

KEY FACTS

Official name: Belu'ura Belau
(Republic of Palau)

Head of State: President Tommy Remengesau (Junior) (from 15 Jan 2013)

Head of government: President Tommy Remengesau (from 15 Jan 2013)

Ruling party: Members of the national congress sit as independents

Area: 380 square km

Population: 21,108 (July 2012)*

Capital: Melekeok, on Ngerekebesand Island, since 2006 (Koror: commercial centre)

Official language: English on all islands; there are four officially recognised dialects (Palauan, Sonsorallese, Tobi, Angaur – on Angaur, Japanese is also included as official)

Currency: US dollar (US\$) = 100 cents

GDP per capita: US\$9,983 (2009)

GDP real growth: 4.00% (2012)*

GDP: US\$203,620 (2009)

Inflation: 6.00% (2012)*

Balance of trade: -US\$117.00 million (2012)*

Foreign debt: US\$80.00 million (2012)

* estimated figure

Palau

Tourism is Palau's chief growth sector, accounting for about 50 per cent of gross domestic product (GDP). Visitor arrivals increased by over 25 per cent in financial year (FY) 2011 (ended 30 September 2011), exceeding 100,000 for the first time. Arrivals from Asia, particularly East Asia, rose steeply, aided by the addition of Delta Airlines flights between Palau and Japan. Although these arrivals will continue to depend on developments abroad – particularly in Japan, Republic of Korea and Taipei – arrivals are nevertheless projected to go up by 7.5 per cent and 6.0 per cent in the next two fiscal years, supporting GDP growth of 3.0 per cent and 2.0 per cent. Growth in FY2011 was 5.8 per cent, up from 0.3 per cent the previous year.

The *Asian Development Bank Economic Outlook 2012* reports that the government is expected to maintain its fiscal stance on concerns about its fiscal position. Comprehensive civil service reform is needed to reduce the public sector wage bill. New revenue raising measures, including increased tax rates for high-income earners and a steeper hotel-room tax, are under consideration and are likely to be adopted in FY2012. Further tax reforms, such as a value-added tax, may also be required. Palau's tourism-oriented economy relies heavily on basic public goods like transport infrastructure and reliable service delivery. These facilities are in need of expansion. Sustaining tourism growth would also benefit from improvements in the business environment, such as simplifying licensing procedures and expanding access to skilled labour and credit.

COUNTRY PROFILE

Historical profile

1686 Spain claimed the Caroline Islands, including Palau.

1783 A British landing on Palau inaugurated a century of trading links.

1885 The Spanish claim to the Caroline Islands was upheld by the Pope.

1899 Spain sold the islands to Germany.

1914 Japan occupied the islands.

1947 Palau became part of the Trust Territory of the Pacific Islands, administered

by the US under an UN trusteeship mandate.

1978 Palau voted against becoming a part of the Federated States of Micronesia.

1980 Palau adopted its own constitution in July.

1981 Palau became the Republic of Palau with Haruo Remeliik as its first president.

1982 A Compact of Free Association with the US (CFA) was signed.

1985 President Remeliik was assassinated in June. Lazarus Salii was elected president in September.

1987 Palau voted to amend its constitution to allow approval of the CFA by a simple majority.

1988 The Palau Supreme Court ruled the constitutional change invalid on procedural grounds. President Salii committed suicide in August. Ngiratkel Etpiison elected president in November.

1989 Agreements with the US provided aid for paying off foreign debt and funds for new development.

1992 Kuniwo Nakamura became president.

1993 Palau voted in a referendum to adopt the CFA.

1994 Palau became an independent republic under the CFA.

1996 President Kuniwo Nakamura was re-elected.

2000 Tommy Remengesau became president.

2003 A new airport terminal, costing US\$16 million, was completed.

2004 Incumbent Tommy Remengesau was re-elected president.

2006 The government began relocation to the new capital of Melekeok, on Babeldaob Island. Some departments such as the police, immigration and customs remained on Koror, still the largest settlement. The Pacific Savings Bank (PSB) collapsed. Following an independent investigation criminal charges were brought against all of the PSB's board of directors and senior managers. US\$1.5 million was lost from pension deposits in the uninsured PSB.

