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## June 7, 2009

CAYMAN ISLANDS UPDATE: Here's some news gleaned on my trip this week, on various topics.

*Diving:* Conditions are good. The West Bay sites are showing signs of over-diving, but the North End sites were terrific — I saw two turtles that were both gigantic — well over four feet, as far as I could tell, and much bigger than I've seen before — and there were lots of eagle rays, lobsters, etc. Lots of tarpon, too. Water temps were nice, a consistent 82 degrees. A bit of murkiness, especially on the West side: People attribute that to runoff from the rather widespread construction. (Earlier discussion, for comparison, here. Also here.) Overall, I feel that the Caymans have done a pretty good job of balancing development against the environment, but that lately they seem to have leaned too far in the direction of development and short-term moneymaking. Which brings us to. . .

*Economics.* It's the slow season, of course, but by all accounts business is off compared to recent years, and restaurants, bars, etc. all seemed kind of empty. (Waiters/waitresses seemed especially grateful for tips, too). A couple of hotels are actually closed. The level of cruise-ship traffic was the lowest I've ever seen. I don't know how the banking business is going, but the recession has definitely hit the parts of the island economy that you can see.

Interestingly, the Cayman government is trying to reduce dependency on foreign energy. They're looking at possibly setting up wind-power farms on the East End (least-settled, most windy). Cayman is kind of marginal for wind power, as Cuba blocks the trades to a degree, but with electrical generating costs — using imported natural gas — at 20 cents per kilowatt, it's probably still viable. They're looking at solar, too. Power is very important there, since all their water comes from desalination.

A top priority (other than immigration — see below) in the elections last month was getting Cayman off the OECD gray list for "tax havens." The whole tax-haven kerfuffle is silly (here's one discussion, and see more here) but the Caymanians are upset about being on the list. Part of this is national pride, but more of it is economics.

*Immigration:* As I think I've noted here before, the Cayman Islands have a rather restrictive immigration policy. Most of their economy is run by immigrants, mostly from the U.S. and Britain, and a lot of Commonwealth countries. (The Islands have a population of just over 50,000 people, only about half of whom are actually Caymanians). The rule is that you can get a work visa for seven years, but that after that, except in rare cases, you have to leave. I'm actually somewhat sympathetic with that — I can see why the Cayman natives feel they could easily be swamped by outsiders in their own country, and why they don't want a huge class of permanent non-citizen residents, either. On the other hand, it's pretty hard on a lot of people who come there and settle in, for whom a move is an uprooting. Last months' elections saw the incumbent People's Progressive Movement — which had been pretty hardline on immigration — ousted by the United Democratic Party, which is expected to take a softer line. It's a tough issue. Much of the tourist industry is run by outsiders — you seldom see a native Caymanian in the dive operations or other water sport businesses — and so is most of the banking industry. Between them, they account for most of the Caymans' GDP. I was told that enough immigrants have become citizens that their votes probably swung the election against the PPM. The Cayman labor market is interesting: Lots of Jamaicans come over to do the jobs Caymanians won't do at the bottom end (hotel maids, security guards, etc.) while expats come in for the high-end banking, accounting, and legal jobs that Caymanians mostly can't do, because a country with a native population roughly equivalent to that of Maryville, Tennessee just isn't going to produce that much top executive talent.

*Dolphins:* A big issue over the past few years was the opening of dolphin attractions, and now — despite a lot of local opposition — they have two. The dolphins are imported (you don't generally find them in the waters around Grand Cayman) and are there basically to squeeze money from the cruise-ship crowd. Many locals think that it's inhumane to keep them in captivity (one facility keeps them in something not much better than a swimming pool) and think that they shouldn't be a marine attraction when they're not really native to the waters anyway. Despite a campaign, however, they're there now.

The Caymans have the highest standard of living in the Caribbean, and they do a pretty good job of running the place. I've been going there since 1986 and I've always been impressed with them. My own sense, though, is that they're overdeveloping (especially since Hurricane Ivan, when I think the post-disaster need for cash led to a lot of stuff being permitted all at once) and that a more measured approach over the past few years might have been better.

And to see what it's all about, check out these photos.

Posted at by Glenn Reynolds at 9:37 pm