

[REDACTED]

GOVERNMENT HOUSE
GRAND CAYMAN

10 JANUARY 1996

The Rt. Hon. Malcolm Rifkind QC, MP
Secretary of State for Foreign and
Commonwealth Affairs
London SW1A 2AH

Sir,

CAYMAN ISLANDS: ANNUAL REVIEW 1995

1. 1995 was again dominated by the Cuban migrant crisis. But at the end of the year, and for first time in four years, there were no illegal Cubans in detention. The twin pillars of the economy - financial services and tourism - continued to make a positive contribution to the economy. Political posturing in preparation for the 1996 elections was a feature of the last few months of the year.

2. The year did not begin well. The influx of 1184 Cuban migrants continued to dominate the local scene, almost to the exclusion of everything else. But the bulk of the migrants had left by July. Cayman was then left to count the cost. The total has now reached US\$3.75 million - the cost of three community health centres. This does not include local overtime costs and some other hidden costs which cannot be immediately identified but which are considerable. Although it met its international obligations, Cayman received little international financial support. [REDACTED]

[REDACTED] But the government learned the lesson that, as a result of allowing the community easy access to the migrants and allowing the migrants some freedom of movement, the migrants became comfortable and were then reluctant to move. This led to increased costs. The migrants saw Cayman as an easy touch. Cayman will not make the same mistake again.

3. Ten days after I arrived in Cayman a further 11 Cuban migrants arrived on Cayman Brac. I was determined to send a strong signal to other potential migrants that Cayman was neither a haven nor a stopping off point for economic migrants. With the help of HM Embassy in Havana we set in train the involuntary repatriation procedure agreed with the Cuban government. The visit to Havana of a Cayman Islands Government (CIG) team to discuss repatriation procedures helped to speed up the repatriation process. The migrants were back on Cuban soil within ten days of their arrival here. This, and the firm action we took in forcibly removing the last hard core Cuban men from Northward Prison, should have sent the message that Cayman is no longer a comfort zone for economic migrants.

4. The resolution of the year long Cuban migrant problem was a significant achievement for the government and people of the Cayman Islands. Throughout the crisis Cayman conducted itself well. It was a credit, not an embarrassment, to HMG. Cayman's ministers and officials also performed well at regional and international

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meetings. The visit to Cayman of the Cuban Vice-Minister for Fisheries and the visit of the CIG delegation to Cuba marked an important turning point in Cayman's relations with Cuba. But CIG are aware that, in developing relations with Cuba, Cayman must keep in step with HMG. 1995 was therefore a year in which Cayman realised that it has a contribution to make, both regionally and internationally.

5. Cayman continued to consolidate its position as a leading offshore financial jurisdiction. Some of the growth in 1995 resulted from the international financial sector's concern over the outcome of the independence referendum in Bermuda. Even though this has been resolved, the uncertainty over the long term will be to Cayman's benefit. But the main reason for the growth is the initiatives taken by Cayman. A successful financial services road show was held in New York, London and Hong Kong. Plans for a stock exchange for listing mutual funds were announced. A London-based PR firm was appointed to handle and promote Cayman in Britain and mainland Europe as a quality location for quality money. Their brief was extended in November to cover the United States where Cayman is still coloured by John Grisham's book "The Firm", with its references to money laundering. These initiatives, together with the positive report of the Caribbean Financial Action Task Force, have resulted in Cayman being seen by the international financial services industry as a well regulated, politically stable and safe jurisdiction whose aim is to attract quality money. This image will be further enhanced in 1996 with the passing of the Proceeds of Criminal Conduct Bill.

6. Tourism, the other pillar of the economy, continued to see good growth. In 1995 Cayman was more fortunate than most other Caribbean countries in that it only had a brief brush with Hurricane Roxanne. As a result, cruise ships changed course for Cayman. This, the start in March of a twice-weekly British Airways service and increased promotion by the Dept of Tourism, helped Cayman in 1995 to break the one millionth tourist barrier (1,044,329) - over 682,000 cruise passenger arrivals and 361,000 air passengers.

7. Mainly as a result of the costs incurred during the Cuban crisis, the country will see a deficit of between \$3-4 million at the end of 1995. The year saw capital expenditure on new projects of approximately C\$25 million. In this respect 1995 was the year of the community. Sports grounds, community centres which double as hurricane shelters, and health centres were either completed or started. I am delighted that one project was the construction of two cricket grounds (together with a schools' cricket coaching programme). The fight back against baseball has begun!

8. [REDACTED] My predecessor stripped Thomas Jefferson of his role as Leader of Government Business. He also removed his portfolios of Environment and Planning, leaving him with Tourism and Aviation which he assumed from Truman Bodden though the latter retained responsibility for Cayman Airways. [REDACTED] He did not attend Government House functions nor any of my predecessor's farewells. But this is now behind us and my relations with him are good. He is by far the best leader and speaker. He is also the most politically astute of the five ministers.

