

**Policy Analysis Focus 25-15**  
**Economic Impact of EU Steel and Iron Tariff Hike<sup>1</sup>**

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**I. Introduction**

On October 7, 2025, the European Commission (EU: European Union) announced a proposal, “REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL addressing the negative trade-related effects of global overcapacity on the Union steel market” as a successor measure to the current steel safeguard measures scheduled to expire at the end of June 2026.<sup>2</sup> The proposed regulation introduces policy measures aimed at protecting the EU steel industry; this includes the establishment of tariff-rate quotas for specific steel products and the imposition of a 50% tariff on imports that exceed those quotas (compared to the current 25% under the existing steel safeguard measures). The EU has indicated that the tariff measures under the new regulations would apply to all countries except European Economic Area (EEA: European Economic Area) countries. Given that the EU is one of the world’s major steel and iron consuming regions, the new regulations could have significant implications for the global steel market and national economies.

This study quantitatively investigates the economic impacts of the EU steel and iron tariff hike, by means of simulation studies using a computable general equilibrium (CGE) model of global trade.<sup>3</sup>

This article also compares the impacts of the tariff hike on various countries with

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<sup>1</sup> This article builds on economic modeling techniques introduced in the Fall 2025 GRIPS course “Economic Policy Analysis,” instructed by Professor Kenichi Kawasaki. The views expressed in this article are the author’s own and do not represent those of GRIPS or other organizations to which the author belongs.

<sup>2</sup> [https://ec.europa.eu/transparency/documents-register/detail?ref=COM\(2025\)726&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2025)726&lang=en)

<sup>3</sup> This study employs the Global Trade Analysis Project (GTAP) model based on the GTAP 11c Data Base, which is benchmarked to 2017 incorporating dynamic effects of capital and labor. The model is solved using RunGTAP (GEMPACK). Details of estimated results which are not shown in this article are available from the author, where appropriate.

Table 1 Impact on Production of EU and US by Sectors

	(%)					
	Production		Export		Import	
	EU	US	EU	US	EU	US
Mining	-0.03	-0.05	-0.97	-0.63	0.36	0.17
Other Manufacturing	-0.21	-0.10	-0.34	-0.21	-0.04	0.00
Manufacture of Chemical	-0.16	-0.11	-0.24	-0.17	-0.04	-0.00
Iron and Steel	9.63	12.11	13.76	-6.67	-3.18	-38.23
Non-Ferrous Metals	-0.44	-0.29	-0.51	-0.54	0.23	0.71
Metal products	-0.54	-1.21	-1.31	-5.31	0.29	2.25
Motor vehicles and parts	-0.45	-1.08	-0.50	-1.77	-0.21	0.27
Other machinery and equipment	-0.74	-1.27	-1.01	-2.33	-0.09	0.48
Electronic products	-0.46	-0.11	-0.52	-0.04	-0.22	-0.14
Other products	-0.04	-0.03	-0.16	0.03	0.05	-0.07

Source: Author's simulations.

those of the United States (US) steel and iron tariff hike introduced by the Trump administration.

## II. Impact on Industries in the EU and the US

If the EU imposed an additional 25% tariff on steel and iron imports from all countries except the EEA, EU steel production and exports are estimated to increase, as is shown in Table 1. However, EU production in all industries other than iron and steel would decline. The largest decrease is estimated to occur in the “Other machinery and equipment” sector (−0.74%), which is regarded as a user of steel as an intermediate input. These results suggest that while raising steel tariffs would benefit the EU steel industry, it could at the same time reduce production in all industries other than steel and iron, which could cause employment losses within the EU.

Similar results are estimated in the case of US imposition of an additional 25% tariff on steel and iron imports from all countries. Steel and iron production and exports are estimated to increase in the US as well, while production in all industries other than the steel and iron industry would decline as a result of the tariff hike.

## III. Impact on Other Countries

If the EU imposed an additional 25% tariff on steel imports from all countries except the EEA, steel and iron production would decline in all countries other than the EU and the EEA, including Japan, as is shown in Table 2. The impact of the decline would vary by country, ranging from -7.73% in Russia to -0.20% in Japan.

Table 2 Impact on Production

	Real GDP		Steel Production	
	EU	US	EU	US
EU	-0.06	0.01	9.63	-0.77
US	0.01	-0.06	-0.56	12.11
Russia	-0.12	-0.02	-7.73	-2.24
Türkiye	-0.19	-0.01	-5.37	-1.24
India	-0.01	0.01	-4.58	-0.77
China	0.00	0.01	-0.32	-0.07
South Korea	-0.00	0.00	-2.32	-1.56
Japan	0.01	0.01	-0.20	-0.34
EEA	0.00	-0.00	9.67	-2.43
Others	-0.02	-0.01	-3.11	-2.12

Source: Author's simulations.

At the macroeconomic level, however, not all countries are necessarily expected to experience losses. As is shown in Table 2, real GDP is estimated to decrease in Russia, Türkiye, India, Korea, and the EU, while it would increase in Japan, the US, China, and the EEA.

Similarly, if the US imposed an additional 25% tariff on steel imports from all countries, steel production is expected to decrease in all countries except the US. For Japan, the decline is estimated at  $-0.34\%$ , larger than the  $-0.20\%$  decline resulting from the EU tariff increase; this suggests the possibility of greater losses. However, at the macroeconomic level, Japan's real GDP is estimated to increase, as in the case of the EU tariff increase, indicating that Japan might not necessarily experience an overall GDP decrease at the macroeconomic level.

Moreover, for both the EU and the US, the additional 25% EU tariff on steel and iron imports is estimated to reduce respective real GDP. Thus, while steel and iron production would increase domestically, there is a possibility of macroeconomic losses for the tariff-imposing country.

#### IV. Concluding remarks

Protectionist trade policies represented by the steel and iron tariff hikes in the EU and the US are expected to prompt expansion of domestic steel production within each region. However, they could also reduce production in all industries other than iron and steel and could result in employment losses.

With regard to international impacts, although steel production would decline in

most countries, several countries including Japan might not necessarily experience an overall loss at the macroeconomic level.

Finally, it should be noted that steel production volume varies substantially even among major steel-producing countries. Therefore, it is important to examine both percentage changes and absolute changes where appropriate so as to achieve a more precise analysis. Furthermore, while this analysis focuses exclusively on the issue of the tariff hike under the proposed EU regulation, a more comprehensive assessment would benefit from the incorporation of other elements, such as actual amount of tariff quota and additional requirements (e.g., melt-and-pour requirements).