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## Brussels Defect Instead of Brussels Effect

### The Brussels Effect in Practice: Does it Strengthen or Hinder Competitiveness?

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**The 'Brussels effect' describes the EU's ability to set global standards through its regulations. But does this effect exist, and how much does it contribute to the competitiveness of European companies? To put the Brussels Effect to the test, the Centre for European Policy (cep) and the wvib Schwarzwald AG surveyed companies. The following conclusions can be drawn:**

- ▶ The Brussels Effect is empirically verifiable. However, it is not a reliable competitive advantage. Economically, it manifests itself in product specifications and process-related requirements.
- ▶ The Brussels Effect is particularly pronounced in EU product specifications – but is perceived as a burden. Over two-thirds of companies apply EU product standards in third countries. However, 70% consider this effect to be disadvantageous. Higher costs and reduced flexibility outweigh the potential advantages.
- ▶ In the case of EU specifications for production processes, the Brussels Effect is less pronounced and sometimes considered strategically advantageous. Companies see it as an opportunity to achieve a level playing field. They also welcome the greater legal certainty when setting up production facilities in third countries.
- ▶ A text mining analysis of around 200,000 EU documents from 2012 to 2025 shows that the EU refers to the Brussels Effect primarily indirectly and strategically in the areas of digitalisation and trade. The term is used primarily as a legitimisation tool, with critical aspects being ignored.
- ▶ Policy recommendation: The Brussels Effect cannot serve as a justification for strict regulation. If the extra-territorial effect of EU procedural standards is to be strengthened, the choice of instrument is crucial. Enforcement by companies – for example, through due diligence obligations – increases bureaucratic costs. Intergovernmental and trade policy instruments with state enforcement are preferable.

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## 1 Introduction: The causes of the current wave of EU regulations

The European economy has been complaining for years about ever-increasing EU regulation.<sup>1</sup> In particular, companies point to increasing documentation, reporting, and due diligence requirements. These increase costs, tie up resources, and thus hamper investment and innovation.<sup>2</sup> The Supply Chain Directive, sustainability reporting, and the CO2 border adjustment mechanism are criticised as particularly burdensome.<sup>3</sup>

At the same time, high levels of regulation at European level are not primarily seen as a disadvantage. On the contrary, the political debate argues that ambitious European standards often become global regulatory standards.<sup>4</sup> This is because anyone seeking access to the EU internal market must comply with EU requirements and often adopts them worldwide. This phenomenon is known as the "Brussels Effect". The Brussels Effect not only serves as an explanation for the extraterritorial impact of European regulation, but also implicitly justifies its legitimacy by demonstrating that high standards are a strategic advantage rather than a competitive disadvantage. When European rules are applied worldwide, the adjustment costs for European companies are supposedly reduced and more uniform competitive conditions are created.

Over the last decade, the Brussels Effect has become a central component of European economic policy. It supports the assumption that regulatory ambition is compatible with economic strength or even conducive to it. However, this assumption has only been empirically tested to a limited extent so far. In particular, it remains unclear how companies themselves assess the effects of the Brussels Effect. Is the global enforcement of European standards actually perceived as a strategic advantage? Or do cost increases and losses of flexibility outweigh the benefits?

Against this background, this study examines the extent to which the Brussels Effect is felt in corporate practice and what economic consequences this has. The study is divided into five parts: First, the theoretical prerequisites for the emergence of the Brussels Effect are outlined (Chapter 2) and existing points of criticism are systematised (Chapter 3). We then empirically examine how the EU uses the term in its legislative documents, Commission papers, and parliamentary contexts, and whether there are any indications of its strategic use as an instrument of legitimisation (Chapter 4). The core of the study is a survey of companies, which shows how the Brussels Effect works in practice and whether it is actually perceived as a strategic advantage (Chapter 5). Finally, we formulate recommendations for economic policy (Chapter 6).

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<sup>1</sup> See German Chamber of Industry and Commerce (2005): Economic Survey, Early Summer 2025, <https://www.dihk.de/resource/blob/132596/300a46c7a9644d4b09c2a8de4bed9de1/konjunktur-dihk-konjunkturumfrage-fs-2025-data.pdf>.

<sup>2</sup> See Business Europe (2025). Reform Barometer – EU in a new political cycle: Competitiveness as a true priority in a complex global context, p. 27, online at: [https://www.buinessurope.eu/wp-content/uploads/2025/03/Reform-Barometer-2025\\_DIGITAL\\_FINAL.pdf](https://www.buinessurope.eu/wp-content/uploads/2025/03/Reform-Barometer-2025_DIGITAL_FINAL.pdf) and Kullas (2025): Not just less regulation – better regulation: Impulses for a smarter regulatory approach from business practice, online at: <https://www.cep.eu/de/eu-themen/details/nicht-nur-weniger-regulierung-bessere-regulierung.html>.

<sup>3</sup> These legal acts have since been streamlined.

<sup>4</sup> See Bradford, A. (2012): The Brussels Effect, online at: [https://scholarship.law.columbia.edu/cgi/viewcontent.cgi?article=1275&context=faculty\\_scholarship](https://scholarship.law.columbia.edu/cgi/viewcontent.cgi?article=1275&context=faculty_scholarship).

## 2 Prerequisites for the emergence of the Brussels Effect

The concept of the "Brussels Effect" was developed by Finnish-American legal scholar Anu Bradford, who first coined the term in an article in 2012 and later described it in detail in a monograph.<sup>5</sup> Since these early works, the concept has been used extensively in both academic and political discourse.<sup>6</sup> In her latest work, *Digital Empires* (2023), Bradford expands on her analysis and compares three competing regulatory approaches in the digital space: the market-liberal American model, the state-centred Chinese model, and the rights-based European model.<sup>7</sup>

Essentially, the Brussels Effect describes the EU's unilateral ability to regulate global markets by enacting regulations – for example, in the areas of competition policy, environmental protection, or data protection – which then also apply in third countries.<sup>8</sup> This extraterritorial effect of European standards is significant because it gives the EU considerable influence without having to rely on military power or economic sanctions. Although the extraterritorial effect of European regulation had been the subject of research before,<sup>9</sup> Bradford developed a general theoretical model with clearly defined conditions for its emergence. According to Bradford, five conditions must be met for the Brussels Effect to occur:<sup>10</sup>

1. **Market size:** The EU internal market is one of the largest sales markets in the world. In sectors where the EU accounts for a significant share of global demand, there is strong pressure to adapt: companies align their products with EU requirements in order to gain access to the internal market. The relative importance of the EU in global trade in a product thus increases the likelihood of a Brussels Effect. Due to its size, the internal market forms the basis of the Brussels Effect.
2. **Regulatory capacity:** Over the years, the EU has gained extensive regulatory powers, aided by treaty changes and the case law of the European Court of Justice. In addition, there are specialised institutions with considerable technical expertise that can regulate even complex products and production processes. However, regulatory capacity is not limited to the enactment of regulations. Effective enforcement is crucial. Rules can only be fully effective if non-compliant products and processes are consistently excluded from the market. Extensive sanction mechanisms are in place for this purpose. For example, violations of the General Data Protection Regulation can result in fines of up to €20 million or up to 4% of global annual turnover, whichever is higher. In competition law, the possible sanctions are even higher.
3. **Stringent regulations:**<sup>11</sup> The Brussels Effect presupposes that the EU regulates more strictly than other regions. Companies that comply with EU requirements can then sell their products also in less strictly regulated markets without having to make changes. Bradford attributes the

<sup>5</sup> See Bradford, A. (2012): The Brussels Effect, in *Northwestern University Law Review* 107(1), online at: [https://scholarship.law.columbia.edu/faculty\\_scholarship/271](https://scholarship.law.columbia.edu/faculty_scholarship/271).

