Documents for the Record
Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade Hearing
June 30, 2026

Submitted by the Majority

1. Testimony submitted by Small Business & Entrepreneurship Council to the Energy and Commerce Committee.
2. A document from Baron, “Europe’s Economic War on America: Recent European Actions Represent a Multi-Front Attack Against U.S. Industry.”
3. A one pager from Baron, “EU Rules Help China, Hurt U.S. Industry.”
4. Statement for the record from The National Association of Manufacturers before the Energy and Commerce Committee.

Submitted by the Minority

Testimony for the Record

American Global Competitiveness at 250: Legislative Proposals to Secure U.S. Technology Leadership

U.S. House Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade

Submitted By:

Karen Kerrigan
President & CEO, Small Business & Entrepreneurship Council
June 30, 2026

Chairman, Ranking Member, and Members of the Committee:

The Small Business & Entrepreneurship Council (SBE Council) appreciates the opportunity to offer its views on the European Union's Corporate Sustainability Due Diligence Directive, commonly referred to as CSDDD or CS3D, and the significant implications it poses for American businesses, small businesses and entrepreneurs.

SBE Council has advocated for America's entrepreneurs, small businesses, and innovators for more than three decades. Our members represent businesses of every size, industry, and region of the country. They are manufacturers, distributors, retailers, technology firms, franchisees, contractors, transportation providers, agricultural producers, energy suppliers, and service companies. Collectively, they form the backbone of the American economy.

SBE Council **recently co-signed a letter sent to committee leadership and its counterparts** on the Senate Foreign Relations Committee expressing our shared concerns with the CSDDD and the need for congressional action. As we noted **in the letter:**

"At a time when the United States is pursuing policies designed to enhance industrial competitiveness, strengthen domestic manufacturing, and lower inflationary pressures, the prospect of foreign regulatory mandates imposing additional costs and liabilities on U.S. businesses should be taken seriously and addressed immediately. For this reason, congressional attention to the CSDDD is warranted."

SBE Council appreciates the Committee's attention to this important issue today.

While the CSDDD is often presented as a European sustainability initiative aimed at large multinational corporations, that characterization is incomplete. It is a matter of business and market competitiveness. In practice, the CSDDD extends beyond Europe's borders and reaches deeply into the operations of countless American businesses that have no presence in Europe, no European customers, and no voice in the development of European law.

On the surface, the purpose behind the CSDDD may be well intentioned. The issue before us, however, is not exclusively limited to sustainability. American small businesses have long demonstrated leadership in environmental stewardship, workforce development, ethical business practices, and community engagement. The issue is whether a foreign regulatory regime should be allowed to impose costly compliance obligations on American businesses through commercial relationships and supply chains over which they often have little control.

Under the CSDDD, large companies operating in Europe will be required to conduct extensive due diligence throughout their value chains. To satisfy these obligations, those companies will necessarily require reporting, documentation, certification, auditing, monitoring, and contractual requirements down to suppliers, vendors, distributors, contractors, franchisees, and service providers. That is compliance will look like. It is overwhelming and complicated, and thus incredibly burdensome to any business caught up in the compliance net.

For a Fortune 500 company, compliance may require hiring additional legal counsel, consultants, auditors, and sustainability professionals. For a small manufacturer in Ohio, a family-owned fuel distributor in Missouri, a trucking company in Texas, a franchise operator in Florida, or an agricultural supplier in Iowa, those same requirements can be overwhelming. And that's the EU's expectation – that larger corporations with business in the EU scrutinize their supply chains and apply European-designed standards to follow.

This approach fails to recognize, though, that most small businesses do not have dedicated "sustainability departments." They do not have teams of attorneys specializing in international regulatory compliance. They do not have the resources to map every supplier relationship, conduct risk assessments across multiple tiers of a supply chain, prepare extensive reports, respond to audits, or defend against potential legal claims arising from complex global standards. Yet many may soon be asked to do exactly that. It's an unrealistic expectation, and an impractical demand.

The result will be increased administrative burden, higher costs, reduced competitiveness, and fewer opportunities for growth. Many small firms will face an impossible choice: absorb significant compliance expenses, pass costs on to customers, or risk losing valuable business relationships. For entrepreneurs operating on thin margins, these costs matter. They affect hiring decisions. They affect investment decisions. They affect wages, expansion plans, and the capacity to innovate.

The burden will be especially unreasonable because many affected businesses have no ability to negotiate the terms being imposed upon them. Large companies seeking to satisfy European mandates will need to share the risk and compliance responsibilities downstream. That's the responsibility forced on the larger companies in the law's scope – to become regulators themselves. The CSDDD creates a cascading effect that reaches far beyond the companies directly covered.

The implications extend beyond economics The CSDDD raises important questions about sovereignty, accountability, and regulatory jurisdiction. American businesses are already subject to extensive federal, state, and local laws and rules governing labor practices, environmental protection, workplace safety, anti-discrimination requirements, consumer protections, and corporate conduct. These laws are developed through American democratic institutions and enforced through American legal processes.

The CSDDD effectively allows foreign policymakers to shape business practices across the United States without representation, accountability, or meaningful input from the businesses being affected. This precedent should concern U.S. policymakers across political affiliations. It should not be a question of ideology, but of the U.S. government's willingness to cede legislative and regulatory authority to foreign entities versus debating and retaining that authority itself.

Today the issue may be sustainability reporting and mitigation. Tomorrow it could be another foreign regulatory framework seeking to govern American business activities through supply-chain mandates and commercial leverage. Small businesses are particularly vulnerable because they lack the resources available to larger corporations. Entrepreneurs succeed by focusing on customers, innovation, employees, and growth. Every hour spent completing duplicative reporting requirements is an hour not spent developing new products, serving customers, or growing their businesses and creating jobs.

Congress should also recognize that the CSDDD's impact will not be limited to direct exporters. Many businesses that never sell a single product into Europe may nonetheless become subject to compliance demands because they are part of a broader supply chain connected to a company with European operations. This is why the CSDDD's reach is so expansive and why its effects are often underestimated – or simply dismissed.

The U.S. economy is built upon **36.2 million small businesses**. These firms account for roughly half of private-sector employment, create the majority of net new jobs, and serve as the foundation of innovation and economic mobility. Policies that increase uncertainty, compliance costs, and legal risk ultimately weaken the entrepreneurial ecosystem that has long been one of America's greatest competitive advantages. Make no mistake. The CSDDD weakens American competitiveness.

Congress should closely examine the consequences of CSDDD's extraterritorial reach and consider policies that protect American businesses. At a minimum, policymakers should ensure that U.S. companies are not compelled to bear disproportionate costs resulting from regulations developed outside our nation's legislative and regulatory framework.

The U.S. already supports responsible business practices, sustainability goals, and strong supply chains without subjecting American entrepreneurs to burdensome foreign mandates that threaten their competitiveness and growth.

America’s small businesses were not represented in Brussels and had no seat at the negotiating table as the CSDDD was in development. Yet they may bear some of its greatest costs. That outcome is neither fair nor sustainable.

Thank you for the opportunity to provide written testimony, and for your leadership on this critical matter.

