

  
GOVERNMENT HOUSE  
GRAND CAYMAN

17 JANUARY 1997

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


Sir

**CAYMAN ISLANDS : ANNUAL REVIEW 1996**

1. The main feature of the political scene in 1996 was the November General Election. The team in power, the National Team, spent most of the year promoting vote - winning proposals whilst sidestepping issues which could adversely affect their support at the polls. But they were well placed to win. Their record in power was a good one. There was broad public acceptance for their policies and a feeling that they should be given a further four years to finish the job. On election day, the National Team was returned with an overall majority and the loss of only one seat.

2. It was a good year for the economy. GDP is estimated to be in the region of CI\$867 million, an increase of 5.5% over 1995. The main contributors were financial services, tourism, real estate and construction, both commercial and residential. The Government finances were also in good shape. After transferring CI\$2 million to reserves, the Government ended the year with an estimated budget surplus of CI\$5 - 6 million.

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3. The main growth in financial services came from mutual funds. At the end of 1996 there were 1,326 (1995 - 929) licenced or registered mutual funds. In other areas of financial services the year ended with 577 (1995 - 540) bank and trust companies, 417 (1995 - 377) captive insurance companies, and 950,000 tons of shipping was added to the shipping register. Legislation to establish a Monetary Authority and a Stock Exchange was also passed. The Monetary Authority was a particularly important move in that Cayman can now build a strong regulatory and supervisory body without being shackled by public service pay scales.


4. The real estate market took off, mainly as a result of the growth in financial services and purchases by foreigners and Caymanians for investment. Land and property sales reached a record of CI \$267 million - a 40% increase over 1995. This triggered a boom in construction, particularly in office buildings for which the demand exceeds supply.

5. Tourism is still Cayman's main growth area. In 1996 total number of visitors was 1,144,313 (1995 - 990,329) of which 373,245 (1995 - 361,444) were stay-overs and 771,068 (1995 - 628,885) were cruise ship passengers. However, there was public concern about the increase in the number of cruise ship passengers which only add to the pressure on services and roads, in particular the already congested town centre. As a result, the limit of 6,000 passengers per day was more rigidly enforced.

6. Early in 1996 there was growing public concern on environmental issues, particularly dredging in the North Sound - an environmentally sensitive area. The government came under strong pressure to act quickly. As a result, further dredging in the Sound was stopped. An attempt by the National Trust to persuade government to set up an Environmental Trust Fund to jointly purchase the central mangrove wetlands (an important source of rainfall and a breeding ground for Cayman's unique marine environment) ran out of time before the elections. The designation of a site in the North Sound under the Ramsar Convention also fell foul of the elections.

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7. Nineteen-ninety six was an important year for the sister island of Cayman Brac. In February I held a meeting of Exco on Cayman Brac, the first in 16 years. I also held a public forum to exchange ideas for the economic regeneration of the Brac. The Island, which has a population of only 1,200, has modern infrastructure but suffers from a haemorrhaging of people, particularly the young. In July, as a first step to encourage economic development, Government reduced import duties on building materials and removed stamp duty on land purchases. The Government bought a Russian destroyer and under the direction of Marine Conservationist, Jean Michel Cousteau sank it to create a unique diving site. A cruise ship operator agreed to make a weekly stop at the Brac. Work started on a draft economic development plan which includes the concept of a free port area. At the end of 1996 these steps have already resulted in a boost not only to the economy but to the spirits of the people of the Brac who are now more optimistic for the future.

8. Social issues were also addressed. The outlying districts continued to share in the fruits of Cayman's success. More civic centres which double as hurricane shelters, health centres and sports grounds were opened. A National Pension Law providing for compulsory private pension schemes for employees was passed. A National Health Insurance Bill mandating private health insurance was put out for public consultation. The fight against drug abuse was given a higher profile with the establishment of a National Drugs Council with a full time Executive Director. Its objective is to implement the strategic plan for drug abuse prevention. This, together with a comprehensive education programme starting in primary schools, should help in the long term to keep the drug abuse problem to manageable proportions.

9. In 1996 Cayman's streets were still some of the safest in the Caribbean. It is one of its most important tourism assets. The community policing effort with police officers on the beat has produced dividends. As the police officers gained the confidence of the local community so did the

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police see an increase in the flow of information from the public. As a result, the clear - up rate for reported crime remained high at 74%. The support for the police has never been so high as at the end of 1996.

