

Application of US Coastal Laws to Virgin Islands

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Merchant Marine Act of 1920 Placed VI Outside US Custom Zone: The Merchant Marine Act of 1920 also known as the Jones Act excluded the Virgin Islands from the application of all US coastal laws. Specifically, SEC. 21. COASTWISE LAWS EXTENDED TO ISLAND TERRITORIES AND POSSESSIONS (46 App. U.S.C. 877) states the following:

“And provided further, That the coastwise laws of the United States shall not extend to the Virgin

Islands of the United States until the President of the United States shall, by proclamation, declare that such coastwise laws shall extend to the Virgin Islands and fix a date for the going into effect of same.”

VI Placed Outside US Custom Zone to Deter Smuggling and Protect VI Duty Free Port: The United States completed the purchase and transfer of the Virgin Islands from Denmark in 1917. The VI economy was depressed and its physical infrastructure and development of social and political institutions required great investment. Agriculture formed the economic base for St. Croix and the duty free port of Charlotte Amalie on St. Thomas still was a center of commercial activity for the VI that brought in revenues and was perceived as being one of the VIs greatest assets.

The VI was placed outside of the US Custom Zone so as not to disturb that source of revenue for the VI and the Danish owned West Indies Company that owned and controlled the port. There was also a concern that foreign countries could smuggle goods into the VI for duty free entry into the US. Placing VI outside custom zone was seen as an ability to deter such activity.

Doing Business Outside US Custom Zone is Presenting Various Economic Costs: The political and economic of the US, the VI, and the Caribbean region have changed tremendously over the some 90 years since the Jones Act was passed. What was once an economic advantage of being a US Territory outside of the US Custom Zone is now presenting some disadvantages in the new global and technological society.

The VI is treated as an international destination by mail carriers such as UPS and FEDEX since it is outside the custom zone and this has added significantly to the cost of shipping for businesses and residents. Some computer and technology providers will not even ship or do business with the Virgin Islands because of their understanding of the rules with doing business with “international” entities. VI residents have come under the scrutiny for attempting to ship prescription medicine to their relatives in the states because of being outside of the Custom Zone

Way Forward: This topic requires further study to assess the cost and benefits for the Virgin Islands being exempt from the application of US Coastal laws and requires the assistance and expertise of the Department of Treasury in developing more in depth analysis.