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BARON

EUROPE'S ECONOMIC WAR ON AMERICA:

Recent European Actions Represent a Multi-Front Attack Against U.S. Industry

JUNE 2026 UPDATE

TABLE OF CONTENTS

EXECUTIVE SUMMARY:

EUROPE'S MULTI-FRONT ASSAULT ON U.S. INDUSTRY

The European Union is waging what amounts to an economic war on U.S. industry. Facing diminished economic leverage and declining geopolitical power, Brussels is increasingly turning to regulation – self-righteously framed in the language of consumer protection, values, and environmentalism – to exercise power on the world stage as a moral authority. The EU's Corporate Sustainability Due Diligence Directive (CS3D) goes beyond controlling what happens in Europe, and instead dictates the global behavior of major companies doing business in the EU. This new pattern, amounting to "regulatory imperialism," poses novel challenges for U.S. sovereignty and threatens to impose exorbitant compliance costs on U.S. companies.

With America moving closer than ever to energy dominance, any extraterritorial efforts to hamper U.S. innovation and industrialization are nothing short of acts of economic warfare. It is therefore critical that the United States government stand against these aggressive measures to protect U.S. sovereignty and national security. Failing to do so leaves the U.S. at risk of falling behind China, which has already passed legislation to prohibit Chinese companies from complying with CS3D.

CS3D: AN ESCALATION OF THE EU'S REGULATORY ASSAULT ON U.S. INDUSTRY

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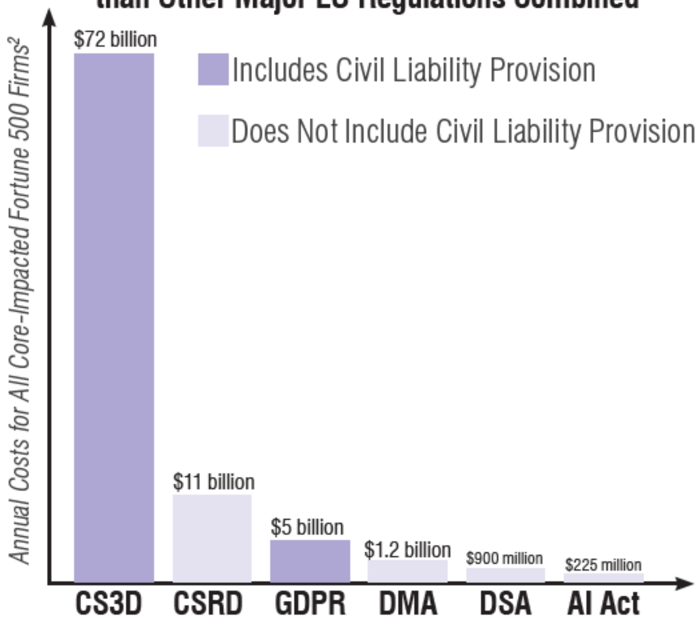
CS3D is a structural break in EU regulation, expanding from targeted tech rules to economy-wide impact – and far higher costs.

CS3D Imposes More Annual Costs on the *Fortune* 500 than Other Major EU Regulations Combined[1]



Previous Regulations Focused Almost Exclusively on Tech

GDPR Data privacy	Operations + limited partners	Tech sector Targeted
DMA Dominant Platforms	Operations	Tech sector
DSA Online Content	Operations	Tech sector
AI Act AI Safety	Operations + limited partners	Tech sector

CS3D – Revised in 2026 – Targets Companies Across the Economy & Their Supply Chains

CS3D

EU social + environmental standards extending across supply chains

Supply Chain

- Sourcing
- Manufacturing
- Contractors
- Logistics
- Distribution
- Retail partners
- Consumers

120 *Fortune* 500 Firms

- Compliance costs can exceed ~9% of annual revenue
- Fines up to 3% of global revenue

All Sectors

- Manufacturing
- Pharma
- Technology
- Financial
- Wholesale & retail
- Materials & energy
- Transportation
- Services

$72 Billion

- ~18x GDPR
- Estimate excludes annual costs to other in-scope companies

Endnotes

1. *Fortune* 500 firms listed in this document are "core-impacted firms," or firms that bear the strongest obligations under each regulatory framework: those subject to CS3D's supply chain requirements; those subject to CSRD's sustainability reporting standards; those under the AI Act's requirements for AI providers; those facing the DSA's most demanding obligations for designated VLOPs and VLOSEs; and those designated as gatekeepers under DMA. GDPR's data processing provisions are not tiered and apply universally. Harold Furchtgott-Roth, "The EU's December 2025 Changes to CS3D: Quantifying Costs to U.S. Industry, Revised version," SSRN, April 23, 2026, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6065548.
2. Harold Furchtgott-Roth estimates that CS3D's annual costs (excluding one-time costs) will cost companies between 0.057% and 3.079% of annual revenue. Applying the midpoint of this range (1.511%) to the average annual revenue of a *Fortune* 500 firm ($40 billion) yields CS3D's average annual costs ($600 million), and multiplied by the number of in-scope *Fortune* 500 companies (120; identified by Baron's research) yields $72 billion. Using figures from Karl Burkhart, Furchtgott-Roth estimates that the annual recurring costs of CSRD reporting will be 0.066% of company revenue. Applying this to the average revenue of a *Fortune* 500 company ($40 billion) yields $26 million, and multiplying this by the number of in-scope *Fortune* 500 companies (the vast majority are in-scope; Baron estimates between 400 to 500) yields $11 billion. There are no official statistics available on the annual costs of GDPR. An IAPP-EY Annual Privacy Governance Report in 2018 surveyed firms with an average of $8 billion in revenue and found that firms spent $3 million on initial GDPR compliance. Another study by the Ponemon Institute in 2019 interviewed large firms of all sectors (50% of interviewed firms have over 1,000 employees) and found that firms allocate an average of $13.6 million for annual GDPR compliance. Carl J. Schramm estimates that GDPR costs the largest U.S. tech companies $11 million annually. In view of the Ponemon Institute's estimate of a higher GDPR cost for companies of all sectors, this is a reasonable estimate for core-impacted *Fortune* 500 firms. Multiplying annual costs ($11 million) by the number of core-impacted *Fortune* 500 companies (vast majority are in-scope; Baron estimates between 450-500) yields $5 billion. For the DMA and DSA, costs per core-impacted *Fortune* 500 firm ($200 million and $150 million, estimated by Schramm) multiplied by the number of core-impacted *Fortune* 500 firms (6 and 6, respectively) yields $1.2 billion and $900 million. Estimates of the costs of the AI Act vary. Schramm estimated, from a provision-by-provision analysis, that the AI Act will cost $15 million for the largest, most impacted U.S. digital companies, though he acknowledges that this estimate is preliminary as the AI Act's impact is unknown so far. Multiplying by core-impacted *Fortune* 500 companies (Baron estimates between 10 to 20) results in $225 million. Carl J Schramm, "Costs to EU Digital Service Regulation," CCIA, July 25, 2025, https://ccianet.org/research/reports/costs-to-us-companies-from-eu-digital-services-regulation; Harold Furchtgott-Roth, ibid; "IAPP-EY Annual Privacy Governance Report 2018: Selected Findings," https://www.fastlane-cee.net/medi_a/pdf/IAPP_Selected_FIndings_from_Gov_Report_2018-FINAL_with_bleeds_1_.pdf; Karl Burkhart, "How much will it cost companies to comply with EU's nature reporting standard (ESRS)?," *Medium*, July 9, 2025, https://medium.com/onearth/how-much-will-it-cost-companies-to-comply-with-eus-nature-reporting-standard-esrs-90b5d46dd86e; and "Keeping Pace in the GDPR Race: A Global View of GDPR Progress in the United States, Europe, China and Japan," Ponemon Institute, September 2019, https://www.privacysecurityacademy.com/wp-content/uploads/2019/06/Keeping-Pace-in-the-GDPR-Race.pdf.
3. Flags of European Union Photo Attribution: Thijs ter Haar, CC BY 2.0 https://creativecommons.org/licenses/by/2.0, via Flickr.