2007 Convictions were achieved in Palau's first case of human trafficking.

2008 In parliamentary elections all candidates stood as independents. In presidential elections Johnson Toribiong was

elected as incumbent Tommy Remengesau was required to stand down. 2009 An agreement between the US and Palau resulted in 17 ethnic Uighurs, originally from China and held in the US-detention prison in Guantanamo Military Base as suspected Islamist terrorists, were resettled in Palau.

2010 A new airline, Pacific Flier, began operations with a direct air link between Palau and Brisbane, Australia. The first resident US ambassador to Palau, Helen Reed-Rowe, was appointed.

2011 By March, Palau had received a total of US\$12.6 million in grants from the US, UN, South Korea and Taiwan, to be used in road and civic projects, health services and programmes, a tourist rest centre and the Palau Congress Project. A state of emergency was declared at the end of September due to the lack of fresh water for its residents. The New Zealand Red Cross and Australian authorities responded by delivering personnel and supplies. In November electricity was rationed, with households limited to eight hours per day, due to fire-damage of a power generator at Aimeliik in Koror State. A state of emergency was imposed as hospitals, schools and the airport were threatened with power cuts.

2012 President Johnson Toribiong was brought to court charged with misuse of funds provided by the US to resettle Uighur detainees released from Guantanamo Bay in 2009. It was alleged that he had authorised spending US\$250,000 on the renovation of a family property to house the six Uighurs. President Toribiong said the property had the best security on offer and that the court case was politically motivated. On 17 April 25 Chinese nationals were deported for being illegally present in Palau waters. They had been picked up aboard three small, fast boats after they had incinerated their 'mother ship'. Presidential elections held on 6 November, were won by opposition leader Tommy Remengesau (Jr) with 49.1 per cent of the vote.

2013 In March President Tommy Remengesau announced that since Palau's revenue from fishing was negligible (US\$5million), the Islanders would be better off banning all commercial fishing in Palau's waters and creating one of the world's largest marine reserves, covering an area roughly the size of France, so as to attract more tourists. The reserve would be within Palau's exclusive economic zone (EEZ), which is 630,000 square kilometres.

Political structure

Constitution

The constitution was promulgated in January 1981.

Each state has a governor.

A council of chiefs advises the government on matters of traditional law and custom.

Voting: universal suffrage over 18 years.

Form of state

Republic, in free association with the US.

The executive

The president is head of state and head of government, elected for a four-year term by popular vote. Presidents may stand for only two terms.

National legislature

The bicameral Olbiil Era Kelulau (OEK) (National Congress) comprises a nine-seat Senate (upper chamber) and a 16-member House of Delegates (lower chamber); both elected by popular vote for four-year terms.

Legal system

The legal system is based on Trust Territory laws, acts of the legislature, municipal, common and customary laws.

Last elections

6 November 2012 (presidential and parliamentary)

Results: Presidential: Tommy Remengesau (Junior) won 49.1 per cent of the vote, Johnson Toribiong, 33 per cent, Sandra Pierantozzi 18 per cent. Parliamentary: non-partisans were elected – no political parties exist.

Next elections

2016 (presidential and parliamentary)

Political parties

There are no political parties.

Ruling party

Members of the National Congress sit as independents

Political situation

Palau's largest foreign earnings come from tourism, remittances and revenue from the Compact of Free Association (commonly referred to as the Compact) which Palau has with the US. And while the Compact brings in a regular income each year, it is capped and extra income from the other two are subject to the mercy of external pressures and vagaries. Added to which frequent disasters caused by hurricanes snap up any reserves that may be around. No matter how detailed Palau's economic plans are, they are always prone to external disruption and as such the government has poor a track record for steady fiscal management.

In 2010, former president, Tommy Remengesau, declared the Palau was over governed, with one national and 16 state governments for 20,000 people. Perhaps this is why the aid package of US\$250 million offered by the US for 2010–25 was rejected by Palau in July 2010. In exchange for the aid, the US insisted in more input in Palauan economic matters. This was rejected by Palau

negotiators, saying the US wanted to micromanage Palauan affairs and didn't acknowledge the Palau was a sovereign nation.

Palau is divided between those that call for complete independence and accepting the country's debt liabilities, and those content to stay with the *status quo*, even if that means losing a little more independence to the US.