<sup>6</sup> See, for example, the discussion in: Küsters A. and A. (2021): 'Imagine, the EU regulates the global economy and no one is paying attention', *Legal History* 2021, No. 29: 387–90, online at: <https://doi.org/10.12946/rg29/387-390>.

<sup>7</sup> See Bradford, A. (2023): *Digital Empires: The Global Battle to Regulate Technology*, Oxford University Press.

<sup>8</sup> See Bradford, A. (2021): The European Union in a globalised world: the "Brussels effect", online at: <https://geopolitique.eu/en/articles/the-european-union-in-a-globalised-world-the-brussels-effect/>.

<sup>9</sup> For example, Icolaidis, K. (2016): *My Eutopia: Empathy in a Union of Others. Re-Thinking Europe: Thoughts on Europe: Past, Present*

and Future, Amsterdam University Press or Börzel, T. A., and T. Risse (2012): When Europeanisation meets diffusion: Exploring new territory. *West European Politics*, 35(1), 192-207.

<sup>10</sup> Bradford, A. (2021): *Brussels Effect – How the European Union Rules the World*, Oxford University Press, p. 26ff.

<sup>11</sup> Bradford, A. (2021): *Brussels Effect – How the European Union Rules the World*, Oxford University Press, p. 37ff.

ambitious EU regulation to, among other things, a pronounced public perception of risk in Europe. Not mentioned by Bradford, but certainly advantageous for the Brussels Effect, is the fact that the EU often regulates earlier than other regions, for example in the case of the General Data Protection Regulation or artificial intelligence.

4. **Inelastic Targets:**<sup>12</sup> The Brussels Effect is particularly evident in areas where market access in the internal market requires compliance with EU regulations. This is the case, for example, in the areas of product safety and consumer protection. In other areas, such as company law or tax law, there are alternatives for companies. Here, companies may also be subject to regulations that do not comply with EU law without jeopardising their access to the internal market. More recently, the EU has been attempting to link production processes in third countries to EU requirements, for example through free trade agreements, the Deforestation Regulation, or the Supply Chain Directive.
5. **Non-divisibility:**<sup>13</sup> Finally, the Brussels Effect has its full impact when companies cannot meaningfully differentiate products or production processes according to markets. If separate production lines are technically or economically inefficient, companies opt for global standardisation. European regulation thus effectively becomes the global standard.

In addition to the *de facto* Brussels Effect described above, in which companies voluntarily apply European standards worldwide, the literature distinguishes between a *de jure* Brussels Effect. This occurs when third countries incorporate EU regulations or EU standards into their national law.<sup>14</sup> Empirical studies show that such adoptions take place on a significant scale. Christen et al. report that the Eurasian Economic Union and its member states have adopted more than 30 sector-specific framework regulations based on EU directives and, at the same time, have adopted 5,830 product-specific standards that are identical to those of the EU. This adoption enables closer cooperation between the EU and the members of the Eurasian Economic Union.<sup>15</sup> EU free trade agreements also increasingly contain regulatory provisions that go beyond traditional product standards and concern, for example, environmental or labour standards. In this way, European requirements are incorporated into the laws of third countries.

The theoretical concept of the Brussels Effect is a plausible approach to explaining regulatory externalisation. Nevertheless, the concept is not without its tensions. The five conditions mentioned are not binary categories, but vary in intensity. Market size, regulatory capacity, stringency of standards, inelasticity, and non-divisibility have a gradual and context-dependent effect. In certain cases, companies can separate product lines, shift regulatory risks, or maintain regional differences. Similarly, third countries can selectively adopt European requirements or develop their own counter-models. The Brussels Effect is therefore not an automatic process. Rather, the five conditions create a space of possibility within which regulatory externalisation becomes more or less likely. Whether and to what extent the effect actually occurs – and how it is assessed economically – is ultimately an empirical question.

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<sup>12</sup> Bradford, A. (2021): Brussels Effect – How the European Union Rules the World, Oxford University Press, p. 48ff.

<sup>13</sup> Bradford, A. (2021): Brussels Effect – How the European Union Rules the World, Oxford University Press, p. 53ff.

<sup>14</sup> See Bradford, A. (2021): The European Union in a globalised world: the "Brussels effect", online at: <https://geopolitique.eu/en/articles/the-european-union-in-a-globalised-world-the-brussels-effect/>.

<sup>15</sup> See Christen, E. et al. (2022): The Brussels Effect 2.0: How the EU sets global standards with its trade policy, FIW Research Reports, No. 2022-07, p. 17, online at: <https://www.econstor.eu/handle/10419/278200>.

### 3 Criticism of the Brussels Effect

In academic and political debate, the Brussels Effect is predominantly interpreted as a strategic advantage for the European Union. It is seen as an expression of regulatory power and an instrument with which European standards can be enforced worldwide. Christen et al. (2022) speak of a potential competitive advantage for European companies. However, their quantitative estimates show that the trade and welfare gains from the Brussels Effect are small.<sup>16</sup>

Bradford also views the Brussels Effect as positive but discusses possible disadvantages. Three points of criticism are at the forefront. First, companies often criticise that the spread of strict EU regulations leads to higher costs, which means that many consumers cannot buy products that meet their preferences. The higher costs associated with EU regulation could also mean that companies have fewer resources available for developing new products. Strict regulation can also restrict innovative development. Finally, the Brussels Effect can reduce regulatory competition. All these factors can hinder the development of new products or processes that could potentially increase prosperity.

Secondly, the Brussels Effect is said to have a protectionist motive. According to this view, the EU wants to use the Brussels Effect to impose costs on foreign companies in order to protect European companies. This deprives European consumers of the benefits that undistorted competition would bring. This criticism is directed in particular at EU competition law, European environmental rules, and EU regulation in the digital sector.<sup>17</sup>

And thirdly, the Brussels Effect is criticised as regulatory imperialism that infringes on the rights of foreign states and the political autonomy of their citizens. In concrete terms, this could mean that consumers in poorer countries are only offered expensive environmentally friendly products that they cannot afford. The criticism is extended to the argument that climate change was caused primarily by industrialised countries. Therefore, they should also bear the brunt of the burden in combating it. Resistance to the Brussels Effect was recently evident in China. The country blacklisted multinational companies that complied with the EU Supply Chain Directive and therefore boycotted products from the Xinjiang region.<sup>18</sup>

These criticisms make it clear that the Brussels Effect is not an instrument that unequivocally increases prosperity. This has led us to ask companies in a preliminary study conducted in 2025 to what extent the Brussels Effect helps them to develop markets outside Europe.<sup>19</sup> The results (Fig. 1) show that the companies surveyed tend to take a pragmatic view of the Brussels Effect. A majority of the companies surveyed state that the Brussels Effect does not help them to develop markets outside Europe, or only to a limited extent. Only a small group sees it as an advantage.

