



**OFFICE OF THE
PREMIER**
CAYMAN ISLANDS GOVERNMENT

Statement on new ministry

By Premier Hon. Alden McLaughlin, MBE, JP, MLA

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Legislative Assembly

Mr. Speaker. I previously advised this House of the Government's intention to create a new international trade and investment Ministry as well as open an office in Hong Kong.

I am happy to advise this Honourable House that both of these have progressed with the UK Government, via the Governor's Office, having formally confirmed their agreement for a new Ministry and have also agreed that it will be named the Ministry of International Trade, Investment, Aviation and Maritime Affairs.

I can also confirm that the UK has also provided a Letter of Entrustment that approves the opening of a Cayman Islands Government Office in Hong Kong, subject to receiving the necessary approvals from Hong Kong authorities. The UK Government and the Governor's Office have also committed to assisting with both endeavors, the startup of the new Ministry and the Hong Kong Office. It is with the latter that this assistance will be especially useful and the UK Consulate General in Hong Kong will provide advice and on the ground assistance to get the initiative going, including seeking approvals from the Hong Kong Government.

While it is perhaps extra ordinary for an Administration to create a new Ministry, Mr. Speaker, these are indeed extra ordinary times. The principal purpose that brings us here today is to debate and hopefully approve a series of amending bills that seek to defend the Cayman Islands from being blacklisted by the European Union or falling afoul of the Organisation for Economic Cooperation and Development's Forum on Harmful Tax Practices. What we continue to see, Mr. Speaker, is an ever changing landscape as regards the required regulation of the financial services sector; requirements that are no longer European Union-centric but are becoming the international standard – and so Cayman must move with the times if we are to

maintain a vibrant Financial Services Industry.

But the landscape will continue to change and the Cayman economic model will continue to face external threats, particularly as a result of the widespread misunderstanding of the Cayman Islands, our Financial Services Industry and the regulatory regime that underpins it. And despite our efforts to educate and engage with politicians in the United Kingdom, this misunderstanding even extends to Westminster Mr. Speaker, as we saw earlier this year. And Mr. Speaker whilst we are all hopeful that the UK will find a good solution to the challenge that is Brexit, it will continue to face challenges post Brexit.

So we must do our bit to lessen their burden and at the same time, as I have said before, to step out of the UK's shadow and stand up for ourselves when it comes to matters of international trade. This is the role, Mr. Speaker that the new Ministry will take on.

Mr. Speaker, this Government recognises that in general terms, foreign policy or external affairs are functions reserved to the Governor under Section 55 of the Constitution. However, that Section also recognises that in the discharge of their normal functions, key Ministries will necessarily need to relate to overseas governments and institutions. The Constitution therefore provides that, in consultation with the Premier, the Governor may delegate responsibilities for external affairs to elected Ministers, which then gives them freedom to act within certain prescribed limits.

In reality, every Ministry has responsibilities that bring them into contact with other jurisdictions or inter-governmental bodies. This varies considerably in scope and in the resources required to develop and maintain overseas relationships within each Ministry.

Sadly Mr. Speaker, there is limited joining up of activities across Ministries and from the point of view of partners abroad in both the public and private sectors, the Cayman Islands Government can at times be difficult to work with. At the political level, I, as Premier, act as the de facto lead for cross-Governmental international activity and therefore, traditionally, the Premier will lead significant overseas missions. However, within the civil service there is no one similarly charged with coordinating or leading this activity. Opportunities to present a coherent and consistent approach to other governments and to potential investors and partners are being missed. The new Ministry will provide this coordinating function.

In summary the Ministry of International Trade, Investment, Aviation and Maritime Affairs will advance the economic and political interests of the government, the Caymanian people and the local business community, to make it easier for potential overseas investors to do business in the Cayman economy, and to help enhance the reputation of the Cayman Islands.

Generally, Mr. Speaker, the benefits of the new Ministry include:

- improved reputation and promotion of Cayman with key opinion formers in overseas governments and institutions and in the private sector
- increased inward investment as we attract a wider pool of potential investors and make it easier for them to gain access to Caymanian markets
- increased tourism and financial services business as we help to open up and secure markets
- economic diversification as we are able better to understand and attract an increasingly diverse range of businesses to Cayman
- bringing a renewed focus on growing our aircraft and shipping registries.

