

# The EU's Push for Administrative Simplification

## Cutting red tape to boost competitiveness

- The EU has launched a "simplification revolution" to cut red tape and ease regulatory burdens on businesses, especially SMEs, in the face of mounting pressure.
- These efforts may not ultimately yield the changes needed to boost European competitiveness and growth, but they represent an admission by EU policymakers that they must begin the process of simplifying regulations and deregulating.

### EU announcement

The European Union (EU), long known for setting global regulatory standards, is rethinking its approach. Amid growing criticism that complex and burdensome regulations stifle economic growth and competitiveness, the European Commission announced plans to simplify existing legislation and reduce red tape to help European businesses, particularly small and medium-sized enterprises (SMEs) to better compete globally, especially with counterparts in the United States and China.<sup>1</sup>

### Assessment of the problem

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Reports by Mario Draghi (September 2024) and Enrico Letta (April 2024) laid bare the issue: inconsistent and restrictive regulations hinder European businesses. Companies in Europe trying to scale face excessive compliance demands, with businesses spending roughly €150 billion annually on paperwork.<sup>2</sup>

This overregulation is seen as one reason Europe lags economically. The EU's GDP gap with the United States has doubled from 15% to 30% since 2002.<sup>3</sup> Europe also has just four of the world's top 50 tech firms, reflecting its difficulty in fostering innovation and growth under existing rules.<sup>4</sup>

### Proposals

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EU leaders launched a "simplification revolution" to create a clearer legal framework and reduce administrative burdens, especially for SMEs. Proposed targets include a 25% reduction in reporting requirements for large firms and a 35% cut for SMEs.<sup>5</sup> The aim is to free up resources for growth, innovation, and competitiveness without abandoning the core policy goals.

In February 2025, the Commission adopted the first package of proposals to simplify EU rules and boost competitiveness in sustainability, finance, and EU investments.<sup>6</sup> It would reopen and simplify many existing laws, such as the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the Carbon Border Adjustment Mechanism. The Commission has also published a draft proposal for amendments to delegated acts under the EU Taxonomy Regulation for public consultation.

The European Council passed this under a fast-track process in April, underscoring the urgency of providing legal certainty to EU companies. For some firms, the proposed regulations would delay CSRD and CSDDD deadlines by up to two years, giving businesses more time to adjust to the new regulations. It would retain the reporting obligations for larger companies while exempting SMEs. The quick agreement will give EU policymakers time to agree on substantive changes to the CSRD and CSDDD, which are also proposed as part of the sustainability omnibus package.<sup>7</sup>

### Political and institutional reactions

Business groups, some right-leaning politicians, and some Member States back these simplification efforts. The EU's main business lobby, BusinessEurope, supports simplification and submitted 68 proposals to reduce regulatory burdens.<sup>8</sup> They include streamlining cross-border rules, cutting bureaucracy, and lowering compliance costs. Some Member States, like France and Germany, two of the most influential EU Member States, have also called for a delay in compliance deadlines.

Business groups, some right-leaning politicians, and some Member States support simplification efforts

NGOs, left-leaning lawmakers, and some companies warn that reopening laws to simplify regulations could backfire. They argue that reopening these laws could weaken them, especially as a more conservative European Parliament would welcome the chance to water down existing regulations.

EU regulators are also urging caution. Financial supervisors worry that some reforms might undermine protections built after the 2008 crisis and have stressed that economic growth shouldn't come at the expense of financial or environmental safeguards.<sup>9</sup>

### Obstacles to reform

U.S. President Trump's efforts to compel countries to eliminate or reduce nontariff barriers as part of his trade negotiations may also influence reform efforts. As the EU seeks tariff relief from the United States, Trump may ask the bloc to halt implementation of regulations that impose burdensome requirements on U.S. businesses.

The EU's complex policymaking process presents serious hurdles. Legislative proposals must navigate numerous review mechanisms and political negotiations. As policymakers pursue reforms, officials and lobbyists will seek

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deeper reforms to undermine the regulations, while others will fight all changes to protect the underlying measures. There's also a risk that, once reopened, laws could either be watered down or become stuck in political deadlock.

Already, critics are challenging the reform process. In April, eight NGOs filed a complaint with the European Ombudsman, alleging the Commission failed to provide public consultation on the omnibus proposals.<sup>10</sup>

### **Conclusion**

The EU's decision to delay and tweak some landmark regulations signals a shift from idealism to pragmatism. It also aligns with U.S. President Trump's goal of reducing regulations for American companies.

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## Notes

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- <sup>1</sup> <https://www.consilium.europa.eu/en/press/press-releases/2024/11/08/the-budapest-declaration/>
- <sup>2</sup> [https://commission.europa.eu/document/download/ec1409c1-d4b4-4882-8bdd-3519f86bbb92\\_en?filename=The%20future%20of%20European%20competitiveness\\_%20In-depth%20analysis%20and%20recommendations\\_0.pdf](https://commission.europa.eu/document/download/ec1409c1-d4b4-4882-8bdd-3519f86bbb92_en?filename=The%20future%20of%20European%20competitiveness_%20In-depth%20analysis%20and%20recommendations_0.pdf)
- <sup>3</sup> *Ibid.*
- <sup>4</sup> *Ibid.*
- <sup>5</sup> [https://finance.ec.europa.eu/news/omnibus-package-2025-04-01\\_en#:~:text=This%20initiative%20is%20part%20of,by%20an%20excessive%20regulatory%20burden](https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en#:~:text=This%20initiative%20is%20part%20of,by%20an%20excessive%20regulatory%20burden)
- <sup>6</sup> [https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion\\_en](https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion_en)
- <sup>7</sup> <https://www.consilium.europa.eu/en/press/press-releases/2025/04/14/simplification-council-gives-final-green-light-on-the-stop-the-clock-mechanism-to-boost-eu-competitiveness-and-provide-legal-certainty-to-businesses/>
- <sup>8</sup> <https://www.buinesseurope.eu/publications/buinesseurope-proposes-targeted-actions-to-comprehensively-reduce-regulatory-burden/>
- <sup>9</sup> <https://www.ft.com/content/a4210c56-bd4c-4ca9-9cc7-36dba2dd3762>
- <sup>10</sup> <https://delano.lu/article/omnibus-eight-ngos-file-a-complaint-against-the-european-commission>