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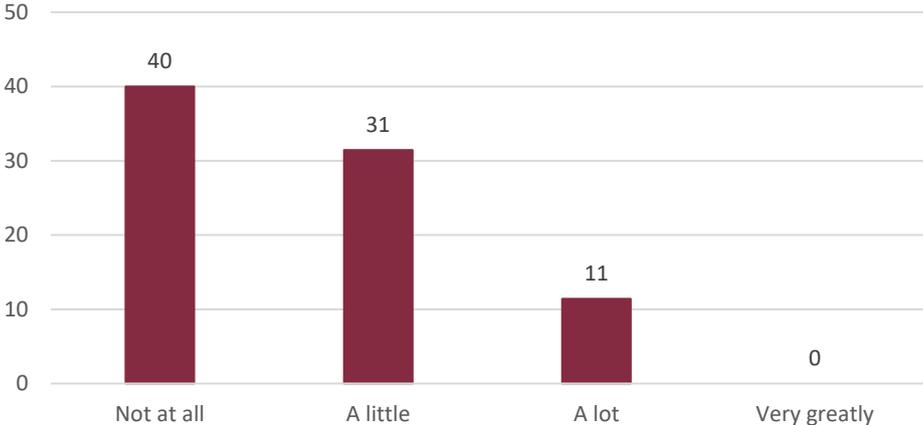
<sup>16</sup> See Christen, E. et al. (2022): The Brussels Effect 2.0: How the EU sets global standards with its trade policy, FIW Research Reports, No. 2022-07, online at: <https://www.econstor.eu/handle/10419/278200>.

<sup>17</sup> See McMahon, L. (2024): Trump Says Apple Boss Called Him to Complain About EU, BBC, online at: <https://www.bbc.com/news/articles/cj4d75zl212o>.

<sup>18</sup> See Laws, J. (2024): Calvin Klein and Tommy Hilfiger Face China Backlash Over Cotton 'Boycott'. Newsweek 24 September 2024, online at: <https://www.newsweek.com/calvin-klein-tommy-hilfiger-face-china-backlash-over-cotton-boycott-1958567>.

<sup>19</sup> See Kullas, M. (2025): Not Just Less Regulation – Better Regulation, ceplInput No. 9/2025, online at: <https://www.cep.eu/de/eu-themen/details/nicht-nur-weniger-regulierung-bessere-regulierung.html>.

**Figure 1: Contribution of the Brussels Effect to the development of non-European markets (in %)**



Question: "To what extent does the 'Brussels Effect' – i.e. the de facto adoption of EU regulations in countries outside the single market – help you to develop non-European markets?"

Source: Kullas, M. (2025): *Not just less regulation – better regulation*, p. 6. (n=35). Missing percentage points to 100 per cent are "no response".

This discrepancy between the political narrative and corporate perception provided the impetus for an in-depth study of the specific advantages and disadvantages of the Brussels Effect. The results of this study are presented in the following two chapters. In section 4, natural language processing is used to empirically examine how the EU itself uses the term (legitimation strategy). Section 5 presents the results of our new survey, which shows how companies themselves experience the effect.

## 4 The Brussels Effect in EU discourse: results of the NLP analysis

The debate about the advantages and disadvantages of the "Brussels Effect" raises the question of the extent to which the EU itself actively uses this concept – whether as an analytical tool or as a rhetorical means of legitimising ambitious regulation. To investigate this empirically and motivate our subsequent survey, we examined all EU legislative documents, Commission papers, and parliamentary questions from 2012 to 2025 for references to the Brussels Effect.

The examination is based on an automated full-text analysis of the EUR-Lex database. Using modern NLP (natural language processing) techniques<sup>20</sup>, we searched through around 200,000 EU documents stored in this database.<sup>21</sup> The analysis period begins in 2012, the year Bradford's groundbreaking article was published, and extends to the end of 2025. In addition to the direct term "Brussels Effect" (and related spellings), 24 semantically related concepts were recorded, including "extraterritorial application", "global standard setter", "regulatory superpower", and "largest single market".<sup>22</sup> These terms cover the core elements of the Brussels Effect: extraterritoriality, standard setting, and market power. The analysis covered Commission proposals (COM), staff working documents (SWD), regulations, directives, impact assessments, as well as parliamentary questions and opinions of the Economic and Social Committee.

**Figure 2: References to the "Brussels Effect" in EU discourse over time**



Source: Own research.

The analysis yielded 71 hits during the period under review. Surprisingly, the term "Brussels Effect" is only used explicitly twice in the EU documents – both times in strategic Commission papers from 2021 and 2022.<sup>23</sup> However, indirect references are found much more frequently. The term "extraterritorial

<sup>20</sup> For an introduction, see: Grimmer, J. et al., *Text as Data: A New Framework for Machine Learning and the Social Sciences* (Princeton University Press, 2022).

<sup>21</sup> The analysis uses the EUR-Lex Cellar API via the Python library eurlxp. Full-text downloads were performed asynchronously, and keyword matching was case-insensitive.

<sup>22</sup> Complete keyword list: "Brussels Effect", "regulatory superpower", "global regulatory power", "extraterritorial effect/application/reach", "de facto global standard", "global standard setter", "sets global standards", "export our standards", "regulatory leadership", "largest single market".

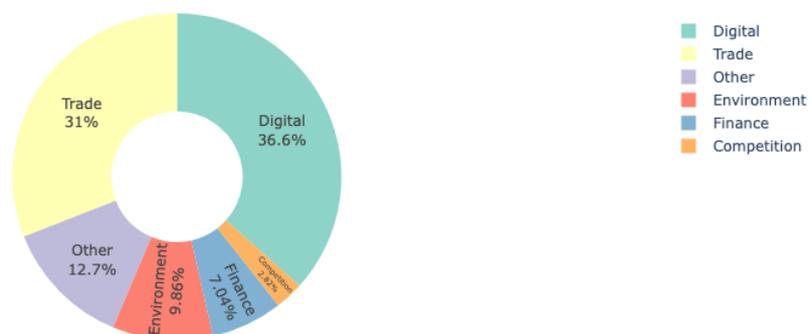
<sup>23</sup> The two direct mentions can be found in documents CELEX 52021DC0750 and CELEX 52022SC0364.

application" appears 44 times, "largest single market" 11 times and "global standard setter" 10 times. This suggests that the EU uses the concept the Brussels Effect without using the term itself. Figure 2 shows the distribution of references over time. Contrary to expectations of a continuous increase after Bradford's first publication in 2012, a volatile pattern emerges. A first peak can be observed in 2014-16, coinciding with the negotiations on the General Data Protection Regulation (GDPR), whose extra-territorial application is a key example of the Brussels Effect. A second increase can be observed in 2021 and 2022, parallel to Commission initiatives for the Digital Services Act (DAS) and the AI Act. The EU thus uses the rhetoric of the Brussels Effect selectively in phases when it needs to legitimise its ambitious regulatory projects. In quieter legislative periods, the term is used much less frequently.

Figure 3 shows the distribution of identified Brussels Effect references by policy area. The areas of "digital" (37%) and "trade" (31%) clearly dominate. These are precisely the areas in which the EU claims regulatory leadership (GDPR, DMA, DSA) or uses trade policy levers (e.g. blocking statute against US sanctions<sup>24</sup>). In traditional areas such as the environment, finance, or competition, its use is much less frequent, although extraterritorial effects also exist here (e.g. emissions trading, merger control). This suggests that the EU strategically emphasises the Brussels Effect in those areas where it has particularly strong market power.