CS3D: ENORMOUS COSTS FOR U.S. COMPANIES

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The Corporate Sustainability Due Diligence Directive (CS3D), which requires companies to comply with EU regulatory standards, represents the most far-reaching regulatory attack yet on American companies. Many American companies may face a difficult choice: remain in the EU and bear sky-high costs, or exit the market entirely – often the cheaper option under CS3D.

$1 TRILLION

in one-time costs for U.S. industry[1]

$10 trillion of American business revenue at risk	**120+** *Fortune* 500 companies in scope
9% of annual revenue in costs for in-scope firms[2]	**1/3** of U.S. GDP represented by affected companies

~$720 billion

combined one-time costs for finance, manufacturing, technology, raw materials/energy, and agriculture sectors

Creating Deep Vulnerabilities for American Companies

Loss of Corporate Control — Article 13

A "stakeholder consultation" process forces companies to cede control to parties "whose rights...could be directly affected." Nearly any party can claim to be a unconsulted "stakeholder."

Extraterritoriality — Article 2

CS3D denies U.S. companies a voice in their own governance. Foreign regulation would instead govern many American companies.

Mandated Remediation — Articles 3 & 12

Companies need to provide "restoration of the affected person, or persons, communities or environment" to their pre-harm condition. These requirements impose expansive remedial obligations with unclear limitations on companies.

Sweeping Exposure — Articles 3, 5, & 9-11

CS3D obligations extend across a firm's entire value chain – from "production" to "distribution."

Supply Chain Obligations — Articles 1, 10, & 11

Companies need to ensure that their supply chains – including those of any "subsidiary or business partner" – comply with the law's standards.

Due Diligence Burdens — Article 8

A company must identify areas of "adverse impact" across their value chains. This open-ended requirement is operationally daunting to fulfill.

Diminished Competitiveness — Articles 16

Under CS3D, companies need to publish "an annual statement" on compliance status. Such disclosures can weaken companies' position by publicizing sensitive business intelligence.

Financial Penalties — Article 27

Non-compliance with CS3D carries fines of up to "3% of the net worldwide turnover" (revenue) of an in-scope company.

Legislation Seeks to Defend U.S. Companies

The PROTECT USA Act would prevent American companies from being legislated by Brussels. It has been referred to the Committee on Energy and Commerce within the House of Representatives.

CS3D's Devastating Impact on Top U.S. Companies

Projected costs are aggregated across in-scope *Fortune* 500 companies, by sector. Companies displayed are selected examples only.[3]

Manufacturing	$110.7 billion
Technology	$88.2 billion
Financial	$75.8 billion
Wholesale & Retail	$74.9 billion
Pharma	$62.2 billion
Materials & Energy	$48.3 billion
Transportation	$17.4 billion
Services	$16.0 billion
Others	$30.0 billion

Endnotes

1. Harold Furchtgott-Roth, "The EU's December 2025 Changes to CS3D: Quantifying Costs to U.S. Industry, Revised version," SSRN, April 23, 2026, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6065548.
2. DWF surveyed 1,200 Europe-based C-suite leaders in 2024. Survey respondents estimated that, on average, it would cost around nine percent of company revenue to "achieve full CS3D compliance." Tracey Groves and Hilary Ross, "True Diligence," DWF, April 18, 2024, https://dwfgroup.com/en/news-and-insights/reports-and-publications/ true-diligence.
3. Companies are grouped according to their *Fortune* 500 industry classifications, with sub-categories combined where appropriate, and cross-referenced against each company's primary business activity. Sector-specific costs are estimated as 5.86 percent of sector revenue, which were obtained by aggregating companies' 2024 revenue by sector. This represents the most conservative estimate of the share of sector revenue attributable to CS3D one-time costs within Harold Furchtgott-Roth's study. Actual costs may vary significantly on a company level. In-scope *Fortune* 500 companies are identified through Baron's own research. Harold Furchtgott-Roth, ibid.
4. Flags of European Union Photo Attribution: Thijs ter Haar, CC BY 2.0 https://creativecommons.org/licenses/by/2.0, via Flickr.

CS3D'S DEVASTATING IMPACT ON THE EU ECONOMY

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Even after the 2025 revisions, **the Corporate Sustainability Due Diligence Directive (CS3D) still imposes trillion-euro costs on EU companies.** CS3D requires companies to monitor and address labor and environmental impacts across their own supply chains – yet in practice it not only imposes sky-high costson EU businesses, but **may also undermine the very objectives of equality and sustainability** it aspires to promote.

€1.1 trillion
in one-time costs for EU industry[1]

€10 billion in annual recurring costs to EU companies	**€9.5 trillion** EU revenue at risk in core industries[2]
9% of annual revenue in costs for in-scope companies[3]	**970+** EU companies in scope[4]

Disastrous Unintended Consequences for the EU

Diminishing engagement with the Global South

CS3D may cause companies to withdraw from suppliers in developing countries who cannot be efficiently monitored. Lack of interaction with Western companies often results in poorer labor and environmental practices.[5]

Empowering monopolies

CS3D will shrink market competition: many firms, disproportionately small businesses, will be forced out. This dynamic enables large corporations to capture more market share.

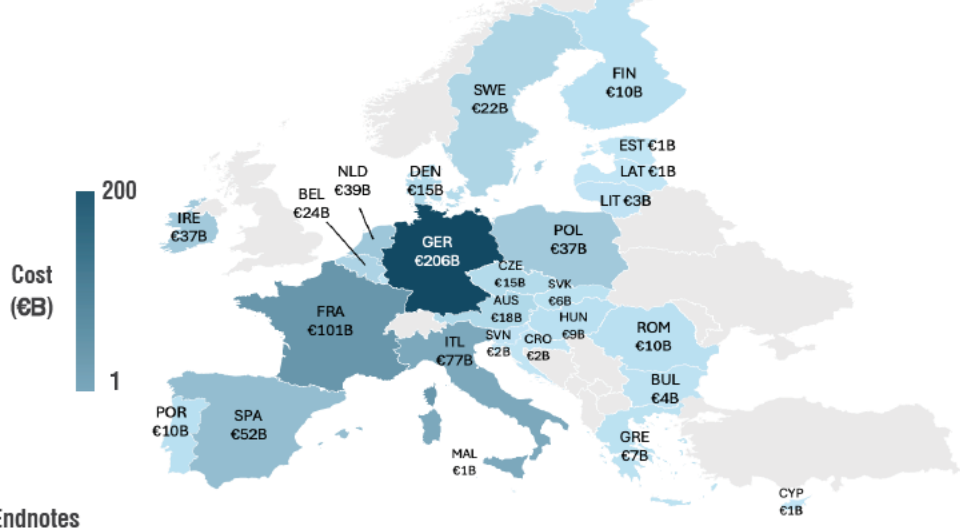
Raising prices for Europeans

CS3D is expected to drive up costs for essential resources including energy, metals, food, and raw materials. Meanwhile, the law's market distortions will result in fewer market participants, less innovation, and ultimately higher prices.

