



## *CNL Update Act of 2023*

Trade is a vital component of the American economy. For almost 50 years, the United States has leveraged the Generalized System of Preferences (GSP) program to foster trade relationships between the United States and developing countries. More recently, it has been a critical tool to move production out of China. However, current rules limit GSP's potential, creating challenges for both U.S. businesses and our trade partners.

Competitive Need Limitations (CNLs) are one mechanism that hinders GSP usage. CNLs require the president to terminate the duty-free treatment for any article from a beneficiary developing country that exports the article to the U.S. in a quantity having an appraised value over \$210 million in 2023, unless granted a time-consuming and costly waiver. Congress has not considered a significant overhaul of CNL since 1996, which has led to outdated policies that impede production and limit growth.

To address this, the **CNL Update Act of 2023** will modernize Competitive Need Limitation (CNL) to encourage more production in countries other than China, which will help diversify the global supply chain.

Specifically, the **CNL Update Act of 2023** will address this by setting a new baseline level of \$600 million, which will extend the GSP program's benefits to more countries and generate a more equitable trading landscape. In addition, the bill introduces a 5% annual growth provision for the GSP program, offering a structured and predictable growth trajectory. This not only benefits U.S. businesses by creating a more stable trade environment but also aids developing countries by providing a clearer path to trading with the United States.

Furthermore, the legislation streamlines the process for countries to regain their GSP status through Expedited Redesignation, provided no domestic harm review is initiated by the U.S. Trade Representative. It simplifies the process for determining which products exceed the CNLs by focusing purely on import values.

Given the growing need for diversification in the global supply chain and the ongoing geopolitical tensions with China, the **CNL Update Act of 2023** will strategically shift trade dynamics, enhance U.S. national security, and protect domestic industries.

*Blake D. Moore*

(Original Signature of Member)

118TH CONGRESS  
1ST SESSION

**H. R.**

To modify the competitive need limitation with respect to the generalized system of preferences, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. MOORE of Utah introduced the following bill; which was referred to the Committee on \_\_\_\_\_

**A BILL**

To modify the competitive need limitation with respect to the generalized system of preferences, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “CNL Update Act of  
5 2023”.

6 **SEC. 2. MODIFICATION OF COMPETITIVE NEED LIMITA-**  
7 **TION.**

8 (a) MODIFICATION.—Section 503 of the Trade Act  
9 of 1974 (19 U.S.C. 2463) is amended—

1 (1) in subsection (c)(2)(A)(i)—

2 (A) by striking “after December 31,  
3 1995— (I) a quantity” and inserting “after De-  
4 cember 31, 1995, a quantity”; and

5 (B) by striking “calendar year, or” and all  
6 that follows through “the President shall,” and  
7 inserting “calendar year, the President shall,”;

8 (2) in subsection (c)(2)(A)(ii)—

9 (A) in subclause (I), by striking “for 1996,  
10 \$75,000,000” and inserting “for calendar year  
11 2023, \$600,000,000”; and

12 (B) in subclause (II), by striking  
13 “\$5,000,000” and inserting “5 percent of such  
14 applicable amount”;

15 (3) in subsection (c)(2)(C), by striking “may,  
16 subject” and inserting “should, subject”;

17 (4) by striking subsection (c)(2)(E) and sub-  
18 section (c)(2)(F);

19 (5) by inserting after subsection (c)(2)(D) the  
20 following new subparagraph:

21 “(E) CALCULATION OF LIMITATIONS.—

22 There shall be counted against the limitations  
23 imposed under subparagraph (A) for any cal-  
24 endar year only that value of any eligible article  
25 of a beneficiary developing country that entered

1 duty-free under this title during such calendar  
2 year.”;

3 (6) in subsection (d)(1), by striking “if, before”  
4 and all that follows through “the President” and in-  
5 serting “if the President”; and

6 (7) in subsection (d)(4)(B)(ii)—

7 (A) in subclause (I), by striking “; or” and  
8 inserting a period;

9 (B) in the matter preceding subclause (I),  
10 by striking “a quantity of the article—(I) hav-  
11 ing an appraised value” and inserting “a quan-  
12 tity of the article having an appraised value”;  
13 and

14 (C) by striking subclause (II).

15 (b) APPLICABILITY.—

16 (1) IN GENERAL.—The amendments made by  
17 subsection (a) shall take effect on the date of the en-  
18 actment of this Act.

19 (2) RESTORATION OF DUTY-FREE TREAT-  
20 MENT.—

21 (A) LIST REQUIRED.—Not later than 120  
22 days after the date of the enactment of this  
23 Act, the President shall—

24 (i) list each article with respect to  
25 which such treatment was eliminated pur-

1           suant to subsection (c) of section 503 of  
2           the Trade Act of 1974, as in effect on De-  
3           cember 31, 2020, that is eligible for such  
4           treatment pursuant to such section 503 as  
5           amended by this Act; and

6                 (ii) determine, with respect to each  
7           such article, whether the article is a poten-  
8           tially sensitive product that warrants re-  
9           view pursuant to subsection (c)(1) of such  
10          section 503 for the continued withholding  
11          of duty-free treatment.

12          (B) PROMPT RESTORATION.—Except for  
13          articles for which the President makes an af-  
14          firmative determination pursuant to subpara-  
15          graph (A)(ii), the President shall restore duty-  
16          free treatment to each article included in the  
17          list described in subparagraph (A)(i) on such  
18          120th day after date of enactment.

19          (3) EXPEDITED REVIEW OF CERTAIN ARTICLES  
20          FOR EXCLUSION FROM DUTY-FREE TREATMENT.—  
21          The President shall review, pursuant to section  
22          503(c)(1) of the Trade Act of 1974 (19 U.S.C.  
23          2463(c)(1)), whether duty-free treatment should  
24          continue to be withheld from each article for which  
25          the President makes an affirmative determination

1       pursuant to paragraph (2)(A)(ii). Not later than 1  
2       year after the date of the enactment of this Act, the  
3       President shall restore duty-free treatment to each  
4       article for which such review determines that such  
5       treatment should not be withheld.

6           (4) REPORTS.—Not later than 1 year after the  
7       date of the enactment of this Act, the President  
8       shall submit to the Committee on Ways and Means  
9       of the House of Representatives and the Committee  
10      on Finance of the Senate a report containing—

11           (A) the results of the reviews conducted  
12      pursuant to paragraph (3); and

13           (B) justifications for the reasons for which  
14      duty-free treatment was withheld or restored  
15      with respect to articles described in such para-  
16      graph.