



## Letter from the President

*Roger Scarborough  
Founder, CEO  
Scarborough International, Ltd.*



### Coffee on a Mission

God works in mysterious ways!  
We have all heard the saying. This is a story that illustrates it is true. When the airlines started charging for checked bags, the kids from the Rock Church in Columbia, Missouri (where my daughter attended) could no longer afford to carry shoes, school supplies, and other gifts on their mission trips. The charge by the airline caused Great Commissions Latin America (GCLA) to look for alternative methods of delivering goods to Choluteca, Honduras. Jeannie had the idea to organize a shoe drive and many of you helped us collect shoes. This summer we sent over 17,000 pairs of shoes, plus food, washers and dryers, lawn mowers, and many other items in a container to Honduras.

These items are distributed through all of Honduras to help poor children attend school, to help impoverished families have food, and to help GCLA operate their social programs to break the cycle of destitution and malnutrition that permeates the Honduran society. GCLA plants churches and serves the

people by establishing social programs to help eliminate extreme poverty. For example, they operate a nutrition center to help malnourished children, many of whom have become mentally inhibited because of the lack of food. They founded a tortilla factory with a donated machine to employ some parents whose children are being fed at the nutrition center. They also bought a parcel of land, founded a concrete block factory to make blocks, and used the blocks to build houses for the poor and an AIDS Orphanage. This community is called Casa Hogar Vida, which translates to house, home,



and life in Spanish. GCLA also funds micro-loans to help small businesses, runs daycares so parents can work, has computer training labs, helps people get housing, and much more. The goal is to help destitute people with little hope of personal improvement learn how to help themselves and become a productive member of a community.

In 2008, a veterinarian, whose family has owned a coffee plantation for many years, offered the coffee grown by his family's farm and several other small farmers in the area, to GCLA at a very fair price for the benefit of GCLA's mission and social programs. The coffee was mountain grown, specialty coffee, and quite good. However, there was a problem: GCLA had no way to market, sell, and distribute the coffee outside of Honduras. For 3 years they tried to sell it in Honduras with little success.

Then a young man named Joey Soto Jr. spent the summer in Choluteca as a missionary, saw them roasting the coffee at Casa Hogar Vida, and mentioned to Jeannie that they should try to sell coffee in the United States. Jeannie had previously seen and heard about the coffee during mission trips, but knew little about coffee and was busy increasing her role as the COO of Scarborough.

Long story short, Jeannie got me involved and we met with some of the leaders of GCLA, who invited us to visit the coffee plantation and attend a leadership conference in Honduras. This fall, Jeannie, Joey, and I visited the coffee plantation, met the farmer, and saw the drying and processing facility as well. At the leadership conference, we accepted the amazing challenge and opportunity to import and distribute the coffee in the United States to help benefit the mission and programs of GCLA, as mentioned previously.

[Story continued on following page](#)

We have formed Casa Hogar Vida Coffee Company to distribute the coffee on a mission. This is truly an amazing opportunity to help people in a full circle. When we buy the coffee, we help the Honduran farmers, the families who live on the mountain and pick the coffee, and the people who work drying and processing the "fruit". When we transport, sell, roast, and distribute the coffee, we help employ people in the United States and carriers in both countries and in between. The profits from the sale will go to GCLA to help fund their continuing programs throughout Latin America. Also, a portion of the profits will be dedicated to helping local charities and markets in the U.S. where the coffee is purchased. The coffee will truly help people at every step of the growing, processing, and distribution sequence. Only enough money to sustain Casa



Hogar Coffee Company will be kept by the company. At least 75% of all profits will go to help others. In addition, the operation itself will employ and help many people in both Honduras and the United States.

We need many people to help us make this a success. If you are interested in buying coffee for your organization or helping in any way, please contact me. One of the many beautiful aspects of this mission is there are unlimited opportunities for people to become involved. If you have any interest in helping others less fortunate than yourself, do not miss this opportunity.

I am scheduled to go to Honduras January 8th through the 12th to experience harvest and we will have coffee available by late February or early March, 2012.

Your comments & opinions are always welcome and highly encouraged. Your interests in this program can be directed at:

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## New Tariffs on Auto Imports

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*Kansas City Location*

On the heels of a celebrated trade agreement between the U.S. and South Korea, China has announced new tariffs on some U.S. auto imports. China's Commerce Ministry has specified that anti-dumping and anti-subsidy duties will be levied on passenger cars and SUVs with engines of 2.5 liters or more and are to take effect immediately. According to a Ministry spokesman the new tariff rates are as follows: anti-dumping penalties cover quite a large spread at 2.0 to 21.5 percent; anti-subsidy tariffs will be set at a maximum 12.9 percent.