Reducing EU competitiveness

CS3D will exacerbate challenges identified in the 2024 Draghi Report, further reducing the competitiveness of EU exports relative to the United States and China.[6]

Initial CS3D Compliance Costs for the EU



Nearly half of all 27 EU member states face CS3D costs exceeding €10 billion.

Germany, France, Italy, and Spain face over €50 billion in CS3D costs.

Compliance costs per capita exceed €1,000 in all but six member states.

Endnotes

1. One-time costs for in-scope corporations to reach CS3D compliance are estimated to be between €723 billion to €1.4 trillion. €1.1 trillion is the midpoint of this range. Harold Furchtgott-Roth, "The Costs of CSRD and CS3D to the European Union," SSRN, March 31, 2026, https://ssrn.com/abstract=6502218.
2. The seven industries most exposed to CS3D are mining, manufacturing, energy, information technology, financials, transportation, and agriculture. Taken together, these fields employ about 1/3 of the total EU workforce.
3. DWF surveyed 1,200 Europe-based C-suite leaders in 2024. Survey respondents estimated that, on average, it would cost around nine percent of company revenue to "achieve full CS3D compliance." Tracey Groves and Hilary Ross, "True Diligence," DWF, April 18, 2024, https://dwfgroup.com/en/news-and-insights/reports-and-publications/ true-diligence.
4. David Ollivier de Leth, "CSDDD Datahub," Centre for Research on Multinational Corporations (SOMO), https://www.somo.nl/csddd-datahub/.
5. Hadar Yoana Jabotinsky and Roee Sarel, "The Corporate Sustainability Due Diligence Directive: A Law & Economics Evaluation," SSRN, September 15, 2025, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5488366.
6. As the 2024 Draghi Report notes, "Innovative companies that want to scale up in Europe are hindered at every stage by inconsistent and restrictive regulations." CS3D presents an even greater barrier to innovation than those analyzed by the author of this report. Mario Draghi, "The future of European competitiveness: A competitiveness strategy for Europe," September 2024, https://commission.europa.eu/topics/competitiveness/draghi-report_en.
7. Flags of European Union Photo Attribution: Thijs ter Haar, CC BY 2.0 https://creativecommons.org/licenses/by/2.0, via Flickr.

"COMPLYING" WITH CS3D: AN IMPOSSIBLE TASK

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The European Union's Corporate Sustainability Due Diligence Directive (CS3D) places stringent, yet puzzlingly ambiguous due diligence burdens upon U.S. companies. As the below guidelines show, in practice compliance is basically impossible – a major problem for businesses which stand to lose up to 3% of their global revenue to CS3D penalties.

	Required Action by Company	Real-World Scenarios
1. Rewriting Company Policy (Article 7)	Companies must rewrite all relevant company policies to align with the law's environmental and human rights standards, as well as extending this code of conduct to all business partners and subsidiaries.	A multinational U.S. cereal company must pressure the small Iowan farmer from whom it sources corn to implement EU standards into the operations of his rural farm.
2. Investigating Business Partners (Article 8)	Companies must meticulously comb through each area of their own operations *and* the operations of all business partners to identify and document places where "adverse impacts" may occur.	A large U.S. seafood conglomerate must trace its supply back through a labyrinth of Thai brokers, fishing vessels, and fishmeal farms that have never once responded to an email.
3. Preventing and Ending All Harms (Article 10)	Once risks are identified, companies must "prevent" them by creating detailed preventative action plans, and, if all else fails, cutting ties with business partners who are unable to comply.	A major U.S. e-commerce platform quietly bars a one-woman t-shirt shop from selling because she cannot produce a due diligence report on the Gildan blanks she orders from a wholesaler in New Jersey.
4. Policing All Suppliers (Articles 10-11)	Large companies must become regulatory policemen for their entire production chain: they must continuously monitor the operations of their suppliers and remedy any malpractices they find.	A U.S. food manufacturer importing vanilla must somehow change the labor practices of a remote Madagascan farm it has no contact with and has no practical means of influencing – solely based on an indirect supply chain connection.
5. Pressuring All Distributors (Articles 10-11)	The behavior of all downstream distributors is now the responsibility of the large company as well: companies must actively pressure their business partners to correct any behavior which might cause adverse environmental or human rights impacts.	A U.S. tech company must ensure every distributor selling its phones – from retailers in Africa to small vendors in remote corners of India – employs compliant business operations.
6. Answering to "Stakeholders" (Article 13)	Companies must routinely consult with vaguely-defined "stakeholders," who are at liberty to solicit information from the company at any time – requests which must be responded to within a "reasonable" period.	A U.S. steel manufacturer finds itself legally obligated to consult with Brussels NGOs and Parisian environmental groups about its operations in Pittsburgh, none of whom has ever set foot in PA.
7. Fielding Lawsuits (Article 29)	Companies must contend with a barrage of complex lawsuits: under CS3D, EU courts are obligated to ensure that, wherever and whenever adverse impacts do occur, the affected parties are afforded "full compensation."	A U.S. retail company is dragged into a Madrid courtroom to answer for practices in a factory in the Mekong Delta – four corporate relationships removed from anyone they have ever interacted with.
8. Withstanding Regulatory Inspections (Articles 25, 29)	EU "supervisory authorities" are free to conduct unannounced inspections of the company's operations at any time and can order the business to alter its behavior and/or impose penalties for infractions.[1]	EU regulators raid the German plant of a U.S. automaker, demanding that it retool its assembly line because a nickel supplier six tiers deep in its battery supply chain failed a labor audit in Indonesia.
9. Rinse and Repeat (Article 15)	This process must be repeated any time a company enters a new business relationship, essentially requiring a permanent shift in operations.	U.S. companies from California to New York find themselves trapped in an endless cycle of auditing, documenting, and overhauling their supply and distribution chains.

Endnotes

1. CS3D states that, "Inspections shall be conducted […] after prior warning has been given to the company, except where prior warning would hinder the effectiveness of the inspection." These investigations must comply with the national law of the Member State in which they are conducted. In reality, a reasonable argument can be made that providing advance warning to a company would hinder the effectiveness of any investigation, thus leaving companies vulnerable to random inspections by EU regulators.
2. Flags of European Union Photo Attribution: Thijs ter Haar, CC BY 2.0 https://creativecommons.org/licenses/by/2.0, via Flickr.

EU RULES HELP CHINA, HURT U.S. INDUSTRY

BARON

Chinese companies stand to gain – and U.S. companies to lose – from recent EU mandates like the Corporate Sustainability Due Diligence Directive (CS3D), which impose expansive compliance requirements upon large companies. China, through performative environmentalism and protectionist regulations, will likely retain access to EU markets without actually changing its industrial practices. Meanwhile, U.S. companies will have to reorient their business models to comply or risk major penalties that could make remaining in the market inviable in the long-term.

