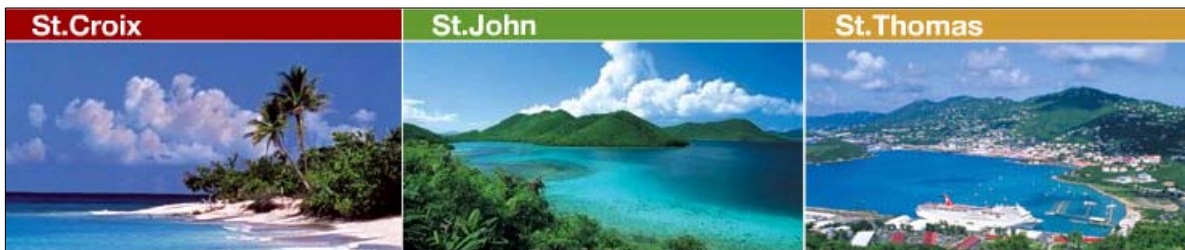


UNITED STATES VIRGIN ISLANDS BUSINESS OPPORTUNITIES REPORT

*PREPARED FOR THE UNITED STATES DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS*



Disclaimer

This document has been prepared by MBA students, or recent graduates, to disseminate information on the United States Virgin Islands. The views and recommendations contained in this document, however, are solely those of its authors and not the U.S. Government or any agency or officer thereof.

Those intending to initiate ventures in this location are advised to conduct independent due diligence.

Acknowledgements

Monique Wedderburn, MBA Candidate from the **University of Hawaii** and 2004 Pacific Island Fellow, prepared this report.

Annamaria Cherubin, MBA Candidate from the **Wharton School** at the University of Pennsylvania and 2005 Pacific Island Fellow, revised this report.

Katherine Macdougall, MBA Candidate from the **Kellogg School of Management** at Northwestern University and 2008 Island Fellow, revised this report.

The United States Virgin Islands (Virgin Islands) possesses significant economic growth potential. This is especially true of the island of St. Croix. Specific business opportunities in the Virgin Islands include the expansion of the tourism, information and technology, maritime, and manufacturing sectors. The retirement/second home, agriculture and aquaculture sectors are also areas that present business opportunities.

Historically the economy was dependent on commercial trade and sugarcane cultivation. In the 1960's the economy diversified into manufacturing and tourism based activities. During the 1960's, St. Thomas also became a popular tourist destination for U.S. mainlanders and Europeans. Today tourism, with a GDP and employment contribution of approximately 80 percent, is the main growth element and the largest contributor to the Virgin Islands' economy.¹ St. Thomas and St. John still remain the center of tourism for the Virgin Islands with a reported 750 cruise ship calls in 2007. In 2007, visitor arrivals across the three main islands totaled 2,611,300 of which, a majority 1,917, 878 were cruise ship tourists.² The manufacturing sector, comprised mostly of petroleum and rum, also contributes significantly to the island economy.

The centralization of the government economic operations into one agency, the Economic Development Authority (EDA), and its generous tax incentives are illustrations of the government's efforts to boost private sector development. Increased capital improvement projects and the development of several commercial and technological sites are additional efforts that have been implemented to attract private industry.

The Virgin Islands' close proximity to the mainland U.S. and its U.S. territorial status provide the islands with a competitive advantage. The territory has one of the best natural deepwater harbors in the Caribbean and is strategically located along the Anegada Passage – a key route for ships bound for the Panama Canal. Potential investors will also find familiar tax, legal and intellectual property rights. The territory's developed infrastructure and high-quality fiber optics telecommunication system also provide an opportunity to conduct businesses efficiently.

This report presents a basic and general understanding of the business and investment climate in the Virgin Islands. The report highlights the economic, legal, structural benefits and identifies specific business opportunities available in the territory. The development strategy detailed in this report is based on projects identified by the local government and private industry. Investment in these specific sectors is potentially beneficial financially and serves to position the Virgin Islands toward sustainable economic development.

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BACKGROUND

The U. S. Virgin Islands (Virgin Islands), an unincorporated territory of the United States (U.S.), was purchased from Denmark by the U.S. in 1917 for US\$2.5 million. Located between the Caribbean Sea and the North Atlantic Ocean, the territory is in close proximity to the continental U.S. and the eastern region of Puerto Rico. The Virgin Islands (68 cays and islands) is comprised of three main islands: St. Thomas, St. John, and St. Croix. Each island is geographically and economically distinct. Collectively, the Virgin Islands measures approximately 135 square miles, with 117 miles of ocean coast. St. Thomas and St. John are located 3 miles apart and St. Croix is situated 40 miles to the West of St. Thomas. Some of the world’s best ecological and historical sites are found in the Virgin Islands, and the islands are rich in colonial history and Caribbean cultures.



Source: <http://worldatlas.com/webimage/countrys/america/caribb/vi.htm>

St. Thomas, 31 square miles in area, is home to the territory’s capital, Charlotte Amalie, and an estimated population of 53,160 persons. Historically, St. Thomas thrived as a trading post for European ships passing through the Caribbean. The island has one of the best natural deepwater harbors in the Caribbean and is strategically located along the Anegada Passage – a key route for ships bound for the Panama Canal. During the 1960’s, St. Thomas became a popular tourist destination for U.S. mainlanders and Europeans. Today, St. Thomas still remains the center of tourism for the Virgin Islands with a reported 750 cruise ship calls in 2007. In 2007, visitor arrivals (by air and cruiseship) to St. Thomas totaled 2,478,692, of which, a majority 1,917,371 (77%) were cruise tourists.³

St. John⁴, home to an estimated 4,359 people, is a small island measuring 20 square miles in area. Two-thirds of St. John is covered by a national park with developed underwater and eco-tourism industries. St. John’s economy is predominantly dependent on tourism. With St. Thomas only three-miles away, St. John attracts day excursionist and high-end vacationers with luxury hotels and vacation homes. Due to its relative size and proximity to St. Thomas, St. John is often aggregated with St. Thomas in promotions and policy matters.

