



LIKELY IMPACTS AND POSSIBLE STRATEGIES FOR THE USVI UNDER TRUMP 2.0

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INTRODUCTION

On January 20, 2025, Donald Trump was inaugurated as the 47th President of the United States. Between then and March 25, Trump issued 103 Executive Orders (EOs). These EOs have been wide-ranging, shockingly unorthodox, and sharply divergent from previous US government policy stances.

The announced and forthcoming policy changes will have profound implications for the US Virgin Islands.

This presentation will examine the impacts of early executive orders and upcoming policy shifts, highlighting areas where local authorities must prepare to cope with unavoidable adverse impacts and where they should lobby against or seek exemptions and waivers to policies that can be changed.

AREAS OF MAIN IMPACTS

Economic and Trade Policy Impacts

- Tariffs
- Proposed Levy up to \$1.5 m on Chinese built ships making US Port of Calls
- Reduced Disposable Income Likely to Dampen Tourist Expenditures.

Immigration

- Mass Deportations
- Canceling TPS and Humanitarian Parole Program
- Refusing to Grant Visa Waivers for Shortage Workers

Federal-Territorial Relationships

- Reduction/Suspension/Reprogramming of Federal Grants
- Changing Rules of Access, Reimbursement, and Matching
- Closing of FEMA and DOEd
- Reduction in Force at the Federal Agencies that prominently serve VI residents.
- Weakening Data Gathering and Dissemination, especially in area of Climate Change, Infectious Diseases, Economic performance, and Weather

Environmental Regulation and Monitoring

- Expediting of Fossil Fuel Exploration, Extraction, Refining
- Lax Regulation
- Ending Justice 40 (Environmental Justice Program)

Social

- Education
- Social Security
- Health
- Disaster Relief

Cumulative and Synergistic Effects: Increased Economic Stress and Vulnerability

I.A. ECONOMIC POLICY-TARIFFS

Reason: Historically, tariffs have been used to protect domestic industries and generate revenue for the government. Trump's motivation for using tariffs is to effect behavioral change in foreign countries (i.e., force other countries to reduce the flow of illicit fentanyl and migrants across common borders), incentivize the insourcing of manufacturing activities, and serve as a punitive tool to reduce trade deficits in a zero-sum scenario. transactional framework.

Tariffs Levied: On March 12, a 25% tariff was imposed on all steel and aluminum products globally. Prior tariffs of 25% on Mexico and Canada and 20% on all Chinese goods have also been enacted. On March 26, 25% tariffs were announced on all imported car parts, affecting mostly Mexico and Canada, ostensible partners in a Free Trade Agreement. Reciprocal tariffs for a dozen countries are anticipated on April 2nd.

Impacts: These tariffs will increase import costs for many goods in the USVI, where 95-97% of products are imported. This affects all consumers as tariffs act as a tax. The tariffs on steel and aluminum will most definitely raise construction costs and the cost of furnishing houses with appliances in the USVI. The construction cost per square in the USVI is already high (\$275-500 depending on the type of structure and which island district).

Moreover, **retaliatory tariffs** on US agricultural exports, which comprise 20% of US agricultural production, will likely lower farm income, alter cropping decisions, and drive domestic food prices. Other retaliatory actions include boycotts of American goods, including USVI-produced rums (Captain Morgan and Cruzan). Already, Canada is removing American spirits from its shelves.

Prognosis: Consequently, the cost of living and inflation rates should be expected to rise. Historically, the USVI inflation rate has doubled that of the mainland due to high import dependence and virtually no self-sufficiency. The USVI is highly vulnerable to the ill effects of Trump's tariff war and has essentially no options. Trump seems stubbornly committed to tariffs despite pressure from business and foreign leaders and tumbling stock markets.

I.B ECONOMIC POLICY- LEVY ON CHINESE MADE CARGO SHIPS

The USTR is circulating a proposal for Congress to levy a \$500,00 to \$1.5 million fee for a US port of call for any Chinese-made cargo ship or a ship linked to Chinese ownership as a means to counter alleged Chinese government subsidies to Chinese shipbuilders and revitalize US shipbuilding. US shipbuilding produces 10 ships per year, while China produces more than 1000. Overall, Chinese vessels constitute 50% of the world's cargo fleet.

