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What Do Country Experiences in the Iron and Steel Industry Reveal



why bring this up now?

The iron and steel industry is one of the world's largest and most closely linked to development and construction. While global crude steel production reached approximately 1,882.6 million tons in 2024, the industry is now struggling with excess production capacity that far outpaces effective demand. This excess capacity is estimated at approximately 640 million tons in 2025, and is expected to climb to approximately 745 million tons by 2028. The bulk of this surplus is concentrated in China, prompting a number of major markets to escalate trade protection measures—including safeguards and anti-dumping duties—to shield domestic industries from waves of low-priced imports.

The difference in how intermediate and final products are treated in terms of protection

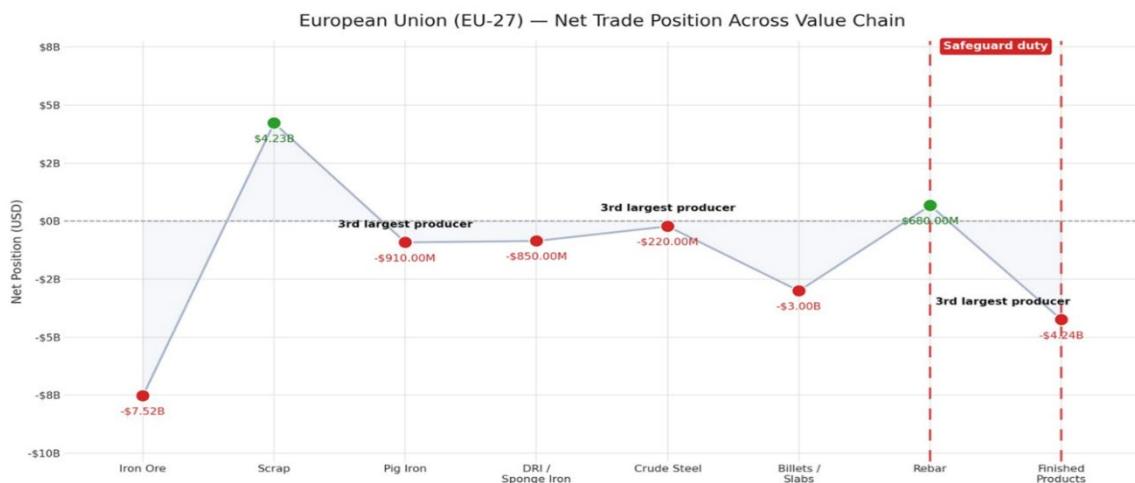
Distinguishing between intermediate and final products is one of the most important considerations when designing trade protection policies. Intermediate inputs, such as steel billets, may warrant protection if they face dumping or unfair competition. However, protective measures on these inputs must be carefully calibrated, given that their effects extend throughout the value chain to downstream industries that rely on them as production inputs, and may ultimately affect production costs, prices, and competitiveness. Therefore, designing protectionist policies for intermediate inputs, especially billets, requires striking a delicate balance between protecting domestic producers, maintaining the efficiency of value chains, and avoiding unnecessary costs to the economy. To illustrate how this balance can be achieved in practice, we will examine the experiences of Türkiye and the EU.

Experiences that Egypt can Leverage

We selected these two cases for three main reasons. Firstly, Türkiye is an emerging economy that resembles the Egyptian economy in many of its features, and at the same time competes with it in the same export markets. This makes its experience closer and more relevant to the Egyptian case. Secondly, the EU is considered one of the most advanced markets in adopting decarbonization policies in the iron and steel industry, including the implementation of the Carbon Border Adjustment Mechanism (CBAM),¹ making it an important model for understanding how to harmonize environmental and trade policies in this industry. Thirdly, the EU and Türkiye are among the largest importers of billets in the world.² However, they did not impose protective duties on them, but rather treated billets as essential industrial inputs, while protection measures were limited to final products. The experience of the EU also gains additional importance because it imposes safeguards on imports of some Egyptian steel products, which makes studying the design philosophy of these measures particularly relevant when evaluating the proposed protection policies in Egypt.