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9. The National Team had a rough ride from the opposition and the public in 1995 on various local issues. But the saving of Cayman Airways and the priority which they have given to community projects will probably see them back in at the general election in November this year. The National Team will have been encouraged by the success of their official candidate, Heather Bodden, in the Bodden Town by-election on 6 December. Miss Bodden's margin of victory - only 4 votes - over the Team Cayman candidate would have been higher if the National Team vote had not been divided by a National Team supporter who also stood as a candidate. He came third with 234 votes, most of which would have gone to Miss Bodden. The National Team will make sure this does not happen in the general election. [REDACTED]

[REDACTED]
remains to be seen whether they will field candidates in every seat and every district.

10. Development and expansion continued at a steady pace in 1995, with the completion and opening on 15 December of a new 340 room 4-star hotel on Seven Mile Beach and adjacent to Government House. At the year's end, following the removal in 1994 of the moratorium on Seven Mile Beach construction, other condominium complexes were also under construction. Public concern about these developments forced the government to speed up the public consultation process to update the Development Plan. One of the objectives of the Plan is to prevent the over development of the general Seven Mile Beach area to the detriment of the outer districts, e.g. East End and the Sister Islands, and the destruction of environmentally sensitive areas. AUSPB funds were used to good effect in this connection in 1995. £12000 was donated to the National Trust for the Cayman Islands to set up a computerised and satellite-based Land Information System to monitor the changes to the terrestrial environment, particularly in the ecologically sensitive areas such as the Central Mangrove, which is to Cayman what the rain forest is to Brazil. Funds of £14,255 have also just been approved for a study of the Cayman Islands saline and brackish ponds, the most notable of which is the Booby Pond and Rookery on Little Cayman, the Cayman Islands' first Ramsar site.

11. At the end of 1994 (no figures are available yet for 1995), Cayman's population stood at about 31,900, of whom about 37% (11,800) were expatriates. These were mainly Jamaican, American and British. The current trend appears to be quicker growth amongst the expatriate population than amongst the indigenous Caymanian population. This gives rise to periodic "expat bashing" by small pockets of xenophobic Caymanians. There were several such episodes during 1995. 1996 will be no different. Caymanians generally dislike Jamaicans because they are thought to lower the tone of Cayman. Some Caymanians also dislike expatriates of any kind, but particularly Americans, Britons and Canadians since they are perceived to have the pick of all the top jobs and are "imported" especially for that reason. There is a degree of truth in this, but this has to be tempered with the fact that many Caymanians neither have the required qualifications nor the experience. But this is changing quickly. Government are encouraging all local businesses to train young Caymanians for senior jobs. However, the majority of Caymanians fully realise the need for the presence of expatriate workers to maintain the quality of life which they now enjoy.

12. It was a good year for law and order. Reported offences were down from 3270 in 1994 to 2228 in 1995 and the clear-up rate was just under 70%. At the end of the year

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the new Commissioner of Police introduced community policing, which was well received by the public. Morale in the police has also improved. But, despite these improvements and a pay rise, the Police still found it difficult to attract good recruits. We therefore need to continue to have the ability to recruit some police officers from the UK. Most crimes are drug-related. The fight against drugs continued. The extra gateway provided by the British Airways flight, however, provided the Drugs Task Force with extra work. The flight provides the traffickers with extra opportunities to ship drugs in and out of Cayman to the UK or via Nassau. Despite this, the Drugs Task Force had another good year. Major traffickers were targeted with success. A total of 5,881 kilogrammes of marijuana and 313 kilos of cocaine were seized and 1081 drugs-related arrests were made. Further AUSPB funds enabled the Task Force to purchase telephone interception equipment and bullet proof vests. Unfortunately the latter had not arrived by 29 November when the Task Force found themselves under fire from traffickers. The first time such an incident has occurred in the last three years, this is an indication of the desperate measures to which the traffickers are prepared to resort. In December Northward Prison was portrayed in a positive light in the UK by ITV Channel 4 News as part of a programme on Judge Stephen Tumim, who recently retired as Inspector General of Prisons.

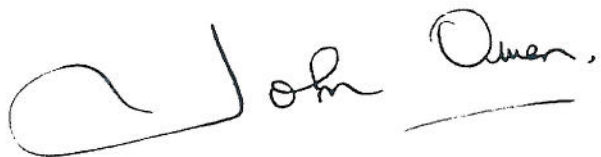
13. Two events in 1995 made the Cayman Islands Government and people appreciate the benefits of being a Dependent Territory. The first was the Cuban migrant crisis, when HMG fought Cayman's corner. Cayman has borne a heavy cost but, thanks to the efforts of HMG, the Cubans have now gone. There is also a firm policy in place - which works - and has the backing of HMG. The second was Bermuda. Business and government opinion formers here were quick to notice the nervousness of the Bermudan financial industry when the independence referendum dominated the scene there. These two events make it certain that no substantive movement in favour of independence will raise its head here for the foreseeable future. Though Cayman is culturally and economically most closely linked with the United States, its allegiance lies firmly with Britain.