10. The war on drugs continued. The Drugs Task Force seized 2,200 kg (1995-313) of cocaine and 3,181 kg (1995 - 5,880) of marijuana. Over 2,000 kg of the cocaine and 1,363 kg of marijuana was seized on joint undercover operations and controlled deliveries with the United States authorities. The provision of £21,623 from AUSPB funds enabled the Customs to purchase two rummage kits which enhanced greatly their capability.


11. Cayman's demographics continues to bear close watching. Preliminary figures for 1996 show a population increase of 4% to 35,000 - 23,000 Caymanians ( including expatriates with status) and 12,000 expatriates.

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12. Apart from Jamaica, immigration from other countries was not a major issue during the year. Most Caymanians understand that to continue to meet their rising expectations they will need outside expertise to service the needs of an increasingly sophisticated financial services sector. But the balance between Caymanians and expatriates will need careful monitoring. If in the long term Caymanians are overtaken by expatriates this could change the nature of society and result in serious social problems.

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13. My Review of Public Services has caught the imagination of the Civil Service and the private sector. The Review is based on the public's right to have public services delivered cost-effectively, efficiently and with a human face. During the year we set up a comprehensive review process in all government departments and statutory authorities. Progress is encouraging. The review should result in the creation of private companies, the setting up of agencies and the contracting out of services. At the end of the day we should have a public service which gives better value to the people and one that gives more power and responsibility to individual civil servants.

14. Independence, or greater autonomy, was not an issue at the general election. Cayman continues to feel comfortable with its relationship with the "mother country". The announcement of our new policy towards the Dependent Territories did not result in any "waves" here. Quite the reverse. Politicians and the press supported HMG's move.

15. However, the UK's relations with Cayman went through a difficult patch in the first six months of the year when HMG had to exert pressure to persuade the Government to pass a Proceeds of Criminal Conduct Law (PCCL) acceptable to HMG. But the main stumbling block was the private sector which exerts considerable influence on the politicians. The intervention of a major UK High Street bank in support of the private sector was particularly unhelpful. However, after a visit by a Cayman negotiating team to London and a clear message that HMG was determined to put through a Bill which had teeth, the legislation passed the LA in September. This was a bruising time but HMG's firm action reminded Cayman that there is an iron fist in a velvet glove.

16. The issue of a Country Policy Plan for Cayman was a continuing irritant. ExCo do not consider a Country Policy Plan, as has been applied to some of the other Caribbean Dependent Territories, is appropriate for Cayman. I agree. The Territories are all at different stages of economic development. They have different ethnic backgrounds and cultural

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histories. We should not therefore try to apply the same broad brush approach to them all. Instead our approach should be tailored to reflect the individual circumstances of each territory.

17. Cayman raises all its own revenue, it does not receive any aid. It is running a successful economy which is more advanced than that of the other Caribbean Dependent Territories. It has an efficient Civil Service. Cayman has demonstrated over the years that it adheres to the principles of good government, and that it is aware of the need to protect HMG from contingent liabilities. It is therefore insensitive and unreasonable to treat Cayman in the same way as the less developed Territories. In addition, under Cayman's constitution, which does not provide for a Chief Minister, the Governor plays a hands-on role in policy making and in the day-to-day running of the country. The Governor is therefore well placed to ensure good government and to guard against contingent liabilities.

18. HMG can achieve its objectives without forcing a Country Policy Plan down Cayman's throat. I already have ExCo's agreement for a Strategic Plan for Cayman. As in the case of Bermuda, Cayman's Plan will set out the government's objectives for a three or five year period. There will be a requirement for progress reports in order to monitor achievement against objectives. Work is already under way. It will be my responsibility to agree the Plan with ExCo and to ensure that it includes HMG's objectives.

19. Cayman is growing in importance as a market for British retail and capital goods. In 1996 Britain's exports to Cayman grew from £6 million to £15.86 million. All this has been achieved with an Honorary British Trade Representative, support from my Office and occasional visits from a Commercial Officer in Kingston. Cayman is also a contributor to UK invisibles but I have yet to find someone who can give me a value.

20. All three Chevening Scholarships allocated to the Caribbean Dependent Territories went to Caymanian students this year. This

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remains a useful scheme which, hopefully, will maintain a core of British university educated policy-makers for the future.

21. It was a better year for our relations with the United States. More joint operations with the DEA, Cayman's willingness to try and speed up Mutual Legal Assistance Treaty requests, the passing of the PCCL, all contributed to the improvement in relations with the US. In the US, the Embassy in Washington was particularly helpful in putting Cayman's case to the Administration. But to build on this increased goodwill Cayman must continue with anti-money laundering legislation, particularly that covering international cooperation.

