



Integrated Country Strategy

Palau

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1. Chief of Mission Priorities

The United States has a unique relationship with the Republic of Palau (ROP), defined by a Compact of Free Association (COFA) dating back to Palau's status as a UN Trust Territory after World War II. Under the COFA, the United States is responsible for Palau's defense and security and, in return, provides Palau with many benefits normally reserved for U.S. states and territories, including visa-free travel. The U.S.-Palau relationship is strong: Palauans serve in the U.S. military at a higher rate than any U.S. state or territory, many Palauans live and work in the United States, and a growing percentage of its people are dual nationals.

Palau is in a strategic location and is a key focus for U.S. Indo-Pacific planning. Known as the "anchor" of the second island chain, the country sits at a critical juncture in the Pacific Ocean. It is located close to the U.S. territories of Guam and the Commonwealth of the Northern Mariana Islands, and Palau is the Freely Associated State situated nearest to the South China Sea and important sea lanes that connect the United States to Asia.

U.S. Mission priorities focus on three key areas: 1) a free and open Indo Pacific, to maintain regional security, democracy, and the rule of law; 2) shared efforts to address the challenges posed by climate change, an existential threat to Pacific Island nations; and 3) in partnership with the government and people of Palau, coordinating U.S. efforts to help keep Palau secure and prosperous, with a particular emphasis on health and wellbeing of its population. The Mission's public diplomacy efforts promote key policy goals and are designed to ensure that the public is aware of USG assistance.

Due to the significant number of U.S. military engagements with Palau, the Mission strives to ensure that public and official support for U.S. military efforts remain high, especially given plans to base vital radar sites in the country as well as an increased tempo of U.S. military training and exercises. To that end, the Mission supports regular and frequent engagement by Department of Defense (DOD) and the U.S. Coast Guard entities in the form of military exercises, ship visits, high-level bilateral meetings, and ongoing training programs. This engagement is vital to our Indo-Pacific strategy as it demonstrates USG commitment to the

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region – our persistent presence - and reassures Palauan counterparts that we intend to maintain our close partnership even as regional power dynamics shift and competition intensifies in the Second Island Chain. This requires a whole-of-Embassy effort and will need to be adequately resourced.

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2. Mission Strategic Framework

Mission Goal 1: Protect the United States and U.S. citizens, while bolstering regional security

- **Mission Objective 1.1:** Expand security cooperation, including UXO removal, to ensure the United States can fulfill its obligations under COFA and to promote a free, secure, and stable IndoPacific.
- **Mission Objective 1.2:** Build capacity of law enforcement and civilians to detect/counter malign activity within Palau's land borders, maritime domain, and cyberspace.
- **Mission Objective 1.3:** Protect the health and well-being of U.S. citizens living, traveling, and conducting business in Palau.

Mission Goal 2: Increase Palau resiliency to the impacts of climate change and natural disasters and promote sustainable economic growth.

- **Mission Objective 2.1:** Leverage DOD and other U.S. expertise, to help Palau prepare and respond-to natural disasters and increase resiliency in the face of climate change.
- **Mission Objective 2.2:** Support efforts to diversify Palau's economy in an environmentally friendly way, through sustainable tourism, fisheries, and agriculture.
- **Mission Objective 2.3:** Ensure Palau's public sector increases efficiency, transparency, diversity, and accountability so that all citizens can prosper.

Mission Goal 3: Improved Health and Education for Palauans

- **Mission Objective 3.1:** Promote access to U.S. health professionals and experts to help Palau respond-to current and emerging health threats.
- **Mission Objective 3.2:** Maintain the United States as the partner of choice in health and education partnership.

Management Goal 1: Mission to task review and increase staffing to reflect growing importance, evolution, of the Mission.

- **Management Objective 1.1:** Establish permanent DOD presence at the Embassy to support military engagement that has increased exponentially in the last decade and is expected to grow further.
- **Management Objective 1.2:** Add Political-Economic reporting officer to increase reporting on issues of national interest, particularly increasing malign PRC activities in Palau, within Palau's EEZ, and within the Pacific region.
- **Management Objective 1.3:** Recruit and retain a diverse workforce to enable to Mission to accomplish the U.S. government's strategic priorities in Palau.

3. Mission Goals and Objectives

Mission Goal 1 | Protect the United States and U.S. citizens, while bolstering regional security

Description | Working together with close partner Palau, the United States can protect its interests in the region, support Palau with its security goals, and safeguard the American people at home and in the Pacific.