BEIJING PRETENDS TO BEHAVE SUSTAINABLY, BRUSSELS PLAYS ALONG

Despite Beijing's dismal environmental record – China commissioned over 50 new large coal units in 2025 alone – Europe continues to judge China by its words, not its actions.[1]

- China has long engaged in performative environmentalism by making ambitious emissions reduction pledges while actively expanding its role as the world's largest polluter: a May 2026 report found that China is likely vastly underreporting its carbon intensity numbers.[2]
- Yet, Europe insists on celebrating China, and in July 2025 the EU declared that "green is the defining color of China-EU cooperation."[3]

AS CHINA CELEBRATES ENVIRONMENTALISM, RECENT LEGISLATION FORBIDS ACTUAL COMPLIANCE

While outwardly embracing global sustainability, Beijing is passing laws to protect Chinese industry from being subject to EU regulations.

- In December 2025, China released its own sustainability reporting standard: the Corporate Sustainable Disclosure Standard No. 1 – Climate (Trial), which is currently undergoing a voluntary reporting phase.[4]
- In April 2026, China's State Council published two sets of rules which will potentially forbid CS3D compliance.[5]

Chinese Regulation	Relevant Article	Potential CS3D Implication
Regulations on Industrial and Supply Chain Security (Supply Chain Regulations)	Article 13: "Any organization or individual that violates Chinese laws, [...] by conducting investigations or other information collection activities related to industrial and supply chains within the territory of China shall be dealt with accordingly by the relevant departments..."[6]	CS3D requires companies to investigate the behavior of all suppliers and distributors – an act that is seemingly prohibited by this regulation.
Regulations on Undue Extraterritorial Jurisdiction by Foreign Countries* (Extraterritorial Regulations)	Article 3: "If a foreign state violates international law and the basic norms of international relations, implements inappropriate extraterritorial jurisdiction measures that endanger China's national sovereignty, [...] the Chinese government has the right to take corresponding measures."[7]	CS3D directs companies' *global* operations, which could be considered a danger to state sovereignty. Therefore, CS3D compliance could likely violate this regulation.

*Firms found in violation of this regulation risk being added to Beijing's Malicious Entity List – a designation that could result in asset freezes, data transfer restrictions, and even criminal liability for executives and compliance staff.[8]

CHINA AVOIDS EU SCRUTINY: A NUCTECH CASE STUDY

Beijing's efforts to safeguard Nuctech Company, Ltd. from EU investigations demonstrate that China is actively protecting its industry from EU extraterritorial overreach.

- In May 2026, China's Ministry of Justice prohibited Chinese entities from assisting in an ongoing EU anti-subsidy investigation of Nuctech, a leading inspection technology manufacturer whose ultimate parent company is the state-owned China National Nuclear Corporation.[9]
- This is the first application of China's April Regulations; therefore, the outcome of the EU's investigations of Nuctech could very well set the precedent for CS3D compliance (or, more likely, non-compliance) in China.

CHINA'S ACTIVITIES REFLECT A BROADER STRATEGY TO DEINDUSTRIALIZE THE U.S. AND ITS ALLIES

Beijing has a well-established record of promoting the environmental movement by influencing Western environmental advocacy groups[10] and U.S. universities.[11] For China, each of these measures serve a broader strategy:

- By creating its own sustainability reporting standard, Beijing can pose as a global environmental leader and receive the EU's admiration.[12]
- By formally prohibiting supply chain investigations, Beijing can protect its companies from having to comply with external rules.
- By quietly supporting efforts to push U.S. states toward strict sustainability mandates, China can weaken U.S. companies' competitiveness.

Endnotes

1. Ken Moritsugu, "Why China is building so many coal plants despite its solar and wind boom," *AP*, February 3, 2026, https://apnews.com/article/china-coal-solar-climate-carbon-emissions-242abe76eb69f5a362e977de74ff3254.
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EU RULES HELP CHINA, HURT U.S. INDUSTRY

BARON

JUNE 2026

Chinese companies stand to gain – and U.S. companies to lose – from recent EU mandates like the Corporate Sustainability Due Diligence Directive (CS3D), which impose expansive compliance requirements upon large companies. China, through performative environmentalism and protectionist regulations, will likely retain access to EU markets without actually changing its industrial practices. Meanwhile, U.S. companies will have to reorient their business models to comply or risk major penalties that could make remaining in the market inviable in the long-term.

BEIJING PRETENDS TO BEHAVE SUSTAINABLY, BRUSSELS PLAYS ALONG

Despite Beijing's dismal environmental record – China commissioned over 50 new large coal units in 2025 alone – Europe continues to judge China by its words, not its actions.[1]

- China has long engaged in performative environmentalism by making ambitious emissions reduction pledges while actively expanding its role as the world's largest polluter: a May 2026 report found that China is likely vastly underreporting its carbon intensity numbers.[2]
- Yet, Europe insists on celebrating China, and in July 2025 the EU declared that "green is the defining color of China-EU cooperation."[3]

AS CHINA CELEBRATES ENVIRONMENTALISM, RECENT LEGISLATION FORBIDS ACTUAL COMPLIANCE

While outwardly embracing global sustainability, Beijing is passing laws to protect Chinese industry from being subject to EU regulations.

- In December 2025, China released its own sustainability reporting standard: the Corporate Sustainable Disclosure Standard No. 1 – Climate (Trial), which is currently undergoing a voluntary reporting phase.[4]
- In April 2026, China's State Council published two sets of rules which will potentially forbid CS3D compliance.[5]

Chinese Regulation	Relevant Article	Potential CS3D Implication
Regulations on Industrial and Supply Chain Security (Supply Chain Regulations)	Article 13: "Any organization or individual that violates Chinese laws, [...] by conducting investigations or other information collection activities related to industrial and supply chains within the territory of China shall be dealt with accordingly by the relevant departments..."[6]	CS3D requires companies to investigate the behavior of all suppliers and distributors – an act that is seemingly prohibited by this regulation.
Regulations on Undue Extraterritorial Jurisdiction by Foreign Countries* (Extraterritorial Regulations)	Article 3: "If a foreign state violates international law and the basic norms of international relations, implements inappropriate extraterritorial jurisdiction measures that endanger China's national sovereignty, [...] the Chinese government has the right to take corresponding measures."[7]	CS3D directs companies' *global* operations, which could be considered a danger to state sovereignty. Therefore, CS3D compliance could likely violate this regulation.

*Firms found in violation of this regulation risk being added to Beijing's Malicious Entity List – a designation that could result in asset freezes, data transfer restrictions, and even criminal liability for executives and compliance staff.[8]

CHINA AVOIDS EU SCRUTINY: A NUCTECH CASE STUDY

Beijing's efforts to safeguard Nuctech Company, Ltd. from EU investigations demonstrate that China is actively protecting its industry from EU extraterritorial overreach.

- In May 2026, China's Ministry of Justice prohibited Chinese entities from assisting in an ongoing EU anti-subsidy investigation of Nuctech, a leading inspection technology manufacturer whose ultimate parent company is the state-owned China National Nuclear Corporation.[9]
- This is the first application of China's April Regulations; therefore, the outcome of the EU's investigations of Nuctech could very well set the precedent for CS3D compliance (or, more likely, non-compliance) in China.

CHINA'S ACTIVITIES REFLECT A BROADER STRATEGY TO DEINDUSTRIALIZE THE U.S. AND ITS ALLIES

Beijing has a well-established record of promoting the environmental movement by influencing Western environmental advocacy groups[10] and U.S. universities.[11] For China, each of these measures serve a broader strategy:

- By creating its own sustainability reporting standard, Beijing can pose as a global environmental leader and receive the EU's admiration.[12]
- By formally prohibiting supply chain investigations, Beijing can protect its companies from having to comply with external rules.
- By quietly supporting efforts to push U.S. states toward strict sustainability mandates, China can weaken U.S. companies' competitiveness.