**Figure 3: Distribution of references to the "Brussels Effect" by policy area**

Distribution of "Brussels Effect" References by Policy Area



Source: Own research.

Most indirect references are found in staff working documents (37%) and impact assessments. In legislative texts such as regulations and directives, however, its use is less frequent. This is an important finding: the "Brussels Effect" serves primarily for political argumentation in preparatory documents and less for legal codification. For example, the GDPR itself, which Bradford frequently cites, does not mention the term "Brussels Effect".

A qualitative analysis of the text passages shows that when the Brussels Effect is discussed, it is usually framed in positive terms. Figure 4 shows the most frequently used terms in the context of references to the Brussels Effect. Terms such as "global", "standards", "single market", and "compliance"

<sup>24</sup> The EU Blocking Statute (Regulation (EC) No 2271/96) is an EU legal instrument that protects European companies from extraterritorial US sanctions. An amendment was made in 2018, see: <https://www.roedl.com/insights/eu-blocking-verordnung-us-sanktionen-iran/>.



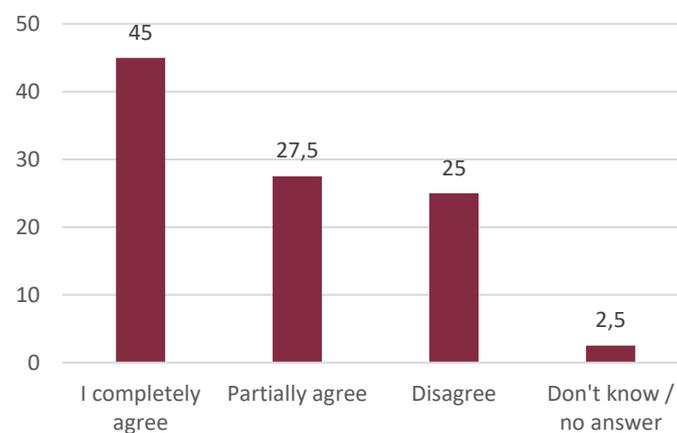
## 5 The Brussels Effect from a corporate perspective: survey results

Our survey results confirm the empirical existence of the Brussels Effect, but at the same time show that its economic impact must be viewed in a differentiated manner. EU product specifications are often accepted internationally but are considered a burden by the majority of companies. Process specifications, i.e. European requirements for manufacturing and production processes, have a smaller international reach, but are viewed much more positively.

### 5.1 The Brussels Effect on EU product requirements

The survey shows that EU product requirements have a significant impact on third-country markets. More than two-thirds of the companies surveyed state that their products must comply with EU product requirements, at least partially, when sold in third countries, either de jure or de facto (Fig. 5).

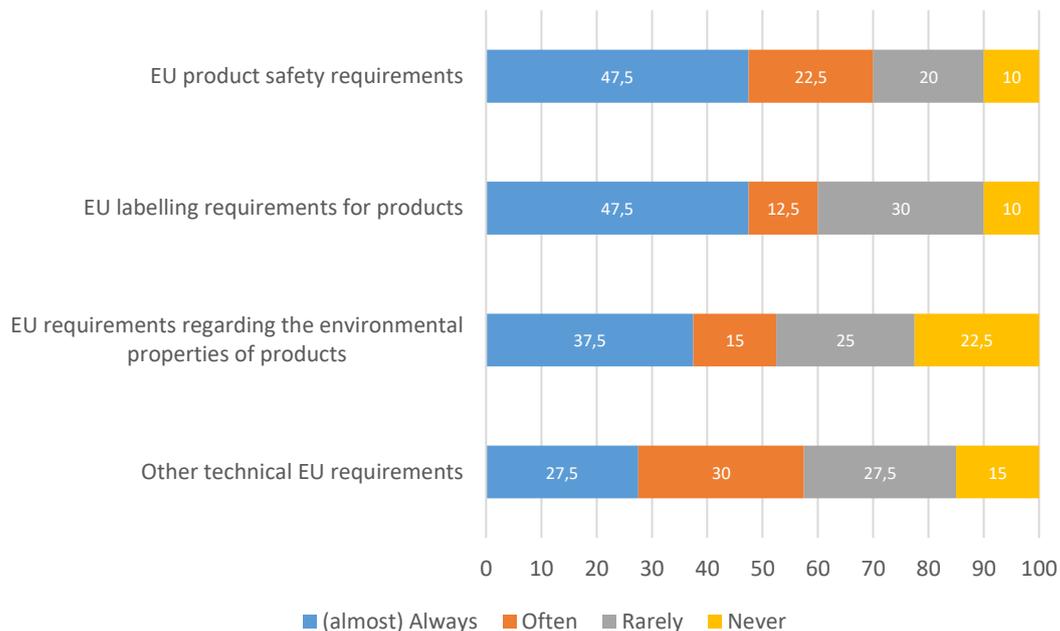
**Figure 5: EU product requirements also apply to sales in third countries (in %)**



Question: "To what extent do you agree with the following statement: 'Our products must – de jure or de facto – comply with EU product requirements, for example with regard to product safety, environmental requirements, labelling requirements or other technical requirements, when sold in third countries.'" (n=40).

Source: Own research.

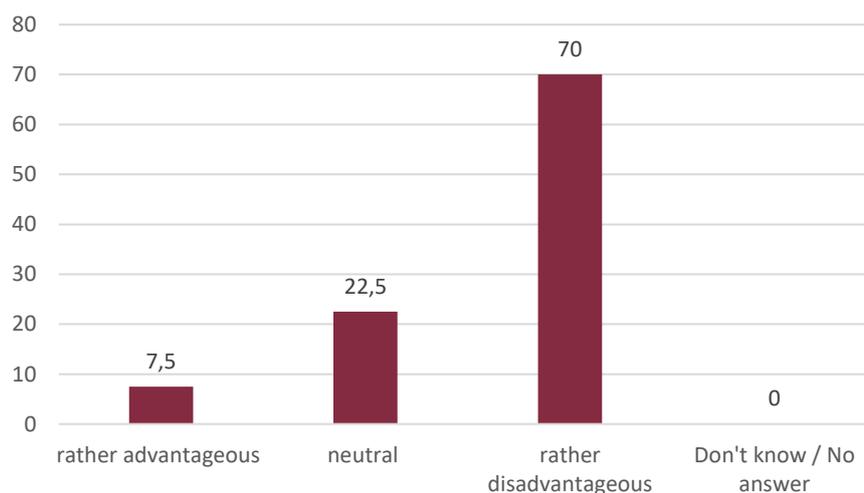
The Brussels Effect is particularly prominent in product safety regulations. Over 70% of companies state that they often or always comply with these regulations when selling their products outside the EU. EU labelling requirements and other European technical requirements are also regularly applied by a clear majority of the companies surveyed. Environmental product requirements, on the other hand, are somewhat less influential (Fig. 6).

**Figure 6: Application of EU product requirements when selling in third countries (in %)**

Question: "Please rate the extent to which your products must comply with the following EU product requirements when sold in third countries – de facto or de jure."

Source: Own research. (n=40).

