Economic diplomacy in small countries: a four-action plan for the Cayman Islands

Laura Panadès-Estruch

Truman Bodden Law School of the Cayman Islands,
George Town, Cayman Islands
and
University of Cambridge,
Cambridge, UK
Email: laura.panades@gov.ky

Abstract: The Cayman Islands is finally ready to establish external relations. Starting almost from scratch, its new Ministry of International Trade, Investment, Aviation and Maritime Affairs is launching a coordinated global charm offensive. Economic diplomacy should be put at the centre of the Ministry's strategy because of Cayman's role as a world-leading offshore financial centre. This article puts forward a four-action plan to inform its early activities. It is structured in four main sections, covering each of the suggested actions, which are (i) setting up an electronic one-stop-shop for investment, (ii) humanising 'Brand Cayman', (iii) creating a worldwide network of Government offices, starting in Brussels, to deploy economic diplomacy and (iv) promoting blue-green investments on island through public-private partnerships. The methodology is desk-based research. Sources blend international and local materials for a unique perspective.

Keywords: Caribbean; British overseas territories; Cayman Islands; international relations; economic diplomacy; offshore; international finance; trusts; investment funds; foreign direct investment; blue investment; green investment; policy.

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Biographical notes: Laura Panadès-Estruch is the LLM Director in International Finance, Truman Bodden Law School of the Cayman Islands, in partnership with the University of Liverpool; and Member of the Public Procurement Committee of the Cayman Islands. She is writing her PhD dissertation on public-private partnerships at the University of Cambridge, UK.

1 Introduction: economic diplomacy's landing in Cayman

Famous for its world-class offshore financial sector and its equally well regarded beaches, the Cayman Islands is a three-island Caribbean country in the north-west of the Caribbean Sea. What makes it unique is its smallness, its Caribbean location and its status as a British Overseas Territory. Cayman is a small country according to scholarly standards (Baldacchino, 2010; Wettenhall, 2018), bringing potential challenges of its own such as nepotism, corruption and conflicts of interest. However, Cayman does not fall within Mounsey and Singh's (2018) definition of 'small island developing states': though small in land and population, its high GDP sets it apart. Recent figures (2018) estimated a GDP of KYD 4.6 billion (USD 5.11 billion) and its per capita value of KYD 67,015 (USD 80,500 approx.) (Cayman Islands Economics and Statistics Office, 2019). Geographically, it is a three-island, remote and isolated country, that applies a strict local preference to the detriment of international competition, with high tariffs promoting local peoples and industry (Cayman Resident, 2020). Lastly, Cayman self-governs by exercising its own legislative, judicial and executive powers (UK Parliament, 2009). However, Cayman is under the UK sovereignty as a British Overseas Territory (BOT). The highest authority on island is the UK-appointed Governor who exercises power on behalf of a Secretary of State who, in turn, exercises power on behalf of the Crown (Hendry and Dickson, 2018; UK Parliament, 2009).

Cayman has finally grasped the importance of external relations and has set up the new Ministry of International Trade, Investment, Aviation and Maritime Affairs in response. The local economy is built on three pillars: financial services, tourism and real estate. In 2017, financial services represented CI$1.74 billion of GDP, accounting for a 44.1% of the total economy and 16.8% of all employment (Cayman Islands Ministry of Financial Services, 2020a). Recent international events have put Cayman's economic model under pressure to better manage its external relations. In February 2020, the European Union added Cayman to its list of non-cooperative jurisdictions for tax purposes. The local financial services sector rebutted such claims. Cayman Finance, the main local financial services lobby, argued that '[t]he Cayman Islands has had a track record of meeting evolving global standards and that is expected to continue [and] we stand ready to work with government, as it sees fit, as it cooperates with the EU to be removed from the list" (Cayman Finance, 2020). Another threat is the current OECD's reassessment of its list of uncooperative tax havens, with Cayman's inclusion currently under review because of compliance concerns regarding money laundering and proliferation financing (Silva, 2019). As a response, Cayman is developing its external relations. This might be new to Cayman, but not to others. Alammar and Pauleen (2016) referred to this as 'business diplomacy', whereby business constructively engages and negotiates with all kinds of stakeholders in mitigating commercial and geopolitical risk. Cayman has finally realised the importance of responding to international developments that have a high local impact.

Creating a new Ministry is unusual in the middle of a legislature (McLaughlin, 2018). However, the decision responded to the urgency of the economic diplomacy challenges of the last year. Zvone (2014) concluded that crises are an important factor triggering a diplomatic response. Cayman's challenges can be categorised as 'ECONFINBUS', a term coined by Justinek (2018, p.30) to designate economic, financial and business issues. Andorra, a small state at the border between France and Spain, is a good example. In the aftermath of the 2007–2009 Global Financial Crisis, Andorra quickly became aware of the need for economic diplomacy. Its tax neutrality was under threat, to which Andorra responded by signing numerous bilateral Treaties on tax information exchange and double taxation avoidance (Tanganelli and Pou, 2012). Alden McLaughlin, Cayman's Premier, is obliged to respond to international events likely to trigger a local crisis: McLaughlin stated that 'the [global economic and political] 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, [its] Financial Services industry and the regulatory regime that underpins it' [McLaughlin, 2018, para. 3]. This article puts forward a plan to inform his future strategy.

