**Steel Derivatives: the hidden threat driving Europe's deindustrialisation**

*Over 3 million EU industrial jobs at risk — and the future of Europe's steel-based manufacturing at stake. The silent surge in imported steel derivatives is threatening more than just trade balances. It endangers the economic fabric of Europe itself — putting at risk over 3 million direct industrial jobs across the steel, manufacturing, construction, mobility, and energy sectors, and undermining the infrastructure that supports Europe's green and digital transition.*

Luxembourg, October 2nd, 2025

EUROMETAL represents steel distributors, traders, and service centres across the EU, connecting domestic and international steel supply with over one million downstream users in manufacturing, construction, automotive, energy, packaging, and related sectors. Our members ensure stable and diversified access to steel and play a systemic role in the EU industrial value chain, especially for SMEs and strategic industries.

## 1. Strategic Overview

Europe's industrial fabric is under growing pressure from a global environment increasingly shaped by overcapacity, state-backed production models, and regulatory imbalances. Among the most urgent challenges is the surging import of steel-based products — so-called "steel derivatives" — manufactured outside the EU. These goods are often designed or classified in ways that allow them to bypass existing EU trade defense instruments (TDIs) and the Carbon Border Adjustment Mechanism (CBAM).

Although they are not classified as "steel" in customs terms, these products — including machinery parts, vehicle components, electrical equipment, prefabricated structures, and furniture — are heavily steel-intensive or entirely dependent on steel as a raw material. They carry embedded carbon emissions and are highly sensitive to global steel price distortions.

Yet, unlike primary and semi-finished steel products, these derivatives enter the EU market with no safeguards, no carbon pricing, and little traceability. Many are produced in regions where steelmaking remains highly carbon-intensive and heavily subsidised, particularly in countries with structural overcapacity.
This results in a dual market distortion:
1. EU-based manufacturers, processors, and distributors are held to stringent environmental and trade regulations, while
2. Competing imports of steel-based goods face none of these obligations, entering the market at artificially low prices.

**EUROMETAL**
**European Federation of Steel, Tubes and Metals Distribution & Trading**
Federation Office: 202b, rue de Hamm, L-1713 Luxembourg
**P** +352 26 25 90 26 **W** eurometal.net **E** office@eurometal.net

This silent but systematic circumvention is undermining the EU's industrial resilience and climate policy objectives. It is especially damaging in strategic sectors such as:

- Renewable energy (e.g., solar racking systems, wind components),
- Electrification (e.g., electric motor parts, enclosures),
- Mobility (e.g., drive axles, suspension systems),
- Defense and infrastructure (e.g., shelters, containers, prefabricated units).

It also places disproportionate pressure on Europe's steel distribution and processing ecosystem, particularly small and medium-sized enterprises. These firms are increasingly squeezed between compliance burdens on the one hand, and a surge of unregulated, steel-intensive imports on the other.

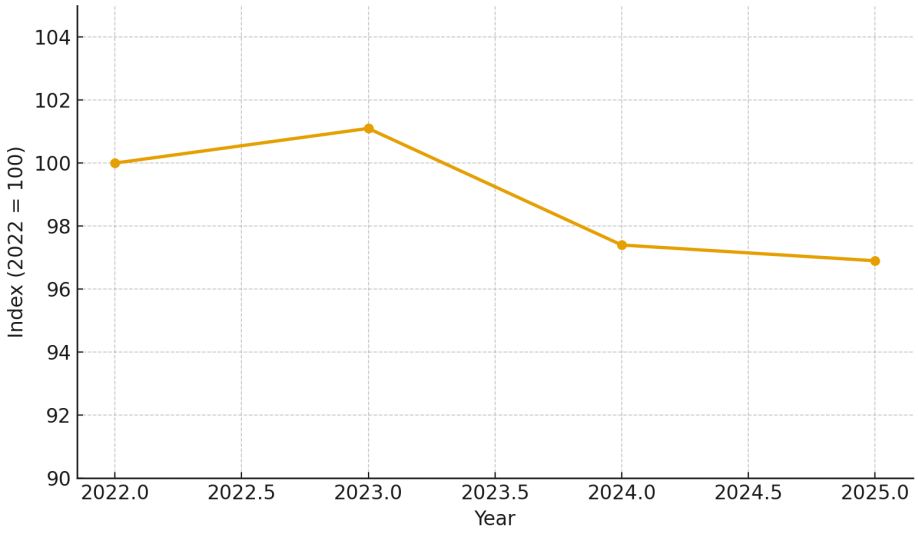
If left unaddressed, this trend risks becoming a structural driver of deindustrialisation, eroding Europe's capacity to produce, process, and transform steel within its borders — just as the EU aims to secure green, digital, and strategic autonomy.

