



Integrated Country Strategy

Palau

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Table of Contents

1.	Chief of Mission Priorities	2
2.	Mission Strategic Framework	5
3.	Mission Goals and Objectives	7
4.	Management Objectives.....	11

1. Chief of Mission Priorities

The U.S. Mission to the Republic of Palau is a 2-person post on a remote island in the middle of a strategically important region of the world. The U.S. and Palau have a close and unique relationship based on the 1994 Compact of Free Association (COFA), an agreement harkening from the end of World War II, when Palau's status was established as a UN Trust Territory. Under the COFA, the U.S provides for the security and defense of Palau and Palauans enjoy many benefits normally reserved for U.S. States and territories, including visa-free travel. The Compact grants the US access to Palau's jurisdiction for defense purposes and closes it to the military forces of any other nation, making Palau an important element of our Indo-Pacific strategy. Palau is an archipelago of more than 500 islands that lies 500 miles east of the Philippines.

Given Palau's history and the benefits bestowed by the Compact, 13 different USG agencies provide assistance in economic development, health, education, disaster preparedness, law enforcement, and to address IUU and other maritime challenges. The USG has provided in excess of \$30 to \$40 million to Palau each year in the last few years. The resultant high volume of official visitors arrive like a fire hose for this small Mission and often require substantial Embassy support. The Mission works closely with such visitors to ensure their efforts are aligned with Mission priorities and that USG assistance is properly "branded" to maintain awareness among the general population of US contributions to Palau's development.

The Embassy struggles to promote its goals and priorities with insufficient staffing. Too often Mission resources are subsumed by responding to the same mandatory reporting requirements levied on much larger Missions and ensuring proper management controls are in place, rather than focusing on important work that could be done. The Embassy attempts to leverage resources such as the Embassy Science Fellow program to further Mission goals, and works closely with the USDA Natural Resource Conservationist as well as the DOD Civic Action Team of engineers based here. The Embassy is greatly hampered by the absence of a cleared American to manage its IT systems and often suffers outages that knock out its connection to the outside world sometimes for extended periods. With more and more of the Department's processes located on line, such outages create enormous challenges for Mission operations.

While the relationship between Palau and the United States remains strong (Palauan citizens serve in large numbers in the U.S. military, the ROP votes consistently with the United States at the United Nations, and many Palauans are dual nationals), as major portions of Compact funding shifts in 2024 from direct U.S. assistance to revenue from a trust fund, the Mission will need to ensure that our close partnership with Palau is not damaged. This is especially crucial given Palau's strategic location, DOD's interest in working with Palau on strategic assets and programs, and lingering resentment over the delay gaining Congressional approval of funding for Palau's Compact Trust Fund. Since 2014 Palau has experienced a huge increase in tourists and investment from China, though it maintains diplomatic relations with Taiwan. There is

building pressure on Palauan officials to reconsider their relationship with Taiwan, which may present future challenges for the USG.

The Embassy works on programs that contribute to Palau's economic self-sufficiency and collaborates with the ROP on capacity building in countering global threats, building disaster resilience, and addressing maritime domain awareness, money-laundering, and other challenges. The Embassy is actively engaged in efforts to maintain public support for DOD activities here. Our Public Diplomacy outreach on these and other topics is active, creative, and wide-ranging despite limited resources and staffing.

The Economy:

Palau's private sector must sustain Palau's continued development as U.S. assistance tapers off under COFA, slated for completion in FY 2024. Post supports Palau's climate adaptation, mitigation, and renewable energy initiatives, as well as other efforts to diversify Palau's economy.

Post promotes the economic advancement and self-sufficiency of the people of Palau. Post is partnering with the ROP and several NGOs to address the growing problem of non-communicable diseases in the Pacific—in particular obesity, diabetes, and high blood pressure, as these diseases pose an existential threat to Palau's economy and its ability to provide adequate healthcare for its population. Post's "Plant, Eat, Move" campaign encourages children to eat healthier meals, embrace local "greener" food sources, and adopt active lifestyles. Implementing such change is crucial to Palau's long-term economic self-sufficiency, food security, climate adaptation, and the health and resilience of its population.

Security and Justice:

As part of the United States' responsibility for the security of Palau, there is regular and frequent engagement by DOD in the form of military exercises, ship visits, high-level bilateral meetings, training programs, recruitment outreach, and the continued presence of a 13-member Civic Action Team of military engineers, performing infrastructure and development projects. This engagement is vital to the overall U.S. focus on Asia, demonstrating Post's commitment to the region and reassuring Palauan counterparts that post intends to maintain Post's close partnership.