Endnotes

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Statement for the Record of

The National Association of Manufacturers

Before the

U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade

Hearing on

AMERICAN GLOBAL COMPETITIVENESS AT 250:
LEGISLATIVE PROPOSALS TO SECURE U.S. TECHNOLOGY LEADERSHIP

June 30, 2026

The National Association of Manufacturers ("NAM") thanks the Subcommittee for holding today's hearing on the important topic of maintaining American economic competitiveness, supply chain resilience, and cutting-edge innovation.

The NAM is the largest manufacturing association in the United States, representing manufacturers of all sizes across all 50 states and in every industrial sector. Manufacturing contributes $2.96 trillion to the U.S. economy annually.[1] The NAM works for the success of the 13 million people who make things in America, advocating for a policy agenda that helps manufacturers compete in the global economy and create jobs across the United States.

Modern and Advanced Manufacturing in America

Innovation is a cornerstone of modern manufacturing. While manufacturing represents just under 10% of U.S. GDP, it accounts for almost 52% of all private sector research and development.[2] This means that manufacturing is significantly more innovation-dependent than any other sector of the U.S. economy. The design and development of new products and the design and operation of factories depend on investments into, and public policies that support, innovation and competitiveness.

That is why manufacturers are grateful to this Committee and its leadership for holding this hearing to examine legislation related to critical issues facing manufacturing in America today. A focus on artificial intelligence, advanced automotive technologies, quantum computing, and robotics reflects the importance of maintaining U.S. leadership in the industries that drive innovation, economic growth, and national security.

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[1] See Facts About Manufacturing, available at https://nam.org/manufacturing-in-the-united-states/facts-about-manufacturing-expanded/
[2] Id.

Artificial Intelligence Is Transforming Manufacturing in America and Around the World

Artificial intelligence ("AI"), in particular, is reshaping manufacturing. The integration of sensors on the shop floor and across supply chains to enable real-time data collection and analysis, often referred to as Manufacturing 4.0, has been an important development in the manufacturing industry. The extension of this evolution with AI presents historic opportunities for each manufacturer and for the entire manufacturing sector to transform themselves and enhance the industry's global competitiveness. Manufacturers are applying AI in myriad ways, both within their operations and in their products:

- AI allows manufacturers to optimize the design and execution of shop floor operations, with processes that are inherently safer for workers, including real-time alerts in cases of mistakes or dangers, optimal equipment maintenance, enhanced quality of outputs, better cost control, and more sustainable production processes.
- AI augments manufacturers' product research, development, and design, allowing for better products to be brought to market faster and more affordably.
- AI systems make supply chains more resilient and minimize production stoppages or shortages.
- AI technologies embedded in manufactured products can improve their performance and power novel and intelligent product features that revolutionize the customer/user experience.
- Modern, connected products can generate data about their use and performance, which AI can analyze to provide new levels of after-sale customer support and product maintenance.

A 2025 survey of manufacturing experts and leaders by the Manufacturing Leadership Council, the digital transformation division of the NAM, confirms AI's ever-increasing importance to modern manufacturing: 51% of manufacturers already use AI in their operations, 60% expect to deploy AI in their operations by 2027, and 80% believe it will be essential to growing or maintaining their business by 2030.[3] In short, AI has become integral to modern manufacturing and puts manufacturers at the forefront of both developing and implementing AI systems. That is why manufacturers enthusiastically support the President's goal "to sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security."[4] To sustain and enhance this dominance, manufacturers recommend pursuing pro-AI regulatory policies: federal regulators should review outdated rules that may inhibit AI adoption, ensure any regulations are risk-based and context-specific, and minimize compliance burdens through self-assessment and consensus-based industry standards.[5]

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[3] "Shaping the AI-Powered Factory of the Future," Manufacturing Leadership Council, May 2025, available at https://documents.nam.org/tech/Shaping-the-AI-Powered-Factory-of-the-Future-Report.pdf

[4] Section 2 of Executive Order 14179 of January 23, 2025 on Removing Barriers to American Leadership in Artificial Intelligence, available at https://www.whitehouse.gov/presidential-actions/2025/01/removing-barriers-to-american-leadership-in-artificial-intelligence/

[5] More details on manufacturers' pro-AI regulatory agenda can be found in the NAM's October 2025 submission to the Office of Science and Technology Policy, available at https://documents.nam.org/tech/OSTP%20AI%20Reg%20Reform%20RFI%20-%20NAM%20submission%20FINAL.pdf

➢ The Open-Source AI Leadership Act

The AI-powered transformation of manufacturing and manufactured products call for policy approaches to AI that further its development and support its responsible use by manufacturers across a wide range of applications.[6]

That is why manufacturers commend Rep. Gabe Evans (R-CO) for recognizing that the development of, and wide access to, open source and open weight AI models contributes to innovation, technology choice, and transparency in the performance of these technologies.

Semiconductors Are Critical to America's International Competitiveness

Manufacturers in America innovate and fabricate semiconductors, utilize semiconductors extensively on factory floors across the U.S. (including to power the AI that is transforming manufacturing), and incorporate semiconductors in a wide array of manufactured products throughout the U.S. economy—including medical devices, aircraft and spacecraft, data centers, automotive parts and vehicles, industrial automation, defense systems, office equipment, personal electronics, and much more. In short, semiconductors are one of the most important building blocks not just of modern manufacturing but of an advanced economy.

That is why manufacturers believe it is vital for the U.S.'s global economic leadership and national security to promote a world-class semiconductor industry in America. For manufacturers in the U.S. to sustain global advantage in the innovation, production, and use of semiconductors across the entire manufacturing sector, they need public policies that enable and facilitate domestic investments, unlock opportunities for economies of scale through full participation in global markets, and leverage the collective advantages of America's international allies to help make semiconductor supply chains more resilient.

➢ H.R. 6207, The Chip EQUIP Act

Enactment of the CHIPS and Science Act was a major priority of the manufacturing industry, and its effective implementation remains a priority so that we can boost our domestic semiconductor production capacity and address key semiconductor supply chain weaknesses. From this perspective, manufacturers appreciate the goal of the Chip EQUIP Act to "continue to put American manufacturing first and strengthen our supply chains to remain ahead of our adversaries," as Rep. Zoe Lofgren (D-CA), the bill's sponsor, put it. It is therefore appropriate to be attentive to the use of semiconductor manufacturing equipment produced by foreign entities of concern. This, however, must be balanced with practical considerations, in the implementation of the CHIPS and Science Act by the U.S. Department of Commerce, of the availability from other sources of every type of cutting-edge semiconductor manufacturing equipment.

For instance, it is important to note that a large number of CHIPS and Science Act grants have not only already been finalized, but in most cases their execution is well underway: some—and sometimes all—of the milestones set by the final award agreements have been reached. Retroactively changing the terms of these agreements would impose significant costs on grant recipients that have followed the rules as applicable under the CHIPS Act and would send a

[6] More detail son manufacturers' perspective on the value of open source and open weights AI models can be found in the NAM's March 2024 submission to the National Telecommunications and Information Administration, available at https://documents.nam.org/tech/NTIA%20RFC%20re%20open%20foundation%20AI%20models-NAM%20comments.pdf

signal of uncertainty to the market writ large—at a time when robust semiconductor supply chains are as critical as ever. That is why manufacturers believe it is essential that the bill clarify that it is not retroactive, and thus does not apply to funding agreements that have already been finalized.