## 2. Structural industrial decline & injury indicators

Europe's core industrial sectors — those most dependent on steel inputs — have been losing ground for over a decade. Between 2010 and 2019, growth in branches such as machinery, metal products, vehicles, and furniture was already modest. Then came the COVID-19 shock in 2020, which caused a sharp contraction across the entire industrial landscape.

What followed has been even more concerning: instead of a strong recovery, the post-COVID years (2021–2025) have seen continued stagnation or further decline in many of these steel-intensive sectors.

**Steel-Weighted industrial production index (2022- 2025)**




Recent performance data shows:

- Basic metals: Decline resumed post-2020
- Fabricated metal products: Output shrinking year-over-year

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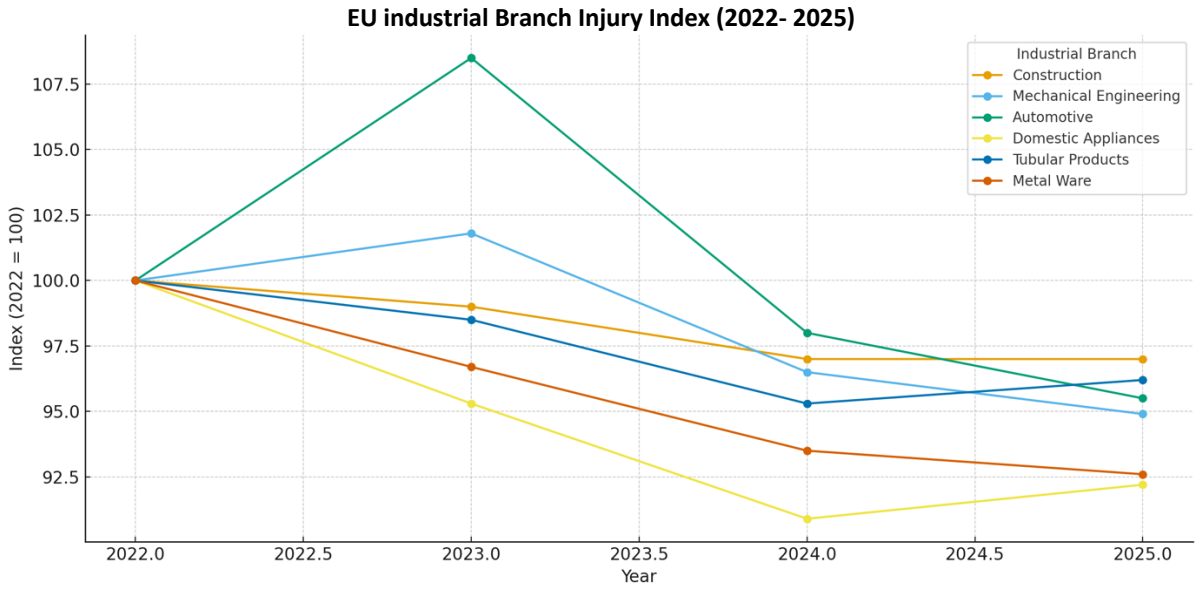
• Mechanical engineering and automotive: Short-lived rebounds in 2022 were reversed by 2023–2025
• Furniture and domestic appliances: Persistent weakness with negative growth trends




Source: Eurofer

This industrial weakening is not happening in a vacuum. It closely correlates with the explosion of imported steel derivatives — manufactured goods that enter the EU with significant steel content, but without falling under current trade defense or environmental protection regimes.

As these products replace EU-produced equivalents:
• Domestic processing volumes decline
• Margins collapse for EU manufacturers and service centers who play by the rules
• Investment in upgrading production slows, further locking in decline
This situation reflects not just unfair competition, but a structural risk: steel is increasingly being embedded into finished goods abroad and reimported into the EU in forms that bypass all safeguards, contain unaccounted carbon, and displace European manufacturing capacity.