The USVI is served by two shipping companies, Tropical and Crowley. Tropical owns and uses 9 Chinese built ships, and the president of the shipping line in a public hearing on March 25, stated that "Caribbean shipping can not afford the additional cost" and will force out American shippers in the market because most ports in the Caribbean have no economies of scale and must be served by smaller, low draft container ships that are invariably Chinese made.

The USVI authorities already expressed their concerns to USTR on March 27 and are seeking to influence the Trump Administration not to implement this policy or to obtain exemptions because it would be counterproductive and catastrophic, raising shipping costs an estimated 250%. Since the majority of small container ships that serve the Caribbean are Chinese-built, there are few alternatives to Chinese-built ships.

T.C. TOURISM

Importance of Tourism. Tourism is the backbone of the economy, representing 20% of the total contribution to GDP (constant), 30 % of civilian employment, and \$1 billion in expenditures as of 2022 (Source WTTC). The principal source market is the contiguous United States, where 93% of visitors originate.

Likely Impacts: The cumulative effect of Trump's economic policies, tariffs, reduction in the Federal Workforce, shrinking of the social safety net, and an impending tax cut extension that will favor mostly the top 2% of income earners increases the probability of stagflation (low growth and high inflation) or a recession. When real disposable income is reduced and consumer confidence falls in the principal source market, demand for vacation travel to the Caribbean will likely drop.

Local Policy Responses: Concerted efforts should be made to keep the USVI tourism product as cost-competitive as possible and to brand the USVI as a safe, easy-to-reach, consistent, quality experience for American visitors (no need for a passport). Any policy raising the cost of accommodations, tour excursions, meals, etc. should be avoided. The USVI will be entering a tight, competitive tourist market where more and more moderate-income potential visitors will be more value-conscious than before. The USVI is already a middle-of-the-pack to high-cost destination compared to other Caribbean destinations.

II. IMMIGRATION

Massive deportations of undocumented immigrants and cancellation of Temporary Protective Status and Humanitarian Parole programs will crater the construction and hospitality sectors of the USVI, which are migrant-dependent. Construction workers in the USVI are already in short supply, which hampers the execution of disaster recovery constructions.

In the USVI, 90 percent of the unskilled hotel jobs, such as housekeeping, laundry room attendants, and groundskeepers, are held by immigrants. More than 80 percent of the construction labor force are immigrants. In fact, according to the 2020 Census, more than 30.3 % of the entire USVI population is foreign-born. No clear estimates exist of the percent of illegal residents, but a reasonable guess would be 6-8%.

USVI local authorities need to mobilize and fight” to get immigrant population declared as “critical infrastructure workers”

III. STRESSED FEDERAL TERRITORIAL RELATIONSHIPS



Grants and transfers to the Territory may face increased scrutiny and could be suspended or reprogrammed. Currently, federal grants make up 35% of a \$1.4 billion budget. In addition, unspent Disaster Recovery obligations could be removed, as forewarned by the outgoing Biden Acting Secretary of HUD before the election.



Stricter matching requirements (e.g., a 10% local match and not 3% or complete waiver) and access rules (i.e., spending first to receive reimbursement) will hinder the ability of local governments with limited finances to complete federally funded disaster recovery projects.



The closure of agencies like DOEd and FEMA and significant workforce cuts at FAA, DOI-National Parks, EPA, DOC-BEA, and NOAA will further burden already underfunded and understaffed local institutions. For instance, the VI National Park (VINP) may lack sufficient staff to maintain operations, potentially diminishing the quality of visitor experiences.

IV ENVIRONMENTAL DEREGULATION

Lee Zeldin, the new EPA Administrator, is a former energy executive and climate change skeptic who focuses on deregulation and fossil fuel use, which contradicts the agency's mission. The EPA is expected to close its Office of Science and Research, has already eliminated all DEI and Environmental Justice programs, and is in the process of reversing numerous Biden-era climate regulations.