MITIAMA is charged with enacting Cayman's first comprehensive international relations policy but is born subject to sovereignty and competence limitations. Rana (2013) discussed the importance of a clear scope of competence, determining which agency handles economic diplomacy, in particular, promoting foreign trade and investment actions. Boromisa and Ležaić (2014) observed a similar reaction when Croatia implemented its commercial diplomacy, where the first step was to reorganise Government action under a unified plan. For Cayman, this unification of its economic diplomacy carries two restrictions: as a subordinate to the UK and its Governor's authority; and existing local Ministries.

The exercise of Cayman's external affairs is balanced between the UK and the local Government. The UK retains general powers over Cayman's external affairs and treaty-making powers through the UK Governor, with some exceptions. This is the case in all BOTs, whereby this decision is justified on two issues: on the one hand, external relations are 'a matter of the Royal prerogative and that, because the territories have no international legal personality separate from that of the UK, it is necessary for the UK Government to act internationally for them at times'; on the other hand, historically, the BOTs have not been expected to have 'significant dealings' with other States or territories [Hendry and Dickson, 2018, p.248]. Within this context, Cayman is among the BOTs enjoying 'the greatest degree of devolved responsibility for external affairs' [Hendry and Dickson, 2018, p.253]. A UK general letter of authority sets that 'the UK will continue to be responsible for the external affairs of the territory, but that in carrying out this responsibility it will, wherever practicable, seek the fullest consultation with the territory government and will at all times have special regard to the [interests of Cayman]' [Hendry and Dickson (2018), p.258]. The 2009 Cayman Islands Constitution states that '[t]he Governor shall be responsible for the conduct […] of any business of the Government with respect to […] external affairs' [UK Parliament, (2009), s. 55(1)]. Two exceptions apply: i) the Governor must consult the Cayman Islands Cabinet in exercising external affairs responsibilities and keep it informed generally; and ii) the Governor 'shall not enter, agree or give final approval to any international agreement, treaty or instrument that would affect internal policy or require implementation by legislation in the Cayman Islands without first obtaining the agreement of the Cabinet, unless instructed otherwise by a Secretary of State' [Hendry and Dickson, (2018), p.254; UK Parliament, (2009), ss.55(3–4)]. This division of powers between Governor and Cabinet illustrates how the UK is to exercise the widest powers whilst allowing the highest level of self-managed local Government among BOTs.

The Ministry has acquired new competencies and inherited existing Government functions but is still limited to exercising existing powers of other ministries. There was no unified diplomatic approach before MITIAMA. The Cayman Islands Premier lamented that, politically, he served as the 'de facto lead for cross-Governmental international activity'; however, nobody within the civil service was charged with equivalent activities (McLaughlin, 2018). As a result, tasks projecting the image of Cayman worldwide were spread between a group of Ministries (McLaughlin, 2018). The new Ministry's main purpose is to '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 Islands, and to help enhance the reputation of the Cayman Islands', aiming at exploiting opportunities to 'present a coherent and consistent approach to other governments and to potential investors' (McLaughlin, 2018). Locally, MITIAMA is generally responsible for 'coordinating the jurisdiction's activities internationally' and specifically responsible for a limited range of existing Government Departments and entities. However, existing local Ministries on largely retain their competences, thus imposing restrictions on MITIAMA's powers. Practice might unearth overlaps with the Ministry of Commerce, Planning and Infrastructure and its Department of Commerce and Investment, or the Ministry of Financial Services and Home Affairs. MITIAMA's actions are also limited to the contents of the Strategic Plan 2019–2023, not publicly available. The Ministry has already started its activities. First, it has outsourced services contracts to KPMG Cayman, as awarded in September 2019 on 'brand positioning, messaging, and overarching creative collateral that can be used by multiple government and private sector agencies' (Cayman Islands MITIAMA, 2019; Cayman Islands Bonfire portal, 2019a). Second, it is recruiting heavily to fill job positions, enabling the Ministry to get off the ground. An imperative local preference insulates Caymanian nationals from international competition.

Having understood the context, powers and restrictions within which this new Ministry is born, this article puts forward a four-action plan and assesses how best to capitalise on opportunities and neutralise threats, supported with an estimated timeline for the first two years of development. This article focuses on the short-term plan to set up the basis for MITIAMA's future. Recent events have proven that forecasting beyond this short-term is beyond the remit of an academic article.