**This trend must be recognised for what it is: a stealth mechanism of deindustrialisation, undermining Europe's ability to retain value creation, climate responsibility, and strategic autonomy.**

## 3. Surge in Steel Derivative Imports

A defining trend in EU trade over the past 15 years is the explosive growth in imports of steel-based manufactured goods — also referred to as steel derivatives. These are not raw or semi-finished steel products, but final or near-final goods made predominantly of steel, such as mechanical parts, fabricated assemblies, and structural systems.

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Key product examples showing major import surges:

| TARIC Code | Segment | Product Identity | 2010 (kt) | 2024 (kt) | 2024/2010 (%) |
|---|---|---|---|---|---|
| 731210 | Iron & Steel Articles | Stranded wire & ropes | 217 | 410 | 89% |
| 732599 | Iron & Steel Articles | Cast articles | 169 | 322 | 91% |
| 732099 | Iron & Steel Articles | Springs | 18 | 196 | 1089% |
| 731420 | Iron & Steel Articles | Grills, nettings | 68 | 146 | 215% |
| 732399 | Iron & Steel Articles | Tables, kitchen | 105 | 141 | 34% |
| | | | **577** | **1215** | **211%** |
| 848180 | Non Electrical Machinery | Appliances for pipes | 226 | 307 | 36% |
| 841590 | Non Electrical Machinery | Parts for air conditioning | 49 | 204 | 416% |
| 848190 | Non Electrical Machinery | Parts of valves | 116 | 172 | 48% |
| 848210 | Non Electrical Machinery | Ball bearings | 85 | 129 | 52% |
| | | | **476** | **812** | **171%** |
| 850300 | Electrical Machinery | Parts for electric machinery | 164 | 529 | 323% |
| 850152 | Electrical Machinery | AC motors | 90 | 144 | 60% |
| 850131 | Electrical Machinery | DC motors | 51 | 121 | 237% |
| | | | **305** | **794** | **260%** |
| 860900 | Railway Equipment | Container, tanks | 123 | 514 | 418% |
| 860719 | Railway Equipment | Axles, wheels | 48 | 120 | 250% |
| | | | **171** | **634** | **371%** |
| 870899 | Motor Vehicles, Automotive | Parts for tractors | 427 | 573 | 34% |
| 870829 | Motor Vehicles, Automotive | Parts of bodies | 254 | 569 | 224% |
| 870870 | Motor Vehicles, Automotive | Road wheels | 279 | 467 | 67% |
| 870850 | Motor Vehicles, Automotive | Drive axles | 139 | 442 | 318% |
| 870840 | Motor Vehicles, Automotive | Gear boxes | 184 | 373 | 203% |
| 870880 | Motor Vehicles, Automotive | Suspension systems | 97 | 367 | 378% |
| 871690 | Motor Vehicles, Automotive | Parts of trailors | 158 | 290 | 84% |
| 870894 | Motor Vehicles, Automotive | Steering wheels | 81 | 153 | 89% |
| | | | **1619** | **3234** | **201%** |
| 940320 | Prefabricated Structures | Metallic furniture, excl. offices | 553 | 1209 | 219% |
| 940310 | Prefabricated Structures | Metallic furniture offices | 73 | 152 | 208% |
| | | | **626** | **1361** | **217%** |

Source: Eurostat / Metals Consulting International & GK Management calculations

Between 2010 and 2024, imports of such steel derivatives into the EU more than doubled, reaching over 8 million tonnes, marking a +213% increase. This growth is not spread evenly across sectors — it is heavily concentrated in a handful of steel-intensive industries.

**Automotive sector (CN 87):**

- Largest single contributor, representing 40% of all steel derivative imports.
- Includes chassis components, axles, suspensions, gearboxes, bumpers, etc.
- Many of these goods are produced outside the EU and shipped in as finished components, bypassing both safeguards and CBAM.