BACKGROUND

St. Croix, 83 square miles in area, is the largest of the three inhabited islands and home to an estimated 55,293 persons. Prior to the 1960's, St. Croix's economy depended solely upon sugar cane cultivation. In the 1960's the island economic structure diversified into manufacturing and tourism. Today, St. Croix's economy is predominantly manufacturing based, and largely dependent on petroleum and rum exports. Hovensa, the second largest petroleum refinery in the western hemisphere, is a joint partnership between Amerada Hess and PDVSA, Venezuela's national oil company, and is located on St. Croix. Hovensa and its subcontractors currently employ approximately 2,000 workers and they shipped close to US\$11.3 billion of refined petroleum products to the United States in 2007. Cruzan VIRIL, Ltd., also located on St. Croix, is a top exporter of Cruzan, Old St. Croix and bulk rum to the mainland U.S.⁵ In July 2008, a public-private partnership between the U.S. Virgin Islands Government and Diageo, U.S.V.I. was legally authorized, which paved the way for Diageo to build a multi-million dollar rum distillery on St. Croix which is due to begin production in 2012⁶.

CURRENT ECONOMIC SITUATION

Table 1: Key Economic Statistics

Population	112,812 (2007)	Gross Territorial Product (GTP, \$ mil)	\$4,078 (2006)
		Inflation-adjusted GTP (\$ mil of 1982 dollars)	\$2,023 (2006)
Total Labor Force	52,442 (2007)		
Total Employment	49,346 (2007)		
Private Sector	33,417 (2007)	Per Capita Personal Income (PI) (U.S.\$)	\$19,787 (2007)
		Inflation-adjusted Per Capita PI (1982-1984 dollars)	\$9,543.2 (2007)
		Per Capita PI as a percent of U.S. Average	54.2% (2007)
Federal Government	947 (2007)	Imports (U.S. \$ mil)	\$11,615 (2006)
Local Government	11,777 (2007)	Exports (U.S. \$ mil)	\$11,627 (2006)
Unemployment Rate (%)	5.9% (2007)		
Total Land Mass	135 sq. miles		

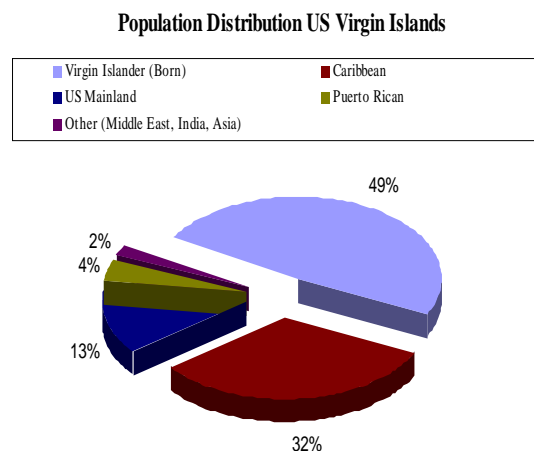
Sources: United States Virgin Island (USVI) Bureau of Economic Research (BER) (2008)

Demographics

The resident population of the Virgin Islands reached an estimated 112,812 in 2007. The population growth rate is -.27 percent and life expectancy at birth is 79.34 years.⁷ Approximately 47 percent of the population lives on St. Thomas, 49 percent lives on St. Croix and 4 percent lives on St. John. Per capita personal income is estimated at approximately \$19,787 (See Table 1).

The population of the Virgin Islands is diverse, comprised of 78 percent black, 10 percent white and 12 percent other. Only 49 percent of the population was born in the Virgin Islands, while 32 percent have migrated from other islands in the Caribbean region. U.S. mainlanders and Puerto Ricans comprise approximately 13 percent and 4 percent, respectively, of the total population. The remaining 2 percent is a mixture of immigrants from across the world including the Middle East, India and Asia (See Figure 1). The major spoken

Figure 1



CURRENT ECONOMIC SITUATION

language in the Virgin Islands is English (74.7%), followed by Spanish or Spanish Creole (16.8%) and French or French Creole (6.6%).⁸

Recent Economic Performance⁹

The Virgin Islands economy is predominantly dependent on revenues generated from its tourism and manufacturing sectors. Tourism, primarily concentrated on St. Thomas, is the largest revenue generator and the main growth element in the economy with a GDP-contribution of approximately 80 percent. The manufacturing sector, primarily located on St. Croix, contributes approximately 12 percent to the GDP and largely consists of petroleum refining, rum production and a watch assembly plant (although the watch industry's output has been declining over the past few years). In 2007, exported rum excise taxes contributed an estimated US\$86.7 million to the overall gross territorial product (GTP). Construction has a GTP contribution of 5 percent.

Federal and territorial government jobs currently account for approximately 27 percent of employment. Trade, transportation and utilities come in second representing an estimated 19 percent of jobs, followed by leisure and hospitality at 16 percent. The agricultural sector is small, with most food being imported. In 2007, the unemployment rate was estimated at 5.9 percent, a slight decrease from the 6.2 percent reported at the end of 2006. St. Croix has a higher unemployment rate, estimated at 7.1 percent as compared to 4.9 percent on St. Thomas and St. John.

Economic Development Authority¹⁰

The establishment of the Economic Development Authority (EDA), a centralized agency responsible for the promotion and enhancement of economic development, exemplifies the Virgin Islands government's efforts to create a business friendly environment. The Government Development Bank (GDB), the Economic Development Commission (EDC), the Industrial Park Development Corporation (IPDC), the Small Business Development Agency (SBDA) and the Enterprise Zone Commission (EZ) are now unified under the EDA umbrella. According to the agency's website, the EDA is responsible for developing comprehensive programs with the overall goal of promoting and enhancing the economic development of the Virgin Islands. Their focus includes aspects such as: business loans to small to medium-sized businesses, ensuring entrepreneurial coaching, increasing the capital of the GDB and developing depressed areas in local communities. The website further states that the EDC is planning to "engage in local, national and international marketing strategies to help build and expand the program", with the hopes of ultimately improving the overall standard of living in the territory.

