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New coalition calls for balance in EU industrial policy

The launch of Downstream4.eu is an important step to make sure that EU industrial policy recognises the value of competitive value chains – and those manufacturers who transform materials into the innovative products driving our economy.

Europe needs to rebalance its approach to industrial policy and competitiveness. As policymakers debate strategic autonomy, supply-chain resilience, decarbonisation and the future of European manufacturing, much of the attention is focused on producers of raw materials and basic industrial inputs. Yet these materials are only the starting point for the many highly sophisticated, competitive, and technology-driven industrial value chains that Europe has. Thanks to their unique know-how, downstream manufacturers transform materials into the finished products that are used by businesses, households and public services across Europe and beyond. This is the gap that a new coalition is seeking to address.

Downstream4.eu brings together many of Europe's downstream manufacturers, giving a collective voice to an essential part of Europe's industrial ecosystem. It aims to ensure that EU industrial policy takes a more holistic approach; one that considers the health and competitiveness of entire value chains. Its message is simple: strategic autonomy cannot stop at raw materials.

An essential part of Europe's industrial economy

Downstream manufacturing covers a wide range of sectors, from household appliances, electronics and machinery to medical equipment, cosmetics, food packaging and construction products. These businesses take materials such as steel, aluminium, chemicals, glass, plastics and textiles and turn them, through design, research, engineering, and advanced manufacturing lines, into finished products with high added value.

They are central to Europe's prosperity, technological capabilities, and international competitiveness. Yet EU industrial policy has often prioritised upstream production without sufficiently considering the consequences for the manufacturers that depend on it.

The risks of a one-sided industrial strategy

Europe has good reasons to strengthen domestic production of critical raw materials, steel, aluminium and other strategic inputs. Geopolitical uncertainty and concentrated supply chains have exposed the risks of

relying too heavily on external suppliers. But strengthening one part of the value chain must not undermine another.

Policies that increase material costs or restrict availability can put downstream manufacturers at an immediate competitive disadvantage. They must absorb higher costs, pass them on to customers or consider relocating production. The risks are particularly significant for companies competing internationally against finished products imported from countries with lower energy costs and regulatory requirements.

The same applies to trade defence, recycled-content targets, chemicals regulation and industrial decarbonisation. Policies designed to benefit one part of the value chain can have unintended consequences elsewhere. Without considering these knock-on effects, measures intended to strengthen European industry may end up weakening its overall competitiveness.

From a collective voice to a practical solution

The companies represented by Downstream4.eu manufacture very different products, but share common concerns: access to competitive materials, affordable energy, predictable regulation, fair competition, and the ability to invest in innovation.

By bringing these industries together, the coalition aims to make their contribution and concerns more visible in European policymaking, particularly as the EU develops new initiatives such as the Industrial Accelerator Act (IAA), the Circular Economy Act (CEA) and the European Product Act (EPA).

But raising awareness is not enough. What is needed is a more systematic way of assessing how industrial policy decisions affect businesses beyond the sectors they directly target. This is the purpose of the proposed Downstream Stress Test (DST).

The idea is straightforward: before introducing new industrial measures, the EU should systematically assess their knock-on effects across the value chain and the wider economy. Will a measure that supports domestic material production make inputs more expensive for European manufacturers? Will new requirements be compatible with the materials and technologies that are actually available? Will they put EU producers at a disadvantage compared with imports? In short, will a policy designed to strengthen one part of European industry ultimately weaken another?

Downstream4.eu proposes five principles to put this approach into practice.

A Downstream Stress Test: five principles for stronger European industry

1. **Match targets with market realities.**
   Targets for recycled, low-carbon and bio-based materials must reflect actual market availability, including sufficient volumes and consistent quality. Businesses cannot meet requirements if the necessary materials are not available.

2. **Make material requirements workable.**
   New requirements must account for the practical demands of manufacturing, including product safety, durability, performance and recyclability. Material substitution should not create unintended problems for manufacturers or consumers.

3. **Ensure a level playing field.**
   European manufacturers should not face significantly higher regulatory and compliance costs than competitors selling comparable imported products. This is particularly important as online commerce makes it easier for foreign products to reach European consumers.

4. **Enforce the rules fairly.**
   Product legislation is only effective if it is properly enforced. Stronger market surveillance, clear responsibilities and effective digital enforcement are needed to prevent non-compliant imports from gaining an unfair advantage.

5. **Support demand as well as supply.**
   Industrial policy should go beyond securing access to materials. Public procurement, research funding, consumer incentives and investment in recycling and refining can help build the markets and infrastructure needed for more sustainable manufacturing.

Competitiveness requires a whole-value-chain approach

Europe cannot achieve strategic autonomy simply by producing more raw materials. Nor can it deliver its climate ambitions without the manufacturers developing and producing the technologies needed for electrification, energy efficiency, recycling and digitalisation. Strong upstream production and competitive downstream manufacturing are complementary objectives. Neither can deliver Europe's ambitions alone.

The launch of Downstream4.eu is an opportunity to address this imbalance. By giving manufacturers a stronger collective voice - and proposing a practical way to assess the wider impact of EU policies - the coalition is calling for a more joined-up approach to industrial competitiveness.

Strategic autonomy is not about protecting individual industries in isolation. It is about ensuring that Europe retains the capacity to turn materials, knowledge and technology into the products of tomorrow. That means building an industrial policy that works for the entire value chain.

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 €2,972 billion, manufacturing one-third of all European exports and providing over 11,9 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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