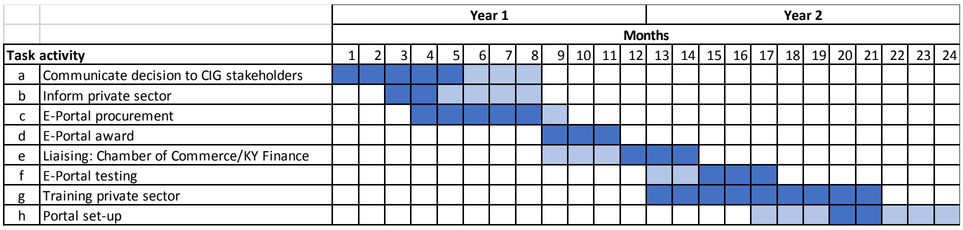
Figure 1 Summary of the four suggested key actions

This article covers four recommended actions: i) MITIAMA as an e-one-stop investment shop, ii) humanising Brand Cayman, iii) establishing a network of Government Offices worldwide and iv) promoting Blue-Green Investments. The article's methodology is desk-based research, using a blend of local and international bibliography for a unique perspective on the local diplomatic challenges that Cayman faces.

2 MITIAMA as a e-one-stop-investment-shop

MITIAMA should function as an electronic gateway for investment opportunities in Cayman. Setting up an electronic one-stop-shop will channel all public information on investment and will build Brand Cayman. Cayman's MITIAMA investment portal should be easily recognisable as official and have a memorable name. The portal should allow users to search and filter terms like small and medium-sized businesses or by project type such as educational, environmental, infrastructure or health criteria, as well as public-private partnerships. Private partners would upload information to the electronic portal for publication after vetting from a MITIAMA officer. MITIAMA should also set up a Government maintained repository within the investment portal that contains relevant investment-related legislation, Auditor General reports and links to relevant Government websites, such as Cayman's Companies Registry and the Cayman Islands Monetary Authority.

Figure 2 MITIAMA as an e-one-stop investment shop timeline[1]



The first opportunity that this action brings is to harness technology via an investment portal. As a leading offshore jurisdiction, Cayman has an advantageous start. In 2018, it was the top US destination for portfolio investment and one of the top EU destinations (European Parliament Research Service, 2018; Eurostat, 2018). An electronic one-stop-shop would centralise Government communications with potential investors. Other investment areas, such as the EU and the USA already have them. The European Commission manages the EU's European Investment Project Portal.[2] It publicises currently just short of 1000 investment opportunities, with search options focusing on Small and Medium Enterprise, infrastructure and innovation projects. The Select USA Portal has reportedly facilitated over 86,000 jobs and investment opportunities exceeding US$64 billion.[3] It is managed by the US Department of Commerce, which coordinates more than 20 federal agencies and bureaus.

The second opportunity is to harvest foreign investment by showcasing a high-quality institutional framework. All things equal, international investors prefer to invest in safe financial environments. MITIAMA's coordination of different Cayman Islands Government units and visibility should serve to advertise Cayman as a safe, institutionally sound jurisdiction to receive investment. The two main types of foreign investment can be distinguished by the degree of control the investor has over the project. First, Foreign Direct Investment requires 'a lasting interest in and a significant degree of influence over an enterprise' (OECD iLibrary, 2020). The country's competitiveness and the ability to bring in, retain, and leverage private investment for inclusive and sustainable economic growth drive FDI, according to the World Bank (González and Chu, 2018). Second, Foreign Portfolio Investment is not concerned with the degree of control over local investment instruments: this includes equity, hedge funds and securities, including mainly debt securities, stock, banknotes, bonds (Itay and Razin, 2005). Investing locally through MITIAMA's direct channels should encourage both foreign direct investment and foreign portfolio investment.

The third opportunity is based on changing the narrative of Cayman's tax neutrality as an FDI driver. This is not unique to Cayman: Croatia also prioritised maximising FDI in the early stages of its economic diplomacy (Boromisa and Ležaić, 2014). Cayman's status as a 'tax neutral country', being financially stable without levying personal or corporation taxes, should attract efficiency-seeking FDI. There are four main types of FDI: natural-resource-seeking, market-seeking, efficiency-seeking and strategic-asset-seeking (Hornberger et al., 2011; US Agency for International Development, 2005). Cayman has few natural resources, its smallness does not provide a large market or population and it does not produce any strategic assets. Thus, Cayman's best bet is to attract efficiency-seeking FDI. Other countries feel pressure to provide tax incentives to attract FDI, to the disadvantage of their public finances. Andersen et al. (2017) demonstrated that developing countries make heavy and intensive use of tax incentives to attract FDI: all countries would prefer to generate tax revenue rather than provide tax incentives but, because 'most other countries – including high-income ones – offer incentives', most feel compelled to 'match or surpass' such incentives. The Latin America and Caribbean region issued tax cuts in the 2009–2015 period, with the 2009 average Corporate Income Tax at 29% being cut to 27% in 2015. All regions in the world except for Europe and Central Asia followed this trend. As a tax-neutral jurisdiction, Cayman is already suited to attract efficiency-seeking FDI.