Tourism Promotion

The Virgin Island Department of Tourism and the Hotel and Tourism Association have implemented several tourism promotional packages targeted at increasing overnight visitors and encouraging visitors during the summer and fall seasons. The St. Croix Air Credit program offers specific incentives for booking a seven-night stay. The "Sizzlin' Summer Sampler" package offers summer and early fall visitors complimentary entry for two at participating attractions, a gift card and a fourth night free at participating resorts. Efforts are being made to increase air traffic from Europe, and in an effort to increase the number of visitors arriving on the island of St. Croix specifically, a special branding campaign has recently been launched, entitled "St. Croix: Your Port of Solace".¹¹ The Virgin Islands was also well represented at the Caribbean Tourism Organization's first Annual Caribbean Tourism Summit (ACTS) held in Washington, D.C. in June 2008.¹²

Capital Projects¹³

According to the Bureau of Economic Research's (BER) April 2008 U.S. Virgin Islands Economic Review, there are a number of major capital projects that are either online or due to come online in the near future, which should help stimulate economic activity in the islands. Private and public capital investment programs will continue to create construction-related jobs, and should spur some job growth, particularly in the tourism and hospitality sector.

POSITIVE DEVELOPMENTS

Capital investments and new projects due to come online in the islands include:¹⁴

St. Croix

- \$250 million Golden Resorts 400-room hotel, casino and convention center
- \$60 million William & Punch 300-room hotel, casino and 125 luxury home development
- \$50 million Stanford Caribbean aviation hanger and 900 sq. foot office building
- \$47 million Gallows Bay Marina
- \$10 million South Grapetree Bay Hotel

St. Thomas

- \$120 million Ritz Carlton luxury home development
- \$80 million 70-room boutique hotel at Yacht Haven Grande
- \$70 million Cabrita Partners housing development
- \$60 million Dolphin Cove villas and condominiums development
- \$50 million Raphune Vista
- \$15 million East-End Plaza retail and commercial office space
- \$13 million Long Bay Road expansion phase 1

St. John

- \$54 million Pond Bay Club luxury resort
- \$50.8 million Calabash Boom housing development
- \$50.8 million Sirenusa 47-private home development
- \$5 million Coral Bay 116-slip marina and office building

COMPETITIVE AND COMPARATIVE ADVANTAGES

Located almost equidistant from North America and South America, the Virgin Islands is uniquely positioned in the Caribbean. American businesses can take advantage of competitive and comparative advantages in the Virgin Islands, some of which are listed below and explained further in the sections that follow:

- Tax incentives
- Developed infrastructure
- Strategic location and ease of access to the U.S., Latin America and the Caribbean and Europe
- Quality of life and multi-cultural population
- Availability of land
- Made in the U.S.A. labeling
- Duty free, quota free exporting to the U.S. of goods made in the Virgin Islands
- U.S. currency, courts and flag protection¹⁶

Tax Incentives: The Virgin Islands uses a *mirror system* of taxation following the U.S. Internal Revenue Code. The Islands also retain substantial advantages with their tax incentives, which have been put in place to attract businesses and diversify the Islands' economy. Companies qualifying for benefits through the Virgin Islands Economic Development Authority receive tax reductions or exemptions from business taxes, up to 90 percent. The benefits may last between 10 to 30 years. A more detailed explanation of the tax incentive can be found in *Appendix A*.

**Summary of Economic Development Commission Benefits
(from the U.S. Virgin Islands Economic Development Authority website):**

- 90% Exemption on Local Income Taxes
- 90% Exemption on Dividends
- 100% Exemption on Gross Receipts Taxes
- 100% Exemption Property Taxes
- 100% Exemption on Excise Taxes
- 1% Custom Duties

Infrastructure: The Virgin Islands has a well-developed infrastructure, including two modern airports, located on St. Thomas and on St. Croix. The Cyril E. King Airport (CEKA), located on St. Thomas, has a 7,000 foot runway and a terminal with 11 gates. CEKA is host to several major and commuter airlines. The Henry E. Rohlsen Airport (HERA), located on St. Croix, is also served by several major and commuter airlines. The Port Authority completed a \$42 million renovation and expansion of HERA. The terminal was expanded to 181,000 square feet, and the runway was extended to 10,000 feet. Access to St. John and Water Island (a 491.5 island just off of St. Thomas) is

COMPETITIVE AND COMPARATIVE ADVANTAGES

available from St. Thomas via an inter-island ferry service, and in 2007 St. Thomas’ new 9,500 square foot Red Hook Ferry Terminal was opened to serve ferry passengers between St. Thomas and St. John and St. Thomas and the British Virgin Islands.¹⁷ Travel between St. Croix and St. Thomas can be done via ferry, seaplane or airplane.

Several major shipping companies provide good to excellent maritime transportation. In addition, St. Croix sits at the nexus of a global fiber optic telecommunications system, which offers potential for state of the art telecommunications and technology access. The Virgin Islands has centralized water and sewer services to core areas.

Strategic Location and Ease of Access: The Virgin Islands is located approximately 1,000 miles southeast of Miami and 70 miles from Puerto Rico. The location of the Virgin Islands offers strategic access to both North and South American continents. The territory is comparatively close to the Panama Canal, providing potential businesses geographical advantages over East Coast markets to Pacific and Asian markets via maritime transport. The strategic location also offers advantages to potential investors interested in expanding into the Eastern Caribbean islands (See Map Below).



Source: <http://worldatlas.com/webimage/countrys/namerica/caribb/vi.htm>

Quality of Life and Unique Cultural Heritage: The natural beauty of the Virgin Islands, the healthy environment, and the moderate climate provide an excellent living environment and an exceptional quality of life. The Virgin Islands unique cultural heritage has deep rooted Caribbean and colonial influence (British, Dutch, Spanish, French and Danish). Remnants of historic cultural influence are reflected in the stunning architecture. The Virgin Islands also has a diverse population with increased migration from the Eastern Caribbean Islands and the Continental U.S. As a territory of the U.S., the Virgin Islands benefits from cultural connections to the mainland.