- The Memory Chip Competitiveness Assessment Act

Several manufacturing product categories have been experiencing a shortage of memory chips, in particular automotive, consumer electronics (such as personal computing, mobile devices, and entertainment devices), industrial applications, and medical devices. This shortage has resulted in significant price increases for memory chips, but also unavailability, or delayed, uncertain, or reduced availability, of supply. As a result, manufacturers in these categories have a major interest in the resolution of this problem.

A key facet of this problem is the current imbalance between supply and demand. Market problems call for market solutions, and governmental interventions to control and direct supply, even if they could possibly bring some relief in the short term, are very likely to aggravate the problem in the long term. From that perspective, it is essential to note that the memory chip segment, unlike the logic chip segment (CPUs and GPUs), regularly experiences cycles of over-supply and under-supply. As a result, it is vitally important for memory producers to be allowed to respond as efficiently as possible to global market forces by adapting their production capacity, to avoid accentuating the extremes of over/under-supply of the cycles. Finally, we note that the current shortage is largely driven by demand for high-bandwidth memory ("HBM") chips for AI computing, in particular in data centers, but also in AI edge computing. As explained above, AI is essential to modern manufacturing, so manufacturers would view with concern any governmental intervention that artificially diverts supply away from AI computing.

As explained in the previous section, manufacturers were original and active supporters of the CHIPS and Science Act, not just for its grants but also for its Advanced Manufacturing Investment Credit ("AMIC"). Also known as section 48D of the Internal Revenue Code, it provides a tax credit for companies that invest in their production capacity for semiconductors or semiconductor manufacturing equipment. This tax credit is essential to the resurgence of U.S. manufacturing of semiconductors. Manufacturers strongly supported increasing the credit's rate from 25% to 35%, which the Working Families Tax Cuts Act—a historic pro-growth piece of tax legislation—did in 2025.[7] Manufacturers support extending and expanding the AMIC at its current rate.[8] We continue to believe that the expiration of the AMIC at the end of the current fiscal year would severely weaken the international position of the United States as a semiconductor manufacturing force, and manufacturers call on Congress to prevent this from happening. Manufacturers believe in particular that the extension and expansion of the AMIC would be the most effective and sustainable market-based solution to the memory shortage because it would support memory manufacturers' investments in their production capacity.

Manufacturers commend Rep. Mariannette Miller-Meeks (R-IA) for her recognition of the importance of memory semiconductors to the economy, and support studying their marketplace, as the discussion draft provides. We also appreciate that the bill does not prejudice the study's findings or recommendations towards artificially controlling and directing supply. Manufacturers support this draft of the Memory Chip Competitiveness Assessment Act.

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[7] See the NAM's letter to the Senate of June 11, 2025, available at https://documents.nam.org/tech/NAM%20Letter_Senate%20OBBBA_6.11.25.pdf
[8] See this May 11, 2026 multi-industry letter to congressional leadership, available at https://documents.nam.org/tech/20260511%20AMIC%20Multiassociation%20Letter.pdf

<u>The Automotive Industry Is A Key Component of American Manufacturing</u>

The automotive industry is one of America's most important manufacturing sectors—it is an engine of innovation, investment, employment, and industrial strength that supports an ecosystem of automakers, suppliers, technology providers, and small and medium-sized manufacturers that anchor communities and provide well-paid jobs across the United States. The automotive sector reflects the full breadth of modern manufacturing, combining precision engineering, advanced robotics, semiconductors, software, energy storage, materials science, and skilled workers. As such, it remains central to U.S. economic growth, technological leadership, and industrial resilience.

- <u>The Automotive National and Economic Security Act</u>

America's automotive sector and supply chain and the entire manufacturing industry have always supported national security, which is why we have been known for more than 80 years as the Arsenal of Democracy.

As such, manufacturers are committed to maintaining their competitive advantage in critical technologies, such as those listed in the bill, against foreign adversaries of the United States. That is why manufacturers commend Rep. Diana Harshbarger's (R-TN) recognition of the importance of protecting this competitive advantage, and agree that studying commercial arrangements that involve companies from foreign adversaries can support the development of a holistic strategy to maintain that competitive advantage.

Such a study should be informed by the three key principles. First, it should take a risk-based approach, i.e., the study should distinguish between risks to national security and ordinary supply chain arrangements that are necessary to serve customers and remain competitive. By contrast, the bill's lists of "covered activities" and "critical and emerging technologies" are quite broad. Second, the study should not solely focus on commercial arrangements that involve companies from foreign adversaries, but should contextualize them against the capacity gaps, in technology development and production, that exist in the United States, North America, and among allied nations. Third, the bill uses a novel definition of entities "controlled by a foreign adversary," rather than leverage the existing definition of foreign entities of concern used by the U.S. Department of Commerce's Bureau of Industry and Security in its Connected Vehicle rule.[9] This difference in definitions, and thus scope, would create compliance challenges if this study's legislative or regulatory recommendations are implemented.

<u>Quantum Computing—A Driver of America's Present and Future Competitiveness</u>

Innovations in quantum technologies are already reshaping—and are expected to revolutionize—a wide range of industries and fields, including healthcare and pharmaceuticals, advanced logistics modeling, engineering and design, secure communications, and, perhaps most importantly, national security. At the same time, quantum computing represents a fundamental shift in how organizations approach security, creating both new cybersecurity risks and new defensive capabilities.

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[9] *Securing the Information and Communications Technology and Services Supply Chain: Connected Vehicles*, Federal Register, Vol. 90, No. 10, Thursday, January 16, 2025.

Manufacturers commend the President for recognizing the importance of quantum computing and for signing two Executive Orders last week on quantum, to maintain U.S. leadership in quantum information science and technology across research, manufacturing, commercialization, deployment, and security,[10] and to strengthen cryptographic protections for the Nation's sensitive data, critical infrastructure, and digital economy against quantum-enabled attacks.[11] We also appreciate the Department of Commerce's May 21, 2026 announcement of its intent to grant a total of $2 billion to nine quantum companies under the CHIPS and Science Act.[12]

- The American Quantum Competitiveness Act

Manufacturers commend Rep. Nick Langworthy (R-NY) for recognizing the promise of quantum computing and the resulting need to promote U.S. commercial leadership in quantum technology and strengthen trusted supply chains for quantum-related critical components. Manufacturers support this draft of the American Quantum Competitiveness Act.

Maintaining U.S. leadership in this field, particularly since China and other international competitors are investing more and more in quantum, means sustaining research and development investments in spite of the uncertainty inherent to research in any emerging field of science and technology, addressing supply chain constraints (for foundries, cryogenic vendors, etc.), and developing a specialized workforce. Our supply chains, in particular, warrant particular attention, as the demand has not—at least yet—reached such volumes that segregated supply chains for each like-minded nation or region would be sustainable: instead, the United States needs to support trusted global supply chains with, as the draft bill puts it, "trusted foreign partners."

