



Letter from the President

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



Pending Free Trade Agreements Finally Passed

The United States and especially exporters stand to gain significantly from the passage of Free Trade Agreements with Columbia, Panama, and South Korea. Agricultural Exports stand to gain the most. Approximately two-thirds of the agricultural exports will gain duty free entry into South Korea and Columbia and over half will be allowed duty free into Panama. Panama will also allow almost 87 percent of industrial goods and consumer goods into Panama duty free. Similar concessions are gained in South Korea and Columbia.

Most products from these countries already had duty free status into the U.S. That is one reason why it is hard to understand why these agreements,

which have more benefit and create jobs in the U.S. took so long to pass. The Columbian Trade Agreement was originally signed in 2006 and the Panama and South Korea agreements were originally signed in 2007. Unfortunately, these agreements were never approved by Congress (until now) so the exports and jobs they will create never materialized. These agreements are expected to create more than 20,000 jobs and add billions of dollars in exports for the U.S. when implemented. Because they took so long to pass and were changed, they now must be ratified in final form before they can be fully implemented. Since we first negotiated these agreements, both Canada and the EU have negotiated and implemented similar agreements with all three countries and have already seen an increase in trading. U.S. companies will now be playing "catch up."

It is important for the U.S. to realize we must be able to negotiate, ratify, and implement trade agreements quickly. First, our trading partners must know our negotiators can make a deal. And equally important, once the deal is negotiated, others will copy it and take advantage if we don't. That is what happened here. Our word must be good to the rest of the world and cannot be compromised by political deadlock. Besides, if governments

would let businesses do business deals without government interference and on a level playing field, we would all be better off.

These Trade Agreements are certainly not without concern on both sides. Our trading partners worry about agricultural subsidies, especially the dairy farmers. Furthermore, labor organizations in the U.S. point to the poor treatment of labor in these countries, especially in Columbia. However, both parties to these agreements will be better when they are implemented, because Free Trade Agreements create the closest thing to a level playing field. It is easy to conclude that businesses are better at doing business than governments are at reaching agreements.

If you have any questions about the agreements and how your company can benefit, please contact your customer service representative at Scarborough International, Ltd.

What do you think?

Your comments & opinions are always welcome and highly encouraged.

Please email:

kcmc@scarbrough-intl.com

www.scarbrough-intl.com

info@scarbrough-intl.com | 888-744-7749

Merchandise Processing Fee (MPF) is Going Up!

Adam Hill
Kansas City Branch Manager

Currently most all of your imports are assessed a MPF fee upon importation. This fee is charged at 0.21% (0.0021) of the commercial value, with a minimum charge of \$25 and a maximum charge of \$485. If you are curious about this fee, you can look at the CF7501 you receive on each shipment and look in box 39. This box will be about 2/3 down the page and on the right hand side.

With recent legislation passed (H.R. 2832), MPF will be raised

to 0.3464% (0.003464), but will retain the same minimum and the same maximum as it does now.

Currently, U.S. Customs and Border Protection (CBP) is in the process of modifying their system to accept the new MPF rate. At the present time, CBP does not have an exact date of when the system changes will be completed. CBP has stated that they will provide the trade at least 1-week advanced notice of the final implementation date.

Once CBP has made the changes, Scarbrough International will notify you of the new modifications.

Overwhelming Container Supply: The New Market Norm

Luke Campbell
Kansas City Location

The notoriously capricious industry of international ocean transportation is currently facing a market situation which many experts predict could linger for up to five years: **overwhelming container supply**. To experienced industry watchers, this comes as no surprise. Yet, the way in which the market has been driven to this juncture and its bleak future outlook are complicated by a number of factors beyond simple economic slowdown.

The first complicating variable has to do with a steadily climbing capacity. In spite of sputtering economic performance driving down demand, container supply is poised to rise by 29 percent during this time period. Compared to the forecasted demand growth of only 19 percent, the oversupply issue does not promise to be short-lived. In fact, the London-based data center from which these estimates are taken reportedly factored in steady world economic output in its forecast. A further slump in world economic output would clearly widen the gap between supply and demand. In a market situation comprised by vast oversupply, logic compels that supply



The world's two busiest trade routes routinely travel at only 85% full.

be brought more in line with demand. In this instance, the solution should be easy: vessel lay-ups. Curiously, we aren't seeing this yet, according to Neil Dekker, head of container research at the London-based Drewry Shipping Consultants. Even as shipping companies lose money by the container load, (Maersk reportedly lost \$45 million in the second quarter of 2011) the world's two busiest trade routes routinely travel at only 85% full. Perhaps the variable most attributable to the current situation is the growing size of container ships. Over the past decade, there has been a precipitous increase in the size of ocean container vessels: new ships this year carry, on average, 6100 TEU compared to 2,900 TEU in 2000 (TEU: twenty equivalent unit). And this trend shows no signs of slowing down. Neil Dekker points out that over the next few years, deliveries

of ships with capacities larger than 8,000 TEU will increase at least 20%.