Availability of Land: On St. Croix there are many available sites and buildings in which businesses can be established. The availability of land offers opportunities for business expansion. The St. Croix Renaissance Park is privately held and offers excellent facilities for manufacturing and marine activities, including a world class machine shop,

COMPETITIVE AND COMPARATIVE ADVANTAGES

inexpensive water and electricity, and its own port into which ships can be brought. The UVI Research and Technology Park is a joint venture with the University of the Virgin Islands and presents an opportunity for technology and media-focused business to easily relocate and receive tax benefits. The St. Croix Industrial Park provides a starting place for approved Economic Development Companies (EDC). The Port Authority Business Park, adjacent to the Henry E. Rohlsen Airport on St. Croix, offers a high quality business atmosphere with appropriate infrastructure in a unique, convenient location for light industrial, commercial and other specialized businesses. In addition, there are no specific restrictions regarding land ownership in the Virgin Islands.¹⁸

U.S. Territory Status and Currency: As an unincorporated territory, the Virgin Islands has a governance system similar to that of the United States. Companies operating in the Virgin Islands are free from foreign currency risk and are subject to U.S. business and immigration laws. Investors interested in establishing businesses in the Virgin Islands will find familiar tax codes, copyright laws, and U.S. intellectual property protection. The U.S. Postal Service, Federal Express, and United Parcel Service provide the islands with shipments priced at domestic rates. Several major cargo-shipping companies serve the Virgin Islands, with frequent shipments into the secure and modern Virgin Island Port Authority (VIPA) cargo ports. Telephone, cable, and internet service is modern, and direct distance dialing to the U.S. and 800 numbers are available.

The Virgin Islands, especially the island of St. Croix, has significant economic growth potential. St. Croix has the land mass and terrain conducive to a diverse range of industries. Existing infrastructure and natural resources support the growth potential in areas of tourism, manufacturing, e-commerce and information technology. Potential opportunities that could be developed to diversify the islands’ economy include:

- **Tourism**
- **Manufacturing**
- **E-Commerce and Information Technology**
- **Maritime**
- **Retirement and Second Home Markets**
- **Agriculture and Aquaculture**

Tourism

In 2008, according to the World and Tourism Council, worldwide travel and tourism is expected to post US\$7.892 trillion in economic activity (total demand). By 2018, the travel and tourism industry is projected to grow to US\$14.838 trillion. For the Caribbean region total demand in 2008 is expected to reach US\$57.3 billion, growing to US\$100.5 billion by 2018 (See Table 3).¹⁹

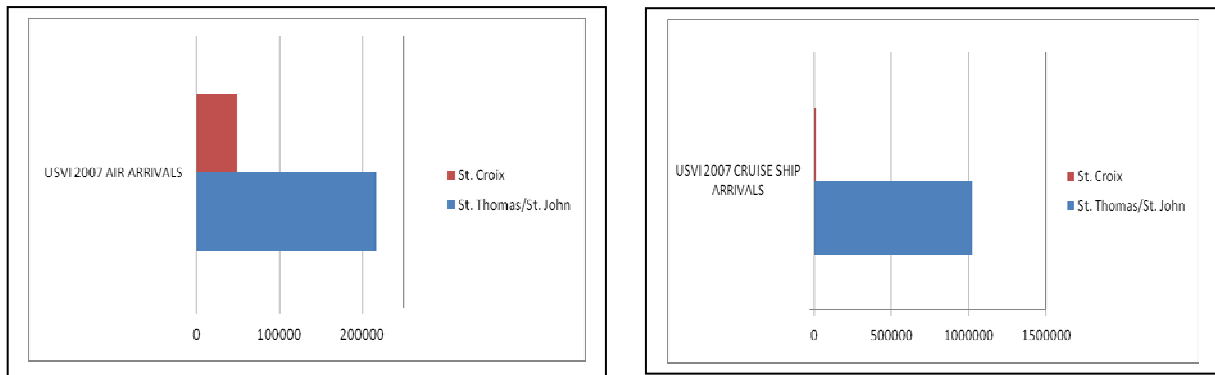
Table 3: Travel and Tourism Industry Information

Worldwide	<ul style="list-style-type: none"> ▪ 2008 – \$7.892 trillion ▪ Projected growth 2018 – \$14.838 trillion
Caribbean	<ul style="list-style-type: none"> ▪ 2008 – \$57.3 billion ▪ Projected growth 2018 – \$100.5 billion

Source: World Travel and Tourism Council (2008)

Tourism is the principal industry in the Virgin Islands, accounting for more than 80 percent of GDP and employment. In 2007, total visitor arrivals reached 2.6 million, up 1.4 percent from the previous year. Cruise passenger arrivals totaled 1,917,878 – an increase of 0.8 percent. Air visitors grew 3.3 percent to 693,373. The first quarter of 2008 shows continues growth in arrivals by cruise ships (2.3 percent) and by air (6.3 percent) over the same period last year.²⁰ The majority of the visitors are currently concentrated on St. Thomas and St. John (See Figure 2).

Figure 2: USVI Visitor Arrivals by Air and Cruise Ship:



St. Croix remains relatively untapped as a Caribbean destination and possesses significant tourism potential. Opportunities exist to expand the visitor market on St. Croix with the development of resorts with convention facilities, and the attraction of cruise ships with the recently revitalized waterfront area and upgraded 1,526-foot pier at the Ann E. Abramson Marine Facility in Fredericksted.²¹ Disney Cruise Lines has already announced that St. Croix will be added to its 2009 itinerary, and there are currently plans for the development of at least one resort on St. Croix with convention facilities. The tourism sector can also be expanded to take full advantage of potential linkages with the manufacturing (i.e. rum production), jewelry, craft (i.e. pepper sauces, dolls, fabric and textiles etc.), agricultural (i.e. production of locally grown mangoes, vegetables and tea etc.) and cultural/entertainment sectors (i.e. steel band). The U.S. Virgin Islands can take advantage of the fact that it boasts the largest duty-free port in the Caribbean, with a daily duty-free shopping allowance of US\$1,600 for U.S. citizens.²²

An additional area for continued growth is in sports tourism, especially on St. Croix where there is land for development. Historically, the Virgin Islands have been successful in hosting golf, swimming and basketball events. St. Croix is home to an 18-hole championship course where a successful LPGA golf tournament (Konica U.S. Virgin Islands Golf Classic) was held. Furthermore, St. Croix is host to the St. Croix Ironman Triathlon and the Caribbean Classic Triathlon.