To achieve these benefits Mr. Speaker, the new Ministry will take direct responsibility for the Cayman Islands Government Office in London and a limited range of existing government departments and entities. The Ministry will, more broadly, be charged with coordinating the jurisdiction's activities internationally though many of those activities themselves would remain with existing Ministries.

The departments, offices and statutory authorities that will fall within the new Ministry will be those that have a principal focus on external trade and customers.

They are identified as:

- the Cayman Islands Government Office in the United Kingdom (CIGO-UK)
- the Department of Investment (to be split off from the Department of Commerce and Investment)

- the Shipping Registry of the Maritime Authority of the Cayman Islands
- the Aircraft Registry but not the regulatory functions of the Civil Aviation Authority of the Cayman Islands

I wish to make plain that with regards to the last two that the Ministry's role will be limited to the promotion of the shipping and aircraft registries and does not affect the Governor's responsibilities over other areas of maritime and aviation affairs.

In addition to the UK Government Office, it is anticipated that over time the Ministry will develop a network of international offices in locations where their establishment would enable it to better achieve its stated purpose. Proposals for such offices will be brought forward on a case-by-case basis and as I have mentioned previously the first business case, for the establishment of an Asia Office in Hong Kong, has already been developed and approved.

Mr. Speaker several potential locations for an Asia Office were considered, however, in consultation with key business leaders it was determined that Hong Kong would be the most advantageous location. That is because of its existing links to Caymanian businesses and government entities and its ideal location as a gateway to other Asian markets.

Mr. Speaker the establishment of the Cayman Islands Government Office – Asia will create a focal point to promote all aspects of the jurisdiction in an increasingly significant market. It will strengthen and deepen business ties and provide a gateway for future trade and investment in Asia. It will also facilitate the development of cultural ties between Asia and these Islands.

The primary focus for the office will be in the realization of economic benefits. It will support the existing twin pillar industries of tourism and financial services and also serve to support the diversification of the Cayman economy through establishing links and promoting inward investment opportunities with Asia's highly-developed knowledge-based industrial sectors.

Mr. Speaker a physical presence on the ground in Hong Kong will mean that the Office can provide certain real-time support services such as certificates of good standing, dealing with immigration related queries for Asian visitors, and potentially company incorporation and funds

registration in a same day and time zone convenient manner. This will add tremendous value to the efforts of Cayman-based firms already operating in Asia, and in particular in Hong Kong. Previous attempts to establish an office in Hong Kong were unsuccessful but times have changed. Both the Government and the business community share optimism that the new Asia Office will provide a springboard for improved business and other links for the benefit of Cayman. And as I have indicated the UK is also geared up to assist us to make it a success this time around.

As I indicated earlier Mr. Speaker, Brexit is presenting a challenge to the UK and in some regards to its Territories. However, we also see opportunities. These include the opportunities that the UK's Global Britain initiative could bring to Cayman if we put ourselves in the best possible position to exploit those opportunities.

Mr. Speaker the obvious example is our participation in the GREAT Festival of Innovation in Hong Kong earlier this year. We were very grateful for the Secretary of State's invitation to take part and we would welcome the opportunity to participate in similar events in the future. We believe that had this new Ministry been up and running we could have been even more effective participants in the Festival; and so this demonstrated to us that if we raise our game we can make the most of the opportunities that working closely with the UK can bring us.

In setting up both a new Ministry and an Asia Office in Hong Kong, the case for change is underpinned by the view that international issues will become increasingly important to the wellbeing of these Islands. It is therefore essential that high calibre and suitably skilled staff are employed and this will present opportunities for Caymanians to gain invaluable experience and exposure working in the Ministry or in the London and Hong Kong offices, and in any future offices that may be opened.

Mr. Speaker the Government accepts that there are costs and indeed potential risks in this approach. We intend to provide an annual budget, estimated at some \$3M, for the Ministry and the Asia Office. There will be new civil service headcount but much of the budget will go directly into promoting the Cayman Islands and attracting business. This represents a considerable investment when we are well aware of the other potential calls on government funding.

However, we believe the benefits I have outlined are significant enough to justify the investment; an investment in the future and prosperity of our people and our Islands.

Mr. Speaker I said at the start that the creation of a new Ministry is an extra ordinary step resulting from the extra ordinary times in which we live. What is not extra ordinary, however, is this Government's determination to make the right decisions to support our economy, our businesses and our people.

Thank you, Mr. Speaker.

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