Post is frequently called upon by the Government of Palau to help arrange visits from the FBI, DEA, USSS, and other law enforcement agencies to aid in cold case investigations, drug investigations, money-laundering, counterfeiting, polygraph, and evidence-collecting procedures. The ROP seeks U.S. assistance in countering the destabilizing effects of drug trafficking, organized crime, and risk of violence before they become larger threats to Palau and the region.

Public Diplomacy:

Post promotes the development of civil society, cultural exchanges, university study in the U.S., and other opportunities available via public diplomacy (PD) operations. Post's social media network is rapidly developing, and the Ambassador's website, frequently used to highlight Embassy activities, has become a major communication vehicle.

Strengthen Diplomatic Capacity:

In addition to the Ambassador, post has only one other Foreign Service Officer, who serves as de facto Deputy Chief of Mission (DCM) and Chargé in the Ambassador's absence. Post requests this position be converted to DCM to ensure the appropriate vetting and training are provided. Post also needs a U.S. direct-hire Foreign Service IT professional to properly manage its IT systems. The Department's growing reliance on mandated IT applications for post reporting and management controls, the absence of skilled IT professionals in the local labor pool, and the remote nature of post's location greatly hamper post's ability to maintain operations. This is even more problematic on the classified IT system, as post has no one skilled and authorized to manage the system at all. Ideally the new position should be a combined IT/GSO position, as Post has no USDH position devoted to Management functions, which is particularly problematic given the considerable GSO challenges encountered at this remote island post. The need for this increase in staffing was affirmed in 2015 by the Department's Office of Right-Sizing and by the OIG in 2018.

The Mission relies extensively on regional support from Manila. Some of that support has been spotty. The Embassy often lacks sufficient funding to defray the costs of regional support envisioned in the MOU between Manila and Koror. The Embassy is also greatly hampered by the limited labor pool in country for LE positions as well as contract services.

Our highest resource priorities are to increase staffing by at least one USDH position focused on IT/GSO functions, additional ICASS resources to fund regional travel support, and increased wages and benefits for our local staff.

2. Mission Strategic Framework

Mission Goal 1: Work with the Republic of Palau (ROP) to expand security cooperation with the United States, U.S. allies, and through this contribute more to regional security.

Mission Objective 1.1: Increase Palau's air and maritime domain awareness capabilities, and use these capabilities to improve Palau's security and governance capabilities. Build support in Palau for increased U.S. military engagements.

Mission Objective 1.2: Increase Palau's law enforcement capacity to address illegal activities in a transparent and effective manner consistent with the rule of law.

Mission Objective 1.3: Promote Palau's constructive relationships and cooperation with allies and partners to ensure regional stability by limiting dramatic changes in its diplomatic relations.

Mission Goal 2: Foster continued Palauan support for the maximum pressure campaign on the Democratic People's Republic of Korea (DPRK) to abandon its nuclear weapons and ballistic-missile program in order to promote regional peace and stability.

Mission Objective 2.1: Grow Palau's willingness and ability to proactively enforce UN Security Council Resolutions on the DPRK, while continuing to adhere to relevant international commitments.

Mission Objective 2.2: Ensure Palau's ship registry coordinates closely with the Embassy and the Bureau of International Security and Nonproliferation, Office of Cooperative Threat Reduction (ISN/CTR) regarding the registration of suspicious vessels and that it participates in USG-provided training.

Mission Goal 3: Ensure Palau builds sustainable, resilient, and inclusive economic growth, prosperity, and social development, including health and education systems and high-standard infrastructure, while supporting environmental stewardship. Through this, Palau will improve its resilience to natural disasters and enhance domestic food security.

Mission Objective 3.1: Provide technical assistance and encourage Palau to invest in its own development, promoting sustainable tourism, fisheries, and agriculture, including traditional foods.

Mission Objective 3.2: Reduce unsustainable rates of NCDs through "whole of government" approach working with local partners and leveraging U.S agency programs in Palau.

Mission Objective 3.3: Increases Palau's preparation and planning to mitigate disaster risks and improve environmental resilience.

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Management Objective 1: Create and fill an IT/GSO position to improve day-to-day operations and maintain internal management controls.

Management Objective 2: Obtain increased funding for regional support visits to Post and to establish effective LES compensation, health insurance, and pension plans.

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3. Mission Goals and Objectives

Mission Goal 1: Work with the Republic of Palau (ROP) to expand security cooperation with the United States, U.S. allies, and through this contribute more to regional security.

