



Office of the Governor  
Grand Cayman  
Cayman Islands

[REDACTED]  
[REDACTED]

The Rt Hon Douglas Hurd MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
LONDON

Sir,

THE CAYMAN ISLANDS: ANNUAL REVIEW FOR 1989

1. An otherwise satisfactory year was marked by a significant increase in the level of political vituperation. The economy continued strong but there was increasing anxiety in the community about the effects on the social fabric of rapid development. Cayman Airways had a good year including opening a direct service from Grand Cayman to New York, but later was badly affected by excessive competition from American carriers on the Grand Cayman to Miami route (its bread and butter sector).

THE ECONOMY AND FINANCE

2. The twin pillars of tourism and the offshore financial industry provided a year of steady growth. The number of banks increased to 538; of companies to 3,221; the marginal drop in insurance companies was due to the Department actively pursuing the surrender of inactive licensees. The process of weeding out undesirable

[REDACTED]

[REDACTED]

vessels on the shipping registry has continued, with good progress.

3. The physical evidence of prosperity by way of development of tourist facilities, office buildings and private houses, continued. Another large shopping mall was opened, as was the biggest supermarket yet (a \$10 million project).

4. The tourist industry which had a good year in 1988, dropped back by some 3.5% of air arrivals, although gaining by 28% on cruise ship arrivals. The year started with a substantial decrease in air arrivals in the first quarter, but much of the ground was regained as the year went on. The Radisson (300 room) Hotel is only slightly behind schedule, and should be open during 1990.

5. A sudden Nor'wester on 23 December caused some \$1.8 million of damage, but most of the commercial enterprises affected have been restored, with the Turtle Farm being back at about 75% operation.

6. The outturn for the 1989 Budget showed a surplus of approximately \$7 million on \$82 million expenditure. However, the "eyes bigger than the stomach" syndrome has meant that the 1990 budget more than takes up the slack. Additional revenue raising measures will be required during 1990.

#### LEGISLATION

7. The Mutual Legal Assistance Treaty was finally ratified by United States Senate in the closing days of the year. In December, the territorial sea boundary was extended to 12 miles.

8. Local legislation included the revision and updating of the 23 year old Banks and Trusts Regulation Law; amending the Misuse of Drugs Law to enable restraint, and confiscation on conviction, of drug traffickers' assets, and to create the offences of money-laundering, and assisting in it; and amending the Penal Code to legalise abortion on medical certification of danger to the mother's life.

[REDACTED]

[REDACTED]

LAW AND ORDER

9. The Prison Service has improved efficiency and consequently morale. The new Director (formerly Governor of Wandsworth) rapidly made his mark with firm and humane administration. The prison population stood at 150 on 31 December compared with 125 at end 1988.

10. The Royal Cayman Islands Police Force gave another good year of service. They caught the Islands' first armed bank robbers and retrieved almost all the \$200,000 stolen. Drug related crimes declined again, but this cannot be taken as a firm indication that the problem is lessening.

[REDACTED]

[REDACTED]

[REDACTED] The number of reported burglaries and thefts declined, due mainly to increased prevention efforts and education. Traffic offences declined but fatalities unhappily increased to ten. At year's end it was disturbing to learn that earlier tensions between a few local officers and expatriates had revived.

11. The campaign against drug abuse has been pursued by all agencies involved, and among the community. The Advisory Council on the Misuse of Drugs produced its first report in April, with 43 recommendations. The Government subsequently produced its anti drug abuse programme, based on these recommendations and other professional assistance. I believe that real progress is being made in this vital campaign.

POLITICAL

12. My hopes for a strong and achieving Government following the 1988 elections [REDACTED] The group of Elected Members who formed a majority of seven to five in the Assembly and thus elected four of their Members to Executive Council, has fallen apart on personality issues. This is not new in Caymanian politics, but it is the first time that a Government finds itself in a minority in the Assembly with the eight backbenchers uniting

[REDACTED]



[REDACTED]

together with the Government; and in an absolute minority in Finance Committee (composed of the Elected Members only). [REDACTED] canvassed with Executive Council the possibility of an early General Election in October but the Elected Members did not feel able to support it. It is now clear that that was the right time to have called an Election, as the Opposition group has further out-manoeuvred the Government in the handling of the 1990 Budget, slashing funds proposed for major programmes (transport and medical, in particular) while arranging "sweeteners" in their Districts to gain prestige with their constituents. The Government is not now able to govern consistently and with a long term view. Further deterioration of this situation will require careful watching.

13. This illustrates a weakness of the carefully constructed 1972 Constitution, admirable for Cayman as it was at that time. Cayman is now far richer, better educated, with a younger generation closely in touch with West Indian politics. The amorphous structure of the Constitution does not provide a leading Ministerial figure with the power to appoint and discipline Members of "Cabinet". [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### WHAT NEXT

14. [REDACTED] We are in for an uneasy year, perhaps a watershed in Caymanian politics and outlook. The continuing pace of development will increase. Overt xenophobia is likely to increase with attacks on the British presence, due to the frustration that on their prosperity and (relative) competence an advanced constitution or even independence might indeed be built, against the reality that prosperity is largely based upon dependent status. I am considering raising in the February 1990 Throne Speech the possible need to consider some form of


[REDACTED]

[REDACTED]

constitutional review.