Although the Brussels Effect is prominent in product specifications, companies predominantly see it negatively. 70% of companies see the application of EU product specifications in third countries as a disadvantage overall, while only 7.5% see it as an advantage (Fig. 7). This reveals a discrepancy between the political narrative and corporate reality.

**Figure 7: Brussels Effect on EU product requirements – strategic advantage or burden? (in %)**

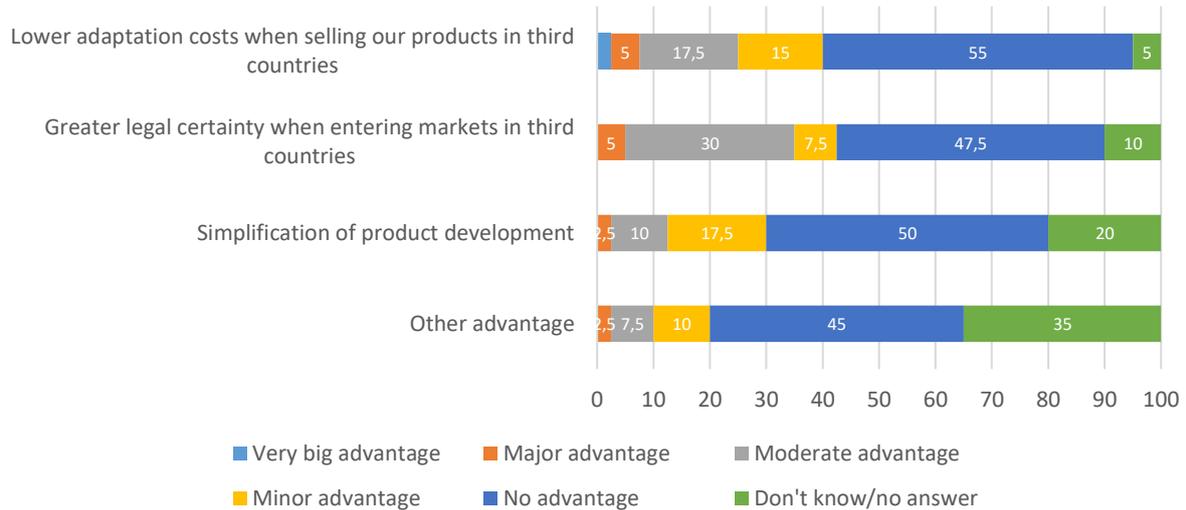
Question: "Please complete the following statement: If EU product requirements – for example, regarding product safety, environmental properties, labelling requirements or other technical requirements – had to be complied with de jure or de facto when selling our products in third countries, this would be ... for our company overall."

Possible answers: "Rather advantageous – the positive effects for our company outweigh the negative effects" / "Balanced – the positive and negative effects roughly balance each other out" / "Rather disadvantageous – the negative effects for our company outweigh the positive effects" / "Don't know or no answer".

Source: Own research. (n=40).

A differentiated view of the advantages confirms this picture. For the majority of the companies surveyed, the application of EU product requirements in third countries results in no or only minor advantages. Where advantages are seen, they mainly concern greater legal certainty when entering the market or lower adjustment costs in sales (Fig. 8).

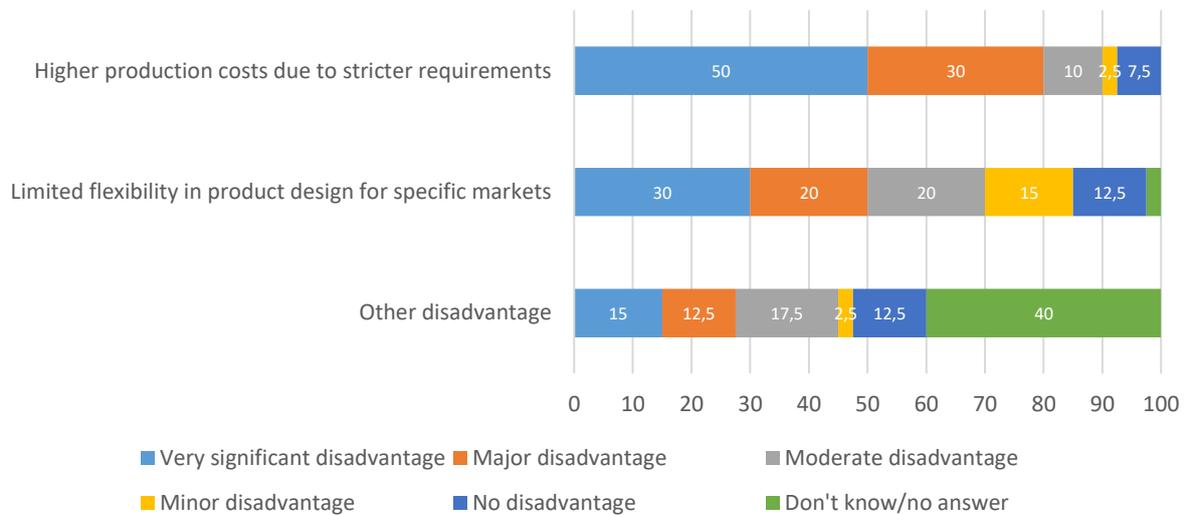
**Figure 8: Assessment of various advantages of the Brussels Effect on product requirements (in %)**



Question: "Please rate the strength of the benefit for your company for each statement."

Source: Own research. (n=40).

A differentiated analysis of the disadvantage categories reveals a clearly dominant cost argument. For 50% of companies, higher production costs represent a very significant disadvantage, while a further 30% rate them as a major disadvantage. Overall, 92.5% of respondents see this as a negative effect of the Brussels Effect. Most companies also perceive the limited flexibility in adapting products to specific third-country markets as a disadvantage (Fig. 9). In short, the Brussels Effect on product specifications is perceived primarily as cost-intensive and reducing flexibility.

**Figure 9: Assessment of various disadvantages of the Brussels Effect in product specifications (in %)**

Question: "Please rate the severity of the disadvantage for your company for each statement."

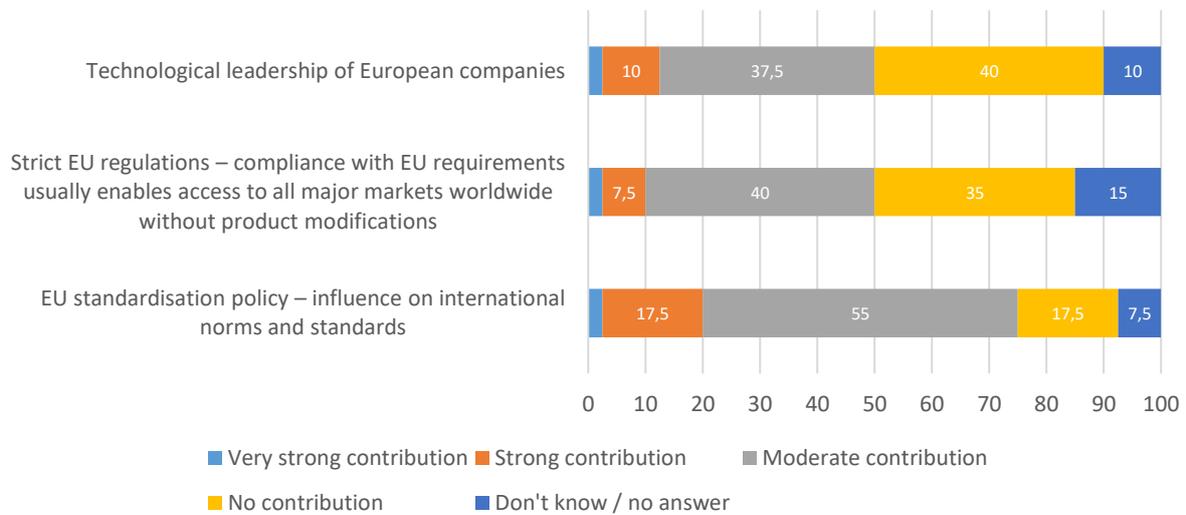
Source: Own research. (n=40).