Description and Linkages: Our partnership with Palau is an important part of the Indo-Pacific Strategy – from our cooperation on maritime security to our close cooperation at the United Nations and other international fora - We share common interests and values in support of a free and open Indo-Pacific, promoting democracy, rule of law, respect for a rules-based international order, and resolving disputes through peaceful and transparent means. Working closely with the ROP we will advance security and development in Palau and the Pacific more broadly. This Goal directly supports the 2017 National Security Strategy (NSS), Strategic Objective 1.4 of the FY2018-2022 State-USAID Joint Strategic Plan, and Goals 1 and 5 of the EAP/Asia Joint Regional Strategy. This Goal is consistent with and supportive of Security and Governance & Cooperation categories of effort in the Indo-Pacific Strategy. The NSS specifically highlights the importance of allies in “preserving our mutual interests in the Indo-Pacific region.” It also supports DOD’s Country Security Cooperation Plan (CSCP), and the PACOM Theater Campaign Plan.

Mission Objective 1.1 Increase Palau’s air and maritime domain awareness capabilities, and use these capabilities to improve Palau’s security and governance capabilities. Build support in Palau for increased U.S. military engagements.

Justification: Keeping Palau closely allied with the United States will remain a key Embassy task. Palau’s voting coincidence with the United States is over 96 percent at the United Nations and other key international organizations, including the International Atomic Energy Agency (IAEA), where Palau’s vote has often proved crucial. The Embassy will continue to work closely with the government of Palau to maintain this record.

Palau’s large and largely unmonitored commercial fishing sector suffers from IUU and human trafficking. This is another area of substantial Washington concern, encompassing measures to protect coral reefs, efforts to prevent overfishing, cooperation in regional maritime bodies, and protecting the commercial interest of American fishing vessels. Monitoring and reporting on developments in this area will remain an important priority. Maritime Domain Awareness is a key factor in Palau’s security.

Palau's local security challenges and geo-strategic importance to U.S. interests requires that the government of Palau and the U.S. military and Coast Guard closely cooperate. Moreover, Palau sends its young men and women to join the U.S. military and Coast Guard. These relationships pay off in many ways, including enhancing the capabilities of the men and women who serve to help in the development of Palau, raising public awareness in Palau of U.S. national interests, and enhancing the overall political partnership between the U.S. and the Republic of Palau.

Mission Objective 1.2 Increase Palau’s law enforcement capacity to address illegal activities in a transparent and effective manner consistent with the rule of law.

Justification: This Goal directly supports the 2017 National Security Strategy (NSS), Strategic Objective 1.4 of the FY2018-2022 State-USAID Joint Strategic Plan, and Goals 1 and 5 of the EAP/Asia Joint Regional Strategy. This Goal is consistent with and supportive of the Security and Governance & Cooperation categories of effort in the Indo-Pacific Strategy. The NSS specifically highlights the importance of allies in “preserving our mutual interests in the Indo-Pacific region.”

Mission Objective 1.3 Promote Palau’s constructive relationships and cooperation with allies and partners to ensure regional stability by limiting dramatic changes in its diplomatic relations.

Justification: This Goal directly supports the 2017 National Security Strategy (NSS), Strategic Objective 1.4 of the FY2018-2022 State-USAID Joint Strategic Plan, and Goals 1 and 5 of the EAP/Asia Joint Regional Strategy. This Goal is consistent with and supportive of the Security and Governance & Cooperation categories of effort in the Indo-Pacific Strategy. The NSS specifically highlights the importance of allies in “preserving our mutual interests in the Indo-Pacific region.”

Mission Goal 2 Build Palau’s support in the maximum pressure campaign on the Democratic People’s Republic of Korea (DPRK) to abandon its nuclear weapons and ballistic-missile program in order to promote regional peace and stability.

Description and Linkages: Palau’s small but rapidly growing Ship Registry (PISR) is vulnerable to misuse by unscrupulous actors. Work closely with the ROP and PISR to ensure that illegal or sanctioned vessels are not registered, and if registered in error, are removed. This Goal directly supports Pillar 1 of the 2017 National Security Strategy (NSS), Strategic Objectives 1.1 and 1.4 of the FY2018-2022 State-USAID Joint Strategic Plan, and Goals 1 and 2 of the EAP/Asia Joint Regional Strategy. This Goal is consistent with and supportive of the Security and Governance & Cooperation categories of effort in the Indo-Pacific Strategy. The NSS specifically discusses that allies in the region are “critical to responding to mutual threats, such as North Korea.” It also supports DOD’s the Country Security Cooperation Plan (CSCP), and the PACOM Theater Campaign Plan.

