

**Congress of the United States**  
**Washington, DC 20515**

May 20, 2022

Hon. Nancy Pelosi  
Speaker  
U.S. House of Representatives

Hon. Kevin McCarthy  
Republican Leader  
U.S. House of Representatives

Hon. Charles E. Schumer  
Majority Leader  
U.S. Senate

Hon. Mitch McConnell  
Republican Leader  
U.S. Senate

Dear Speaker Pelosi, Leader McCarthy, Leader Schumer, and Leader McConnell:

As the House and Senate reconcile the differences between the trade titles of H.R. 4521, the America COMPETES Act of 2022, and S. 1260, the United States Innovation and Competition Act of 2021, we respectfully request that you include the provisions of H.R. 6171, the CNL Update Act, in the final bill.

For over 45 years, the Generalized System of Preferences (GSP) has enjoyed broad, bipartisan support. GSP waives otherwise applicable U.S. tariffs on certain imports from 119 lower-income countries to encourage U.S. firms to source products from those nations. GSP is an important tool to advance foreign policy objectives, promote international development through trade, and strengthen our domestic economy for American firms and families.

The geostrategic significance of GSP has increased in recent years, as U.S. policymakers seek to encourage American companies to move supply chains out of China and into other countries, including GSP beneficiary countries. In addition, because GSP has a downward effect on prices, it is especially vital at a time of rising inflation for American consumers. GSP expired at the end of 2020, and we strongly support its reauthorization.

At the same time, we believe some GSP rules should be modified—in a careful and calibrated way—to better achieve the program’s economic and foreign policy objectives. To that end, H.R. 6171 would update “Competitive Need Limitation” (CNL) rules. CNLs are arbitrary dollar-value caps that Congress has not adjusted in 25 years. Essentially, if U.S. imports of a GSP-eligible product from a GSP beneficiary country exceed the annual CNL threshold, then that country product loses GSP benefits.

The executive branch may grant a petition to waive CNL or may subsequently redesignate products as GSP eligible if imports (now subject to applicable tariffs) drop back below the threshold. As a practical matter, the current rules lead to frequent GSP loss but very rarely to waiver or restoration.<sup>1</sup>

Therefore, H.R. 6171 would update CNL rules to help preserve GSP benefits for country products at risk under the current CNL rules and to help restore GSP benefits for many country products that lost tariff-free treatment in the past. Key changes include:

- changing the way the annual CNL threshold is calculated so that it increases at a more reasonable rate than under current law;
- modifying the relevant federal law to say that GSP benefits “should”—rather than “may”—be restored for a country product if that product falls below the CNL threshold in subsequent years; and
- providing the executive branch with new authority (but not new mandates) to restore GSP benefits as part of the Annual Review process.

It is critical to bear in mind that, when a country product loses GSP, China is often the main beneficiary. Chinese exports become more competitive vis-à-vis GSP beneficiary country exports, and prices increase for U.S. manufacturing inputs and consumer goods. H.R. 6171 would help ensure that GSP countries remain viable sourcing alternatives to China and would reduce costs for everything from building products to backpacks as the United States attempts to combat stubbornly high inflation.

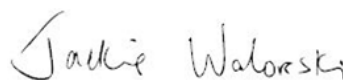
Thank you for your consideration.

Sincerely,



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Stephanie Murphy  
Member of Congress

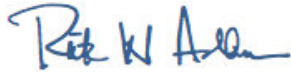


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Jackie Walorski  
Member of Congress

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<sup>1</sup> To illustrate, since 2007, three-quarters of all products that exceeded the CNL did not receive a waiver and therefore lost duty-free status. Hundreds of products qualify for restored GSP annually, but only nine products total have had GSP restored since 2007, often for symbolic reasons (e.g., Ukraine regained GSP for three products after Russia invaded Crimea in 2014). In the 2020 GSP Annual Review, all petitions for new CNL waivers (3 products) and redesignations (22 products) were denied without review. See 2021 Trade Policy Agenda and 2020 Annual Report of the President of the United States on the Trade Agreements Program, available [here](#) (page 120).



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Rick W. Allen  
Member of Congress



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Michelle Fischbach  
Member of Congress



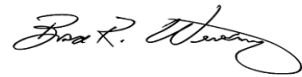
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Young Kim  
Member of Congress



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Carlos Gimenez  
Member of Congress



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Brad R. Wenstrup, D.P.M.  
Member of Congress



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Madeleine Dean  
Member of Congress



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Ann McLane Kuster  
Member of Congress



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Susan Wild  
Member of Congress



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Gus Bilirakis  
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C.A. Dutch Ruppertsberger  
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David P. Joyce  
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Eric Swalwell  
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J. Luis Correa  
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David Scott  
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John H. Rutherford  
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Mario Diaz-Balart  
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Dean Phillips  
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C. Scott Franklin  
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Ruben Gallego  
Member of Congress



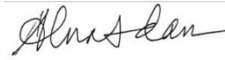
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Al Lawson  
Member of Congress



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G.K. Butterfield  
Member of Congress



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Alma Adams, Ph.D.  
Member of Congress



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Earl L. "Buddy" Carter  
Member of Congress



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Elizabeth Van Duyne  
Member of Congress



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María Elvira Salazar  
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Deborah K. Ross  
Member of Congress



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Darren Soto  
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Kathy Manning  
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A. Drew Ferguson, IV  
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Andrew R. Garbarino  
Member of Congress



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Cindy Axne  
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Steve Chabot  
Member of Congress



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Michelle Steel  
Member of Congress



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Brian Mast  
Member of Congress



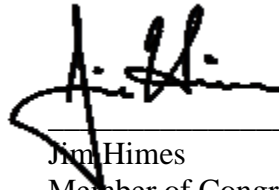
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Frederica Wilson  
Member of Congress



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Brian Fitzpatrick  
Member of Congress



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Jim Himes  
Member of Congress



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Robert J. Wittman  
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Elaine G. Luria  
Member of Congress



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David Schweikert  
Member of Congress



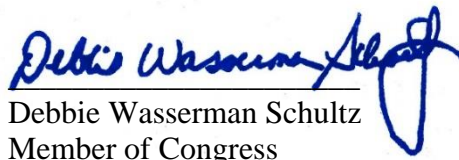
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Scott Peters  
Member of Congress



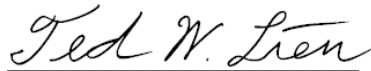
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Diana DeGette  
Member of Congress



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Debbie Wasserman Schultz  
Member of Congress



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Ted W. Lieu  
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Norma Torres  
Member of Congress



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Mike Doyle  
Member of Congress



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Ted Deutch  
Member of Congress



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David E. Price  
Member of Congress

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/s/ André Carson  
Member of Congress

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/s/ Paul Gosar, D.D.S.  
Member of Congress

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/s/ Tony Cárdenas  
Member of Congress