Mission Objective 1.1 | Expand security cooperation, including UXO removal, to ensure the United States can fulfill its obligations under the Compact of Free Association and to promote a free, secure, and stable IndoPacific.

- **Objective 1.1 Justification** | Under the defense provisions of the COFA, the United States is responsible for the defense and security of Palau, both of which are under increasing threat by the PRC, which has increased its ships' transits of Palau's EEZs and PRC nationals who export malign influence like gambling, human trafficking, and other vices to Palau. By increasing U.S. security cooperation with Palau, and across the region, the United States will be better able to protect and defend Palau from emerging threats and, in doing so, help protect the American homeland.
- **Objective 1.1 Linkages** | This goal directly supports the national security priorities outlined in the 2021 Interim Security Strategy (NSS), the 2022 National Defense Strategy, the 2020 Guidance for Development of Alliances and Partnerships, Strategic Objectives 1.1, 1.3, 1.4, and 1.5 of the FY2022 - 2026 State-USAID Joint Strategic Plan, and Goal 1 of the EAP/Asia Joint Regional Strategy.
- **Objective 1.1 Risks** | The primary risks include a lack of USG funding to support increased cooperation and the Palau government turning to other nations (e.g. the PRC) for assistance.

Objective 1.2 | Build capacity of Palau law enforcement and civilian agencies to detect and counter malign activity within Palau's land borders, maritime domain, and cyberspace.

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- **Objective 1.2 Justification** | Palau struggles to secure its 630,000 square kilometer of exclusive economic zone (EEZ), and its domestic law enforcement authorities do not yet have the capacity to counter emerging threats from nonstate actors like human and drug trafficking, online gambling, money laundering, organized crime, and cyber threats. U.S. capacity building, and expertise, is critical to help Palau counter these threats.
- **Objective 1.2 Linkages** | This supports Interim National Security Strategy (NSS) Priority 1: “Protect the security of the American People.” It supports the Indo-Pacific Strategy’s Objective 4: “Bolster Indo-Pacific Security.” It supports the FY 2022 – 2026 State-USAID Joint Strategic Plan Goal 1: “Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans’ security and well-being,” including Objective 1.4: “Lead allies and partners to address shared challenges and competitors.”
- **Objective 1.2 Risks** | Risks include an erosion of capacity, should USG lack funding, resources to assist Palau.

Mission Objective 1.3 | Protect the health and well-being of U.S. citizens living, traveling, and conducting business in Palau.

- **Objective 1.3 Justification** | The interim National Security Strategy states that the government’s most important goal is to protect the security of the American people, and the U.S. Mission is committed to supporting that goal.
- **Objective 1.3 Linkages** | This supports Interim NSS Priority 1: “Protect the security of the American People.” It also supports the Indo-Pacific Strategy Objective 4: “Bolster Indo-Pacific Security” and the FY 2022 – 2026 State-USAID Joint Strategic Plan Goal 1: “Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans’ security and well-being.”
- **Objective 1.3 Risks** | Risks include the lack of Consular, Management, and other resources at the Embassy, should there be a natural disaster or other complex incident involving large numbers of American citizens.

Mission Goal 2 | Increase Palau's resiliency to the impacts of climate change and natural disasters and promote sustainable economic growth.

Description | Palau's economy heavily relies on assistance from other countries (mostly the United States). It is essential that Palau develop a robust private sector to increase economic self-reliance. Palau's economy is heavily dependent on the tourism sector which has been gutted over the past two years because of the pandemic. To have a long term sustainable economy, Palau must diversify its economic base and encourage private sector investment. In addition, the country must take steps to offset the impacts of climate change.

Mission Objective 2.1 | Leverage Department of Defense assets, and other U.S. expertise, to help Palau prepare-for and respond-to natural disasters, and to become more resilient in the face of climate change.

- **Objective 2.1 Justification |** The Department of Defense, often in partnership with USAID, has the capacity and access to assist Palau in the event of a natural disaster. Under the terms of the COFA, Palau does not benefit from FEMA, unlike other COFA states, and must rely on support from other U.S. agencies should disaster strike. As low-lying island, the country is extremely vulnerable to the impacts of climate change.
- **Objective 2.1 Linkages |** Both the terms of the COFA and the interim National Security Strategy, which states that the United States will join with the international community to tackle the climate crisis and other shared challenges. Improving capacity to develop and execute climate change mitigation and adaptation policies supports JSP objective 1.2, which aims to secure ambitious climate mitigation and adaptation outcomes, including supporting effective Paris Agreement implementation.
- **Objective 2.1 Risks |** A lack of USG funding to support Palau, insufficient investment on the part of Palau to increase the country's climate resiliency, and increased vulnerability to natural disasters.