15. I am sending copies of this Despatch to the High Commissioners in Port of Spain, Kingston, Bridgetown and Nassau; Her Majesty's Ambassadors in Washington and Havana; the United Kingdom Mission to the United Nations in New York; the Head of the Development Division in Barbados; and, on a Personal basis, the Governors of Bermuda, Montserrat, the British Virgin Islands, the Turks and Caicos Islands and Anguilla.

I have the honour to be  
Sir  
Your Most Obedient Humble  
Servant



A J Scott  
Governor

[REDACTED]

CAYMAN ISLANDS  
ANNUAL CALENDAR OF EVENTS  
1989

JANUARY

US Defence Department team visits about proposed CBRN station  
Governor to ODA Conference, Barbados and visits University of Miami  
Commissioner of Police, [REDACTED] arrives  
US Coastguard present confiscated pursuit vessel  
Groundbreaking for Radisson Hotel project (300 bedrooms)  
Civil Service salaries increased by 4%

FEBRUARY

First 1989 meeting of the Legislative Assembly: Throne Speech and  
Budget Debate  
Announcement of Government's 3 year programme to prevent/control AIDS  
Air Chief Marshal [REDACTED], CDS, transits  
Royal telegram to Miss Florence Syms on her 100th birthday  
Visit of Costa Rican trade delegation

MARCH

Visit by [REDACTED], Coopers and Lybrand

APRIL

Advisory Council on the Misuse of Drugs present first report with 43  
recommendations  
Caribbean Squash Championships held in Cayman  
Visit of [REDACTED], Duke of Edinburgh's Award Scheme  
Court of Appeal sitting  
Rotary 15th District Assembly Conference in Cayman  
Cayman delegation to PRIDE (anti drugs) Conference, Atlanta  
Opening of new wing of Grand Pavilion Hotel (72 rooms)

MAY

Visit of [REDACTED], WIAD, FCO

First International Captive Insurance Conference

Second Meeting of the Legislative Assembly

Motion for Speaker of Assembly (Vice Governor) defeated on casting vote

Visit of CDT Bouan, French Naval vessel

Visit of [REDACTED] Canadian High Commissioner in Jamaica

Opening of Pines Retirement Villas

JUNE

Visit of Mr Derek Milton, British High Commissioner, Kingston and West India Committee Trade Group

Civil Aviation Safety Week (Cayman CAA and US FAA)

Queen's Birthday Parade and Presentation of Honours

The Governor and Mrs Scott absent on leave and duty (20 June - 27 July). Financial Secretary Acting Governor

JULY

Visit to Cayman by Caribbean Dependent Territories Drugs Survey Team

Visit of [REDACTED] SLO Washington

Visit of Mr Norman Bodden to UK (COI sponsored)

AUGUST

Governor and delegation make trade visit to Costa Rica

Governor and delegation to New York for promotion of Cayman Airways direct flights Grand Cayman to New York

Court of Appeal sitting

Review of Civil Service salaries for 1990 announced

Opposition group air abortive proposal to remove Executive Council Members

First armed bank robbery



SEPTEMBER

Third Meeting of the Legislative Assembly

Governor and delegation to Washington for air services talks

Visit of Naval Adviser, [REDACTED]

Visit of [REDACTED] SLO Washington

OCTOBER

Opening of new Airport Terminal (\$2.87 million) at Cayman Brac

Visit of Lord Templeman, Patron of the Law School

Law School Graduation

Visit of [REDACTED] of Bank of England

Cayman Airways acquired 2 new Boeing 737-400 aircraft, replacing 2 727s

NOVEMBER

10 yearly census held

Mr Thomas Russell, (former Governor) Government Representative in London, visits Cayman and presents silver ballot box to the Legislative Assembly

Pirates Week

Governor to Heads of Mission and Governors' Conference, Barbados

Second Biennial Bankers' International Conference

Remembrance Day (including small group of Gloucestershire Regiment here on adventure training)

Fourth Meeting of the Legislative Assembly - Budget Debate

Visit by [REDACTED], Adviser to the Law School

Marine Conservation Week

Visit of Mr Nicholas Bennett MP and Mr Harold McCusker MP

Visit of [REDACTED], First Secretary, Indian High Commission, Kingston

Visit of [REDACTED], SLO Washington



DECEMBER

Opening of Kirk Supermarket (Cayman's largest) - \$10 million project

Visit by [REDACTED] WIAD, FCO

Chief Justice, Mr Gerald Collett, departs

Governor and party to New York, call on Mayor Koch, give reception for inaugural flight of Cayman Airways direct to New York

Governor and Hon Norman Bodden to Washington for air services talks

Nor'wester Storm damages property, dock, Turtle Farm. No injuries.