The companies surveyed cited EU standardisation policy as the main channel through which the Brussels Effect is transmitted. 70% see it as a significant contributor to the global spread of EU product specifications. In contrast, only 50% of companies attribute a decisive role to regulatory stringency. From a company perspective, the global impact of European product standards is thus transmitted more through standardisation than through regulatory stringency (Fig. 10).

This finding is also relevant in theoretical terms. The literature often highlights the strictness of European regulation as a key driver of the Brussels Effect.<sup>25</sup> However, the present findings suggest that the role of institutional standard-setting should be viewed in a more nuanced way.

<sup>25</sup> See Chapter 2 for more information.

**Figure 10: Drivers of global enforcement of EU product requirements (in %)**



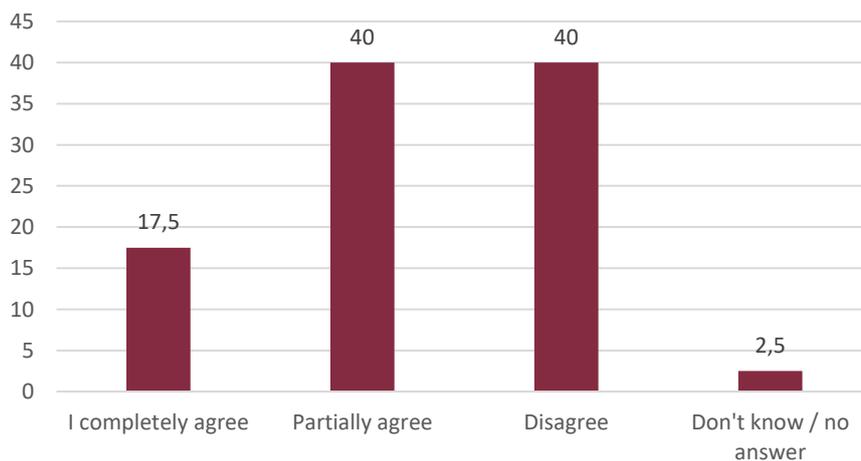
Question: "Please rate how strongly the following factors contribute to the global enforcement (de jure or de facto) of EU product requirements."

Source: Own research. (n=40).

## 5.2 The Brussels Effect on EU process requirements

57.5% of companies must comply with EU process requirements – at least partially – when manufacturing in third countries (Fig. 11). For product requirements, this figure is over 70%. The Brussels Effect is therefore less pronounced for process requirements than for product requirements.

**Figure 11: EU process requirements also apply (in part) to manufacturing in third countries (in %)**

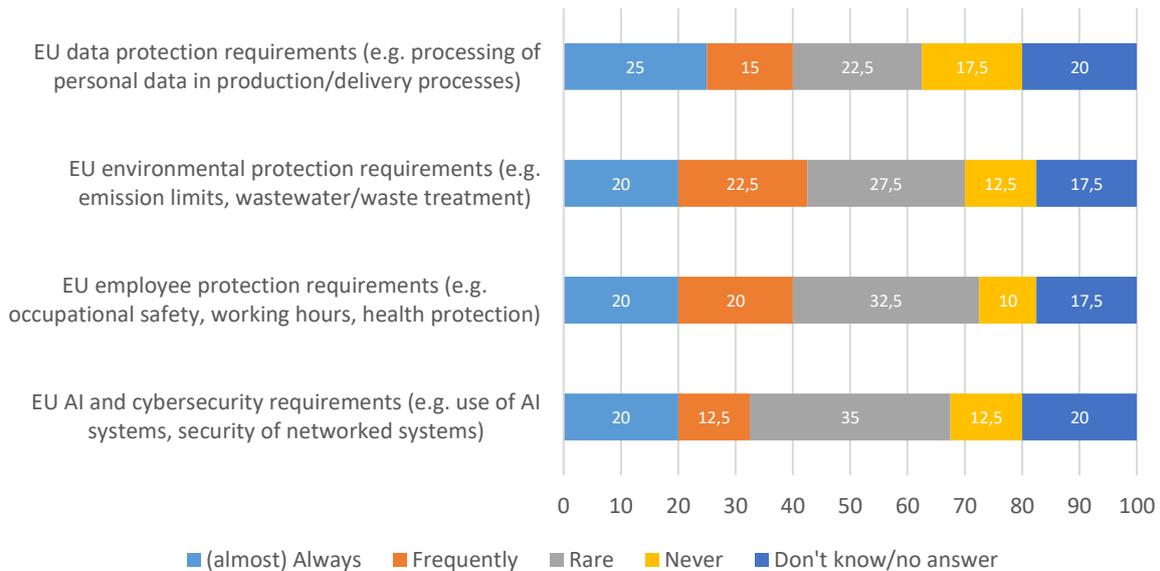


Question: "To what extent do you agree with the following statement: 'EU production requirements, for example with regard to environmental protection, data protection and occupational safety, must also be complied with – de facto or de jure – when manufacturing our products in third countries.'

Source: Own research. (n=40).

For all EU manufacturing requirements surveyed, such as those relating to environmental protection, data protection and occupational safety, around 40% of companies state that they must also comply with these requirements on a regular basis when manufacturing in third countries. At the same time, however, a similarly high proportion of around 40% state that they rarely or never have to apply such EU requirements. The Brussels Effect on manufacturing requirements is therefore less prominent than in the area of product standards (Fig. 12).

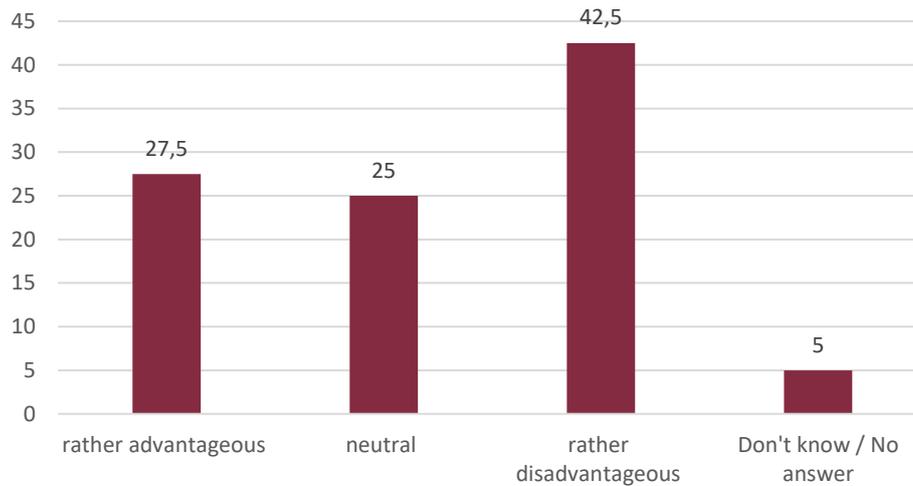
**Figure 12: Application of individual EU process requirements in manufacturing in third countries (in %)**



Question: "Please assess the extent to which your company must comply with the following EU requirements when manufacturing in third countries – de facto or de jure."

