treuhandanstalt (Trust Agency), founded on March 1, 1990, privatised the so-called "Volkseigene Betriebe" (VEB, "Peoples Factories"), which led to widespread mass unemployment. In addition to all the other bourgeois parties, the Party of Democratic Socialism (PDS), the predecessor of today's Left Party, also supported this job massacre in East Germany.

The result, even 35 years after reunification, is social devastation and high levels of poverty. According to the 2024 Poverty Report of the charity umbrella organisation Paritätischer Wohlfahrtsverband, Saxony-Anhalt is the fourth poorest federal state in Germany. In 2022, the poverty rate there was 19.2 percent. Only the west German states of Bremen (29.1 percent), North Rhine-Westphalia (19.7 percent) and Hamburg (19.5 percent) are poorer.

The announcement of the construction of the Intel chip factory was presented as an example of successful economic policy by the state government, a coalition of the Christian Democrats (CDU), Social Democrats (SPD) and Liberal Democrats (FDP). A factory with the most modern production processes was to be built in the Eulenberg industrial park in Magdeburg, to manufacture the smallest chip in the world. This has now been rendered moot by the halt to construction. The promises for the future by Intel, the state and federal governments, turn out to be a new version of the promise of "blossoming landscapes" that then Chancellor Helmut Kohl (CDU) gave in 1990.

After the announcement of the construction stop by Intel, Federal Finance Minister Christian Lindner (FDP) rushed forward and demanded that "all funds not needed for Intel to reduce open financial questions in the federal budget must be reserved."

Federal Economics Minister Robert Habeck (Greens) said he wanted to "employ the unused funds sensibly for the good of the country." The Federal Ministry of Economics later stated that the €9.9 billion should be used for the climate and transformation fund, in which there is still a gap of €9 billion to reach the total of €34.5 billion.

In reality, Scholz and the government have never been concerned about the project creating additional jobs in a structurally weak region, but rather about preparing for war. Germany and Europe are seeking to become independent of the supply chains from China and Taiwan, which would collapse in the event of a war against China, which the US and its allies, including Germany, are intensively preparing.

The almost €10 billion is the highest subsidy ever promised to a single corporation. With the planned 3,000 jobs, that is €3.3 million per job, or as much as a skilled worker with an annual income of €50,000 would earn in 67 years.

This money could be better invested. According to the KfW-Kommunalpanel 2024 and the German Association of Towns and Municipalities, there is a gigantic investment backlog of €186 billion in Germany's municipalities. In short, social services and infrastructure are deteriorating at a rapid pace. The investment backlog in schools (€54.8 billion) and infrastructure (€48.3 billion) alone accounts for 55 percent of the investment

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requirement.

Last year, the US company Intel, with a turnover of €48 billion, was ranked third among the major chip manufacturers, just ahead of its other major competitor NVIDIA with €40 billion, behind Samsung Electronics with €179 billion and Taiwan Semiconductor Manufacturing (TSMC) with €69 billion.

From 2018 to 2021, Intel still generated annual profits of almost €19 billion. In 2022, annual profits fell to €7.2 billion and to €1.5 billion last year. In the first quarter of this year, Intel recorded a loss of €391 million and in the second quarter of €1.4 billion. The share price, which was still above €50 in 2021, fell accordingly to below €20. The group has problems with its competitors in the production of conventional chips and specialised chips for artificial intelligence (AI).

Intel planned to use the high government subsidies to boost profits and its share price again. For the same reason, Intel is preparing massive attacks on its global workforce of around 125,000. At least 15,000 are to be laid off worldwide, about 15 percent of the workers at Intel and its subsidiaries. By the end of 2025, Intel wants to cut its costs by more than €9 billion.

The state prime minister of Saxony-Anhalt, Reiner Haseloff (CDU), is spreading forced optimism: “It is such a strategically important investment that there should be no question of cancelling it. However, for liquidity reasons, they are not in a position to start the investment.” The global corporation needed economic success to restore liquidity, he said. Haseloff, together with German Chancellor Olaf Scholz (SPD), had been informed in advance about the construction stop by Intel CEO Gelsinger.

So, Intel wants to squeeze its profits (its “economic success”) and maintain liquidity at the expense of the workers. The chipmaker is not alone in this. All over the world, war, trade wars and destructive competition are raging at the expense of the working class. The big industrial corporations are preparing radical cutbacks and layoffs, especially in the automotive industry and among automotive suppliers.

Volkswagen recently announced that it would cut tens of thousands of jobs and close entire plants and sites. Over the weekend, it was revealed that Bosch, the world’s largest automotive supplier, plans to lay off 7,000 workers. Bosch employs around 80,000 people in Germany.

In addition, automotive suppliers ZF Friedrichshafen and Continental want to destroy 14,000 and 7,000 jobs respectively. Software company SAP is also cutting 10,000 jobs, Thyssenkrupp is merging its steel division, the chemical company Bayer is destroying 5,000 jobs and BASF is closing two sites in Cologne and Frankfurt-Höchst.

The pursuit of profits by the billionaires and speculators not only leads to job massacres and attacks on wages and social achievements, but also to war. The hunt for raw materials, markets and cheap labour is developing into an economic war, with trade restrictions, punitive tariffs and subsidies, and ultimately to military war. In Ukraine, German tanks are once again rolling against Russia. Meanwhile, the United States is preparing the next military action against China, in which Germany is also involved.

Preparing for war is also the reason why modern technologies, raw materials and production facilities, especially those that are important for the arms industry, are brought under the country’s own control. The disruption of supply chains in the wake of the coronavirus pandemic and even more so as a result of NATO’s proxy war in Ukraine dealt a severe blow to the global economy. Microchips are among the products that are important for industry and war. That is why state Prime Minister Haseloff speaks of a “strategically important investment.”

The enormous costs of war are being imposed on the working class. It is paying the high energy prices, which have exploded due to the sanctions; it is paying for the economic downturn with falling real wages through inflation and for the decline in jobs; it is paying with cuts to social services for the immense costs of war and armaments as well as the subsidies for industries important to the war effort, such as chip production.

In the face of the deepening capitalist crisis, the livelihoods of millions of working class families are at risk. That is why workers worldwide must unite and organise independently to prevent the plunge into the barbarism of war and poverty and to assert their own interests; these are more important than the profit grubbing of the small, out-of-touch layer of major shareholders and the super-rich.

Since the trade unions stand on the side of the corporations and their shareholders, this international alliance must be independent of them. The *World Socialist Web Site* proposes the formation of independent action committees that are united in the International Workers Alliance of Rank-and-File Committees to coordinate and mount a joint struggle to fight the attacks on jobs, wages and social gains.

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