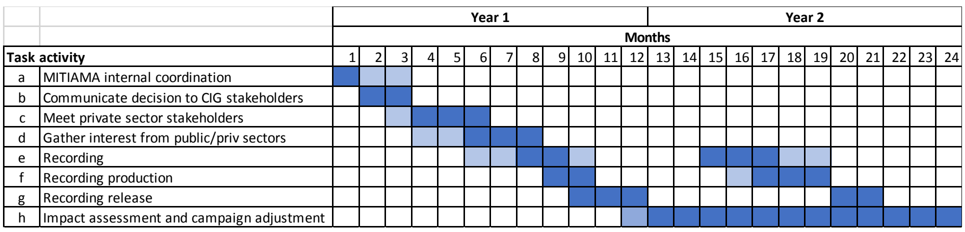
This proposal for an e-one-stop-shop for investment is not new, but infrequent in the Caribbean. Cayman's current online infrastructure is its Department of Commerce and Investment website (Cayman Islands Department of Commerce and Investment, 2020). Cayman's website is currently in need of a revamp: its information is extremely superficial, with no portal to access live investment opportunities and with poor design. Cayman cannot afford to lag behind because the regional market for foreign investment is competitive. Jamaica is the Caribbean country with the most developed e-infrastructure to attract foreign investment. The Jamaican Government has a designated agency to promote business opportunities. This agency manages an online portal which centralises information about exports and investments, locally and internationally (JAMPRO, 2020a). The website's greatest asset is a map with real time information on investment projects (JAMPRO, 2020b). It is unfair to draw direct comparisons between Jamaica and Cayman: Jamaica has significantly higher dimensions, both in land mass and population. Fairer benchmarks result from comparing Cayman with other small Caribbean countries. These are subdivided in those that are BOTs and those that are not. Cayman is well placed among BOTs. Bermuda and Turks and Caicos Islands have websites that are similar in content to that of Cayman, with outlines on related legislation and briefings on thriving investment sectors (Bermuda Business Development Agency, 2020; Invest Turks and Caicos Islands, 2020). British Virgin Islands also has a designated portal for investment news, albeit including fewer resources than other Caribbean BOTs (Government of the British Virgin Islands, 2020). Anguilla and Montserrat have no investment portals (Invest in Montserrat, 2020), but this can also be attributed to their extreme smallness. Among other Caribbean countries, Cayman could do better. Trinidad and Tobago's portal includes comprehensive information on foreign investment, as well as live investment opportunities (Trinidad and Tobago – InvesTT, 2020). St Lucia, despite its very small size, has a wide range of briefings and sector outlines, as well as live investment opportunities (Invest Saint Lucia, 2020). Bahamas, Barbados, Dominica and Grenada have portals which include sector outlines but no live investment opportunities (Bahamas Investment Authority; Invest Barbados; Invest Dominica Authority, 2020; Invest Grenada, 2020). It is easy to find local law firms offering support and advice in all of these countries. Cayman would be well advised to expand its e-one-stop-investment-shop to capitalise on opportunities in a market with high entry barriers for investors and high regional competition.

Cayman should shield FDI from financial services considerations when promoting foreign investment. Recent events affecting Cayman's reputation as a global offshore financial services centre could spill over onto foreign investment. Investors might want to disassociate themselves or avoid being linked to a jurisdiction that, though profitable, is often criticised worldwide. In that respect, MITIAMA should work to distinguish its financial services industry, one of Cayman's lucrative sectors, from the many investment opportunities available locally. The country should carefully manage financial negative connotations or stereotypes that could deter potential investment.

3 Humanising Brand Cayman

'Humanising Brand Cayman' should portray Cayman as a place to invest, live and enjoy life, mainly by identifying key local stakeholders from both the public and the private sector to open up aspects of local life and business. Country perceptions and tourism are closely linked to economic diplomacy (Rana, 2012). Perceptions of Cayman include its offshore financial and banking features. Cayman should engage in a more robust 'charm offensive' to portray both sectors positively, requiring extra efforts for its banking and finance features. This charm offensive should build on the current 'Brand Cayman': a new Government effort to 'design and document visual identity guidelines' (Cayman Islands Bonfire portal, 2019b). Sevin and Dinnie (2015) discussed the concept of 'branding' in economic diplomacy to devise a conceptual framework, showing the importance of managing one's brand and influencing how it is perceived by others.

Figure 3 Humanising Brand Cayman timeline[4]



Regarding tourism, Cayman should engage with a wider range of international events. It should expand from finance to tourism and food fairs. Ultra-high net worth individuals wish to associate themselves to profitable and successful brands.

The main threat to 'Brand Cayman' is prejudice and disagreement with its local economic model, which MITIAMA should tackle by increasing Cayman's visibility on the world stage. Cayman's online presence gives an impersonal and dubious impression.