Population

21,108 (July 2012)*

Nearly 70 per cent of the population lives on the island of Koror while the island of Babeldaob is nearly empty.

Last census: 1 April 2006: 19,907

Population density: 45 inhabitants per square km (2010). Urban population 83 per cent (2010 Unicef).

Annual growth rate: 1.5 per cent, 1990–2010 (Unicef).

Ethnic make-up

Palauan (Micronesian with Malayan and Melanesian mixtures) 70 per cent; Asian (Filipinos, Chinese, Taiwanese and Vietnamese) 28 per cent; white 2 per cent.

Religions

Predominantly Christian, although one third of the population practise an indigenous religion known as Modekngai.

Education

The school system of Palau follows that of the US. Education is compulsory until the age of 14. Palauan and English are taught in schools, but English has gradually become the main instruction medium. There were 22 elementary schools, one high school, seven private schools and one community college. Around 94 per cent of school-aged children attend school and 97 per cent complete elementary school. The completion rate for high school students is 78 per cent.

Health

Only around 75 per cent of the population have access to medical facilities.

Life expectancy: 68 years, 2004 (WHO 2006)

Fertility rate/Maternal mortality rate:

1.4 births per woman, 2004 (WHO 2006)

Child (under 5 years) mortality rate (per 1,000): 21 per 1,000 live births (WHO 2012)

Welfare

There is no social welfare system.

Main cities

Koror (capital, population 8,895 in 2012), Airai (1,285), Meyuns (1,056), Kloulklubed (818).

Languages spoken

Local languages and Japanese spoken in some states.

Official language/s

English on all islands; there are four officially recognised dialects (Palauan, Sonsoralese, Tobii, Angaur – on Angaur, Japanese is also included as official)

Media

Press

The Government Media Office publishes the *Palau Gazette* monthly.

Dailies: In English *Marianas Variety* and the *Independent* published abroad but read in Palau. Regional online newspaper *Pacific Magazine* (www.pacificmagazine.net).

Weeklies: In English *Tia Belau, Palau Horizon*; in Palau *Roureur Belau*. These are independent local publications. Regional, online *Inside Oceania* (www.insideoceania.com)

Broadcasting

Radio: In Palau and English, Eco Paradise FM, is government-operated; T8AA radio station, WWFM and KRFM, and a Christian religious broadcaster (High Adventure Ministries), are independent.

Television: Over 90 per cent of households have cable television, there are no local or regional TV broadcasts. Island Cable Television (www.palaunet.com/CableTV.asp) is the only cable provider.

Palau National Communications Corporation (PNCC), PO Box 99, Koror, Palau 96940 (tel: 587-9900; email: edcarter@palaunet.com; internet: www.palaunet.com)

Other news agencies: ABC Pacific Beat: www.radioaustralia.net.au/pacbeat Pacific Magazine: www.pacificmagazine.net

Economy

Palau has one of the highest standards of living in the Pacific and is classified as a middle-income country, with a high human development ranking and a per capita income of US\$9,200.

Since the end of Japanese occupation in 1945, the US has retained control over defence and foreign policy matters in return for several hundred million dollars in aid over 15 years (1994–2009). Of the US\$630 million guaranteed under the Compact of Free Association with the US, US\$70 million was placed in an investment fund, to provide a US\$5 million boost to the annual budget.

The economy is based on agriculture and fishing, with a growing tourism sector based on sailing, scuba diving and sports-fishing. GDP growth fell to a low of -6.1 per cent in 2008, recovering somewhat with negative growth of -4.6 per cent in 2009, before recording positive growth of 0.3 per cent in 2010 and a surge estimated at 5.8 per cent in 2011.

Foreign fishing vessels (mainly from Japan and Taiwan) pay royalties to fish in Palau's Exclusive Economic Zone. The government is investigating alleged use of the territory for money laundering activities.

A two-lane highway, Compact Road, around the main island, Babeldaob, is an important addition to Palau's infrastructure and basis for economic growth. With the road's completion, all Palau's major public infrastructure projects that started after the signing of the Compact in 1994 were concluded.