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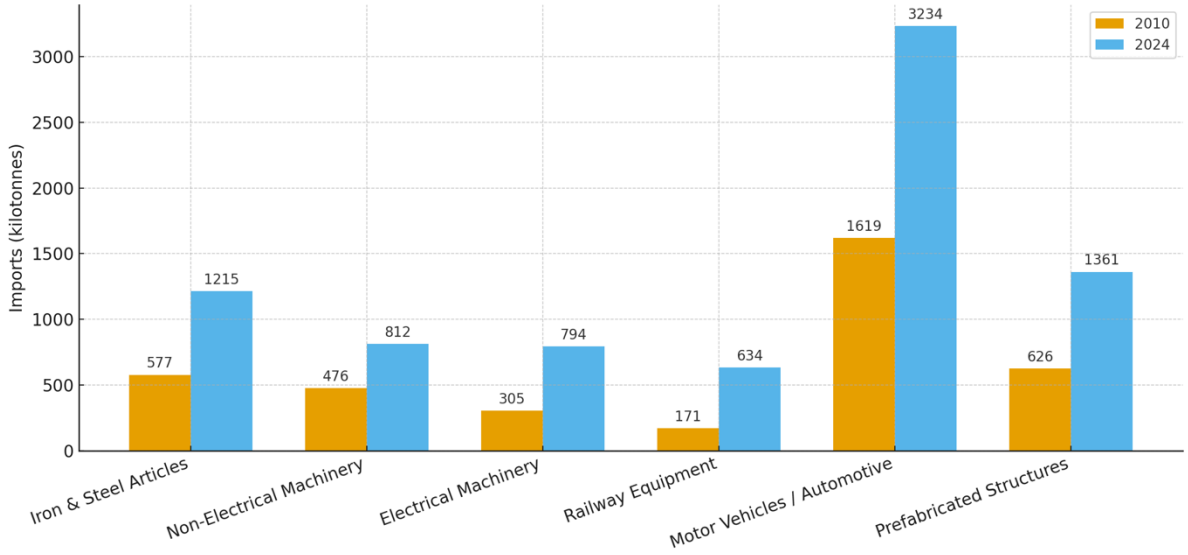
P +352 26 25 90 26 W eurometal.net E office@eurometal.net

**Other Heavily Impacted Sectors:**

- Electrical Machinery (CN 85): electric motor parts, housings, coils
- Railway Equipment (CN 86): steel containers, rolling stock parts
- Non-Electrical Machinery (CN 84): bearings, valves, machine components
- Prefabricated Structures (CN 94): modular buildings, steel furniture

**Growth in Steel Derivatives imports by sector (2010 vs. 2024)**




Source: Eurostat / Metals Consulting International & GK Management calculations

**Strategic concern:** these derivative imports are displacing equivalent EU production, undercutting prices, and introducing carbon leakage. Their embedded steel — often of non-EU, high-carbon origin — enters with no carbon traceability or trade defense oversight.

## 4. External trade pressure – U.S. Section 232 & Melt & Pour

Recent U.S. trade policy has introduced a game-changing precedent in the regulation of steel derivatives. In 2024, the U.S. Department of Commerce expanded Section 232 measures — originally aimed at basic steel — to cover over 400 types of steel derivative products, including mechanical parts, tools, automotive components, and fabricated steel assemblies.

At the same time, the U.S. introduced a mandatory 'Melt & Pour' origin-tracking rule, which identifies the original country where the steel was melted and cast into solid form. This rule is designed to prevent circumvention through minimal transformation in third countries, a practice that has long allowed steel to be re-exported under a more favourable origin label.

Under this rule, exporters must declare the country of melt and pour for any steel-based product, including derivatives. If the steel was originally melted in a country under restriction (e.g. China, Russia), tariffs or import restrictions still apply, even if the product was finished elsewhere.