Source: Own research. (n=40).

The Brussels effect is rated much more positively for EU process specifications than for EU product specifications. While 70% of companies consider the Brussels effect to be disadvantageous for product specifications, only 42.5% consider it to be disadvantageous for process specifications. 27.5% even see the Brussels Effect on process requirements as an advantage for their company (Fig. 13). Thus, the Brussels Effect on process requirements shows asymmetry: a lower incidence is met with significantly higher corporate acceptance.

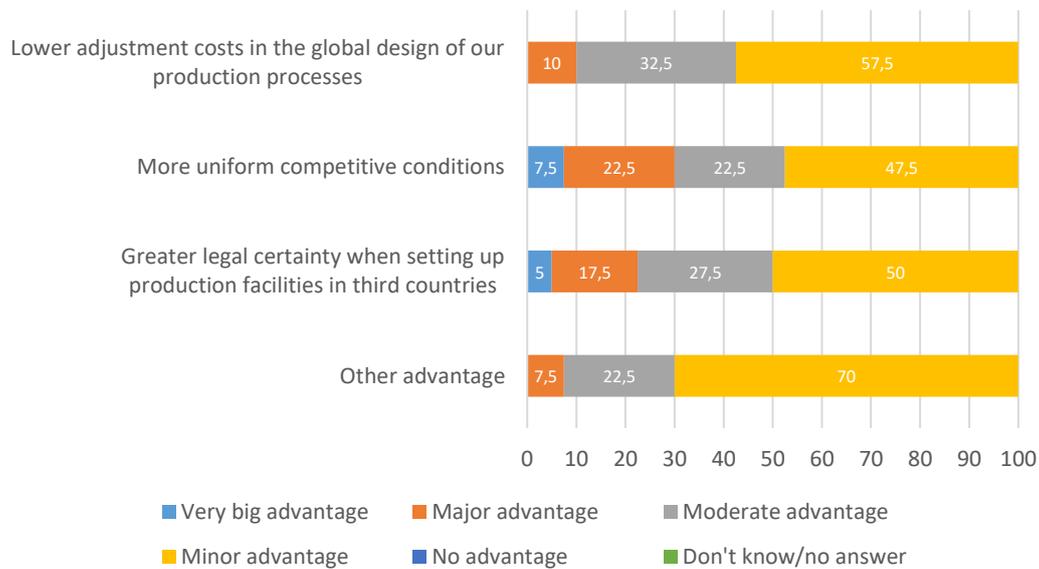
**Figure 13: Brussels Effect on process requirements – advantage or burden? (in %)**

Question: "Please complete the following statement: If EU process requirements – for example, with regard to environmental protection, data protection and occupational safety – had to be complied with de jure or de facto in production in third countries, this would be ... for our company as a whole."

Possible answers: "Rather advantageous – the positive effects would outweigh the negative effects for our company" / "Balanced – the positive and negative effects would roughly balance each other out" / "Rather disadvantageous – the negative effects would outweigh the positive effects for our company" / "Don't know or no answer".

Source: Own research. (n=40).

The differentiated evaluation of the benefit categories confirms the overall more positive assessment of the Brussels Effect on process specifications. It is striking that no company fundamentally rejects the potential advantages listed. All three advantages – harmonisation of competitive conditions, greater legal certainty for investments in third countries, and lower adjustment costs in the organisation of international production processes – are seen as at least a minor advantage for the company (Fig. 14). The greatest emphasis is placed on the levelling of competitive playing fields. In this context, some respondents point out that stricter European requirements are first implemented in the EU parent company and then transferred to foreign locations, which allows adjustment costs to be distributed within the company. The Brussels Effect on process specifications is thus not only perceived as a cost factor, but at least in part as an instrument for levelling competitive playing fields.

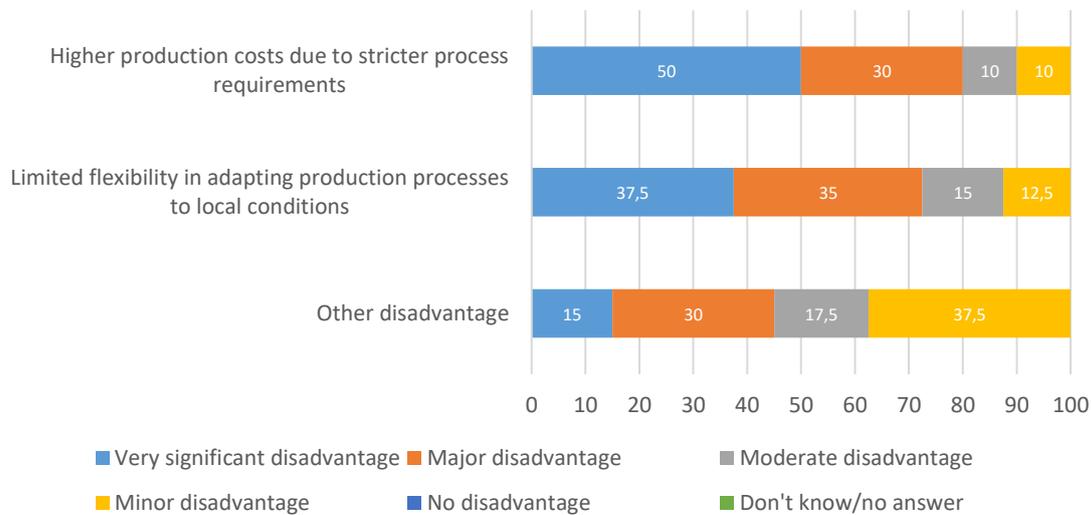
**Figure 14: Assessment of various advantages of the Brussels Effect in process requirements (in %)**

Question: "Please evaluate the strength of the advantage for your company for each statement."

Source: Own research. (n=40).

However, the evaluation of the disadvantage categories shows that the Brussels Effect also leads to considerable burdens in terms of process specifications. Higher production costs are considered a disadvantage by all companies surveyed, with 50% even considering them a very significant disadvantage. Similarly, all companies consider the limited flexibility in the design of production processes to be at least a minor disadvantage. 45% see this as a significant or very significant disadvantage (Fig. 15).

The disadvantages of the Brussels Effect in terms of process requirements are thus assessed similarly to those in terms of product requirements. This shows that the Brussels Effect entails considerable costs and adjustment effects in both cases. This results in an ambivalent picture overall: on the one hand, companies benefit from market access and standardisation effects, but on the other hand, they also incur substantial compliance costs. Whether the Brussels Effect is beneficial overall depends on the extent to which the individual advantages compensate for the adjustment costs. This calculation varies for each company.

**Figure 15: Assessment of various disadvantages of the Brussels Effect in process requirements (in %)**

Question: "Please rate the severity of the disadvantage for your company for each statement."