A Google search of 'Cayman Islands' quickly leads to negative results such as The Guardian news article titled 'The Cayman Islands – home to 100,000 companies and the £8.50 packet of fish fingers' that depicts Cayman as an unfair haven for the rich that punishes the poor. Another article from the New York Times titled 'Why is a Secretive Billionaire Buying up the Cayman Islands?' about Mr Dart's engagement with Cayman's local economy follows. The same search in German (*Kaimaninsel*) reveals a few pages about tourism, mostly from corporations writing 'filler' and the occasional low-profile travel blogger. Before long, the search finds an article from Bild, a leading German tabloid, depicting Cayman as a host to high numbers of companies and, in particular, portrays Ugland House in a negative light (Bild, 2009). There are no results on investing in Cayman. Spanish results for *Islas Caimán* emphasise the infamous view that external stakeholders have regarding the financial industry. The Islands are referred to as a 'paraíso (fiscal)', Spanish for '(tax) haven'. French results for *Îles Caïmans* show only tourism-related results before arriving at Cayman Islands Government-related websites.

The narrative of Cayman as an offshore financial jurisdiction needs to change if Brand Cayman is to succeed. The islands are seen as an economic and financial instrument, forgetting the people that live there. Cayman is considered the third most secretive jurisdiction, behind Switzerland and the USA (Tax Justice Network, 2020). The Premier has expressed concern that external actors talk about Cayman 'as a haven for shady dealers and dirty money' (McLaughlin, 2020). Eric Bush, MITIAMA's top civil servant, mentioned the need to educate the public. Even UK Parliamentarians have 'generally no knowledge and when there was […], that we had a financial services sector that had not been projected as a positive thing. There is some work in educating people' (Cayman Islands Government Television, 2017). On offshore banking and finance, this charm offensive should aim to focus on iDiplomacy: projecting economic diplomacy using technology and, especially, social media (Justinek, 2018). This would be done mainly by showcasing the people who live in Cayman to the world via promotional videos. Brand Cayman should focus on life in Cayman beyond its offshore financial sector.

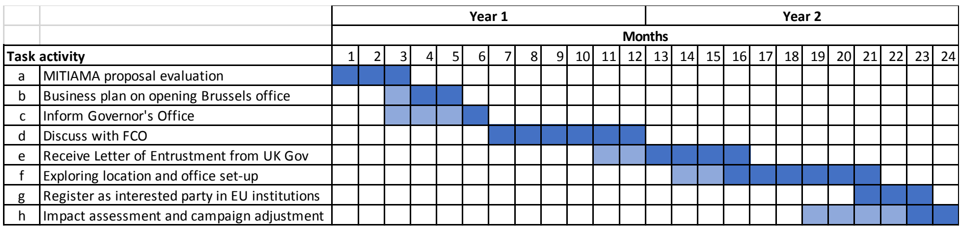
Cayman should seize the opportunity to take pride in its public sector management. Cayman was historically a group of calm, quiet Caribbean islands until a wave of liberal policy reforms in the 1970s radically changed it into a leading offshore banking and finance centre (Craton, 2003; Markoff, 2009). In 2007, the National Audit Office confirmed reduced risk to the UK finances from Cayman due to 'vigorous economic growth and/or sound financial management' (National Audit Office, 2007). Cayman has bounced back stronger even from the worst of times. The 2007–2009 Global Financial Crisis shook the pillars that had taken 30 years to build. Cayman in particular suffered cash shortfalls and went from a historically revenue-funded budget to fiscal deficits close to 7% (Ioannides and Tymowski, 2017). As a response, the UK and Cayman negotiated a Framework for Fiscal Responsibility which, in 2013, became binding via the Public Management and Finance Law (2013 Revision). In 2018, a public procurement framework was implemented and, whilst it remains a work in progress, it is the most developed in the region (Panadès-Estruch, 2019). In 2020, Cayman's public budget is intended to deliver a projected pre-COVID-19 surplus of KYD 65.3 million, showing the good health of the local finances (McTaggart, 2020). This should be given more prominence in projecting Cayman diplomatically.

4 Establishing a worldwide network of government offices

The next proposed action is to set up a worldwide network of official delegations, with Brussels as a priority location. Cayman needs the UK's agreement to do this because BOT representation in other countries 'is usually set up in consultation with the Governor and the UK Government, which deal with the authorities of the receiving country via the British Embassy on behalf of, or in conjunction with, the [BOT] [Hendry and Dickson, (2018), p.265]. The process starts with Cayman communicating the decision to the UK via the Governor's Office. The UK can then decide to allow it, and thus grant a Letter of Entrustment; or deny it. A Cayman delegation office is already set up in London, UK. A new delegation in Hong Kong is in the pipeline, has already received the UK's Letter of Entrustment and is only subject to the approval from the Hong Kong Government (McLaughlin, 2018). Ruel and Visser (2012) found that the personal background, skills and experience, cultural differences and working environment of the members of staff of these future delegations makes all a difference. It is yet to see which of the diplomatic approaches its members of staff will take. Local preference restrictions on staff recruitment might hinder MITIAMA's chances to access top professional skills to staff the future network. Regardless, the network of delegations should continue, with the maximum priority being allocated to the City of Brussels as the EU administrative capital.

