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Competitive Harmonisation: A Collaborative Framework for Intra-EU Reform and Competitiveness

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Brussels, 20 February 2025 - In the latest [Occasional Paper](#), Matthias Bauer warns that persistent legal fragmentation, exacerbated by the EU's 24 official languages, creates barriers that prevent companies from scaling across borders. This regulatory complexity deters investment in innovation and stifles business growth. Without bold, comprehensive legal reforms, Europe risks falling further behind in global competition and major technological advancements.

Bauer argues, ***“The EU has created a regulatory system where legal standards come with excessive cross-border complexity. To drive growth and competitiveness, it must uphold a single high standard while drastically reducing cross-border complexity.”***

Competitive Harmonisation offers a pragmatic yet visionary solution to overcome fragmentation, tackle the business scale gap, and unlock Europe's vast economic potential.

Incremental reforms can no longer address the legal barriers stifling Europe's competitiveness. As global competition intensifies and Europe's economic share declines, bold action is urgent. The EU must harmonise key policies—taxation, labour, social security, and corporate law—to encourage business growth, cross-border trade, investment, and technology diffusion.

Bauer stresses, ***“Europe must become more like China or the US – not in the negative sense, not through more government intervention, but by creating a real Single Market where native companies can scale toward international competitiveness.”*** He adds, ***“Regulatory complexity is not a feature of high standards—it is an obstacle to growth and innovation.”***

Political Leadership: The Time for Action is Now

The success of Competitive Harmonisation depends on coalitions of willing Member States willing to bypass consensus-driven gridlock and drive deeper economic integration. Governments must align national regulations with global best practices, drawing inspiration from initiatives like the Digital 9 (D9), the New Hanseatic League, and OECD frameworks.

Competitive Harmonisation is not only Europe's best path to sustaining global economic leadership but also a vital insurance policy against external pressures from the US, China, and other competitors. By focusing on internal strengths and bold regulatory reforms, Europe can reinforce its economic resilience while reducing reliance on external forces.

Europe's choice is clear: embrace legal harmonisation to secure long-term competitiveness or risk stagnation and decline in an increasingly contested global economy.

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