While the expected total count of vehicles affected will not exceed 50,000 units a year, the new tariffs are likely to hit a number of important U.S. auto exporters including: General Motors, Chrysler Group, BMW Manufacturing, Mercedes-Benz U.S. International, American Honda Motor and Ford Motor. Recently, China overtook the U.S. as the world's biggest auto market and although most cars sold in China are produced in the domestic market, the rate of imported luxury vehicles, the likely target of new tariffs, remains high.

For those familiar with recent developments in the U.S./China trade relationship, this come as no surprise. Yet it makes this latest development no less alarming. To most observers, it appears that the world's two largest economies are in the beginning stages of something slightly resembling a trade war. China's implementation of auto import tariffs is thus not an

isolated incident. Rather, it is just another development in a game of protectionist tit-for-tat.

U.S. lawmakers have, for some time now, accused China of currency manipulation. Even President Obama has got into the act, recently criticizing China for not allowing its products to reach a fair market level and urging a "grown up" China to act more responsibly.

The U.S. Commerce Department is currently conducting an investigation into complaints that China has been dumping solar cells and panels on the U.S. market at prices below the cost of production. This investigation has drawn a heated response from Beijing and Chinese media which have accused the U.S. of protectionist policies.

[Story continued on following page](#)

It is unlikely that this new round of tariffs will go down easily for the U.S. Earlier this month, the U.S. appealed to the World Trade Organization to settle a row with China over their implementation of anti-dumping duties on U.S. chicken imports.

With the high value placed on the domestic auto industry in the U.S., it is likely that an increase in tariffs by the Chinese will bring a further increase in tensions in trade relations. For two countries that rely on each other so heavily for export markets and currency

valuation, the increase in the frequency and magnitude of protectionist-style tariffs is a troubling sign.

For more information, click [here](#):

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## CBP Form - No More Pink Supplemental Bills

*Tia Tenbrink, Kansas City Location*

Customs and Border Protection has advised that an updated CBP Form 6084 will soon be in use. You may have seen this form previously if you have been issued a supplemental bill from U.S. Customs. Previously the form was half the size of a standard piece of paper and contained a pink carbon form attached. The new form will be on white, standard sized paper with no pink carbon sheets. *For more information, please visit [www.cbp.gov](http://www.cbp.gov)*

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## FTZ Board Seeks to Amend Regulations

Posted November 15, 2011 by  
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*Simon, Gluck, & Kane, LLP*

On December 30, 2010, the Foreign Trade Zones Board (FTZ Board) issued a Proposed Rule along with a Request for Comments on amendments it plans to make to existing regulations governing Foreign Trade Zones (FTZs) in the United States. The proposed changes would be the first major revision of FTZ rules since 1991. The purpose of the amendments is to clarify existing regulations in order to make it easier for FTZs to carry out their main purpose, which is to promote international commerce while also contributing to American job creation. In addition, the proposed amendments seek to make it easier for companies to comply with the FTZ rules and regulations. But what else is in store?

### What is an FTZ?

FTZs were created by the Foreign Trade Zones Act of 1934 and are designated areas located within the United States (usually located within or near ports of entry), but are considered to be located outside the territory of the Bureau of Customs and Border Protection (CBP). All federal, state and local laws apply to FTZs.

The FTZ Board is the managing authority that grants permission to create FTZs and ensures that all FTZs are in compliance with the subject rules and regulations. CBP is charged with monitoring FTZ activities, which includes the transfer of goods into and out of the zones.

### What are the benefits of an FTZ?

**1** First, FTZ's are considered to be outside the U.S. Customs territory of the United States. Thus, one of the major benefits of an FTZ is that neither duties nor excise taxes are collected in foreign goods imported into an FTZ until those goods leave the zone and are formally entered into the commerce of the United States for domestic consumption. This is especially helpful for companies that import components for assembly and manufacture into finished products for export. Often, a finished product may be duty-free or subject to a lower duty rate when compared to the duty rates that apply to the individual parts and components that make up the finished product. Thus, if the imported parts and components are processed into a wholly different finished product under the Harmonized Tariff Schedule, then the importer could pay less duty or no duty when the finished product enters the commerce of the United States.

**2** A second benefit is that foreign goods can be admitted into an FTZ for various

purposes: assembling, packaging, destroying, storing, cleaning, exhibiting, e-packing, distributing, sorting, grading, testing, labeling, repairing, combining foreign or domestic content or processing. Please note, however, that specific FTZ board approval is required for manufacturing and processing operations.