It is an absolute necessity for Cayman to open an office in Brussels. The EU believes that, in the near future, there will be 'a more connected, yet fragmented world, with hazardous shifts in demography and energy, and dangerous changes in technology, environment, and politics' (European Strategy and Policy Analysis System, 2019). As such, Cayman needs to get closer to the EU in order to cut through the noise. A business case should confirm whether this office would be economically sustainable. It is worth noting that trips and travel expenses from a London office to Brussels and nearby European capitals such as Luxembourg or Frankfurt can prove more expensive and less effective than a permanent office.

Figure 4 Establishing a CIG office in Brussels timeline[5]



Establishing an office representing the Cayman Government in Brussels is crucial to rebuild EU-related lost political dialogue spaces. BOTs, including Cayman, have benefited from political dialogue with the EU under the UK's membership. Brexit 'throws into sharp relief the disadvantage in international affairs' (Byron, 2017). The BOTs will exit the annual meetings of the OCT-EU Forum; tripartite meetings between the Commission, the Overseas Countries and Territories and the MS to which they are linked; and partnership working parties covering technical discussions (Association of the Overseas Countries and Territories of the European Union, 2020). This office, in particular, should look to recruit native-level English speakers who are fluent and experienced in working in EU official languages other than English. French, Spanish or German are to be preferred, which might become the main working language of the EU institutions due to Brexit. Though optional, it is recommended that Cayman registers in the EU's Transparency Register,[6] gaining enhanced access to EU institutions and making itself visible as an engaged party.

Actions seeking to influence future legislation in areas crucial to Cayman are only useful at the European level. Since 2009, competences in regulating FDI are exclusive to the EU and its 27 Member States (MS) are prevented to legislate.[7] Thus, negotiations with individual States are of no use, which presents a compelling reason for Cayman to open a Brussels office; all law-making institutions are based in Brussels. 12% of the EU's FDI is based in offshore financial centres, including Cayman (Eurostat, 2018). Seeking influence where the framework for the 27 MS is negotiated is the most (cost-)effective strategy. Bermuda, a competing offshore jurisdiction and also British Overseas Territory, opened an office in Brussels in January 2019 (McWhirter, 2019).

As with FDI, the EU is responsible for the international trade law and policy of all 27 Member States, thus further justifying the need for the Brussels office. Individual countries do not set their own trade policy.[8] Therefore, Cayman must direct its engagement to EU policymakers, not national ones. The EU foresees that 'international trade is still going strong: regional and preferential trade arrangements have been on the rise for the last two decades and continue to do so' despite Brexit-related disruptions and rising protectionism in the USA (European Strategy and Policy Analysis System, 2019). Under the UK's membership of the EU, BOTs goods were neither subject to the full extent of EU laws, nor part of the single market [Council Decision, (2013), Preamble, para. 4], but they enjoyed unilateral 'preferential trade status', with duty- and quota-free access to the EU market [Council Decision, (2013), article 9; European Commission, 2020]. For instance, Cayman could sell the locally sourced and extremely popular rum cakes in the EU with no quantity restriction and no duty. Post-Brexit, the UK will have to negotiate a trade deal with the EU. Regardless of the outcome, for Cayman it is a case of 'the closer the better'. There needs to be a new legal framework for trade between BOTs and the EU. A new round of bilaterally negotiated trade Treaties between each individual BOT and the EU will have to be put in place, potentially this time outside of the EU's preferential system.

The impact of Brexit on the UK's soft power is a threat for Cayman's financial services sector, which should be overcome via direct communication with the EU to the extent possible. *Soft power* is the negotiation might in pushing forward UK and BOTs' own agenda at the international level. Cayman should seek to maintain a good working relationship with the EU, on the basis of bilateral agreements with some of its Member States. Many of the BOTs, including Anguilla, the Cayman Islands, Montserrat, Turks and Caicos Islands, British Virgin Islands and Bermuda, rely on financial services and banking as major industries (Ioannides and Tymowski, 2017). Smith, British Virgin Islands Premier, believes that the UK has been 'a champion for well-regulated jurisdictions' [UK House of Lords European Union Committee, (2017), para. 28]. McLaughlin, Cayman Premier, has argued that 'with the [UK] no longer providing a voice of advocacy and balance around the EU table, there could be some challenges in […] ensuring there is a level playing field and fair consideration of the Cayman Islands' efforts as it relates to EU-driven financial services initiatives' [Ragoonath, (2020), para. 2].

