Europe needs more growth and jobs – Enhancing competitiveness by cutting back bureaucracy and over-regulation

Over the past decades, the EU has been a success story by creating a single market, reducing trade barriers within Europe and internationally through trade agreements. This has created jobs and growth for our citizens and increased competitiveness for our companies. Since the start of this century however, growth in Europe has fallen behind other regions in the world. The gap between the US and the EU in GDP widened from 17% in 2002 to 30% in 2023. The main reason for the worsening situation is lower productivity in the EU, which leads to slower income growth and weaker domestic demand in Europe. Recently, international trade has come under pressure – putting additional strain on many export-oriented sectors of our economies. The Russian war of aggression against Ukraine and the subsequent increase in energy prices have additionally worsened the economic outlook in Europe.

As the Draghi Report states, we continue to add regulatory burdens onto European companies which are especially costly for SMEs and self-defeating for those in the digital sectors. More than half of SMEs in Europe flag regulatory obstacles and the administrative burden as their greatest challenge. Regulation can bring benefits for companies, through harmonisation of divergent national rules or by technical rules that establish how a legislative framework should be implemented in practice throughout the EU. However, this can also entail numerous additional obligations and burdens for companies, with a cumulative effect over time. The proportionality and necessity of such additional requirements has to be carefully and comprehensively screened, cross-checked with "practitioners" (i.e. companies who have to implement), and any overreach should be quickly addressed a determined, ambitious and comprehensive deregulation and simplification agenda with a concrete and binding action plan involving all institutions. The bleak outlook for the European economy must be countered by a clear focus on more competitiveness with less and better targeted regulation. We must make sure that Europe remains a leading destination for investment, technology and jobs. Completion of the single market in particular as concerns the free movement of services is necessary for further growth.

We advocate cutting back bureaucracy and regulation substantially. In this context, we welcome the EU Commission's initiatives aiming to reduce administrative burden. With the REFIT platform, the SME and competitiveness check, the "reality checks" testing existing and upcoming regulation with companies, the digital coordination of the legislative process, reforms to the European Semester and the commitment to 25% fewer reporting obligations for each Commissioner and 35% fewer for SMEs, as well as with the proposal for an 'omnibus simplification package' announced for the end of February 2025, the Commission is taking right steps to reduce red tape. But we need to go further and be even more bold because excessive regulation and bureaucracy has today become a key reason for the EU's productivity falling further behind the US and China.

Therefore, we demand a revision of the legislation yet to be implemented, including delegated and implementing acts, and the rigorous implementation of the "one in, two out" principle – i.e. for every new onerous regulation, two old, still effective regulations must be abolished.

The corporate sustainability legislation, such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) are proving to be excessive and burdensome, with immense trickle down effects for European SMEs. The implementation of the CSRD and the CSDDD, as well as related legislation including the taxonomy regulation and the Carbon Border Adjustment Mechanism (CBAM) should be put on hold for at least two years. In that time, an omnibus regulation should limit the scope of these laws to the largest companies with more than 1000 employees, eliminate the indirect effect to SMEs, align legislative overlaps that currently lead to double reporting and significantly reduce the reporting obligations for large companies by at least 50%. This would create legal certainty for all companies affected while reducing the bureaucratic burden in the long term.

We are committed to a comprehensive review of where existing digital policy regulations can be simplified. Regulation in digital policy, such as the AI act, must also be scrutinized for overlap and conflicts with other horizontal EU digital laws, such as the DSA, Data Act, GDPR, but also with existing sectoral regulation, as part of the one-year assessment of whether the expanded digital acquis adequately reflects the needs and constraints of SMEs and small midcaps.

We are striving towards a simplification and streamlining of military development and procurement in the spirit of a genuine single market for defence equipment.

We oppose excessive regulation and bureaucracy at all levels, from the EU to local level, for agriculture and forestry. We demand further simplifications on issues such as set-asides or pesticides as well as for implementing the EU Deforestation regulation.

Moreover, the Regulatory Scrutiny Board needs to be strengthened, with strong safeguards of its independence and should carry out a mandatory 'coherence, bureaucracy, competitiveness and subsidiarity check', at the beginning of each legislative process. Any concerns about the quality of impact assessments must be clearly flagged to, and weighed up by, all political decision-makers. In addition, robust impact assessments must be carried out before any regulatory proposal is made. The trilogue procedures must be reformed in view of creating more transparency and democratic accountability including of targeted impact assessments of amendments in the legislative process.

Overfulfillment of European requirements (so-called 'gold plating') should be stopped at national level. To this end, national regulations in the EU Member States that go beyond European law should be withdrawn and any future overfulfillment prevented in an appropriate manner, e. g. through maximum harmonisation wherever possible. In principle, EU directives should not go beyond a 1:1 implementation at national level but should be limited to the minimum level of regulation envisaged. Parallel regulation at European and national level should be avoided wherever possible.

Handling of data across all levels should follow the 'once only' principle, according to which citizens and companies only have to provide the same data once.

Public procurement law as a whole must be reviewed and simplified. In order to achieve the right balance between effectiveness in opening the Single Market, securing value for money, and speedy, simple procedures, the forthcoming review should examine not only how to make awards more straightforward, but also an increase of the threshold values above which a Europe-wide invitation to tender is required.

The EU has decided on ambitious climate targets and policies to achieve them. When implementing them, we must make sure that they do not lead to deindustrialization. If climate policy becomes an obstacle for competitiveness and growth, it will not only fail to have the support of European citizens, but it will also risk increasing global emissions because products will be produced in other regions of the world with higher emissions. The availability of affordable and dispatchable energy is a crucial precondition for growth and jobs. Today, EU companies face electricity prices that are 2-3 times higher than in the US while natural gas prices are 4-5 times higher. Therefore, we need to leverage all available energy solutions through a technology-neutral approach that includes renewables, nuclear, hydrogen, bioenergy and carbon capture, utilization and storage.

The EU Emissions Trading System (ETS) is a simple and efficient market-based system to incentivize more efficiency and reduce carbon emissions. It is delivering. There is, however, no need for additional excessive regulation such as a renovation obligation for homeowners. Neither are we in favour of a separate target for the share of “renewable energy”– it should be the competence of Member States to decide with which technologies they want to achieve the climate targets. We ask the European Commission to put forward a proposal regarding measures to maintain the competitiveness of the European Automotive industry, especially relief measures to avoid potential fines for failing to reach the 2025 emissions targets. In response to the high energy prices a larger share of ETS revenues should be earmarked to energy intensive industries, for example for supporting green hydrogen or carbon capture and storage solutions. In this context, we welcome the Commissions’ plan for a ‘Clean Industrial Deal’ which should address these concerns and give a clear signal that Europe will tackle its competitiveness and productivity problem with a more pragmatic approach. The Carbon Border Adjustment Mechanism (CBAM) has to be scrutinized as well regarding its effects on red tape and the competitiveness of the different sectors of our economy.

If we want the EU to create new growth and jobs, the European Commission, but also the European Parliament, the Council and national and local authorities need to show self-restraint regarding any new regulation. This requires a new mindset. Not every good idea needs to be put into law – the EU should focus on the big issues instead of regulating every area of people’s lives. This is the way forward to ensure that the EU’s success story of the past decades will continue to be a success in the future.