To:
[redacted]
Subject: CAYMAN ISLANDS: ANNUAL REVIEW AND FIRST IMPRESSIONS: [redacted]
Sent: 31 January 2006 21:41:14 GMT

Detail

2. 2005 ended on a high note. The long-awaited 5 star Ritz Carlton hotel opened with lots of glitz and celebrities - a symbol of recovery from hurricane Ivan. Cayman got through the hurricane season with only a couple of scares and a little flooding. And the police under the new British Commissioner were visibly beginning to get a grip on crime, the main worry throughout much of the year. The biggest talking point has shifted to road congestion, itself a symptom of economic success.

3. The election of a new Government under Kurt Tibbetts in May also created a healthier atmosphere. They have an ambitious programme of reforms across most areas of national life. They are putting effort into greater transparency and accountability, and better delivery from the civil service. They remain Caymanian at heart and can be suspicious of the motives of the UK and others. But there is healthy debate in Cabinet, which often brings out the wider realities, and they are open to advice, including from a new Governor.

4. The economy is doing well. There has been good growth in the financial industry, especially hedge funds (up 23% in the last financial year) and captive insurance; Cayman has retained its position as the fifth largest banking centre. Tourism too is growing even if the recovery from Ivan is not yet complete. The recovery and greater confidence are feeding a construction boom. But the rising cost of housing is creating problems for the recruitment and retention of teachers and other key staff from overseas. The new government is showing reasonable financial prudence despite the need for resources for its programme, including for new schools and much needed better accommodation for itself. Efforts are going into sorting out the finances of the health system, but there is no sign of getting Cayman Airways on a sound financial footing.

5. The year has brought some external challenges. Worries about imported crime led to a badly managed imposition of visas on Jamaicans and reciprocation by Jamaica. Growing numbers of Cuban migrants put a strain on Cayman's capacity to house them until the slow-moving authorities in Havana agree to their repatriation. Suspicions about others' attempts to impose regulation on financial services continue.

[redacted] In their eyes UKG was trying harder to address the concerns of the OTs at the OTCC in October: Lord Triesman's and the PUS's participation were much appreciated. There was a successful Sponsored Visit by three of the new elected Cabinet members and the Speaker, and the UKG representative's speech in support of the OTs financial probity at the OCTEU meeting went down well.

7. But UKG and I are still on probation. [redacted] ery. At least some of this money does now look likely in the near future.

8. [redacted] es. We have been working in them as refurbishment proceeded; by the end of January this disruption should be over. The addition of a Head of Government Office position has increased our ability to track and influence the CIG.

2006

9. There will be plenty for the Cayman Islands Government and the Governor's Office to do this year. Major reviews are under way on immigration policy - [redacted] for [redacted] ng. A lot of work is going into improving education, health and social services; and into constantly modernising legislation and regulation of financial services - the key to Cayman's competitiveness and also necessary to respond to international regulatory changes. The road-building programme is being accelerated. The completion of radical public sector reform and the introduction of freedom of information will be big challenges.

10. Much still needs to be done to sort out the police service and tackle crime [redacted]. The sentencing of notorious gang leader, Sheldon Brown, this month to 22 years for attempted murder was a positive development. But the Commissioner will need our constant support as he modernises the police to deal with the continuing threats of drugs and gang crime, and in his contingency planning for future disasters. Following a study by UKSAT, a stronger 24/7 operational maritime capability to tackle drugs, illegal migration and safety for tourists, will address the most glaring gap in Cayman's security. These efforts will come together in the development of an over-arching security strategy, which I have initiated.

11. For the UK and for me two high priorities will be disaster preparedness - on which a lot still needs to be done to prepare for hurricanes and a flu pandemic- and Constitutional modernisation, which with luck and skill on both sides should hopefully not be too difficult. But in both these areas, and in others, [redacted], notwithstanding their reserves of good sense, enlightened self interest and dedication to the public good. On human rights and the environment Cayman will never be a front-runner, but this month's admittance of a gay cruise ship (after a controversial refusal in 1998) and a growing awareness of Cayman's vulnerability to climate change hint at greater pragmatism going forward.

12. See [redacted] for conclusions and first impressions.

Tracking information: [redacted]