The EU's largely negative views about Cayman are an additional threat and can only be overcome if rapid action is taken. The EU has criticised Cayman as a top offshore financial centre, a leading jurisdiction in the hedge fund industry, a top conduit for money laundering and for hosting over 18,000 companies in Ugland House (Unger, 2017; Volckaert, 2016). Cayman was placed on the EU's blacklist on 18 February 2020. The European Commission and the Code of Conduct Group recommended Cayman's inclusion on their list of non-cooperative jurisdictions on tax purposes (blacklisting) on the basis of an assessment on transparency, fair tax competition and the OECD's Base Erosion and Profit Shifting. The ECOFIN (the meeting of the Finance Ministers across the EU), approved Cayman's blacklisting (Council of the European Union, 2020). The list aims to 'encourage positive change in […] tax legislation and practices' (Consilium, 2020). However amicably it is presented, the listing has caused grave concern in Cayman. Officially, the EU encourages its Member States to take defensive measures against listed countries. Such measures include tax-specific and non-tax measures. Tax measures seek to deter EU nationals from acquiring close ties with listed jurisdictions: measures include 'reinforced monitoring of transactions, increased risk audits for taxpayers who benefit from listed regimes [and] increased risk audits for taxpayers who use tax schemes involving listed regimes' (Consilium). Member States have also committed to promote non-deductibility of costs incurred in a listed jurisdiction, controlled foreign company rules, withholding tax measures to tackle improper exemptions or refunds [and] limitation of the participation exemption on shareholder dividends' (Consilium). Non-tax defensive measures seek to ostracise the listed countries diplomatically. Such measures include taking the listing into consideration for purposes of foreign policy, development cooperation and economic relations with third countries (Consilium). Consequently, Cayman started taking steps for its de-listing immediately after its listing was confirmed (Cayman Islands Ministry of Financial Services, 2020b). The EU has committed to review the list twice a year, with the next update due in October 2020. A Cayman Government delegation in Brussels would facilitate direct communication and maximise diplomatic pressure on the EU.

5 Cayman betting on blue-green investment

Cayman should make sure that the jurisdiction is perceived as one that welcomes blue and green projects. Partnerships should be sought with local commercial stakeholders to increase visibility of Cayman's environmental commitments.

Figure 5 Cayman betting on blue-green investment timeline[9]

		Year 1												Year 2											
		Months																							
Task activity		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
a	MITIAMA internal research																								
b	Communicate decision to CIG stakeholders																								
c	Communicate decision to private stakeholders																								
d	LA consider/pass further pro-envi incentives																								
e	CIG to design further pro-envi incentives																								
f	Liaising with selected private sector leaders																								
g	Private sector training																								
h	Private sector relaying data back to MITIAMA																								

Using Sustainable Development goals for reputational value will aid to upsell Cayman. The United Nations 2030 Agenda for Sustainable Development is a group of 17 Goals to inform the Global Agenda. A number of world leaders, including Prime Ministers and Presidents, have expressed commitment with the UN 2030 Agenda. Cayman should showcase its commitment to the UN 2030 Agenda, in particular, through decent work and economic growth, sustainable cities and communities, and climate action. The SDGs 'are increasingly used to analyse international investment, and international investment law' and to assess and compare FDI frameworks worldwide (Johnson, 2019).

The Cayman Islands Government should keep introducing measures that promote renewable energy sources, such as solar charging equipment spaces and encourage the use of electric-powered vehicles. The Legislative Assembly should consider further incentives (mostly fiscal) to encourage the peoples and businesses of Cayman to transition towards renewable energy. There is a global shift towards blue and green investment in pursuit of sustainability and good reputation. Some of the biggest world companies (e.g., Amazon, Kellogg, McDonalds, Wal-Mart, Shell) are planning to decarbonise (Scott, 2018; Shell, 2019). Cambridge and Oxford Colleges are under pressure to disinvest in fossil fuels. In addition to that, MITIAMA should promote eco-labels to local businesses. Eco-labels are certifications that demonstrate a business follows environmentally friendly practices. There are over 100 different eco-labels so MITIAMA should research which ones would be more suitable for Cayman's businesses. It might choose to cooperate with the Chamber of Commerce.[10] Once identified, MITIAMA and the Chamber of Commerce should set up training sessions to inform local business owners on the eco-labels available to them, their relevance to Cayman's outlook and how to obtain them.

An additional opportunity is Cayman's contribution to the UK's biodiversity. BOTs represent about 80% of the UK's biodiversity. The EU has contributed significantly to BOTs, even the more prosperous ones. For instance, Cayman has received €7 million for post-disaster recovery following Hurricane Ivan and €500,000 for its Blue Iguana Recovery Programme to set up a visitor centre, undertake land purchases and deploy education and awareness programmes (Benwell and Pinkerton, 2016). MITIAMA and the Cayman Islands Tourism Association, the local tourism business association, should work in partnership to inform and encourage the local tourism sector to adopt eco-friendly practices.

Local actors might become a threat by resisting change towards environmentally friendly practices. This could be solved by accompanying local businesses in their ecological transition. Deterring factors include initial research and investment in a new and unknown field, time to ship such technology on island, economic costs and duties payable. MITIAMA should work with local business representatives, such as the Chamber of Commerce, and the Cayman Renewable Energy Association to encourage local businesses to adopt environmentally friendly practices. Greentech Solar, ProSolar and Corporate Electric, as the leading solar technology providers on island, should prove strategic partners in emphasising the benefits of the ecological transition.