**Impact on global trade flows**

These new U.S. measures close the door to many steel derivative exports from countries with structural overcapacity and carbon-intensive production (e.g. China, Vietnam, Turkey, India).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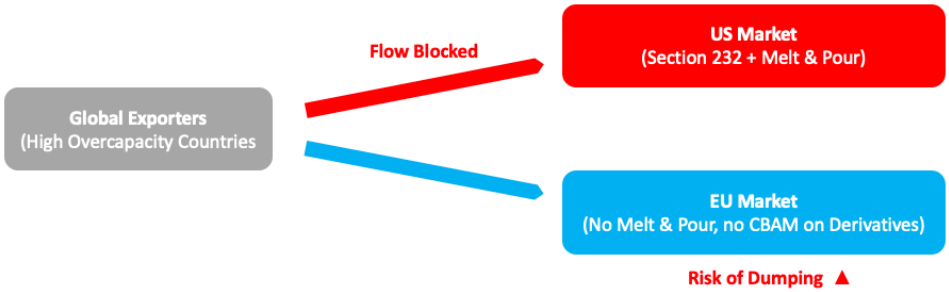
Faced with restricted access to the U.S. market, exporters are redirecting their shipments toward open and unprotected markets — most notably, the EU.



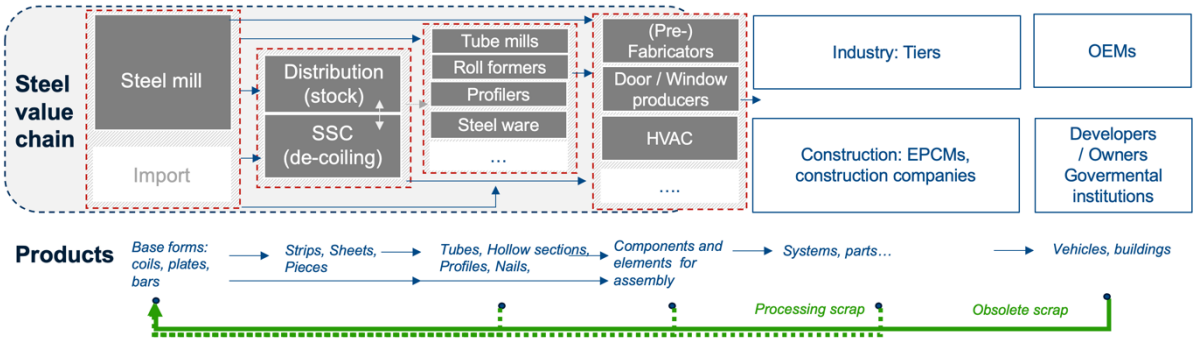

Initial data suggests that up to 15% of global steel derivative flows — previously targeting the U.S. — are now being rerouted to the European Union, where such products are not yet subject to equivalent origin tracking or carbon pricing rules.

Without comparable instruments (such as a CBAM extension or origin-based tracking rules), the EU risks becoming:
• A dumping ground for high-carbon, low-cost steel derivatives
• A bypass channel for global circumvention strategies
• A vulnerable market for trade diversion and regulatory arbitrage

## 5. Strategic risks to EU industry

The uncontrolled influx of steel derivative imports into the EU is not just a matter of trade imbalance — it presents deep, long-term strategic risks for the European economy, climate policy, and industrial autonomy.

**Industrial and Construction values chains (schematic example)**




These risks manifest across three interconnected dimensions:

### 1. Unaccounted embedded carbon & GHG leakage

Steel derivatives imported into the EU often originate from carbon-intensive production hubs. Yet because these goods are not covered under CBAM or existing TDIs, their embedded carbon emissions go unpriced.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Many of these imported products — such as stamped parts, modules, or structures — are made with steel that carries a much higher carbon footprint than EU equivalents.
This creates a double loss:
• Unfair competition for EU producers complying with ETS and decarbonisation targets.
• GHG leakage that undermines EU climate goals by shifting emissions offshore.

**2. High material loss in processing**

Steel derivatives are often imported in near-final or finished form, meaning that much of the upstream steel processing has occurred outside the EU.

This includes high-waste manufacturing processes like stamping, punching, cutting and forming.

In some cases, 30% to 70% of the original steel material is lost as scrap during transformation into finished parts. That scrap is not captured within the EU circular economy, leading to:
• Loss of recyclable materials
• Increased raw material dependence
• Support for non-EU steelmaking ecosystems

**3. Weakening of EU circular economy & strategic autonomy**

Because processing and fabrication are outsourced, most scrap generated during production stays outside the EU. This has several consequences:
• Scrap is recycled in third countries, fuelling their steelmaking base.
• The EU becomes a passive consumer in global value chains instead of a strategic producer.
• Efforts to build a closed-loop circular economy — a central pillar of the Green Deal — are frustrated.

