VW halts production due to chip shortage resulting from Trump’s trade war measures

Dietmar Gaisenkersting
26 October 2025

America’s global economic war against the world is hitting Europe’s car industry hard. Following US tariffs and a slump in sales in China, automotive and supplier corporations are now experiencing supply bottlenecks for key semiconductors.

Supply chain issues caused by geopolitical conflicts over the Dutch chip manufacturer Nexperia, which belongs to the Chinese Wingtech Group, are hitting the Volkswagen Group particularly hard. On Wednesday, the company (which includes not only VW but also Porsche and Audi) warned: “Given the dynamic situation, effects on production cannot be ruled out at short notice.” Nexperia is not a direct supplier, but some of its components are used in vehicle parts produced by VW suppliers.

A production shutdown on Friday at VW’s Wolfsburg plant was officially said to be unrelated to Nexperia’s supply problems. “As part of a planned inventory measure on the production lines for the Golf and Tiguan models at the Wolfsburg plant, production will temporarily pause,” a company spokesperson explained to the press.

However, production is also now scheduled to stop next Wednesday in Wolfsburg and at the Zwickau plant. According to information from the *Frankfurter Allgemeine Zeitung*, VW is already in talks with the Federal Employment Agency about introducing short-time work from November.

Other German carmakers such as BMW and Mercedes have so far remained tight-lipped about possible supply chain consequences and are attempting to play down the risks.

Among VW’s affected suppliers is Bosch, the world’s largest automotive supplier. The company now lacks the chips for many of its parts and control units. “Like other Nexperia customers, the current situation poses major challenges for us,” a Bosch spokesperson wrote. Expert teams were in contact with Nexperia and other suppliers, sub-suppliers and affected customers to avoid, or at least minimise, production restrictions wherever possible.

Bosch’s rival, ZF Friedrichshafen, also set up a task force immediately after news of Nexperia’s problems broke. The Austrian trade magazine *Industriemagazin* reported: “Bosch, Continental and other suppliers say their stocks of components will last only around two weeks. After that, production stoppages loom—and a scenario reminiscent of the peak of the Covid-era supply chain crisis.”

The semiconductor shortages of 2021-2023 reduced Germany’s economic output (GDP) by €100 billion, or 2.4 percent, in 2022.

“If Nexperia no longer supplies semiconductors, it will affect wide areas of German industry,” said Wolfgang Weber, head of the electrical and digital industry association ZVEI. Inventories could soon be depleted, he warned. “Then it will not just be the car industry that faces shutdowns; other industrial sectors could also come under pressure.” The electrical industry, too, was now searching for alternatives. “But that will not happen quickly,” Weber said. Hundreds of thousands of industrial workers could be affected.

The US trade war against China

This latest crisis was triggered by the most recent twist in the US-led economic and trade war against China.

The Dutch government seized control of Nexperia in September, an unprecedented move, which flowed from pressure by the Trump administration. The company had originally been part of the Dutch Philips Group before being acquired in 2018 by the Chinese electronics company Wingtech, in which several Chinese state enterprises hold stakes.

Under the previous Joe Biden administration, the US had already placed Wingtech on an export sanctions list at the end of 2024. In the summer of 2025, Washington threatened to extend these sanctions to include Nexperia. The consequences would have been far-reaching: Nexperia would have been cut off from US components and maintenance services.

According to *Industriemagazin*, an internal letter from the US Department of Commerce to the Dutch authorities made it clear that “an exemption from the sanctions list would only be granted if [Nexperia CEO] Zhang were removed.” That is exactly what happened at the beginning of October. The 50-year-old Zhang, who had previously been sentenced to prison in China for illegal business dealings, is a 15 percent majority shareholder in Wingtech, which he himself founded.