Robotics—A Driver of America's Manufacturing Competitiveness[13]

Robotics installations are a leading indicator of global manufacturing competitiveness. By that standard, the United States is facing headwinds: the U.S. ranks tenth globally in robot density (robots per 10,000 workers); further, robotics installations did not increase in 2024 relative to 2019, and they even decreased between 2022 and 2024.[14]

At the same time, China is racing ahead, with 43% of the global operational stock of industrial robots and 54% of the installations (+7% over 2023).[15] China's surge in robotics has been supported by multiple successive national strategies on robotics since 2014, including the identification of prioritized sectors for robotics innovation and adoption.[16] Several other countries, including Japan, South Korea, Australia, India, and Singapore, have utilized national robotics strategies in driving investment and growth in robotics.

Sustained partnerships with trusted partners are integral to bolster U.S. domestic robotics capabilities and relevance in the global manufacturing ecosystem. In 2024, roughly 70% of U.S.

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[10] Executive Order 14413 of June 22, 2026, *Ushering in the Next Frontier of Quantum Innovation*.
[11] Executive Order 14412 of June 22, 2026, *Securing the Nation Against Advanced Cryptographic Attacks*.
[12] https://www.nist.gov/news-events/news/2026/05/department-commerce-announces-letters-intent-9-companies-2-billion
[13] Manufacturers' full position on the issue of tariffs on robotics and industrial machinery is available at https://nam.org/wp-content/uploads/securepdfs/2025/10/NAM-Section-232-Robotics-and-Industrial-Machinery-Submission_-Final_Final_October-17-2025.pdf
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[15] Id.
[16] Information Technology & Innovation Foundation, "A Time to Act: Policies to Strengthen the US Robotics Industry," 18 July 2025, available at https://itif.org/publications/2025/07/18/time-to-act-policies-to-strengthen-us-robotics-industry/

robotics imports came from Japan, Germany, South Korea, and Mexico, while China accounted for only 4.2% of total robotics imports into the United States, or $29.7 million. Collaboration and supply chain integration with businesses in preferred trading partners empowers the U.S. robotics industry and its customers in the broader manufacturing industry.

➢ H.R. 7334, the National Commission on Robotics Act

Manufacturers recommend a national approach to robotics investment and growth that should:

- Provide tax incentives that support the development, manufacture, and adoption of robotic systems;
- Support the development of a workforce that can design, manufacture, use, and maintain robotic systems;
- Support increased domestic manufacturing of robots and their components, and the identification and strengthening of resilient, trustworthy, and diversified international supply chains with allies and partners; and
- Provide a "speed pass" as part of a U.S. Manufacturing Investment Accelerator, i.e., general licenses for the duty-free importation of robotic systems and industrial machinery, and related components and parts, for further manufacturing activity in the U.S.[17]

From this perspective, manufacturers commend Rep. Jay Obernolte (R-CA) for recognizing the importance of robotics to manufacturing competitiveness and for seeking to direct the U.S. Department of Commerce to examine domestic and international developments in robotics, workforce and talent challenges, supply chain risks, manufacturing competitiveness, and the role of robotics in economic growth and national security. Manufacturers encourage such analysis to account for the distinct utilization of robotics and future robotics demand signals across different U.S. manufacturing sectors, including automotive, life sciences, semiconductors, energy, and satellites. Manufacturers support H.R. 7334, the National Commission on Robotics Act.

Manufacturers' Concerns About The Corporate Sustainability Due Diligence Directive

The European Union's Corporate Sustainability Due Diligence Directive ("CSDDD") would stretch the EU's authority deep into U.S. manufacturers' supply chains, including business conducted within the U.S. and around the world. This would directly impact many small and medium-sized firms. Manufacturers appreciate Chairman Guthrie[18] and the Subcommittee's attention to this issue.

While EU lawmakers have to some extent scaled back the scope of this law, large U.S. companies would still be responsible for the actions of business partners throughout their supply chains—including for activities outside the EU. U.S. companies could also be exposed to lawsuits in multiple EU countries, even when their businesses have no direct nexus to Europe. A recent analysis[19] estimates that U.S. businesses could incur between $637 billion and $1.093

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[17] More details on the NAM's Manufacturing Investment Accelerator can be found at https://nam.org/wp-content/uploads/securepdfs/2025/06/Manufacturing-Investment-Accelerator-Program-FINAL-DIGITAL.pdf
[18] *See* ICYMI: "Chairmen Guthrie, Hill, and Jordan Write to Oppose EU Crackdown on American Companies" (26 June 2026).
[19] *See* Harold Furchtgott-Roth, Senior Fellow and Director, Center for the Economics of the Internet, Hudson Institute, "The EU's December 2025 Changes to CS3D: Quantifying Costs to US Industry" (January 2026), ***available at*** https://s3.us-east-1.amazonaws.com/media.hudson.org/012826_Furchtgott_EU_CS3D_Memo_v2+dsa+Jan+30.pdf

trillion to initially comply with CSDDD requirements—followed by billions of dollars in annual recurring costs.

While manufacturers were pleased to see U.S. and EU negotiators reach an agreement to reduce tariffs, more work needs to be done to address the EU's non-tariff barriers, including CSDDD. The NAM encourages the Trump Administration to continue to push for a full exemption for U.S. companies from the costly requirements of CSDDD. The United States currently exempts European companies that trade shares on American stock exchanges and qualify as foreign private issuers from many of the disclosure and accounting requirements that apply to U.S.-based companies. The EU should provide similar relief to U.S. companies that sell products to Europe.

- H.R. 9385, the PROTECT USA Act

If the EU does not agree to roll back CSDDD or exempt U.S. companies (or business activities in the United States) from this directive, manufacturers believe that Congress will need to act to shield U.S. companies from foreign court judgments obtained by European regulators, labor unions, and non-governmental organizations. The PROTECT USA Act would provide such protection, while also allowing U.S. companies to continue to respond to informational requests from investors or European business partners that are subject to CSDDD. There will be some U.S. companies with significant operations in Europe that will have no choice but to comply with CSDDD, so manufacturers welcome the bill's streamlined approval process for hardship exemptions.

Manufacturers commend Rep. Scott Fitzgerald (R-WI) for his efforts to shield U.S. manufacturers from European regulatory overreach, but we sincerely hope that the EU will reverse course and repeal CSDDD, which threatens economic competitiveness and trade on both sides of the Atlantic.

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Modern manufacturing is central to U.S. innovation, competitiveness, and national security. Artificial intelligence, semiconductors, automotive manufacturing, quantum technologies, and robotics are all reshaping the sector by improving factory operations, product design, supply chain resilience, connected products, cybersecurity, and industrial capacity, while also increasing demand for skilled workers, trusted supply chains, market-based investment incentives, and risk-based policy frameworks. Manufacturers support federal efforts to strengthen U.S. leadership in these strategic technologies, provided they avoid retroactive obligations, unnecessary compliance burdens, artificial market distortions, or overly broad national security approaches that could undermine competitiveness. Manufacturers are also concerned about foreign regulatory overreach, particularly European extraterritorial sustainability due diligence mandates that could impose major costs on U.S. companies and their supply chains.

Manufacturers commend the Subcommittee for its leadership in holding this legislative hearing to help advance policies that support an innovative, competitive, and secure U.S. manufacturing sector. The NAM appreciates the opportunity to submit this statement and looks forward to partnering with Congress to develop policies that strengthen U.S. manufacturing leadership in these critical technology areas.