Mission Objective 2.1 Grow Palau’s willingness and ability to proactively act to enforce UN Security Council Resolutions on the DPRK, while continuing to adhere to relevant international commitments.

Justification: Ensuring ROP and PISR officials participate in training to implement UNSC Resolutions will build capacity and resolve. Linking PISR directly with relevant USG offices will increase responsiveness and efficiency.

Mission Objective 2.2 Ensure Palau's ship registry coordinates closely with the Embassy and the Bureau of International Security and Nonproliferation, Office of Cooperative Threat Reduction (ISN/CTR) regarding the registration of suspicious vessels and that it participates in USG-provided training.

Justification: Close coordination will enhance response times, build resolve, and maintain pressure.

Mission Goal 3: Ensure Palau builds sustainable, resilient, and inclusive economic growth, prosperity, and social development, including health and education systems and high-standard infrastructure, while supporting environmental stewardship. Through this, Palau will improve its resilience to natural disasters and domestic food security.

Description and Linkages: As COFA financial assistance diminishes in 2024 it is essential that Palau develop its private sector to increase economic self-reliance. We need to ensure that development projects, regardless of donor, are transparent, high-standard, high-impact, and follow international norms, and that new infrastructure truly knits the region together, generates local wealth, and leads to sustainable growth. The projects must empower Palau, not limit its sovereignty by increasing its debt load. This Goal directly supports Strategic Goals 2 and 3 of the FY2018-2022 State-USAID Joint Strategic Plan and Goal 3 of the EAP/Asia Joint Regional Strategy. This Goal is consistent with and supportive of the Economic and Governance & Cooperation categories of effort in the Indo-Pacific Strategy.

Mission Objective 3.1 Provide technical assistance and encourage Palau to invest in its own development, promoting sustainable tourism, fisheries, and agriculture, including traditional foods.

Justification: Although the government seeks increased foreign investment, cumbersome laws, regulations, and practices discourage investment and reduce economic growth. The substantial resident American community here is clamoring for expanded Embassy engagement on a wide variety of economic and commercial issues, including help with investment climate advice, alleged economic discrimination, advocacy, and security issues. With increased capacity in the form of an additional USDH position, Post could increase engagement on economic issues, including support for legislation supportive of foreign investment, promoting the U.S. export initiative, and increase classified reporting. Rapidly rising energy costs challenge Palau's ability to achieve sustainable economic independence. Although Palau possesses large untapped renewable energy resources, it lacks the human, technical, and financial resources necessary to develop this sector, and continues to rely on importation of expensive diesel fuel. The Embassy will continue exploring the possibility of working within the framework of the U.S. Department

of Energy's Island Energy Initiative and other programs to reduce this burden, and promote U.S. goals for "green" and renewable energy.

Mission Objective 3.2 Reduce unsustainable rates of NCDs through "whole of government" approach working with local partners and leveraging U.S agency programs in Palau.

Justification: Unsustainable rates of NCDs are threatening Palauan health and the ability of its medical system to provide care. A growing unhealthy work force diminishes Palau's economic development, poses increasing burdens on its health care system, and threatens self-reliance.

Mission Objective 3.3 Increases Palau's preparation and planning to mitigate disaster risks and improve environmental resilience.

Justification: Because the country is made up of islands scattered over a huge area, coordination and communications for before, during, and after natural disasters poses serious logistical challenges for U.S. citizen services and Palauan citizens. Continued strong relationships with local governments will be required.

4. Management Objectives

Management Objective 1 Create and fill an IT/GSO position to improve day-to-day operations and maintain internal management controls.

Justification: Embassy Koror is understaffed, detrimentally affecting overall functional capability. Post's overstretched workforce is unable to fully achieve Post's objectives and the Department's focus on the Pacific. Post aims to bring Embassy staffing in line with the need to provide comprehensive coverage of Post's critical elements, including management reporting and management controls. USDH IM/GSO specialist would reduce the substantial burden of non-reporting tasks on the Mission Deputy.

Management Objective 2 Obtain increased funding for regional support visits to Post and to establish effective LES compensation, health insurance, and pension plans.

Justification: Embassy does not have the funding to pay for the regional support from Embassy Manila, as envisioned by the MOU between Koror and Manila and Mission operations suffer as a result. Increased funding would enhance post operations, improve level of service provided by staff, increase wages and benefits provided to our staff, tighten management controls, and free the Mission Deputy to focus on reporting requirements and other key Mission Goals.