The Dutch government transferred control of the company to a court-appointed trustee. The legal basis for this forced takeover is a relic from the Cold War, the 1952 Goods Availability Act. The law had never been applied before. It allows the state to intervene in corporate structures if "economic security" is deemed to be at risk. The government accused Zhang of mismanagement and of shifting technical expertise and production capacity from Europe to China.

European managers also accused Zhang of ordering large quantities of chip-manufacturing materials from a Chinese sister company that he also owned, at inflated prices and against their advice. The managers sought to oust Zhang and appealed to the Enterprise Chamber of the Dutch Court of Appeal, which handles corporate disputes.

Dutch Economy Minister Vincent Karremans defended his decision to intervene at Nexperia and to remove Zhang by declaring it had been taken "without consulting any other country."

According to reports in Bloomberg and the *South China Morning Post*, the ousted CEO Zhang instructed employees in the Chinese plant to ignore directives from the new European management. A few days later, the new CEO, Stefan Tilger—a German manager—warned customers in a letter that the company could no longer guarantee that chips produced in China still met the original quality standards.

The Dutch government now wants Tilger to persuade Washington to remove Nexperia from the sanctions list.

China has responded to this unprecedented intervention by halting exports of Nexperia's chip components. Although around 100 billion of these simple standard chips are produced annually at Nexperia's Hamburg facility, the chips remain on semiconductor wafers and must then be cut and placed into small casings. This so-called "packaging" is carried out at Nexperia's factories in China, as it is relatively labour-intensive. But the chips are no longer being shipped back to Germany and Europe from China.

In the European capitals, efforts are under way to find political means of de-escalation. Germany, on the one hand, is closely intertwined with China economically and does not currently wish to jeopardise these relations. On the other hand, European governments are working to reduce such strategic dependencies.

Germany had been forced to end its imports of Russian energy during the Ukraine war, under pressure from other NATO powers, particularly the United States. To reinforce this demand, the Nord Stream pipelines transporting Russian gas to Germany were blown up—apparently by Ukrainian intelligence agents with US approval.

Chancellor Friedrich Merz (Christian Democratic Union, CDU) has therefore tasked EU Trade Commissioner Maroš Šef?ovi? with urging China to engage in dialogue in order to find a "rapid solution" to the trade restrictions. Yet, on the sidelines of yesterday's EU summit, Merz also issued a warning: "The Chinese leadership must understand that we will not accept what is currently happening."

On Thursday, the Economic Affairs Ministry convened a crisis meeting with representatives from car manufacturers, suppliers, engineering firms, plant-equipment makers and automation companies. While these industries are working feverishly to devise "rapid and pragmatic" solutions, the federal government is simultaneously pursuing long-term plans to reduce dependence on China and to develop European technological autonomy.

Lower Saxony's state Minister-President Olaf Lies (Social Democratic Party, SPD), who sits on VW's supervisory board, called for the establishment of independent European production capacity for key components such as semiconductors, battery cells and green materials, and for these to be strategically secured.

But any attempt to reverse globalisation is doomed to failure. As with the chips that travel from Hamburg to China and then to supplier corporations before reaching car factories, there are thousands of other components that circulate around the world several times. There is no longer such a thing as a "German car," nor can there be.

The only way to end the international trade war—and the actual wars—being fought on the backs of the working class is not through national isolation, which is both utopian and reactionary, but through the international unity of workers in the United States, Europe and China alike. The workers in Nexperia's Chinese factories are also victims of this trade war.

Trade unions in every country—in Germany, above all IG Metall—are doing everything in their power to divide workers and pit them against their colleagues in the United States, China and worldwide. The United Auto Workers (UAW) in the US supports Trump's tariff policy, while IG Metall in Germany demands that the auto corporations be supported with subsidies—such as discounted industrial electricity prices—and tariffs in the trade war.

Yet workers everywhere share the same class interests: secure jobs that provide a decent living for them and their families, good healthcare and adequate pensions. To defend these interests against the profit drive of the corporations, workers must establish independent rank-and-file action committees separate from the union apparatus.