Tourism, from both established and emerging destinations, is an extremely competitive industry. To develop its visitor market, St. Croix can focus on its distinct advantages – the island’s rich historic and cultural roots and natural beauty. To this end, St. Croix has recently launched a new branding campaign: “St. Croix: Your Port of Solace”, which includes a marketing video.²³

In addition to attracting cruise ship passengers, St. Croix could also develop a focused marketing strategy to help increase its overnight visitor market, which comparatively contributes much more revenue to the overall economy than cruise ship passengers. The Public Finance Authority (PFA) has ongoing economic revitalization projects that include infrastructure improvements and beautification of points of interest.

The overnight visitor market can potentially be increased by highlighting unique cultural aspects of the island's history and further improving the quality of its tourism product to meet the needs of visitors. The development of St. Croix's tourist market can also occur in conjunction with preserving the island's natural resources and environment, including the expansion of eco-tourism and adventure tourism sites. Opportunities to develop an exclusive "boutique" hotel could also be explored on the Virgin Islands' relatively undeveloped and non-commercialized Water Island, a 491.5 acre island which is a 10-minute ferry ride from St. Thomas and which has a population of less than 200.²⁴

As noted in the 2006 Private Sector Assessment for the US Virgin Islands Report, it is important to recognize that "while tourism is and will continue to be a very important component of the Virgin Islands' economy, and movement to diversify the local economy would likely be favorable for the long-term economic health of the territory. Tourism is by its very nature subject to random external shocks that the recipient economy cannot control. Such events as hurricanes or the September 11th attacks tend to rapidly and demonstrably reduce the size of tourism revenues"²⁵. This is not to say, however, that continued development and expansion of the tourism industry in the Virgin Islands should not be pursued, but rather that the territory should continue to move towards a diversification of its economy. The Virgin Islands have so much to offer in terms of continued tourism development. Furthermore, U.S. citizens in particular are able to benefit as they do not require a passport to visit the Virgin Islands, and the Virgin Islands offers U.S. citizens the largest duty-free port in the Caribbean (U.S. \$1,600 per day).

Sector: Travel and Tourism Opportunities

- Resort(s) with Conference Centers/Convention Facilities
 - Eco-Tourist Resort Cottages & Cabins
 - Boutique Hotel Development
 - Sports Tourist Events
 - Destination Tourist Events
-

Manufacturing

The manufacturing sector in the Virgin Islands is primed for expansion with the availability of several industrial sites. The St. Croix Renaissance Park, the former site of the Alcoa Alumina plant, is ready for occupancy. The site's numerous industrial buildings and infrastructure occupy approximately 310 acres at the center of the 1,244 acre property; the site also includes a deep water port and coastal areas.²⁶ The St. Croix Industrial Park and Port Authority Business Park are additional zoned industrial sites providing opportunities for pharmaceutical manufacturers and developers, cement manufacturers, computer parts assemblers, and synthetic fuel and alternative energy companies to easily establish business operations. Manufacturing firms, due to St. Croix's geographic location, have the potential to capture intra-regional export markets. In addition to receiving economic development benefits, certain manufacturing sectors

BUSINESS OPPORTUNITIES

can benefit from federal programs. Health-related manufacturing, such as medical supplies firms, can take advantage of FDA laws. Watch and jewelry industry assembly producers qualify for benefits through the Department of Commerce Production Incentive Certificate (PIC) program.

Currently, many kinds of specialty or precision machine parts are imported. The St. Croix Renaissance Park has a developed machine plant that can provide a variety of machining capabilities needed by other manufacturers on the islands. An experienced labor force, most of who have years of experience at the closed Alcoa Alumina plant, is also available to be employed in these sectors. Ship repair and maintenance, as well as other marine-supporting industries, could use the resources to provide aluminum or stainless steel components, welding services, refrigeration, navigation tools, custom cabinets, and yacht design.

Other manufacturing opportunities that could be explored include alternative energy sources to help off-set the current high costs of energy on the islands, including the possibility of using petroleum coke, a by-product from the oil refining process, as a source of energy in the future.

Sector: Manufacturing Opportunities

- Pharmaceutical and Medical Supplies Manufacturing & Distribution
- Manufacturers and distributors of processed foods
- Ship Repair and Maintenance
- Cement manufacturing companies
- Construction of small and medium-sized pleasure craft and service vessels
- Vessel maintenance companies

Sector: Energy Opportunities

- Companies specializing in synthetic fuels and alternative energy development
-

E-Commerce and Information Technology

St. Croix offers high-quality, broadband telecommunications and data transmission capabilities because of the multi-directional fiber-optics network developed by the Global Crossing facilities. The existing telecommunication infrastructure and broadband capability provides St. Croix with a unique strategic advantage allowing for the development of a thriving e-commerce and information technology industry.

Specific opportunities include the establishment of research and development firms involved in information technology, film production and distribution companies, e-commerce and other internet-oriented businesses. Firms specializing in computer parts and software assembly, digital map sales, and distribution of downloadable products (e.g. digital music, books, and media) can take advantage of the fiber optics network and the territory's economic development benefits.

Business service operations should explore use of St. Croix as an alternate operating area for security or data-warehousing purposes, as well as a location for call centers and other

forms of customer service. The territory offers the security of its relationship with the United States, as well as its unique broadband access.

Sector: Information Technology & E-Commerce Opportunities

- Software and System Development
 - Digital Media Technology
 - Entertainment Production and Distribution
 - Visual Graphics Design
 - E-Commerce Companies
 - Data Warehousing
 - Customer Call Centers
-

Maritime Opportunities

St. Croix's territorial status and proximity to the U.S. provide a strategic opportunity to develop the St. Croix Renaissance Park as a site for ship building, repair, and maintenance. The Virgin Islands, located in close proximity to the continental United States, is geographically well-positioned as a site for the maintenance and repair of U.S. vessels. The full utilization and further development of transshipment ports (both maritime and airport-based) in the Virgin Islands could also serve to help promote the Virgin Islands as a hub of transshipment for goods within the Caribbean and/or to and from Latin America.