The following two figures illustrate the net trade position across the value chain of the iron and steel industry in both the EU and Türkiye, from raw materials through intermediate products (billets and slabs) to finished products:

Figure 1. EU – Net trading position across the value chain (2024)

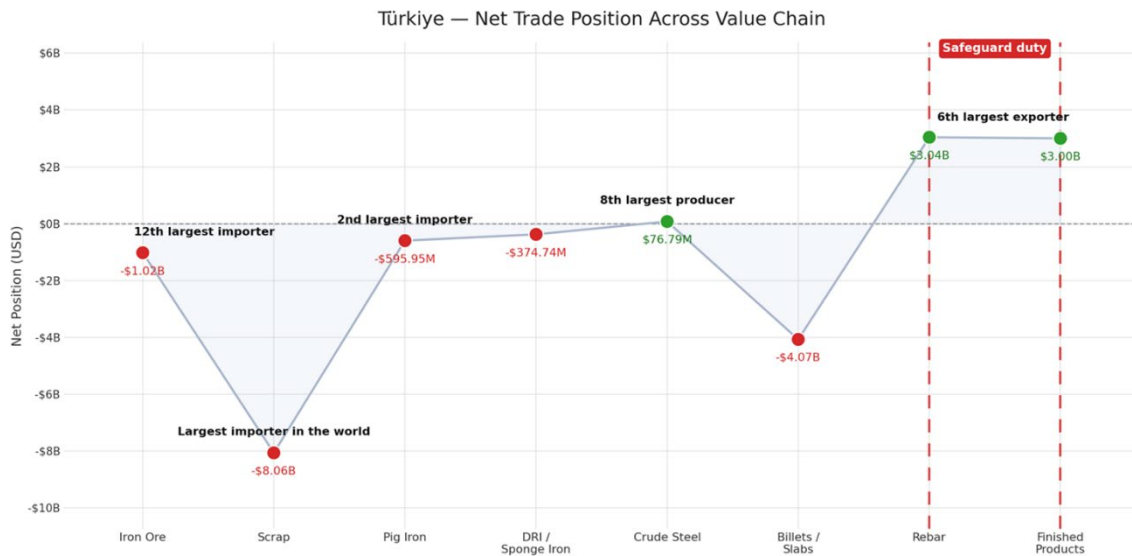


Source: Prepared by the Egyptian Center for Economic Studies based on UN Comtrade data (2024).

¹ Carbon Border Adjustment Mechanism (CBAM).

² UN Comtrade (2025).

Figure 2. Türkiye — Net trade position across the value chain (2024)



Source: Prepared by the Egyptian Center for Economic Studies based on UN Comtrade data (2024).

This analysis reveals a targeted protectionist trade policy philosophy. Although both parties are net importers of billets and slabs in large volumes, with deficits of \$3 billion for the EU and \$4.07 billion for Türkiye, they deliberately exempt this category from the protective tariffs indicated by the dashed red lines. This strategic approach is driven by the urgent need to enable local rolling mills and factories to obtain intermediate production inputs at competitive prices, allowing them to maximize added value and achieve a strong trade surplus in finished product sectors, while directly contributing to lower prices for domestic consumers due to reduced domestic production costs. Türkiye records a net export surplus of \$3.04 billion in reinforcing steel and \$3 billion in other finished products, while the EU maintains its net export position in reinforcing steel at \$680 million. Both positions are supported by imposing tariffs on finished goods without restricting the flow of essential raw materials necessary for sustaining their manufacturing competitiveness.

How do the two countries design their protection at the lowest cost?