22. Cayman has entered 1997 in a strong position. The economy is growing, and should continue to do so. The Government enjoys a high level of public support which should allow it to continue to carry out its legislative programme, which will include more legislation to tighten controls on our financial services sector. The strengthening of the staffing of the Monetary Authority will also be a high priority.

23. 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 Dependent Territories Regional Secretariat in Bridgetown.

I am, Sir  
Yours faithfully



JOHN OWEN

**CAYMAN ISLANDS**  
**CALENDAR OF EVENTS**  
**1996**

**JANUARY**

- 8 HMS Brave (West Indies Guard Ship) seizes 1.5 tonnes of cocaine 300 miles west of Grand Cayman. Video footage sent by satellite from Grand Cayman to London.
- 12 Holland-America cruise ship "Maasdam" damages 7000 square feet of coral reef close to George Town harbour. Huge restoration project begun.
- 14-16 Exco visits Cayman Brac and Little Cayman  
19-22 HMS Brave visits Grand Cayman.
- 28 Police and Immigration officers smash a large offshore gambling ring.

**FEBRUARY**

- 5 AUSPB donates #14255 for an environmental study of the coastal saline ponds of the Cayman Islands.
- 8 Team Cayman disrupt National Team public meeting in George Town.
- 16 State opening of 1996 Sitting of the Legislative Assembly. Governor delivers his first Speech from the Throne.
- 19-23 Visit by [REDACTED] (Maritime Security Division, Dept of Transport) to assess cruise ship security measures.
- 20-24 Visit by six British Members of Parliament as part of the Friends of Cayman parliamentary group.

**MARCH**

- 18 Plans to form the Monetary Authority are announced.
- 20 First session of the 1996 sitting of the Legislative Assembly ends.
- 27 Four RCIP officers seconded to Turks and Caicos Islands Police for three weeks.



## APRIL

- 3 Cayman Airways' inaugural flight to Orlando.
- 22-23 DT Police Commissioners' Conference, Grand Cayman.
- 22-24 Visit by [REDACTED] (WIAD, FCO).
- 23-25 Cayman Islands voted in as a full member of the International Drug Enforcement Conference, Mexico City.
- 24-3 June Review of the RCIP by Lionel Grundy, Overseas Police Adviser.

## MAY

- 11 Restoration of damaged coral reef completed.
- 14-17 Three representatives from the Cayman Islands attend the EU/UNDCP Drugs Conference, Bridgetown.
- 23 Review of the Public Services announced.
- 24 2249lbs of ganja seized by Customs officers and two people arrested. Undercover operation with USDEA leads to several further arrests in US.
- 25 25th anniversary of Currency Board
- 28 AUSPB donates \$21,000 for Customs rummage kits.

## JUNE

- 10-15 Richard Foster and Lee Beaumont (Aviation Security Division, Dept of Transport) visit to assess the national Aviation Security Programme.
- 14-17 Visit by HMS Argyll (West Indies Guard Ship)
- 15 Royal Marines set new world record for abseil/parachute/scuba dive, Grand Cayman
- 17 Queen's Birthday Parade and reception
- 19 Second session of 1996 sitting of Legislative Assembly begins
- 20 Incident in Legislative Assembly involving placing a local irritant (cow-itch) in the lining of Truman Bodden's jacket.

## JULY

26 ExCo and members of Private Sector Consultative Committee visit London for talks on Proceeds of Criminal Conduct Bill

## AUGUST

## SEPTEMBER

4-27 Final session of 1996 Legislative Assembly

14 Three Chevening scholars depart for UK

20 Legislative Assembly passes Proceeds of Criminal Conduct Bill and Monetary Authority Bill

30 Legislative Assembly is dissolved

## OCTOBER

6-7 Visit by ██████████ ERD

## NOVEMBER

9 Ceremony to bestow the honour of "National Hero" on Sybil McLaughlin, the former Speaker of the Legislative Assembly.

19 Russian destroyer sunk off Cayman Brac as dive attraction

20 General Election

21 Familiarisation visit by ██████████ WIAD

27-29 Visit by UKCAA inspectors to conduct ICAO-style safety oversight inspection at Owen Roberts airport

27 Members of Legislative Assembly sworn in, Speaker and ExCo elected

**DECEMBER**

- 4-6 International Offshore Funds Conference
- 6 3rd Annual Tourism Conference
- 17 Governor pays official visit to Cayman Brac
- 18 Announcement of new CDT policy