Many of facilities, on St. Thomas and St. Croix, can accommodate long-term docking. The St. Croix Renaissance Industrial Park has a deep water port that is sheltered and safe from hurricanes. The availability of various ports presents the potential for developing industrial (i.e. heavy cargo shipping) and tourist-oriented (i.e. increased cruise ships, charter boats and yacht dockage) sectors. On St. Thomas and St. John, the increasing number of visitor arrivals provides a growing market for the yacht charters. However, the current commercial marine designation known as the "six-pack law" does not allow chartered yachts containing more than six people to start from the U.S. Virgin Islands. On St. Croix, the ship building industry currently imports supplies and materials. There is a need for growing demand for ship building services and an opportunity for other support industries to provide components, welding, refrigeration, navigation, custom cabinets, and yacht design.

Sector: Maritime Industry Opportunities

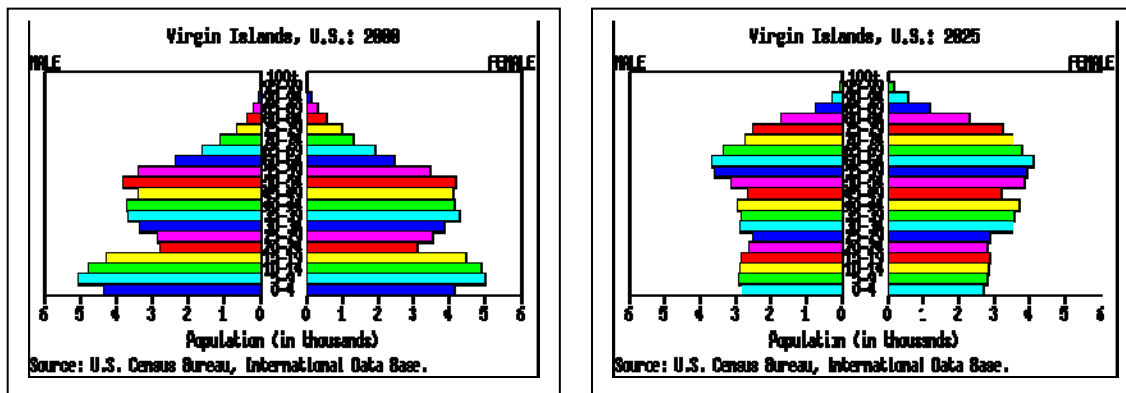
- Ship Repair and Maintenance
 - Construction of small and medium-sized pleasure craft and service vessels
 - Vessel Component Manufacturing and Support Services
 - Cruise Ship Companies
 - Transshipment Port Development
-

Retirement and Second Home Markets

In the Virgin Islands there is an opportunity to develop a continual care facility and/or second home market (including timeshare development) targeted at both local senior residents and baby boomers currently living in continental U.S. The development of these sectors, as a sustainable economic opportunity, can be attributed to several factors – the shortage of facilities for elderly population in the Virgin Islands and the large number of aging baby boomers in the U.S.

There is currently a shortage of facilities providing continual living care for the elderly in the Virgin Islands. According to the CIA World Fact-book’s 2008 estimates, there are approximately 13,450 people above the age of 65 currently living in the Virgin Islands (12.4% of the total population). Since Virgin Islanders are living longer, with an average life expectancy of 79.34 years, by 2025 the rate is expected to significantly increase to over 30,000 (See Figure 3).

Figure 3: Virgin Islands Population Pyramids for 2000 – 2025



There is a similar trend in the U.S. with the aging the baby boomers. The Baby Boomer generation represents the 76 million persons born in the United States between 1946 and 1964. In 2006, the earliest of the Baby Boomers began turning 60 years of age. By the year 2030, all surviving aging Baby Boomers will be between the ages 66 to 84 years, representing one of five Americans.²⁷ The most rapid increase of retirees is therefore expected to occur between the years 2010-2030, when this generation reaches their retirement age.

Provided that there are quality residential homes, hospitals and health/residential care services available, Baby Boomers may consider relocating to the Virgin Islands. The quality of life, the territory’s natural beauty, the healthy environment, and the moderate climate provide an excellent environment for retirees. Proximity to the continental U.S. only a few hours away via major airlines (1,075 miles east-southeast of Miami), also contributes to the viable development of this sector.

Development of modern medical, health and wellness centers, residential care home services, and nursing homes are critical factors for the sustainable development of a continual living care community/second home market. The Virgin Islands has two accredited hospitals staffed by U.S. board certified physicians. The hospitals accept similar health care insurance as on the U.S. mainland. The development of the Juan Luis Hospital Cardiac Care Unit and Kimelman Cancer Care Center facilities on St. Thomas also provides this population with additional necessary medical support. There is also the opportunity to develop high-end assisted living communities and private health care clinics (which could include cosmetic procedure retreats as an option) to attract wealthy retirees to the islands.

The establishment of a retirement community and/or second home and timeshare market targeting population above the age of 60 years offers further potential to develop satellite businesses (such as golf, tennis, pharmacies etc.). The continual living community and/or second home market would create new jobs increasing the territory's overall operating budget. The development of satellite businesses would also allow for sustainable economic growth with additional revenues remaining in the local community.

Sector: Retirement and Second Home Market Opportunities

- Real Estate Development
 - Timeshare Development
 - Retirement and Life Care Community Design
 - Retirement and Life Care Community Management
 - Hotel Development and Management
-

Agriculture and Aquaculture

Currently, Virgin Islanders are dependent on imports from the continental U.S. for the majority of their agriculture and aquaculture products. The agricultural and aquaculture sector in the Virgin Islands is small or relatively non-existent, comprised of a small number of farmers. All agricultural goods produced on-island are developed for local consumption and sold at various outdoor markets.

Aquaculture production in the Latin America and the Caribbean region (LAC), both in quantity as well as in value, is insignificant when compared to other continents and is relatively new when compared to the ancient aquaculture tradition of Asia.

Given the production of agriculture and aquaculture products in the Virgin Islands will be minor relative to world production, in the short term the Virgin Islands can expect not to be as competitive in the development of these products for export. Despite these limitations, the combination of local demand for fresh products, climate ideal for year-round production, and available land gives the agriculture and aquaculture industries potential for further development.

