



FLIPPING THE JOHNNYCAKE

How the US Virgin Islands can rise in the era of Trump 2.0

JED JOHNHOPE

VI LEAGUE OF WOMEN VOTERS ANNUAL MEETING

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UVI INNOVATION CENTER

TODAY'S PRESENTER- JED JOHNHOPE

Twin City Capital is the Virgin Island's first domestic-focused private equity and venture capital firm



Jed JohnHope
General Partner

Jed JohnHope is an experienced strategy and finance professional with over twenty years of experience in the Energy, Manufacturing, Financial Services and Oil & Gas sectors. This experience includes significant work within the USVI. Former employers include Morgan Stanley, the Hess Corporation, Liberty Mutual, and ARCADIS. Mr. JohnHope is a native Crucian and an alumnus of the Good Hope School, the University of Delaware, London Business School and the Kellogg School of Management at Northwestern University. At Twin City Capital, Jed serves as CEO of JohnHope Automotive and the Yellow Cedar Media Group. Jed is the former Vice Chairman of the Virgin Islands Water & Power Authority Board, a Board Member of the Virgin Islands Architectural Council, and the President of Generation Next.

CONTEXT

Could the outlook be any worse?

- › Geographic Isolation
- › Republican Administration
- › Limited Cash Reserves
- › Economic & Political Uncertainty
- › Federal Funding Risks
- › Inflation
- › Government-reliant economy
- › Changing Priorities
- › Revenge?



What Can We Do About it?

- › How we respond to this moment will shape not only our future, but also the kind of future our children inherit

Strengthen Our Economic Base

Diversify Revenue Sources

More Efficient Use of Public Funds

Attract Private Capital

US Shift

In anticipation of President Trump's election victory, many businesses began reassessing their strategic priorities. According to a global survey, 40% of supply chain executives plan to increase sourcing from U.S. suppliers, while 33% are focused on reducing costs to counteract the impact of higher tariffs. While sourcing domestically may help maintain access to the world's largest market, it also requires companies to give up more cost-effective alternatives available in other regions.

US Shift

- > South Korea's Hyundai Motor Group announced a \$21 billion investment in the United States. The investment includes a new \$5.8 billion Hyundai Steel plant in Louisiana that will produce over 2.7 million metric tons of steel annually
- > Honda has decided to produce its next-generation Civic hybrid in the US state of Indiana, instead of Mexico, to avoid potential tariffs on one of its top-selling car models, three people familiar with the matter told Reuters
- > Pfizer said it might move overseas manufacturing to its existing plants in the U.S., if required. "If something happens, we will try to mitigate it by transferring from manufacturing sites outside to the manufacturing sites (in the U.S.)," CEO Albert Bourla said at the TD Cowen healthcare conference

New US Investments

- > Apple in late February unveiled \$500 billion in US investments in the next four years that will include a giant factory in Texas for artificial intelligence servers
- > Drugmaker Eli Lilly said in late February it planned to spend at least \$27 billion to build four new manufacturing plants in the U.S. over the next five years
- > Johnson & Johnson said in late March it planned to invest over \$55 billion over the next four years to establish manufacturing facilities and research infrastructure in the United States
- > Schneider Electric plans to invest over \$700 million in its U.S. operations over the next two years. The investment will focus on bolstering the U.S. energy infrastructure to power AI growth, boost domestic manufacturing and strengthen energy security, according to the company



Key Drivers of American Manufacturing Boom

- Post-war global advantage
- Massive Government Investment
- Growing Domestic Consumer Demand
- Strong Labor Unions
- Technological Innovation
- Protectionist Policies

Why America's Manufacturing Base Declined

- > Globalization and trade liberalization (NAFTA, WTO)
- > Cheap labor abroad
- > Automation replaced jobs
- > Decline in union power
- > Shift to a service-based economy





Case Study: Puerto Rico's Manufacturing Boom

- Federal Incentives (Section 936)
- Operation Bootstrap (Aggressive Business Attraction)
- US domestic status and duty-free access
- Access to skilled labor
- Strategic Sector Development (Pharma & Tech)



Section 936

- Section 936 was a provision in our tax code enacted in 1976 ostensibly to encourage business investment in Puerto Rico and other U.S. possessions. Congress voted to phase out Section 936 in 1996, citing excessive cost and the very limited number of U.S. companies that received the tax break. In 2006, the phase-out was completed
- Section 936 worked by exempting from federal income tax profits earned by U.S. companies in Puerto Rico and other possessions (under certain conditions). Corporations were quick to set up subsidiaries in Puerto Rico, and massive tax-dodging and profit shifting soon followed

President Donald Trump on Section 936

“In 1996, Joe Biden voted to obliterate Puerto Rico’s thriving pharmaceutical industry. Remember, they used to have a great pharmaceutical industry. He cut it out and when he cut it out, he sent Puerto Rico into a nosedive like nobody’s ever seen before. So we’re bringing it all back and we’re bringing it back to Florida, too.”