External trade

Palau is a member of the South Pacific Regional Trade and Economic Co-operation Agreement (Sparteca) along with 12 other regional nations, which allows products duty free access by Pacific Island Forum members to Australian and New Zealand markets (subject to country of origin restrictions). Palau has become a major investment destination for Chinese entrepreneurs wishing to benefit from its unlimited access to US markets.

Commercial fishing licences for foreign trawlers have become an important source of foreign earnings.

Imports

Principal imports are machinery and equipment, manufactured goods, fuels, metals, live animals and foodstuffs.

Main sources: US (Guam), Japan, Singapore, Taiwan.

Exports

Main exports include shellfish, tuna, copra and garments, which have become a major export following investment by Chinese firms, eager to take advantage of Palau's access to the US market.

Main destinations: US, Japan, Singapore

Agriculture

Agriculture accounts for around 1 per cent of GDP, with farming accounting for around 0.5 per cent. Subsistence farming of taro, bananas, sweet potatoes, tapioca and vegetables, with pig and poultry raising, is the main occupation. Commercial farming is practised where climate and soils are favourable. Land is parcelled into an estimated 20,000 holdings; a Land Commission maintains a register to provide security of land tenure for Palauan citizens.

Fishing supplies the principal source of protein and export revenues. Fishing revenue is valuable because of the sale of fishing licences to large foreign fleets, permitting them to fish within Palau's Exclusive Economic Zone.

In April 2010 the Parties to the Nauru Agreement (PNA) (eight island states including Palau) collectively agreed to close to *purse seine* fishing in 4.55 million

square kilometres of high seas in their area, from 1 January 2011, to vessels licensed to fish in their waters. The area involved stretches from Palau and Papua New Guinea in the west to Kiribati in the east, from the Marshall Islands in the north to Tuvalu in the south; it holds an estimated 25 per cent of the world's tuna supply.

On 12 April 2011, a summit of the Parties to the Nauru Agreement (PNA) concluded its strategy for a policy of sustainable fishing in the Pacific. The PNA treaty, which was established in 1989 and expires in 2012, is seen as in need of an overhaul. As a collective region (FSM, Kiribati, Marshall Islands, Nauru, Palau, PNG, Solomon Islands and Tuvalu) control around 25–30 per cent of world stocks of tuna. Only 5 per cent of sales revenue is returned to the PNA and ministers called for specific changes, including an increased share of profits, PNA crews on-board *purse seine* vessels (minimum 10 per cent), conservation and management measures including a limit to fish trapping (fish aggregating devices (FADs)), net mesh rules and the establishment of an observer agency and fisheries information management system.

Industry and manufacturing

Small-scale industries include handicrafts, garments, fish processing, bottling, bakeries and boat building. Industry typically represents around 7–9 per cent of GDP, but has been boosted by on-going activity in the construction industry to around 15 per cent.

Tourism

The tropical beauty of Palau and its pristine marine environment attracts a variety of visitors from Asia (over 35 per cent from Taiwan, over 30 per cent from Japan and over 15 per cent from South Korea) and the US (over 5 per cent). The number of visitors in 2007 was 93,000, which dropped to 83,000 in 2008 as the global economic crisis affected tourism; since then numbers have grown steadily so that by 2011 visitor numbers topped 100,000.

Tourism (combined with its associated infrastructure) is the top industry for economic growth in Palau – revenue from hotels and restaurants alone contributes 10 per cent of GDP.

In July 2012, the Rock Islands Southern Lagoon was added to Unesco's World Heritage List.

Fossil fuel makes up for around 85 per cent of Palau's energy requirements. Currently, Palau relies on the import of hydrocarbons from the US to meet its requirements.

A round of oil exploration licensing began in 2009, with the assistance of the World Bank.

Energy

Installed generating capacity of 10MW is produced from hydropower, providing 30 million kilowatt hours per year. Diesel-fired generators also provide electricity. The Palau Utilities Corporation (PUC) is responsible for generation and supply of electricity.

In 2008, as the implementation of national electrification, based on solar-photovoltaic systems, was about to begin PUC participated in technical training workshops run by Pacific Power Association (PPA) and E8 (utility companies from G8 countries offering help and sponsorship in renewable energies).

Long term considerations include ocean thermal energy conversion (otec) exchanges, proposed by the World Energy Council, to produce around 3,000kW of electricity, rising to 30,000kW as the project expands. However overseas sponsorship, necessary to develop the exchange plant, remains unavailable.