The University of the Virgin Islands carries out significant research in agriculture and has been successful in generating revenues by selling its produce, livestock, and fish

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products. The UVI Agricultural Experiment Station (AES) has exported Hair Sheep kids, which have hair rather than fur, fertilized Senepol Cattle embryos, and Holston dairy cattle. UVI AES research has focused on several crops, disease-tolerant and quick-bearing papaya, that are ideal for the climate and soil of the Virgin Islands.²⁸ There is also opportunity for the co-op production of agriculture products to supply the territory's hotels and restaurants, which currently rely on imports. Further, the agriculture and aquaculture products could be sold to the cruise ship industry on a broader scale or processed into non-perishable products (e.g. vinegar, juice, canned fruit etc.) for export.

The UVI AES has been also successful in demonstrating tilapia and lettuce production in a clean environment. The tilapia produced, 75,000 lbs. annually, provides nitrogen-rich bi-products that supply nutrients for the growth of lettuce and other green leafy vegetables. Greenwater tank culture is an intensive production technology ideal for a tropical, semi-arid environment, such as St. Croix, and is water efficient. The island offers suitable locations and on-island expertise necessary for developing a viable aquaculture industry.²⁹

Furthermore, St. Croix hosts an annual agriculture and food fair each February called 'Agrifest' which serves as 'a showcase for locally produced agricultural products, livestock, arts and crafts and native cuisine'. The fair drew an estimated 35,000 visitors (10,000-15,000 per day) in 2007, many from other islands in the region, and provides small businesses with the opportunity to showcase their products.³⁰

Sector: Aquaculture and Agriculture Opportunities

- Tilapia Farming
 - Fruit Farming
 - Vegetable Farming
 - Tea and Herb Farming
 - Fruit and Vegetable Processing
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University of Virgin Islands (UVI) Research and Technology Park (RTPark) - Under a mandate from the local government, UVI developed a technology park on its St. Croix campus. The park is a global center for e-commerce and technology with a focus on providing an enabling environment for research and development, business incubation and technology-driven businesses. The RTPark provides eCommerce, technology, and knowledge-based businesses a competitive environment to confidently conduct business backed by the U.S. court system and applicable business, intellectual property and tax laws. As of 2008, the RTPark has two strategic partners: Adveniat (collocation data center managed services) and Tropical Tower, Inc. (global network provisioning and billing).

Contact
David Zumwalt, Executive Director, UVI Research & Technology Park Tel: 340-692-4200 Fax: 340-692-4212 Email: dzumwalt@uvi.edu Website: www.uvirtpark.org

St. Croix Renaissance Industrial Park – from www.stxrenaissance.com: “St. Croix Renaissance Park and Port St. Croix together represent the foremost opportunity for sustainable industrial development in all of the Caribbean today. Strategically positioned at the hub of the Anegada passage on the southern coast of St. Croix, this vast industrial park of 1244 contiguous acres is the most easily accessible deep water port on the island.

Previously occupied by Alcoa World Alumina & Chemicals for the production and distribution of alumina, this privately owned industrial property has numerous amenities and advantages to offer prospective tenants:

- Industrial Zoning
- On-site Power Generation
- On-site Water Production
- Existing Site Infrastructure
- Fully Equipped Machine & Fabrication Shop
- Extensive On-Site Storage Capacity
- Port Access & Use of Associated Services
- And More”

Contact
Myron Allick, Vice President of Operations, St. Croix Renaissance Group, LLLP Tel: 340-778-2323 ext 672 Fax: 340-778-1400 Email: mallick@stxrenaissance.com Website: http://www.stxrenaissance.com

“Operation Breadbasket” – The Virgin Islands Famers’ Cooperative (VIFC) is a community-based, sustainable, local food supplier in the Virgin Islands located on the island of St. Croix, where members/producers maintain and perform sustainable agricultural practices. The vision of the VIFC is *“to create conditions in the Virgin Islands where farmers practice sustainable agriculture and all residents have access to fresh locally grown produce (meats, fruits, vegetables and herbs, etc.) and value added products from all sectors of a vibrant and profitable local agricultural industry.”* The VIFC is currently launching the first two initiatives in “Operation Breadbasket”, which has as its goal ‘the rebirth of agriculture in the Virgin Islands under a 21st Century business model’. In 2006, the VIFC received a Small Minority Producer Grant (SMPG) from the U.S. Department of Agriculture. This technical assistance grant was for the development of a feasibility study, marketing study, marketing plan and business plan for dairy, livestock, and produce production on the island of St. Croix.

The market study indicated a significant opportunity to grow and market agricultural products on St. Croix, and an additional opportunity to add value with an events center, restaurant, and agro-tourism activities. As a consequence, VIFC is currently seeking \$600,600 for its Phase I Farm and Farmers’ Market and Phase II Forage and Compost Production developments. The funds would be used to finance the purchase of equipment, to build out the facilities, and to cover start-up expenses and first year operating expenses. The successful implementation of Phase I and Phase II developments will allow for the implementation of Phase III of VIFC’s plan, which would include the development of agro/eco-tourism activities.

Contact
Dale Browne, President, Virgin Islands Farmers’ Cooperative Tel 340-771-6879 Fax 340-772-4004 Email: vifarmers@vifarmerscoop.org ; sejahfarm@unitedstates.vi

Carifest - Carifest is a Caribbean-themed dining, entertainment and park experience for cruise ship passengers and other tourists visiting St. Thomas that the Carifest Corporation is looking to develop. This large-scale project provides an opportunity for equity investors.

Contact
Eric Matthews, President, Carifest Corporation Tel: (340) 775-3620 Fax: (340) 777-5550 Email: carifest@viaccess.net

Estates William and Punch - Located on the west end of St. Croix is a magnificent 600-acre property with over 2,000 feet of prime sandy beach at Estate William and Estate Punch. The owners have created a comprehensive development plan, designed by the architectural firm Wimberly, Allison, Tong and Goo, which includes a 377 room luxury hotel, 142 branded condominium residences, 45 two and three bedroom fractional units, 18 beach villas, a 26,000 square foot conference center, a 20,000 square foot spa, 140 one acre single family home plots, 109 golf villas, an 18 hole golf course and club and a 62 slip marina. The owners, who already have the support of a local bank and tax incentive financing for infrastructure development available, are currently looking for competitive construction financing that will allow the owners to take full advantage of this opportunity.