This dynamic undermines the EU's strategic autonomy at a time of growing geopolitical instability and rising global resource competition. Europe's ability to act independently in key sectors — from defense and electrification to infrastructure resilience — depends on retaining steel transformation capacities within its borders.

Meanwhile, circumvention practices continue at the EU's doorstep — with neighboring countries playing a growing role in importing third-country steel, performing minimal processing, and re-exporting derivative products into the EU as if of non-EU origin.

The resulting scenario puts EU steel service centers, stockholders, tube mills, roll formers, and other downstream actors at a disadvantage — both economically and environmentally.

**The EU is not just importing finished goods — it is exporting value creation and environmental accountability, weakening its own industrial foundations.**

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## 6. Policy recommendations

The unchecked rise of steel derivative imports poses immediate and long-term threats to the EU's industrial base, climate ambitions, and circular economy. To restore fair competition and reinforce strategic autonomy, targeted policy actions are needed.

**1. Extend CBAM, TDIs and new trade measures to cover Steel Derivatives**

The current Carbon Border Adjustment Mechanism (CBAM) and Trade Defense Instruments (TDIs) cover raw and semi-finished steel but exclude finished or steel-intensive goods that dominate derivative imports.

Action: To restore fairness and prevent circumvention, these instruments and new trade measures must be extended to cover steel-containing products based on:
• Proven steel intensity
• High import growth rates
• Relevance to strategic EU sectors (e.g. renewables, electrification, mobility, defense)

This includes:
• Adding TARIC codes for goods with high steel content — such as mechanical assemblies, structures, and metal components — to the scope of existing TDIs and safeguard measures, while excluding mixed-material goods to maintain regulatory focus and proportionality.

This extension is essential to close regulatory loopholes and ensure that all steel-based products are subject to the same climate and trade policy obligations.

**2. Implement 'Melt & Pour' origin tracking**

Adopt a steel-origin traceability system similar to the U.S. "Melt & Pour" rule. This approach would help prevent circumvention by identifying the country where the steel was first melted and cast, regardless of where subsequent processing or assembly took place.
This measure is already acknowledged in the EU Steel and Metals Action Plan as a critical step to ensure traceability, transparency, and alignment with the EU's trade policy and climate objectives.

Action:
• Require mandatory 'Melt & Pour' origin declarations at the EU customs level for all steel-containing imports, including steel derivatives and fabricated goods.

This would restore consistency in trade enforcement, close current loopholes, and ensure that all steel products are subject to fair scrutiny, regardless of how they are transformed or classified.

Require origin declarations at customs level for all steel-containing imports, including derivatives.

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**3. Strengthen customs surveillance**

Steel-intensive goods often enter the EU under CN codes that escape scrutiny, making it easier to circumvent existing trade and environmental regulations. Enhanced customs surveillance is urgently needed to detect and regulate misclassification and underreporting.

Action:
• Deploy digital tools, red-flagging systems, and steel-content declarations to identify and monitor high-risk imports.
• Promote customs harmonisation among Member States to ensure consistent classification, enforcement, and data-sharing across the EU — closing gaps that are currently exploited by opportunistic import practices.

**4. Define risk-based criteria for product coverage**

To ensure proportional and transparent action, establish objective thresholds for identifying steel derivatives at risk of undermining EU industry.

Action: Focus regulatory attention on:
• Products with >30% import growth over the last decade
• Products with >100 kt annual import volume

**5. Support EU Industry & circularity**

EU downstream actors — including distributors, service centres (SSCs), and processors — are exposed to competition that does not need to follow EU rules. Policy must ensure that compliance is rewarded, not punished.

Imported steel derivatives bypass EU trade and environmental rules, creating a distorted playing field:
• TDIs have been circumvented since 2010 through the embedding of steel in finished goods.
• Anti-dumping and safeguard measures are avoided via minimal downstream processing and reclassification.
• Circumvention is occurring near EU borders — notably in Serbia and Eastern Europe — with limited transformation but full regulatory avoidance.
• Some finished products are imported cheaper than EU steel, revealing the scale of distortion.

This trend undermines the EU's industrial base, climate goals, and circular economy ambitions.

