



Brussels, 9 March 2026

Is protectionism punishing innovation?

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Firms producing Advanced Manufacturing technologies are the pioneers of our industry. They are largely export-oriented; yet deeply integrated into global supply chains. They are operating at the technological frontier, and often not yet producing at scale, precisely because they're early movers.

This leaves them more exposed to risk and volatility, with tighter margins and greater exposure to supply chain disruptions and trade shocks.

Yet recent European trade decisions are directly jeopardising innovation. At a time when geopolitical instability, energy costs and global competition are already testing industrial resilience, decisions to significantly increase tariffs on imported steel and to reduce duty-free quotas are having immediate repercussions on manufacturing industries. More than this, the approach is actually weakening the entire continent's industrial base.

Metal industries are the national export champions of the Portuguese economy. They account for around a quarter of total exports and more than a third of manufacturing industry sales abroad. Indeed, they effectively underpin value chains across the economy. And this is not unique to Portugal.

Productivity and industrial sovereignty converge

Beyond the export weight, metal industries play a structural role in Europe's industrial ecosystem. Steel is transformed into high-value products through engineering, digitalisation, automation and advanced production processes, supporting a range of industries across the economy, from automotive and energy to machinery and construction. Advanced Manufacturing is truly where innovation, productivity and industrial sovereignty converge.

Yet while the European Commission focuses on protecting the EU's steel industry from global overcapacity and unfair competition, the proposals have the opposite effect for European manufacturing. Measures designed to protect one segment of the value chain are going to come at the expense of Europe's overall competitiveness, investment capacity and export performance.

The effect on Advanced Manufacturing, an industry born of innovation, improved techniques, and intelligent technology, will be severe. The scale of the exposure will have immediate consequences and long-term derogatory impacts, curtailing our own industrial transformation capacity.

In fact, by imposing tariffs of up to 50% on steel imports - while continuing to allow the entry of finished products - Europe is forcing our industries to absorb higher costs for raw materials, while still competing with finished goods that are produced elsewhere under less restrictive conditions. This imbalance actually discourages investment in European industries and increases the likelihood of European companies relocating their production to outside of the European Union: precisely the two outcomes the policy intended to avoid.

AIMMAP expressed these concerns directly to the Executive Vice President of the European Commission responsible for Prosperity and Industrial Strategy, Stéphane Séjourné, during a meeting held in Lisbon last. AIMMAP Vice President, Rafael Campos Pereira explicitly underlined that although Europe may have strategic and geopolitical reasons to produce steel, it cannot do so at the expense of its entire downstream manufacturing industry.

Forging an industrial strategy

The final decisions for Europe's industrial strategy do not rest solely with the European Commission. It is our hope that the European Council still has the power to mitigate or recalibrate these measures during the ongoing legislative process.

A more balanced approach - that safeguards steel production while also protecting downstream manufacturing - would better serve Europe's long-term industrial interests. Dialogue with industrial associations and manufacturing stakeholders is essential to ensure that policy decisions reflect the full complexity of industrial value chains.

Focusing narrowly on certain raw materials, and simply overlooking or ignoring damage to other areas of the manufacturing ecosystem, will cause the total collapse of our competitiveness. Because industrial competitiveness is not built through isolated measures. We need coherent, integrated policies that recognise how industries interact.

Manufacturing depends on predictable access to materials, fair competition and a regulatory framework that rewards value creation rather than penalising it. If Europe wishes to remain a global industrial player, it must ensure that its trade and industrial policies reinforce not undermine the companies that transform materials into innovation, exports and skilled employment.

The debate on steel tariffs is about more than trade defense: it is about the kind of industrial producer Europe intends to be.

About the author



Mafalda Gramaxo is Director-General of AIMMAP, the Portuguese association representing the metallurgical and mechanical engineering industries. Based in Porto, she plays a key role in supporting one of Portugal's most strategic, export-driven industrial sectors, working closely with companies, public authorities and international partners. Her work focuses on industry representation, competitiveness, innovation, skills and access to national and European funding programmes. Mafalda Gramaxo holds a degree in Law from Universidade Católica Portuguesa and has been recognised for her contribution to the associative and industrial landscape.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,750 billion, manufacturing one-third of all European exports and providing over 11 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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