Mission Objective 2.2 | Support efforts to diversify Palau's economy in an environmentally friendly way.

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- **Objective 2.2 Justification** | A more economically vibrant Palau, reduces the likelihood the country's foreign policy could be swayed by PRC or other nations' largesse. The USG can support Palau as it explores sustainable coastal fish management and grapples with the export market. The country is dependent on food imports and could benefit greatly from improved coastal fishery productions.
- **Objective 2.2 Linkages** | This objective supports the Interim NSS as it expands economic prosperity and opportunity for both Americans and Palauans. It also supports the FY 2022 – 2026 State-USAID Joint Strategy Plan Goal 2: "Promote global prosperity and shape an international environment in which the United States can thrive." In addition, it supports the Indo-Pacific Strategy Goal 3: "Drive Indo-Pacific Prosperity," and the EAP Joint Regional Strategy Goal 5: "Advance more inclusive and sustainable growth and promote free, fair, and open trade and transparent investment that improves the lives of Americans and people around the world."
- **Objective 2.2 Risks** | That Palau's private sector lacks the capacity to help transform the domestic economy, that corruption and poor investment climate reduces the inflow of high quality foreign direct investment, and that an extended recession causes Palau to become more receptive to foreign influence or willing to allow potentially opaque or unregulated businesses to set up in the country.

Mission Objective 2.3 | Palau's public sector increases efficiency, transparency, diversity, and accountability.

- **Objective 2.3 Justification** | Palau has historically not been able to attract significant U.S. investment due to various factors apart from just being a small market: pervasive corruption, a limited supply of skilled labor, inadequate infrastructure (including high energy costs), and a lack of transparency in approval and/or procurement processes. As a young democracy, the country is constrained in responding to development challenges due to weaknesses in political leadership and rule of law and a nascent civil society making them vulnerable to external influence and political pressure to meet basic economic needs.

- **Objective 2.3 Linkages** | This objective links to pillar in Indo-Pacific Strategy particularly to advance a free and open Indo-Pacific in which problems will be dealt with openly, rules will be reached transparently and applied fairly, goods and ideas and people will flow freely – across land, cyberspace, and the open seas – with governance that is transparent and responsive to the people. It is also a priority of the Palau National government. It also links directly to Goal 3 of the FY 2022 – 2026 State-USAID Joint Strategy Plan: “Strengthen democratic institutions, uphold universal values, and promote human dignity,” and more specifically, objectives 3.1, 3.2, 3.3, and 3.5.
- **Objective 2.3 Risks** | Lack of political will from the government.

Mission Goal 3 | Improved Health and Education for Palauans

Description | Healthy, educated populations contribute to sustainable economic development, as well as regional stability and prosperity. Post will work closely with relevant government agencies to help Palau improve the health, welfare, educational capacity, and wellbeing of Palau citizens. The leading causes of death in Palau are non-communicable diseases (NCD) with cardiovascular disease, cancer, chronic respiratory diseases, and diabetes being the main causes.

Mission Objective 3.1 | Promote access to U.S. health professionals and experts to help Palau respond-to current and emerging health threats.

- **Objective 3.1 Justification** | Palau has a relatively poor health profile and a health system which is inadequate to meet the needs of the population. The Mission seeks to strengthen the public health capacity of Palau so that the country may become more productive and economically stable.
- **Objective 3.1 Linkages** | This supports the FY 2022 – 2026 State-USAID Joint Strategy Plan Strategic Objective 1.1: “Leadership in strengthening global health security and supports the JSP’s strengthening educational outcome.” This objective also aligns with the EAP Joint Regional Strategy Bureau Objective 2.1: “Build sustainable and resilient

health systems to detect and respond to emerging challenges, including current and future pandemics.”

- **Objective 3.1 Risks** | A funding shortfall could reduce U.S. impact in this area; absent a U.S. role— given the immense needs of Palau – healthcare is one area where the PRC could play a prominent role, gaining influence as a result.

Mission Objective 3.2 | Maintain the United States as the partner of choice in health and education partnership.

