November 10, 2026

The Honorable John R. Thune
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles E. Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Leader Thune and Leader Schumer:

As organizations representing both small and large American businesses, we write to express our deep concerns over the threat that the European Union's (EU) Corporate Sustainability Due Diligence Directive (CSDDD) poses to the American economy and United States sovereignty.

Trade and economic uncertainty in the near term and, longer term, the emergence of China and India as industry and service giants weigh heavily on the ability of American manufacturers to compete globally. As Congress considers how to meet these challenges and not just sustain – but expand – American prominence in global markets, extraterritorial regulation of American businesses through the CSDDD presents an impediment that will greatly disadvantage the American economy. As we have shared previously with members of Congress, the CSDDD carries significantly negative implications for American competitiveness, industrial resilience, and energy security.

EU-imposed compliance with its CSDDD would result in significant operational, legal, and administrative burdens on American businesses and their supply chains, including the agricultural sector, manufacturers, energy producers, financial institutions, retailers and franchise systems, transportation providers, and other small to mid-sized businesses simply because companies they support and supply may have ties to European markets.

American businesses expected to comply with the CSDDD's extraterritorial requirements must begin their planning today but many, particularly those in the supply chains, may not even be aware of the requirements they would face. Businesses throughout the supply chains will face increased and impractical scrutiny of their practices. The CSDDD's regulatory requirements would place heavy burdens on smaller American businesses that likely do not have the systems or resources in place to comply easily or affordably.

Absent a meaningful breakthrough during trade discussions, large and small American businesses will be required to build expensive infrastructures to comply with a strict regulatory regime developed outside of the U.S. legislative process and enforced by foreign entities not entirely supportive of U.S. efforts to rebuild its domestic supply chain. Some businesses may simply not be positioned to compete in that kind of environment and will simply lose contracts and relationships.

Analysis from Hudson Institute Senior Fellow Harold Furchtgott-Roth notes that American businesses and consumers could ultimately face higher prices resulting from the compliance burdens and operational inefficiencies associated with CSDDD requirements. These costs, estimated to reach between $600 billion and more than $1 trillion (not including billions in annual recurring costs), would ultimately ripple through supply chains and affect commercial and consumer markets across the U.S. economy.[1]

Given its reach and consequences for the U.S. economy, the CSDDD has garnered bipartisan attention and opposition. We will reiterate some of the previous commentary we have shared with several of your colleagues in the House and Senate.

In May, former senator Jon Tester (D-MT) noted in *The Washington Post* that the CSDDD could have significant effects on small, local businesses and farmers:

> [T]he directive's mandate extends far down the supply chain, hurting small businesses in the U.S. E.U. buyers — the large companies covered by the regulation — are authorized to impose third-party audits, labor documentation requirements and environmental compliance checks on any business that sells to them. These are burdens that most small farmers and agricultural suppliers simply can't afford to take on. …
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> The increased costs would be felt throughout the supply chain. Farm profits would be squeezed, grocery bills would increase, and rural communities would be hit first and hardest. When a small farm goes under, it doesn't just hurt one family; it hurts local businesses that buy from that farm and the equipment dealers that sell to it.[2]

Former Secretary of the Treasury Janet Yellen previously expressed concern about the CSDDD, stating "we're looking very carefully at the EU's corporate sustainability directive and we're

[1] Harold Furchtgott-Roth, "The EU's December 2025 Changes to CS3D: Quantifying Costs to US Industry," January 2026
[2] Jon Tester, "A European rule could devastate American farmers," *The Washington Post*, May 18. 2026

concerned about the impact it could have on US firms. We're consulting with the EU and making clear that we're concerned about the directive's extra-territorial scope."[3]

Senate Banking Committee chairman Tim Scott (R-SC) also commented that "Europe's latest sustainability mandates may be drafted in Brussels, but they land on Main Street in South Carolina and across America. … When the EU's ideologically driven regulatory experiments reach our supply chains and impose requirements on our businesses, that's a direct challenge to American workers and our sovereignty."[4]

We have asked Congress to consider legislation to protect U.S. businesses and their supply chains and prevent foreign extraterritorial regulation while preserving the authority of the United States to establish its own legal and regulatory standards. The House Energy & Commerce Committee recently approved its version of the PROTECT USA Act, H.R. 9385, which attempts to shield U.S. businesses from the CSDDD's extraterritorial requirements by prohibiting "entities integral to the national interests of the United States from participating in any foreign sustainability due diligence regulation, including [the CSDDD]." Any company wishing to comply with the EU's CSDDD may seek exemption from the U.S. Department of Commerce.

We hope that the Senate will convene a hearing to examine the CSDDD threat and consider measures to block its extraterritorial reach in the U.S. There is bipartisan precedent for protecting American interests from EU overreach. In 2012, President Obama signed legislation blocking the EU's enforcement of its Emissions Trading System (ETS) directed toward U.S. airlines (P.L. 112-200). Leader Thune, you led this effort with then-Sen. Claire McCaskill (D-MO). The Senate passed the bill by unanimous consent.[5] The effects of the CSDDD are much more extensive than those of ETS compliance imposed upon a single industry.

Of particular interest to the Senate should be *the CSDDD's incorporation of the requirements of more than 10 international treaties and conventions the United States has not ratified*. Under Article II, Section 2 of the United States Constitution, the President "shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur." *The Senate has a key responsibility in scrutinizing international treaties and the CSDDD's incorporation of such defies the United States' process for ratification and the Senate's constitutional obligation*. Whether senators agree or disagree with the substance and objectives of those treaties or the CSDDD itself, our process is sacrosanct and should not be ignored or flouted by international bodies, rather it should be fully asserted.

American businesses already work to improve operational efficiency, environmental performance, workplace safety, and supply-chain oversight in accordance with U.S. laws and regulations, market forces, and investor expectations. Congress should pursue policies designed to strengthen manufacturing and industrial competitiveness, and the prospect of foreign regulatory mandates impeding those objectives by imposing additional costs and liabilities on

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[3] Viktoria Dendrinou, "Yellen Says US Is Concerned About EU's ESG Supply Chain Rules," Bloomberg, June 13, 2023
[4] "EXCLUSIVE: Senate Banking Chairman Tim Scott rebukes the EU's sustainability mandates," *The Washington Reporter*, December 11, 2025
5 "Obama shields US airlines from EU's carbon scheme," Euractiv / Reuters, November 28, 2012

U.S. businesses should be addressed immediately. For this reason, we ask that the Senate consider measures to prevent imposition of the EU's CSDDD on American businesses.

Sincerely,

American Council for Capital Formation
International Franchise Association
Small Business & Entrepreneurship Council
Society of Independent Gasoline Marketers of America
United States Chamber of Commerce

cc: The Honorable Bill Hagerty, U.S. Senate
The Honorable Tim Scott, U.S. Senate
The Honorable Mike Johnson, Speaker of the U.S. House of Representatives
The Honorable Steve Scalise, Majority Leader, U.S. House of Representatives
The Honorable Brett Guthrie, Chairman, House Energy & Commerce Committee
The Honorable Scott Fitzgerald, U.S. House of Representatives
The Honorable Jamieson Greer, U.S. Trade Representative