An additional threat is the lack of a supporting service network locally that can be overcome only by showcasing the business opportunities this brings to the local business community. Cayman does not currently have an appropriate network to support the use of renewable energies. Traffic in Cayman is a familiar problem to any resident and when traffic is at a standstill, vehicles produce a large quantity of harmful gases, the dangers of which are exacerbated by Cayman's hot weather. Given that living on island requires the use of a private vehicle, electric and hybrid vehicles must be central to Cayman's infrastructure strategy. The Legislative Assembly has approved important fiscal incentives, such as duty exemptions for electric vehicles under KYD29,000 and reduced 10% duty on hybrid vehicles (Cayman Islands Government, 2019). However, importing those vehicles on island takes research – there is no information readily available – and long waiting times. Consequently, older vehicles are used well beyond their economic and environmentally responsible lifespan. Once electric-powered vehicles arrive on island, there is neither a comprehensive network of charging stations, nor car dealers to maintain and repair them. MITIAMA should coordinate with Cayman's HM Customs to implement fast-track customs clearance for electric vehicles and engage in talks with local car dealers, garages and petrol stations to showcase market opportunities.

6 Conclusions

Necessity is the mother of invention: the new Cayman Islands Ministry for International Trade, Investment, Aviation and Maritime Affairs (MITIAMA) starts work mid-legislature and during a local financial services sector's confidence crisis. It comes as a last resort to solve local and international issues affecting the country's reputation. With no institutional experience and its staff still under recruitment, this article has put forward a four-action plan to make the most of economic diplomacy.

The first action should be to transform MITIAMA into an electronic one-stop-shop to channel international investment into local projects. This action brings opportunities such as streamlining queries via an online investment portal, harvesting foreign investment via showcasing high quality institutional framework and changing the narrative of Cayman's tax neutrality from international free-rider to an FDI-friendly jurisdiction. Criticisms of Cayman's role in international finance could deter potential investment, but this could be overcome by shielding local investment opportunities from the stereotypes of its financial services sector investments. On that note, the second action, humanising 'Brand Cayman', should showcase the peoples of Cayman living their ordinary lives to counteract financial sector prejudices. This would prompt stakeholders to look at Cayman as something more than just an offshore financial centre, but an ordinary, though profitable, place to invest. Opportunities in this regard are advertising the good quality of its public sector management and sending delegations to international events to increase visibility on the country's cultural side. Opening a Government office in the European Union's administrative capital, the city of Brussels, is the third action of the plan. This office has the potential to solve economic diplomacy shortcomings, especially those related to the UK's exit from the EU. Mainly, it would rebuild the EU-related lost political dialogue spaces that Brexit destroyed and assist in lobbying effectively on foreign direct investment and international trade. It would also counteract the UK's loss of soft power and the capacity to shape the EU's agenda. Finally, the fourth action is to promote local blue-green investments via public-private partnerships. This will upsell Cayman's biodiversity and seize opportunities regarding the energy transition towards solar energy and electric-powered vehicles. Resistance from the local business community and the lack of infrastructure to support this transition are threats that can be overcome by exposing the market gaps that local business owners could fill.

In putting forward the four-action plan, this article faces two limitations. On the one hand, this research is limited to MITIAMA's competence, which is curtailed on two fronts: the UK Governor's powers and potential overlap with existing local Ministries. A second limitation is the prospective approach of the article, proposing a plan for a Ministry that has not meaningfully started its activities yet, with newly recruited staff, in leading a global economic diplomacy campaign. Future research should assess to what extent MITIAMA has borrowed ideas from this four-action plan and to what degree its economic diplomacy strategy has succeeded.

Cayman is out to persuade the world that there's more to the islands than just its offshore financial centre. This four-action plan should provide a rough roadmap to guide its diplomatic efforts for the next two years. Cayman's new MITIAMA should follow a scientific approach to economic diplomacy, such as the one in this article.

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Notes

1 Dark blue indicates main actions to be taken; clear blue signals preparatory or follow-up actions.

2 See *European investment project portal*. Available online at: https://ec.europa.eu/eipp/desktop/en/index.html

3 See *the select USA portal*. Available online at: https://www.selectusa.gov/welcome

4 Dark blue indicates main actions to be taken; clear blue signals preparatory or follow-up actions.

5 Dark blue indicates main actions to be taken; clear blue signals preparatory or follow-up actions.

6 See the *EU transparency register*. Available online at: https://ec.europa.eu/transparencyregister/public/homePage.do (accessed on 3 April 2020).

7 See Consolidated version of the Treaty on the Functioning of the European Union, *OJ C 326, 26.10.2012,* article 207.1: 'The common commercial policy shall be based on uniform principles, particularly with regard to changes in tariff rates, the conclusion of tariff and trade agreements relating to trade in goods and services, [and] foreign direct investment. The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action.'

8 See Treaty on the Functioning of the European Union (ibid), article 207.1: 'The common commercial policy shall be based on uniform principles, particularly with regard to […] the conclusion of tariff and trade agreements relating to trade in goods and services.'

9 Dark blue indicates main actions to be taken; clear blue signals preparatory or follow-up actions.

10 See *a list of eco-labels*. Available online at: http://www.ecolabelindex.com/ecolabels/?st=subject,companies