The experiences of Türkiye and the EU reveal a set of recurring principles in designing protection at the lowest cost to the economy:

- **Protecting the final product and exempting intermediate inputs:** The EU and Türkiye treated billets as a key industrial input, keeping it exempt from safeguards despite being among the world's largest importers, and limited protection to final products only. The lesson learned here is that exempting intermediate inputs prevents the passthrough of protection costs through the value chain to millers and consumers.
- **Calibrated tools instead of a blanket tariff:** When import restrictions need to be imposed, the EU resorted to a quota system (a duty of up to 50% on goods exceeding a specified quota only), exempting developing countries whose quotas are less than 3% according to WTO rules,³

³ Regulation (EU) 2026/1384 (over-quota duty of up to 50% ad valorem from 1 July 2026, replacing safeguard Regulation (EU) 2019/159); WTO Agreement on Safeguards, Art. 9.1 (developing countries with an import share below 3% are exempt).

while Türkiye imposed anti-dumping duties against specific sources proven to be dumping goods on the market.⁴ All these tools narrow the scope of price distortion and keep its cost limited.

- **Addressing cost and competitiveness at the root:** Türkiye did not merely rely on protectionism, but adopted extensive programs to reduce production costs (investment incentives, customs exemptions, and subsidized financing), while the EU financing instruments support industrial modernization and emissions reduction projects. These policies enhance industrial competitiveness without burdening the economy with tariffs.
- **The move towards green steel and environmental compliance:** Both countries are strongly moving toward low-emission steel; the EU began implementing the Carbon Border Adjustment Mechanism (CBAM) in 2026,⁵ and Türkiye is accelerating its green transition and expanding its electric arc furnace technology to maintain access to the European market. This shift will secure exports in the future rather than relying solely on costly, short-term protection.
- **Managing scrap metal as a strategic resource:** Türkiye has given scrap metal significant attention as the primary input for its electric arc furnace industry, and is the world's largest importer of scrap metal. Meanwhile, the EU seeks to retain scrap metal within its markets as a strategic resource. Securing a cheap and stable supply reduces the need for costly protection.

The experiences of both Türkiye and the EU reveal that the fundamental disagreement lies not between "protectionism" and "non-protectionism," but rather in how protectionism is designed to achieve its industrial objectives at the lowest possible cost to the economy. These two experiences underscore the importance of drawing on international expertise when evaluating protectionist policies in Egypt, particularly concerning intermediate inputs such as billets. Both countries—despite being among the largest importers of billets—did not impose tariffs on this intermediate input. Instead, they directed protection toward finished products, keeping intermediate inputs available at competitive prices, and relied on more targeted tools such as quotas, anti-dumping measures, and exemptions, rather than blanket tariffs. At the same time, their focus was not limited to trade protection tools; they also worked to address the structural causes of weak competitiveness by reducing production costs, securing strategic inputs, investing in technology, and accelerating the transition to low-emission steel production.

⁴ Turkish Ministry of Trade, Anti-Dumping Communiqué No. 2024/33 (hot-rolled flat steel from specific countries).

⁵ Regulation (EU) 2023/956 of 10 May 2023 establishing a Carbon Border Adjustment Mechanism (CBAM), OJ L 130, 16.5.2023; definitive regime applies from 2026.

Conclusion

The significance of these experiences lies in their confirmation that trade policy, however effective, cannot replace structural reform. With the accelerating global shift toward a more sustainable steel industry, tightening environmental requirements, and the increasing importance of mechanisms such as carbon cap adjustments, the competitiveness of Egyptian industry will depend not only on the level of protection it receives but also on its ability to adapt to these changes. Therefore, developing the iron and steel industry in Egypt requires a comprehensive vision that combines the design of sound protectionist policies, the enhancement of production efficiency, and the encouragement of investment in low-emission steel technology, ensuring the industry's continued competitiveness in both domestic and global markets. The key is not the strength of the protectionist tool itself, but its integration with reform policies that enable the industry to compete and grow in a rapidly changing global economic environment.