

10 January 1994

Sir,

THE CAYMAN ISLANDS: ANNUAL REVIEW FOR 1993

1. Except for the inevitable minor hiccups 1993 was a good year for the Cayman Islands. The easing of the recession in the United States resulted in more Americans than ever before visiting the Islands on vacation; figures for air visitors show an all-time record while the number of cruise ship visitors was about the same as 1992. This coupled with sensible management of resources, cut-backs in the civil service which were achieved after I introduced an inspection exercise based on the system used by H M Diplomatic Service and a moratorium on capital expenditure resulted in Government ending the year with a surplus of more than CI\$ 2.7 million (Pds 2.2 Million) against an estimated deficit at the beginning of the year of CI\$1/2 million (Pds 400,000). As this figure was reached after trimming CI\$ 17 million (Pds 13.6 Million) off initial bids it was a remarkable achievement.

2. As I reported in my Annual Review for 1992, the new Government, elected in November of that year, settled in quickly - three of them were old hands on the Executive Council - and by the start of the New Year had begun to imprint their policies, several of which were to undo with minimum delay some of the disastrous projects embarked upon by the previous Government. In January, following discussions with the Member responsible for Health and Human Services, I appointed a Commission of Enquiry to look into all aspects of the new hospital project which the Government had cancelled within a few weeks of taking office. Legal action by the contractors succeeded in delaying the Commissioner from carrying out his Enquiry for several months but this has been overcome and his report is expected shortly. From the evidence which has been heard in public I doubt that anything will come to light to justify criminal proceedings against any of the principals concerned. The Enquiry, however, has shown that Government was justified in cancelling a project which was ill-thought out and, had it been completed, would have resulted in an ongoing drain on public funds which the country could not afford.

████████████████████

3. The other early action taken by the Government, and reported in my last Annual Review, the appointment of new management of Cayman Airways, resulted in tough decisions being made to scale down operations and bring expenditure under control. As a result, incredibly, in 1993 the airline made an operating profit against previous years' losses in the region of CI\$ 10 million (Pds 8.3 million). An injection of a CI\$ 14 million (Pds 11.6 million) loan to consolidate previous debts was made at the beginning of the year and by years end the total debt had been reduced from CI \$ 31.6 million (Pds 26.4 million) to CI \$ 14.5 million (Pds 12 million). Were it not for the fact that the debt had been guaranteed by the previous Government it would probably have been better for the company to have gone into liquidation for Cayman, like Bermuda, can manage without a national carrier, merely providing an internal service to the Brac and Little Cayman. But we are stuck with Cayman Airways and that being the case I am glad to be able to report that it is no longer the drain on our resources which was the case for so long.

4. The financial sector remained healthy with 28 new banks and 4,180 companies being registered during the year bringing the total to 535 and 27,727 respectively. This sector earns the country approximately CI\$ 22.5 million (Pds 18.7 million) per annum. I closed one private bank having received information that it was involved in money laundering; one of the principals has pleaded guilty to several offences and the case continues.

5. The announcement in December that the Minister of Transport in London had eased the officer nationality requirements for Red Ensign registered ships was welcome to Cayman where we have a Category 1 register and it is hoped that this sector will expand as a result of this decision.

6. On the political front the amendment to the Constitution which had been debated for more than two years finally came before the Legislative Assembly in the June session. Everything had been agreed and it seemed that the motion to amend the 1972 Constitution, effectively bringing it up to the 1990s, would pass without problem. At the last moment, however, several members expressed doubts about the Freedom of Conscience section in the Bill of Rights which, they feared, could result in unacceptable sects (the Joneses, Obiah, Rastafarians - who have won the right to consume marijuana during their religious ceremonies in the United States - and, most recently the Davidians of Waco infamy) being permitted to operate in Cayman with Government unable to stop them. Strictly non-conformist Christian, the people here do not want to be forced to change their ways or the

[REDACTED]

structure of their society. They have seen from the UK press how in Birmingham Christmas has been dechristianised as a result of pressure from immigrant religious groups and have heard that children in infant schools in UK were banned from performing nativity plays (though this proved to be a canard) and they do not intend for this to happen here. Initially they voted merely to take out the Freedom of Conscience section but when this was unacceptable to HMG it was agreed that the whole Bill of Rights would be removed for the time being and considered by a Select Committee. For the remainder the amended Constitution, which comes into force on 1 February, has been well received and I look forward to the election of a fifth member of the Executive Council in March as this will ease the workload on the existing members.