**3** Third, there is no time limit on how long goods can be stored at the FTZ. This works to a company's benefit if the foreign or domestic merchandise is subject to state and/or local inventory taxes. By keeping goods in the FTZ, companies can minimize their costs while its products are waiting to be shipped. In addition, if your goods are subject to quota and the quota has been filled, an importer also may store the goods in an FTZ until the quota is re-opened. Finally, merchandise in a FTZ can be consolidated and entries into the U.S. can be made weekly, which results in processing fee savings. As you can see, FTZs can be an attractive option for many importers!

### \*What of these proposed amendments?

The FTZ Board has proposed these amendments to make it easier to operate an FTZ and to improve compliance and enforcement of the applicable rules. Although it is worth your while to review the proposed changes to the regulations, see some of the highlights:

1) Simplification of the Rules by Replacing the Categories of "Manufacturing" and "Processing" with the Single Concept of "Production". FTZ rules regulate the process by which imported goods are combined in order to create a new product. Currently, the rules divide this activity into the categories of "manufacturing" and "processing" and apply different standards of review to determine whether a "substantial transformation" has occurred. The proposed amendments would simplify these existing rules by creating one category – "production" – and one standard of review to determine whether a substantial transformation has occurred.

2) Elimination of the General Requirement for Advance Approval from the FTZ Board for Most Export and Import Manufacturing. Instead of requiring advance approval from the FTZ Board for all manufacturing, advanced approval would only be required in specific instances. For example, approval for the manufacturing of exported goods will only be required when the materials are subject to an antidumping or countervailing duty (AD/CVD) order, an order by the International Trade Commission pursuant to 19 U.S.C. § 1337 (Section 337), or quota. For imports into the U.S., advance approval will only be required when an inverted tariff<sup>[1]</sup> applies; when materials are subject to an AD/CVD order, a Section 337 order, quota; or when production will result in waste material. Additionally, if and when

advance approval is required, the amended regulations would allow the Commerce Department's Assistant Secretary for Import Administration to grant approval on an interim basis pending a full review by the FTZ Board.

3) Improve Flexibility By Permitting Retrospective Notifications to FTZ Board of New Inputs and Finished Products. Currently, the FTZ rules only allow retrospective notice of changes in product materials whereas changes in new finished



products require advance approval by the FTZ Board. The proposed rules would allow retrospective notice of new materials as well as finished products as long as these fall within previously approved HTSUS provisions. Advance notice and public comments will continue to be required when the FTZ Board evaluates whether to allow new manufacturing activity. Finally, the proposed amendments would also require a public comment period on any notifications submitted to the FTZ Board as well as procedures for reviewing them

and for imposing restrictions on notified changes when necessary.

4) Implement the Statutory Authority to Issue Fines for Violations of the FTZ Act and FTZ Regulations. The current regulations do not provide specific consequences for FTZ rule violations and there are no identified procedural rights if a company is found to be in violation of the FTZ Act or regulations. The proposed changes would include fines and consequences following the violation of any rules, such as suspension of activity. The proposed amendments would provide for detailed procedures for how fines are imposed and assessed and detail how the fines can be mitigated.

5) Allow for "Prior Disclosure" of Violations of the FTZ Act Regulations. If an importer discovers that it may not be in compliance with any one of CBP's rules and regulations, the importer is afforded the opportunity to make a prior disclosure of those errors and discrepancies, prior to CBP's discovery of those errors or discrepancies. Similarly, the amendments would now allow for the FTZ Board to consider prior disclosures of violations of the FTZ Act and regulations. Under the proposed amendments, the total sum of fines would potentially be reduced to \$1000 or less.

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**We Thank YOU !**

WISHING YOU A HEALTHY, HAPPY, AND PROSPEROUS 2012

All of us at Scarbrough International would like to thank you for your support in 2011. As we count our blessings this year, you are at the top of the list. Without you, our customers and other business partners and associates, we could not do what we do. Please accept our thanks and our promise to remain dedicated to being "Simply the Best"! During the tumultuous times of the last few years, many of us have come to appreciate what we have. Scarbrough is here to help in any way we can. Please do not hesitate to contact us to help you plan for 2012!

On behalf of all the associates at Scarbrough, thank you for letting us be your international business service provider. It is a pleasure and an honor to work with you and serve when we can. Sincerely, *Roger and Jeannie Scarbrough*

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