<p>Contact Kevin A. Rames, Attorney Tel: 340-773-7284 Email: kevin.rames@rameslaw.com</p>

Bush Tea of the Virgin Islands – Bush Tea of the Virgin Islands manufactures a variety of the 420 local leaves that are used for tea consumption in the Caribbean. Some of the thirty flavors offered by Bush Tea of the Virgin Islands include Mango, Lemongrass, Japana, and Sweet Scent. The tea, purchased from local farmers, is currently bagged and packaged by hand. A capital investment of \$600,000 for machinery (to dry and bag tea), labor, and administration fees would allow Bush Tea of the Virgin Islands to meet annual additional demand of 280,000 boxes and hire more local farmers. Founder, Jacquell Dawson has been spotlighted on the Food Network’s Food Finds. Vision is to expand the business from the Caribbean and export over 5 million boxes to the mainland U.S, Canada, and Europe.

<p>Contact Jacquell Dawson, Agronomist/Founder, Bush Tea of the Virgin Islands Tel: 321-279-9345 Email: vibushtea@yahoo.com Website: http://www.bushtea.vi</p>
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Aquaculture Project – Working with the local U.S. Department of Agriculture (USDA) office in St. Croix and in the process of applying for a USDA Business and Industry (B & I) Loan. They are looking for approximately \$1.75 Million to facilitate start-up costs for the first two project phases, a marine hatchery and feed plant. These two projects will not only pay off any loan funding but will also allow an expansion into other aqua/mariculture projects.

<p>Contact Elizabeth A. Farchette, iii & Associates, Inc. Tel: 340-713-1369, 340-773-7171, 340-773-7106</p>
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Email: eafarchette@yahoo.com

Itiba – Itiba, LLC is a manufacturer of natural, vegetable-based body care products that specializes in custom creations and unique scents all created by the owner. Itiba, LLC plans to use the experience of marketers who have been in this niche market for years to help establish the company as a premier supplier of natural Caribbean-themed scents and products, and the company hopes to establish a strong presence with wholesale accounts as well as direct sales to customers through the internet and local retail stores. The product line will consist of body lotions, body washes and body sprays and the company has plans to introduce other products and scents as well as formulas in the future.

Capital is being sought to help finance the manufacturing of natural cosmetics in the Caribbean. The objective is to seek funding in the sum of about \$200,000 (U.S.), which will be used to build inventory, to purchase manufacturing equipment, to fund initial marketing efforts, and to provide start up and working capital. 90 percent of the products will be manufactured in a cGMP, ISO 9000 manufacturing facility located in the United States with the clinical and technical background to effectively manufacture high quality personal care products. All bar soap products will be manufactured on the island of St. Croix.

Contact

Yoki K Hanley, itiba, LLC
Tel/Fax: 1-888-551-5775
Email: contactus@itibabeauty.com

APPENDIX A – EDC TAX BENEFITS

Under the U.S. Virgin Islands' economic benefit program, the Economic Development Commission (EDC), a division of the Economic Development Authority, evaluates tax benefits to qualified businesses in the U.S. Virgin Islands.

How to Qualify for EDC Benefits:

- The principal requirements are as follows: Provide full-time employment for at least 10 residents of the U.S. Virgin Islands who have resided in the V.I. at least one year prior to being hired by the tax beneficiary.
- Invest at least \$100,000, exclusive of inventory, in an industry or business that advances the economic well-being of the USVI.
- Meet the requirements of Section 934 of the Internal Revenue Code in the case of a U.S.V.I. corporation, individual or partnership, or Section 936 of the U.S. Internal Revenue Code in terms of a V.I. Subsidiary of a U.S. Corporation.
- Be an actual investor in the enterprise for which industrial development benefits are sought, not a contractor, subcontractor or other person or corporation acting as an agent.
- Comply with all federal and local laws and regulations, including environmental laws.
- Provide an easement for free access to the beach or shoreline, if the applicant will be doing business on property that adjoins the shoreline.

Eligible Businesses:
(1) Category I:

- Rum Production
- Milk/Dairy Production
- Watch and Jewelry Manufacturing and Assembly;

(2) Category II :

- Product Assembly and Manufacturing (other than in Category I)
- Agriculture/Food Processing
- Mariculture/Food Processing
- Marine Industry
- Raw Materials Processing
- Hotels/Guesthouses
- Transportation
- Telecommunication;

(3) Category IIA – service businesses not limited to, but including:

- International Commercial Distribution and Trading Services.
- International Public Relations Services.
- Publicity firms.
- Economic, Scientific or Management Consulting Services.
- Public Auditing.
- Processing, Editing and Dubbing of Cinematographic Films.
- Commercial and Graphic Art Services.
- News Syndicates.
- Mail Order Firms.
- Assembly, Bottling and/or Export Packing Operations.

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- Computer Service Centers.
- Maritime Vessels and Aircraft Repair and Maintenance Services.
- Machinery and Heavy Equipment Repair Services, including but not limited to Agriculture, Industrial, Construction, Mining and Transportation Equipment and Machinery.
- Electrical and Electronic Equipment and Watch Repair Services.
- The Production of Engineering and Architectural Blueprints and Plans to be used in the construction of projects to be located outside of the Virgin Islands.
- Photographic Laboratories, including Film Processing.
- Dental Laboratories.
- Optical and Ophthalmological Laboratories.
- Prefabricated Houses of any type of material.
- Investment Managers and Advisors.
- Research and Development.
- Business and Management Consultants.
- Software Developers.
- E-Commerce Businesses.
- Call Centers.
- High Tech Businesses.
- International Public Relations Firms.
- International Trading and Distribution.
- Any other businesses serving clients located outside the Virgin Islands.

(4) Category III:

- Utilities
- Healthcare Facilities
- Recreation Facilities
- Insurance Companies
- Physicians, corporations, and such other industries or businesses as may be deemed appropriate by the EDC.

Application fees range from US\$1,000 to \$2,000, and annual compliance fees range from \$500 to \$2,500, depending on business category of applicant.

Source: Economic Development Authority website: www.usvieda.org

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