The troubled oil refinery in St. Croix, operated by Port Hamilton, may benefit from Trump's administration changes, likely receiving faster permits and facing reduced regulation and lax monitoring. This risks Crucians' health due to potential accidents and emissions. The health and environmental threats from the refinery's unsafe operations or accidental fires, spills, and emissions could outweigh short-term job and revenue benefits. Moreover, our local DPNR lacks appropriate specialists to maintain strict monitoring.

The community and local authorities must acknowledge the USVI's vulnerability to climate change, advocate for reduced carbon emissions, pursue adaptation strategies, protect ecosystems, and balance economic growth with environmental protection and conservation.

V. SOCIAL

- **Education:** Closing the Federal Department of Education and the planned transfer of supplemental grant programs, Title I, IDEA, and Student Loan programs to other agencies may lead to uncertainty and temporary confusion. There is concern that the new grant programs could be more restrictive and less generous. Hopefully, the school lunch program will remain unchanged. Currently, the VIDE is managing a struggling system with low student achievement, underpaid teachers, poorly maintained infrastructure, unsafe working and learning environments, and challenges in administering federal grants.
- **Healthcare:** Leadership changes at the National Institutes of Health and the Centers for Disease Control and Prevention are likely to impact Medicare, CHIP, and Medicaid in the USVI, but detailed information for prognosis is lacking at this time.
- **Social Security:** The upheaval at the Social Security Administration may affect 22,000 VI beneficiaries. Recent budget cuts have led to claim processing delays, system crashes, and restricted access to online accounts, with no clear timeline for resolution.
- **Disaster Relief and Recovery:** FEMA's rumored closing or radical restructuring will pose doubts about how effectively the USVI could hope to recover from a future natural disaster.



VI: CUMULATIVE IMPACT INCREASED SOCIETAL VULNERABILITY

- The USVI faces high vulnerability and can not quickly reduce it and build resilience because of a lack of fiscal space and weak public institutions. Current fiscal challenges include a 3.7% deficit/GDP ratio, a poor credit rating that prevents bond issuance, a high dependency on federal support, anemic growth, and stagnant revenues. Besides being prone to ever more frequent major hurricanes, it has an aging and declining population—21.3% over 65 compared to 19.1% under 17—the demand for healthcare services is rising, yet the current system is strained. Poverty rates are higher than the mainland, with 22.2% living below the poverty line and 24% uninsured. Federal obligations per capita are \$119,938 for FY 2025, surpassing all US jurisdictions. Low statistical capacity and federal cuts to research, and less transparency could lead to ineffective decision-making. Additionally, anti-DEI efforts at the level of the Federal government may reduce opportunities for upward job mobility, reduce opportunities for minority small business assistance, and devalue the cultural identity of the predominantly Afro-Caribbean community.
- Trump's economic and social policies, as well as attempts to limit and redefine legal and constitutional rights, will generally exacerbate levels of economic and social stress and disproportionately affect vulnerable segments of the Territory's population.
- A Trump-induced recession or even just a significant rise in uncertainty and loss of confidence could serve to lower tourist arrivals and expenditures, affecting our main economic engine.



CONCLUSION

- Many Trump 2.0 policies may lead to economic and social difficulties.
 - Anticipated outcomes include higher living costs, inflation, labor shortages, decreased Federal aid, declining public services, postponed infrastructure upgrades, worsening fiscal conditions, and slower economic growth.
 - The most damaging policies could involve a prolonged tariff war, fees on Chinese ships making US port of calls, and mass deportations of undocumented immigrants. These would raise import costs and significantly affect shipping expenses. High deportations could also considerably harm sectors reliant on immigrant labor, like construction and hospitality, and accelerate labor shortages.
 - Severe cuts to social spending endanger vulnerable groups in the Territory. Still, given the Republican House's slim majority and the reliance of many Red states on federal funding, optimism exists that this won't happen in the next budget cycle.
 - Local leaders and business owners will face unprecedented challenges amid these policy changes.
 - This forum should allow the chief executive to effectively outline strategies to address these issues.
 - The Territory has limited time to negotiate and prepare before the effects manifest.
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