Banking and insurance

Palau has a well-developed banking sector with 12 commercial banks in operation and one development bank, several of which are representative offices of US or Asian corporations. US banks are dominant, holding around 80 per cent of deposits. The main banks are the Bank of Guam and the Bank of Hawaii.

Time

GMT plus ten hours

Geography

Palau consists of more than 200 islands in a chain about 650km (400 miles) long, lying about 7,150km (4,450 miles) south-west of Hawaii and about 1,160km (720 miles) south of Guam. Together with the Federated States of Micronesia, Palau forms the archipelago of the Caroline Islands.

Babeldaob is the largest island in Palau, and in the centre of its east coast is the new site for the capital, Melekeok, (relocation began on 7 October 2006) and is home to Lake Ngardok, the largest body of freshwater (5 square km) in Palau; Meyuns, the second largest settlement, is also located on the northern shore, and the international airport is in the south. Koror Island (still with the largest settlement, Koror) is connected to Malakal Island (location of Koror's port) by two land bridges and a man-made bridge to Babeldaob Island.

The islands are composed largely of volcanic and limestone rock with coral reefs encircling the inhabited islands. The tallest peaks are on Babeldaob and Koror, with

elevations of 217 metres (m) and 628m, respectively.

Hemisphere

Northern

Climate

Warm and humid, with temperatures between 23–30 degrees Celsius and humidity around 80 per cent. Rainfall (variable, minimum 250 mm/year), can occur in downpours. Typhoons are possible.

Entry requirements

Passports

Required by all. US citizens may visit with photo ID, however all US nationals require a passport for re-entry to the US from January 2007).

Visa

Required by all and issued by travel agent or airline for visits up to 30 days with proof of return/onward passage and adequate funds for maintenance. Extended entry permits are issued on application to Chief of Immigration, Bureau of Legal Affairs, Ministry of Justice, PO Box 100, Koror, Palau 96940.

Special regulations may apply to some non-tourist destinations within the islands.

Currency advice/regulations

No restrictions on import and export of local and foreign currency. Foreign currency over US\$5,000 must be declared.

Prohibited imports

Illegal drugs and weapons

Health (for visitors)

Mandatory precautions

Cholera and yellow fever immunisations are required for those arriving from infected areas.

Advisable precautions

Vaccination for diphtheria, TB, hepatitis A and B, polio, tetanus and typhoid are recommended. There is a rabies risk. Hospitals often expect immediate cash payment for medical treatment.

Hotels

There are hotels and guest-houses in Melekeok, Koror, Peliliu and Angaur.

Credit cards

Major credit cards are widely accepted at main visitor facilities.

Public holidays (national)

Fixed dates

1 Jan (New Year's Day), 15 Mar (Youth Day), 5 May (Senior Citizens' Day), 1 Jun (President's Day), 9 Jul (Constitution Day), 1 Oct (Independence Day), 24 Oct (United Nations Day), 25 Dec (Christmas Day).

Variable dates

Labour Day (first Mon in Sep), Thanksgiving Day (last Thu in Nov).

Working hours

Banking

Mon–Thu: 1000–1500, Fri: 1000–1800.

Business

Mon–Fri: 0900–1700.

Government

Mon–Fri: 0900–1700.

Shops

Mon–Sat: 0800–2000; Sun 0800–1800.

Telecommunications

Telephone/fax

Palau National Communications Corporation provides all modern public and private telecommunications facilities, including phone cards, international calls and mobile phones.

Mobile/cell phones

There are 900/1800 GSM services available.

Electricity supply

115V AC 60Hz, with flat, two or three pin plugs.

Social customs/useful tips

An informal attitude prevails in business. Business cards are sometimes exchanged. Business is usually conducted in English. Visitors should familiarise themselves with local customs. Permission should be sought before photographing people. Gratuities are optional.

Getting there

Air

National airline: A new carrier, Pacific Flier, began operations with a direct air link between Palau and Brisbane, Australia in April 2010. Other destinations include The Philippines and Guam.

International airport/s:

Koror Babeldaob (ROR), 19km north-east of Airai, on Babeldaob. Unmetered taxis, with fixed fares, are available, travel time to Koror 30 minutes. Hotel shuttle buses are available if requested when making bookings.