“And we’ll reverse the disastrous and heartless decision Joe Biden made in 1996 to shut down the pharmaceutical industry in Puerto Rico. It took place in 1996. Biden shut down the whole Puerto Rico industry. This was a very good industry. They were doing a fantastic job. And one day, it was just literally gone. Biden shut it down with what he did with taxes. And it was — it was a disgrace, but we will bring it back.”

The background of the slide is a dark blue-tinted photograph of a harbor. In the foreground, a sandy beach curves along the water's edge. Numerous sailboats with their masts visible are anchored in the harbor. In the distance, a forested hillside rises above the water. The overall scene is serene and scenic.

USVI EDA Business Attraction

- > ~\$7 mm per year operating budget
- > 12 applications in CY 2023
- > ~\$1.7mm per application
- > 2023 Active Beneficiaries – 91
- > 2024 Active Beneficiaries - 82



USVI Application

Operation Bootstrap

- > Allocate additional funding to the EDA and RT Park. Create programs to supercharge business attraction in targeted industries
- > EDA has great incentives; however, those incentives need to be better marketed, streamlined. In essence, we need to make substantial strides in business attraction
- > EDA and RT Park are duplicitous. A single agency should be focused on business attraction

The background of the slide is a dark blue image of a harbor. In the foreground, a person is walking on a sandy beach. The water is calm, and several sailboats are docked in the harbor. The sky is a deep blue, and the overall scene is serene and coastal.

USVI Application

Access to Skilled Labor

- > The USVI has a capable workforce, but we must scale vocational training and certification programs to support manufacturing and technical industries
- > A big gap to close: workforce planning tied to economic strategy, not in isolation
- > Secondary strategy: leverage Puerto Rico's workforce

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USVI Application

Strategic Sector Development

- > Puerto Rico focused deeply on high-value, low-weight sectors like pharmaceuticals and medical devices—ideal for an island economy with limited port capacity

- > Opportunity for the USVI - Similar approach could be taken with:
 - Petroleum products
 - Rum
 - Pharmaceuticals
 - Watches
 - Renewable energy components
 - Emergency supply manufacturing (tied to FEMA/HUD needs)



USVI Application

US domestic status

- > The USVI enjoys duty-free export to the U.S.—a major competitive advantage over foreign Caribbean neighbors. We can leverage this for niche manufacturing (e.g., construction materials, modular housing components, agri-processing, marine tech) that feeds into mainland markets or disaster recovery supply chains
- > Made in America – This is a priority for the Trump administration and the Virgin Islands can help

USVI – Business Development Strategy

St. Thomas – St. John District

- Operation 87 – 87 people pay 70% of the income taxes. The goal is simple – invest in a program to attract another 87 similar individuals
- Mahogany Run Golf Course – With demand forecasted to decline, we need to increase our offering to become more competitive
- Subsidize flights – With demand forecasted to decline, we need to invest in opening new markets. Airline routes can be bought for ~\$2mm per year minimum revenue guarantee (MRG). Airlines are very interested in adding new routes, which drives hotel demand
- More hotels – The Hampton Inn looks great. What's next?

USVI – Business Development Strategy

St. Croix District

- > Refinery – logical given the former Hovensa site
- > Rum – the territory produces ~40% of the world's rum; however, with rum revenues declining we need to attract additional manufacturers
- > Pharmaceuticals - High value, low weight strategy, similar to Puerto Rico
- > Watches – High value, low weight strategy
- > Medical Devices – High value, low weight strategy
- > Subsidize flights – With demand forecasted to decline, we need to invest in opening new markets. Airline routes can be bought for ~\$2mm per year minimum revenue guarantee (MRG)

Caution: Do Not Put All Eggs in One Basket

- When Section 936 was phased out in the 2000s, much of the manufacturing base collapsed, leaving behind high unemployment and fiscal instability. Puerto Rico taught us that tax incentives can drive rapid industrialization—but unless they're paired with long-term local investment, workforce development, and economic diversification, they can vanish as quickly as they came

Build Broad-Based Economy



Local Entrepreneurship



Diverse Industry Clusters



Stronger Local Supply Chains



What Can We Do About it?

> In response to the unpredictability and chaos. We need to:

Strengthen Our Economic Base

WAPA

Invest in infrastructure that enables industrial growth

Strengthen regional trade alliances

Diversify Revenue Sources

Reduce reliance on federal funding

Protect against tourism volatility or declining rum sales

More Efficient Use of Public Funds

Austerity measures

Anti-corruption initiatives

Consolidation/Public-private partnerships

Attract Private Capital

Aggressively recruit businesses

Public funds alone cannot fund our future

Final Thoughts

We must:

- > Expand our economy
- > Cut government spending and do more with less
- > Lobby President Trump to bring back Section 936
- > Reduce friction and barriers to entry for businesses
- > Be decisive and strategic

The effects of the tariffs will be worse in the isolated Virgin Islands. We need to be proactive and tell Washington what we need to be successful



Thank You

> Jed JohnHope

✉ Jed@twincityfund.com

✉ Jed@yellowcedarmedia.com