7. The gravest problem which Cayman had to face in 1993 was dealing with an influx of Cuban refugees who arrived in groups numbering from five to over a hundred during the course of the year. There have been small numbers of refugees arriving from Cuba ever since Castro took over in 1959. A few who arrived in the early days settled and are now fully integrated. Later groups stayed for a year or so and then moved on to the United States but numbers were manageable and they were either temporarily accommodated in the prison or, if they were available, in Government flats and bungalows. However, on 4 February a boatload of 102 refugees arrived on Grand Cayman and these, together with 21 who had arrived on the Brac earlier in the year brought the total to 227. During the course of the year a further 87 Cubans landed in the Cayman Islands.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The fact that, without risk to themselves, my small police force could not have dealt with a riot by over 100 Cubans demanding their internationally accepted right to move on seems to have been discounted.

[REDACTED]

[REDACTED] This incident forced us to face up to the problem and with financial help from HMG a tented camp was established on the outskirts of George Town which can accommodate up to 200 refugees. During the course of the year we lost more of the refugees, who either continued their journey to Miami in the boats in which they had arrived from Cuba or slipped away on board cruise ships, and at the

[REDACTED]

end of the year there were 34 Cubans in the camp with a further seven, who have been with us for more than two years awaiting entry permits to the United States, living in a block of Government flats in town. (By 7 January the number in the camp had increased to 78 as a boatload turned up in the first days of the New Year plus a defecting Cuban pilot).

8. Drug addiction remains the major social problem in the Cayman Islands. At least ten per cent, and probably 15 per cent, of the population are involved with drugs in one way or another and of the prison population of 178 at least 80 per cent are inside for drugs or drug related offences. There were two murders during the year, both directly drug related, and three shootings during the course of robberies, one directly drug related, the other two almost certainly by addicts seeking money for drugs. The amount of drugs in the Islands is alarming; an indication of the quantity is that a rock of crack cocaine can be bought for as little as CI\$ 2.50 (Pds 2) and during the year the Drugs Squad recovered no less than 1,953 kgs of cannabis and 23.5 kgs of cocaine. Much of this was clearly intended for onward shipment to the United States but, inevitably, some of it "falls off" in Cayman contributing to an increasing addiction problem. I have said publicly that drug addiction and its associated crime is the only threat to the security of the Islands. The message is getting across but it is a slow business and we have already lost too many of the 20-30 age group to drugs. A new police patrol boat has been ordered, 80 per cent of the cost being met by HMG and 20 per cent by the Cayman Government, and we are in the process of recruiting 15 more police officers from the UK, in addition to the 22 already here, primarily to deal with the problem. I propose to allocate responsibility for all aspects of drugs coordination, except police, together with the health portfolio, to the fifth Ministry when it is created in March in order to raise the profile of our fight against drugs.

9. The outlook for the economy is good. There are signs of an upturn in the construction industry and sales of property to foreign investors and retirees have recently shown an increase for the first time in three years. For this to continue, and indeed for Cayman to continue to enjoy the standard of living which the people have known for the past ten years, it is important that the Islanders do not succumb to the natural insularity which is found in all small island communities. In 1993 anti-foreigner sentiments were again heard and there was much criticism by the expatriate community of the Immigration Board which was making life difficult for those seeking work permits or permanent residence status. Much of the problem was caused by bad

[REDACTED]

management of the Immigration Department which services the Board but there is no doubt that some members of the Board were listening to complaints by disgruntled Caymanians who felt they were not benefitting as they thought they should from the wealth being generated, and were deliberately making life difficult for expatriates. A reorganisation of the Department and strengthening of the Board which was undertaken at the end of the year has improved the situation and we enter the New Year hopefully with this problem behind us. However it will inevitably arise again some time in the future, as it has from time to time in the past, whenever local people believe they are losing out to expatriates.

10. To conclude on a subject which is of particular interest to me, concern for the environment continues to impress. The Governor's Fund for Nature which I established in September to raise money to purchase land for conservation and habitat had reached a total of CI\$ 170,000 (Pds 140,000) by the end of the year. This included a donation of Pds Sterling 10,000 from AUSPB to help us secure a seabird breeding colony on Little Cayman as the Islands' first wetland site of international importance under the UN RAMSAR Convention. I am grateful for this support which emphasises to the people HMG's concern for conservation.

11. I am sending copies of this Despatch to the High Commissioners at Bridgetown, Kingston, Nassau and Port of Spain; Her Majesty's Ambassadors at Washington, Havana and Caracas; the Head of the Dependent Territories Secretariat at Bridgetown; and, on a personal basis, to the Governors of Anguilla, Bermuda, the British Virgin Islands, Montserrat and the Turks and Caicos Islands.

I am, Sir,

Yours faithfully

M E J Gore