Source: Own research. (n=40).

All in all, the results of the company survey show that the Brussels Effect is real, but its economic impact depends on the specific design of the regulation. The effect is particularly pronounced in the case of EU product specifications. European product standards are often complied with when selling to third countries. At the same time, this effect is predominantly perceived as a burden. High production costs and limited flexibility dominate the assessment. The Brussels Effect on product requirements thus shows asymmetry: high practical reach, but few business advantages.

In the case of EU process requirements, the Brussels Effect is less pronounced, but the assessment is significantly more positive. Around a quarter of companies see it as strategic advantages on overall balance, particularly due to more uniform competitive conditions, greater legal certainty, and lower adjustment costs in the organization of international production processes. At the same time, however, higher costs and losses of flexibility are also clearly perceived here.

Overall, there is no uniform picture of a consistently beneficial or consistently burdensome Brussels Effect. Rather, its impact depends largely on the specific regulation. The Brussels Effect is therefore not an automatic mechanism for strengthening European competitiveness. Its economic impact is not uniformly positive.

## 6 Conclusion: Recommendations for economic policy action

Our survey of 40 companies shows that the Brussels Effect is empirically real, but not a reliable competitive advantage. An accompanying discourse analysis of EU documents also reveals a striking discrepancy: although the EU presents the Brussels Effect as a strategic advantage in political debates, especially in the areas of digital and trade, the company survey paints a much more critical picture. While EU product specifications are frequently applied worldwide, they are predominantly perceived as a burden. EU process specifications have a shorter reach, but companies' assessments are more nuanced and, in some cases, positive. Our findings confirm earlier case studies for the first time through systematic company surveys and allow for a more nuanced assessment than the previous, often normative debate.

In the area of EU product specifications, the Brussels Effect cannot serve as justification for strict product regulation if the debate on greater European competitiveness is to be taken seriously. Rather, the combination of high actual reach and predominantly negative assessment argues against strict product requirements. More than two-thirds of companies comply with EU product requirements when selling to third countries, while 70% consider this effect to be disadvantageous and 92.5% see higher production costs as a burden. The Brussels Effect is also perceived as reducing flexibility in product development. This corresponds to one of the central points of criticism in the literature on the Brussels Effect, according to which strict EU regulation can increase production costs and reduce scope for innovation.<sup>26</sup> The discrepancy between political discourse and corporate reality is particularly pronounced here: our NLP analysis shows that EU documents frame the Brussels Effect almost exclusively in positive terms. Terms such as "burden" or "costs" are largely absent. This selective presentation makes evidence-based regulatory policy difficult. The EU should therefore exercise more restraint in regulating products in future.<sup>27</sup> The "competitiveness check" announced by the Commission must not remain a mere announcement. Rather, our findings suggest that ex-ante impact assessments should capture the actual costs of the Brussels Effect, including production costs, losses of flexibility, and barriers to innovation. However, the current practice of impact assessments does not take sufficient account of these dimensions. An effective competitiveness check should be empirically based, mandatory for all product specifications, and equipped with clear thresholds above which regulatory tightening must be justified. Here, it is important to representatively capture and take into account the views of smaller companies and SMEs. While large companies are often able to cope with regulatory complexity, the latter has a disproportionate impact on small and medium-sized enterprises.

The assessment of the Brussels Effect is different when it comes to EU process requirements. Although the impact of the Brussels Effect is less significant here, over 50% of companies do not view it negatively. 27.5% even see it as an advantage.<sup>28</sup> No company completely denies the potential advantages. In particular, the harmonisation of competitive conditions, greater legal certainty for investments in third countries, and lower adjustment costs due to internationally uniform production processes are cited as positive effects. Companies recognise strategic advantages when regulatory requirements contribute to a level playing field. This must be taken into account in regulatory policy, too. In concrete

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<sup>26</sup> See Chapter 3.

<sup>27</sup> The regulation of AI occupies a special position. Here, the impact of the Brussels effect cannot yet be conclusively assessed. Initial indications from the EU AI Act suggest that open-source approaches and technical standards could also be more effective than detailed compliance requirements in this area. Further research is needed.

<sup>28</sup> See Fig. 13. 27.5% of the companies surveyed consider the Brussels effect on process requirements to be beneficial for their company, 25% believe that the advantages and disadvantages balance each other out, and 42.5% consider the Brussels effect on process requirements to be detrimental to their company.

terms, this means that the Brussels Effect can become a competitive advantage in process requirements, especially if it (a) increases legal certainty, (b) can be implemented without disproportionate bureaucratic effort, and (c) the process requirements are voluntarily adopted by third countries. However, with increasing regulatory divergence and geopolitical fragmentation (USA, China), the likelihood of voluntary adoption is decreasing.

There is a particular risk of disproportionate bureaucratic burdens for companies if the EU chooses the wrong instruments to strengthen the Brussels Effect in process specifications. Instruments that primarily organise compliance with process requirements through extensive internal documentation, auditing, and reporting obligations – such as the Supply Chain Directive – significantly increase the bureaucratic costs for European companies. The more enforcement is shifted to European companies, the greater the compliance burden and the lower the strategic benefit sought from levelling the playing field.

Against this backdrop, greater use of intergovernmental and trade policy instruments appears appropriate to harmonise process standards worldwide. Anchoring production standards in trade agreements, international cooperation, or state-organised control mechanisms could help to promote fair competition without shifting enforcement to European companies. Such a choice of instruments would support the goal of harmonising production conditions while limiting the burden of additional due diligence and reporting requirements. This would be usefully accompanied by more multilateral standardisation cooperation and technical support for third countries in capacity building.

Furthermore, the Brussels Effect must not be misunderstood as a substitute for effective competition policy. Setting standards is not synonymous with competitiveness. On the contrary, overly strict regulation can promote market concentration if only large suppliers can bear the compliance costs. Compliance costs act as fixed costs and create economies of scale, giving large companies an advantage. The survey also shows that companies that manufacture exclusively in Europe – often small and medium-sized enterprises – are more heavily burdened by strict regulation than internationally positioned companies. The latter benefit more from the Brussels Effect because they can realise potential advantages, for example in the form of greater legal certainty or standardised processes, at least in part, even if the overall balance remains negative. Companies that manufacture exclusively in Europe do not enjoy these advantages. For them, the additional documentation and compliance costs have an immediate and uncompensated impact. This leads to asymmetrical burdens in competition with companies from third countries. Other empirical studies also show that higher regulatory costs lead to the growth of large companies and the decline of small ones.<sup>29</sup> Regulation and competition enforcement must therefore go hand in hand and should not contradict each other.

Finally, the survey suggests that the Brussels Effect should not be seen as an end in itself or an automatic process. It is not a guarantee of economic success, but rather an instrument whose impact varies depending on the type of regulation. A differentiated regulatory policy that distinguishes between product and process requirements, systematically takes into account the burden on companies, and bases the choice of enforcement instruments on efficiency and competition considerations is economically necessary. The EU should use its regulatory power where it creates strategic advantages – not where it primarily incurs costs.

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<sup>29</sup> Shikhar Singla, Regulatory Costs and Market Power, LawFin Working Paper No. 47 (Goethe University, Centre for Advanced Studies on the Foundations of Law and Finance (LawFin), 2023), available online at: <https://hdl.handle.net/10419/269204>.

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