Airport tax: US\$20

Surface

Water: Malakal Harbour is the main commercial port facility in Palau. Cargo ships that carry passengers visit occasionally.

Getting about

National transport

Road: Outside administrative areas, the road network may consist of tracks not passable to ordinary vehicles. Ngilwal, Melekeok and Ngaremlengui each have road systems which link up with the main hamlets.

Driving is on the right with 40km per hour as the maximum allowable speed. Passing is prohibited anywhere in Palau.

In July 2005, Japan awarded almost US\$20 million in grants to improve Palau's roads.

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Water: The islands of Peleliu and Anguar are served by municipal boats. Other inter-island services rely on privately operated boats.

City transport

Taxis: Although taxis are not metered all fares are fixed, enquire before travelling.

BUSINESS DIRECTORY

The addresses listed below are a selection only. While World of Information makes every endeavour to check these addresses, we cannot guarantee that changes have not been made, especially to telephone numbers and area codes. We would welcome any corrections.

Telephone area codes

The international direct dialling code (IDD) for Palau is +680, followed by subscriber's number.

Useful telephone numbers

Ambulance: 488-1411
Police: 911

Chambers of Commerce

Palau Chamber of Commerce, PO Box 1742, Koror 96940 (tel: 488-3400; fax: 488-3401; e-mail: pcoc@palaunet.com).

Banking

Bank of Guam, PO Box 338, Koror 96940 (tel: 488-1648/2696/2697; fax: 488-1384).

Bank of Hawaii, PO Box 340, Koror 96940 (tel: 488-2602/2428; fax: 488-2427).

Bank Pacific, PO Box 1000, Koror 96940 (tel: 488-5635; fax: 488-4752).

Pacific Savings Bank, PO Box 399, Koror 96940 (tel: 488-1859/1860; fax: 488-1858; email: bank@palaunet.com).

First Commercial Banking, PDC Building; PO Box 1605, Koror 96940 (tel: 488-6297/8/9; fax: 488-6295).

Central bank

National Bank of Palau, PO Box 816, Koror 96940 (tel: 488-2578; fax: 488-2579; internet: ndbp.com).

Travel information

Continental Micronesia, PO Box 138CK, Saipan MP 96950, Northern Mariana Islands (tel: (+1-670) 234-8223; fax: (+1-670) 234-8358).

National tourist organisation offices

Palau Visitors' Authority, PO Box 256, Koror, ROP 96940 (tel: 488-2793/1930; fax: 488-1453; internet site: <http://www.visit-palau.com>).

Ministries

Bureau of Commercial Development, PO Box 1471, Koror, 96940 (tel: 488-2502).

Bureau of Education, PO Box 189, Koror 96940 (tel: 488-1464; fax: 488-1465; email: moe@palaugov.net).

Bureau of National Treasure (tel: 488-2501; email: bnt@palaugov.net).

Other useful addresses

British High Commissioner (for information on Palau), Victoria House, 47

Gladstone Rd; PO Box 1355, Suva, Fiji (tel: (+679) 322-9100).

Office of the President, PO Box 100, Koror, ROP 96940 (tel: 488-2403/2828; fax: 488-2424/1662).

Palau Embassy (USA), Suite 400, 1700 Pennsylvania Ave, NW Washington, DC 20006 (tel (+1-202) 452-6814; fax (+1-202) 452-6281; internet: www.palauembassy.com).

Palau Liaison Office (Hawaii), 1441 Kapiolani Blvd, Suite 1120, Honolulu, Hawaii 96814 (tel: (+1-808) 941-0988/89; fax: (+1-808) 943-1689).

Palau Liaison Office (Guam) ITC Bldg, Suite 615, PO Box 9457, Tamuning, Guam 96911 (tel: (+1-671) 646-9281/81).

Other news agencies: ABC Pacific Beat: www.radioaustralia.net.au/pacbeat

Pacific Magazine: www.pacificmagazine.net

Internet sites

Government of Palau: www.palaugov.net

Destination Micronesia, Palau: www.destmic.com/palau.html

US Office of Insular affairs: www.doi.gov/oia

Yellow Pages: <http://directory.palaunet.com/yellowpages>