Action: Support measures to:
• Strengthen onshore fabrication, making EU processing capacity more competitive and resilient.
• Reinforce scrap retention and recycling
• Integrate steel distribution in Green Deal industrial policy
• Tighten origin and transformation rules to ensure that only products with substantial value-added outside the EU qualify as non-EU origin — particularly for neighbouring countries where minimal processing is used to bypass trade measures.

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## 7. EUROMETAL Call for Political Action

The situation has reached a critical juncture. The unregulated surge of imported steel derivatives is no longer a marginal issue — it is fast becoming a systemic driver of deindustrialisation across Europe.

This is not a temporary imbalance. If left unaddressed, the hollowing out of EU steel-based production will become structural and irreversible. Once lost, processing capacity, know-how, skilled jobs, and investment cannot simply be rebuilt or reshored.

As the frontline of the steel value chain, EUROMETAL members are in daily contact with Tier 1 (direct suppliers to OEMs) and Tier 2 (companies that supply parts or sub-components to Tier 1) suppliers and Manufacturers, and we are already witnessing the consequences:

- OEMs (Original Equipment Manufacturers) are increasingly sourcing pre-fabricated steel components from outside the EU, motivated by price — not by strategic, environmental, or quality considerations.
- EU-based service centres, processors, and distributors are being pushed out of the supply chain, unable to compete with unregulated imports that bypass all compliance costs.
- Downstream industrial ecosystems, particularly SMEs, are being undermined at their base, triggering cascading impacts on employment, investment, and circularity.
- EU steel production itself is declining, as demand shifts from European-made semi-finished products to foreign-fabricated steel derivatives — weakening the upstream sector and putting the entire steel value chain at risk.

In this context, we urgently call for decisive political action — not just technical measures. The EU must respond to this threat with the same level of clarity and resolve it showed during the Harley-Davidson case in response to U.S. steel tariffs.
We see how the United States is actively protecting its market, extending Section 232 to hundreds of steel derivative products and enforcing strict origin rules. Europe must show the same level of protection — not only to defend its producers and distributors, but to preserve its industrial and climate credibility.
This means adding critical Steel Derivative TARIC codes to existing safeguards and Trade Defense Instruments (TDIs) to close the loopholes currently being exploited at the expense of the EU value chain.

We therefore call on the Commission and Member States to take immediate and visible action:

- Publicly investigate and name high-risk steel derivatives that are undermining the EU's industrial base and climate objectives — especially those with significant import surges and steel content.
- Introduce fast-track or symbolic safeguard measures on strategic steel-based imports — particularly in sectors like defense, electrification, and renewable infrastructure — while also integrating these products into existing Trade Defense Instruments (TDIs) and CBAM to close enforcement gaps.
- Send a clear signal to international partners that circumvention via embedded steel in finished goods will not be tolerated — for example, by adopting a 'Melt & Pour' origin-tracking rule to ensure steel inputs are traceable and accountable.
- Establish clear, enforceable regulation that reflects the real structure of modern steel trade — including derivatives — and restores integrity to the EU's trade and climate framework.

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• Protect millions of industrial jobs at risk across the EU's manufacturing, processing, and distribution sectors — and defend Europe's capacity to produce, transform, and innovate within its own borders.

**Europe's steel-based manufacturing chain is being silently eroded. The time for symbolic gestures and preventive action is now — before the damage becomes permanent.**

Thank you for your attention to these matters.

**Alexander M. Julius**
President

Research contributors

Endorsed by

*EUROMETAL is the European Federation of Steel, Tubes and Metals Distribution & Trade.*

*Founded in 1950 alongside the creation of the European Community for Coal and Steel, EUROMETAL has evolved into a member-oriented service provider.*

*EU steel distribution & trade account in EU for 3.500 companies, mostly small and medium sized enterprises, providing jobs to 100.000 people in the EU.*

*As a systemic player in the supply chain, steel distribution accounts for 60% of all steel supplies to more than one million end users in EU manufacturing industries and EU construction related sectors. EUROMETAL actively advocates for its members, providing a platform for collaboration, insights, and representation at the European level to ensure the sustainable growth and competitiveness of the steel distribution and trading sectors.*

*EUROMETAL is recorded in the EU transparency register: REG 962963396569-03.*

**Contact:** office@eurometal.net