14. In 1996 all roads will lead to the general election in November. But life will go on. The economy should grow, fuelled by continued growth in financial services and tourism, as well as benefitting from revenue improvement measures which the Government are putting in place. The opening of the Stock Exchange in June, the establishment of a Monetary Authority, together with a proposed Financial Services Act (this will mop up existing acts and bills including the emotive Confidential Relationships (Preservations) Law), will further enhance Cayman's reputation as a major offshore financial centre.

15. This review demonstrates that we continue to meet all of our long-term objectives, which relate to the good government and stability of the Islands with particular reference to financial management, drugs, tourism and the environment, whilst maintaining Britain's profile within the territory. But we cannot report a 100% success rate on our 1995/96 short-term objectives. Our failure stems from either the need to take a slower approach (Bill of Rights legislation) or lack of commitment/resources from other quarters (British Council and BBC). We will continue to try to make progress in these areas

16. I am copying this despatch to Her Majesty's Ambassadors in Washington and Havana; to High Commissioners in Kingston, Bridgetown, Nassau and Port of Spain; to Governors in Anguilla, Bermuda, British Virgin Islands, Montserrat and the Turks and Caicos Islands and to the Head of the Dependent Territories Regional Secretariat in Bridgetown.

I am, Sir,
Yours faithfully

A handwritten signature in black ink, appearing to read "John Owen". The signature is written in a cursive style with a large initial "J" and "O".

John Owen

**CAYMAN ISLANDS
CALENDAR OF EVENTS FOR 1995**

JANUARY

- 1 24 Cuban migrants arrive on Cayman Brac.
- 13 91 Cuban migrants depart on first charter flight to Guantanamo Bay.
- 24 109 Cuban migrants depart by charter for Guantanamo Bay.
- 24 Guardian Bank and Trust Company closed.
- 25 78 Cuban migrants depart by charter for Guantanamo Bay.

FEBRUARY

- 1 10 Cuban migrants arrive on Cayman Brac.
- 2-5 Governors meet informally in Grand Cayman.
- 10-13 Up to 163 Cubans depart by boat for destinations unknown. About 40 make it to the US Gulf Coast and are transported to Krome Detention Centre and the rest are intercepted by US Coast Guard and transferred to Guantanamo.
- 11-25 Governor leads financial services promotion tour to New York, London and Hong Kong.
- 12 New Commissioner of Police, Mr Tony Grey, arrives
- 18-19 [REDACTED] DA Bridgetown, visits to assess Cuban migrant situation.
- 24 Outgoing Commissioner of Police, Mr Alan Ratcliffe, departs.
- 28 46 Cuban migrants depart by charter for Guantanamo Bay.

MARCH

- 3 Governor delivers Throne Speech at opening of first sitting of 1995 session of Legislative Assembly (sitting ends on 5 April).
- 7 128 Cuban migrants depart by charter for Guantanamo Bay.



JULY

4-7 Cuban Vice-Minister for Fisheries, Sr Rafael Jimenez, and Director of Shipyard Union in Cienfuegos, Sr Orlando Chang, visit Grand Cayman.

AUGUST

24 Four prisoners from Montserrat arrive in Grand Cayman for temporary detention whilst Montserrat deals with an active volcano.

31 Cayman Airways buys one aircraft outright.

SEPTEMBER

3 Deputy Speaker and Member of the Legislative Assembly, Mr G Haig Bodden, MBE, dies of cancer

11-21 Third sitting of 1995 session of Legislative Assembly.

20 Mr and Mrs Michael Gore depart.

OCTOBER

16 Mr and Mrs John Owen arrive. Official swearing in.

20-24 West Indies Guard Ship, HMS Southampton, visits for Annual Pirates' Week Festival.

24 Nomination date for Bodden Town by-election. Five candidates nominated.

26 11 Cuban migrants arrive on Cayman Brac.

NOVEMBER

1-2 Cayman Islands delegation, led by Chief Secretary, visits Havana for talks with Cuban government on migrant issues.

6 14 Cuban migrants repatriated involuntarily to Cuba by charter flight.

10 Fourth sitting of 1995 session of Legislative Assembly (ends 13 December)

12 Remembrance Day



21 Remaining 13 Cuban migrants repatriated involuntarily to Cuba by charter flight.

26 Four Montserratian prisoners return to Montserrat.

DECEMBER

6 By-election held in Bodden Town to elect a successor for the late Haig Bodden. Ms Heather Bodden (National Team) wins by four votes.

11 Ms Heather Bodden sworn in at the Legislative Assembly.

21 Channel 4 news in the UK airs a 15 minute item on the management of prisoners and prisons to tie in with the retirement of Judge Stephen Tumim, which is dominated by a positive report on Northward Prison and which was filmed the previous week.