The reality of this situation is really quite strange. Faced with an overwhelming container supply brought on largely by an increase in ship capacity and a slowdown in world economic output, shipping companies are taking delivery of larger ships, exacerbating an already poor situation. Even if some shipping companies begin to lay-up vessels to bring supply more in line with demand, these vessels are likely to be replaced by even bigger ones in the coming years. Without steady economic growth during this period, overwhelming container supply is likely to linger.

For more information, please visit [Bloomberg's Website: Click here](#)

GSP Refunds Return

Adam Hill
Kansas City Branch Manager



For more information, please visit www.cbp.gov

As many of you are aware, GSP lapsed Dec 31, 2010 and you have been paying Customs duty on your GSP-eligible product(s) for the past 10 months. On Oct 21, 2011 the President signed GSP back into effect, retroactive from Jan 1, 2011 to Nov 4, 2011 (H.R. 2832). This means entries filed for consumption as of Nov 5, 2011 will have no duties required to be paid on GSP-eligible product.

CBP has stated that they will begin processing refunds immediately for entries in which duties were paid on GSP-eligible merchandise from Jan 1, 2011 to Nov 4, 2011. However, no specific timeline for the issuance of refunds has been set. CBP has requested that any questions regarding refunds be directed to the respective port of entry.

GSP has been extended through July 31, 2013. Scarbrough International is happy to answer any questions you have or provide consulting opportunities to help your company save money.

Please email: ahill@scarbrough-intl.com

Ask the Expert

Please don't forget that this column is your opportunity to Ask an Expert! Please send us your questions, comments and inquiries and we'll pose them to our legal experts. This forum is your opportunity to pose challenging questions on a wide variety of import- and export-related topics. Your company information is kept completely confidential. Submit your inquiries and questions to awada@customs-law.com

Furthermore, you may subscribe to an informative blog put forward by Simon, Gluck, and Kane, LLP. Articles are posted once a week and are a good source to keep you up to date on your Customs Compliance issues. Please subscribe! www.importtradelaw.com.

Big Changes Ahead!

Posted October 25, 2011 by
Adonica Wada
Simon, Gluck, & Kane, LLP

CBP Allowing Offsetting Audits, Prior Disclosures; Additional Benefits to ISA Members

Big Changes Ahead! Today, the Bureau of Customs and Border Protection (CBP) issued a final rule adding provisions for the use of sampling

methods in CBP's audits and prior disclosure cases. In addition, the final rule also provides for the offsetting of



overpayments and over-declarations when an audit or prior disclosure involves a calculation of lost duties, taxes, or fees or monetary penalties under 19 U.S.C. § 1592. The final rule sets forth big changes that go into effect December 27, 2011, which are very beneficial to importers.

Read on to find out how you can benefit! [Continue reading here.](#)

Disclaimer: This column is provided for general informational and educational purposes and although it may address legal topics, it is not offered as or constitute legal advice. If you would like further information on this or any other import- or export-related issue, visit Simon Gluck & Kane LLP at www.customs-law.com or email your inquiries to Adonica Wada at awada@customs-law.com.

2011 Annual Scarbrough International Appreciation Party

Every year, Scarbrough International, Ltd. is known for its good times at the Customer, Vendor, and Employee Appreciation party. Families and friends are welcome. Games, prizes, great food and drinks, and much more are provided, so please stop by! You can RSVP to your Scarbrough rep or email rsvp@scarbrough-intl.com

Mark your calendars. It's that time of the year again, and you are invited to the annual



Scarbrough International, Ltd.

Customer/Vendor/Employee **APPRECIATION PARTY!**

November 18, 2011

Open house begins at 3:30 pm

DJ & Karaoke

Fun!

Beverages

Prizes

Face Painting for kids

Skews Me BBQ

Dancing

Trivia!

Kansas City Scarbrough Location

10841 NW Ambassador Drive

Kansas City, MO 64153

816-891-2400

Need Hotel Reservations?

Clarion Hotel

Complimentary transportation will be provided between the Party and the Hotel during all hours of the event. We have negotiated a good rate and encourage you to stay!

For reservations, call:

816-464-2423 / reference Scarbrough rate

Please **RSVP** to your Scarbrough rep or email rsvp@scarbrough-intl.com

www.scarbrough-intl.com