- **Objective 3.2 Justification** | Palau’s education and health needs are great, and the United States has a long history in supporting these needs, which has both helped Palau and generated significant goodwill towards the United States.
- **Objective 3.2 Linkages** | This supports the FY 2022 – 2026 State-USAID Joint Strategy Plan Strategic Objective 1.1: “Leadership in strengthening global health security and supports the JSP’s strengthening educational outcome.” This objective also aligns with the EAP Joint Regional Strategy Bureau Objective 2.1: “Build sustainable and resilient health systems to detect and respond to emerging challenges, including current and future pandemics.”
- **Objective 3.2 Risks** | U.S. bureaucratic processes, may turn Palauans to seek healthcare in other countries; the PRC has the funding and motivation to try and displace the United States as Palau’s health and education partner of choice.

4. Management Objectives

Management Goal 1 | Increase staffing to reflect growing importance, and evolution, of the Mission.

Description: | Embassy Koror has two U.S. direct hires (USDH), including the Ambassador. Current resourcing does not reflect the rising geostrategic importance of Palau – which is mirrored by an exponential increase in Defense Department activities in country – or the importance placed on reporting on PRC activities within the region. In addition, current staffing levels do not allow for proper management and oversight of all post functions. More U.S. direct hires are needed for the Embassy to execute its mission to the highest level possible, and to preserve the morale of those at Post. The Embassy will work with the interagency to fill these and other positions – both USDH and local staff – by leveraging Diversity, Equity, Inclusion, and Accessibility (DEIA) best practices throughout the recruitment cycle.

Management Objective 1.1 | Establish permanent Department of Defense presence (DATT/SCO) at the Embassy to support increasing military engagement.

- **Management Objective 1.1 Justification** | Despite a nearly tenfold increase in Defense Department activities in Palau in the last decade – visits, exercises, subject matter expertise exchanges, aircraft and ship visits – there is no permanent DOD presence in Palau. With significantly more activities planned for the near future, a permanent presence – in the form of a Defense Attaché's (DATT) or Security Cooperation Officer (SCO) – would help ensure those activities are planned and coordinated with the required rigor.
- **Management Objective 1.1 Linkages** | This objective directly supports the priorities outlined in the 2021 National Security Strategy (NSS), the National Defense Strategy, the 2020 Guidance for Development of Alliances and Partnerships, as well as the Strategic Objectives 1.2, 1.3, 1.4, and 1.5 of the FY2022 – 2026 State-USAID Joint Strategic Plan, and Goal 1 of the EAP/Asia Joint Regional Strategy.

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- **Management Objective 1.1 Risks** | Lack of Defense Department resources; competing DOD priorities.

Management Objective 1.2 | Add Political-Economic reporting officer – which would be Post’s first – to increase reporting on issues of national interest, particularly increasing malign PRC activities in Palau, within Palau’s EEZ, and within the Pacific region.

- **Management Objective 1.2 Justification** | Palau, and the Pacific Islands in general, have experienced a rise in PRC investment, military interest, and malign influence. In addition, Palau plays an increasingly important role in U.S. foreign policy strategy. Today, however, there exist no reporting officers at the Embassy, resulting in an absence of reporting on the above issues, that may impact U.S.-Palau relations and could impact U.S. national security. A reporting officer would ensure policymakers were aware of timely, relevant issues in Palau.
- **Management Objective 1.2 Linkages** | This objective links directly to the interim National Security Strategy, specifically the rise of PRC threats in the region, as well as 2022 National Defense Strategy Fact Sheet.
- **Management Objective 1.2 Risks** | Lack of Department of State resources; competing State Department priorities.

Management Objective 1.3: | Recruit and retain a diverse workforce to enable Mission to accomplish the U.S. government’s strategic priorities in Palau.

- **Management Objective 1.3 Justification** | The strength and success of Embassy Koror - particularly given its limited resources - in supporting USG objectives in Palau depends on its ability to hire and retain a high quality, diverse workforce that can advance Mission objectives.

- **Management Objective 1.3 Linkages** | This objective supports implementation of E.O. 14035 on Diversity, Equity, Inclusion and Accessibility in the Federal Workforce. It aligns with EAP's JRS management objective 1.1 to build a resilient workforce and management objective 1.3 to encourage an inclusive workforce.
- **Management Objective 1.3 Risks** | Failure to include diverse and inclusive professionals, and failure to expand their professional talent, will result in a work force unable to meet mission goals.