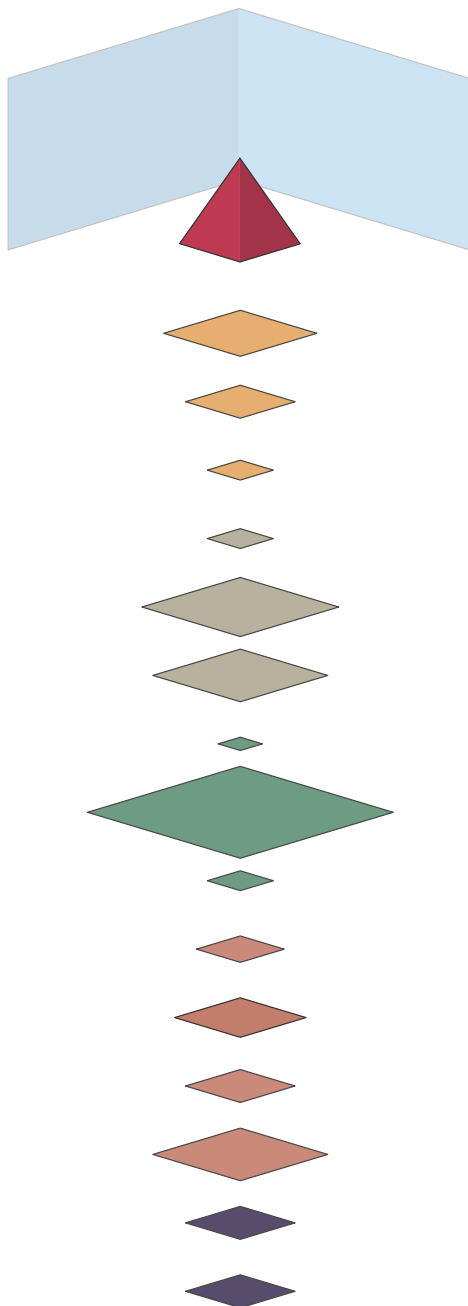


PALAU



2.70

CRIMINALITY SCORE

183rd of 193 countries

8th of 14 Oceanian countries

2nd of 5 Micronesian countries



CRIMINAL MARKETS

2.90

HUMAN TRAFFICKING 3.50

HUMAN SMUGGLING 2.50

EXTORTION & PROTECTION RACKETEERING 1.50

ARMS TRAFFICKING 1.50

TRADE IN COUNTERFEIT GOODS 4.50

ILLICIT TRADE IN EXCISABLE GOODS 4.00

FLORA CRIMES 1.00

FAUNA CRIMES 7.00

NON-RENEWABLE RESOURCE CRIMES 1.50

HEROIN TRADE 2.00

COCAINE TRADE 3.00

CANNABIS TRADE 2.50

SYNTHETIC DRUG TRADE 4.00

CYBER-DEPENDENT CRIMES 2.50

FINANCIAL CRIMES 2.50



CRIMINAL ACTORS

2.50

MAFIA-STYLE GROUPS 1.00

CRIMINAL NETWORKS 4.00

STATE-EMBEDDED ACTORS 2.00

FOREIGN ACTORS 4.00

PRIVATE SECTOR ACTORS 1.50

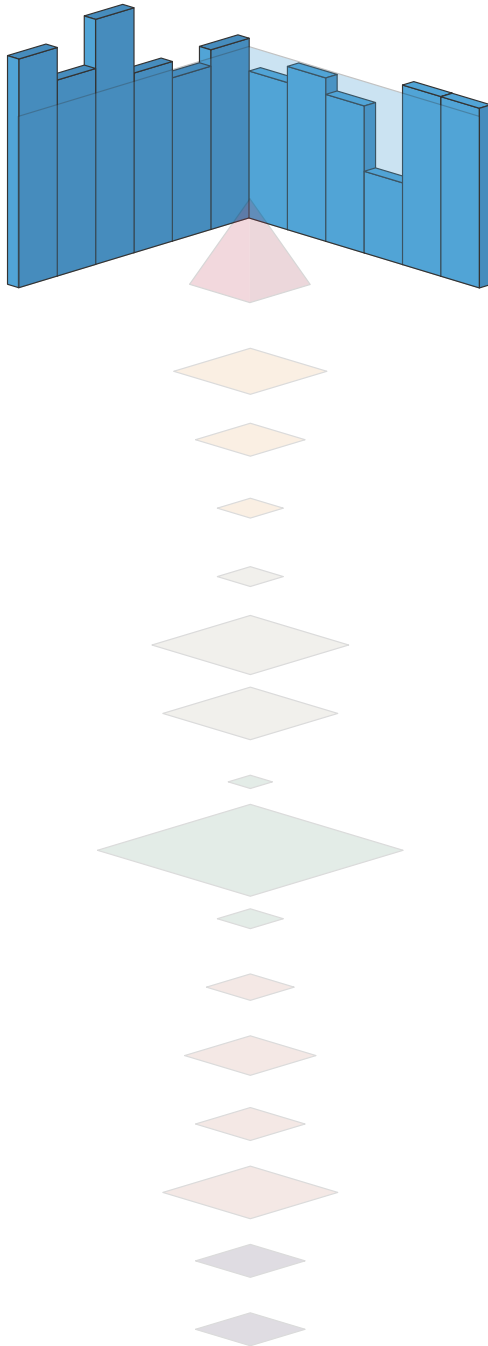


5.33

RESILIENCE SCORE



 **PALAU**





 **5.33**
RESILIENCE SCORE

69th of 193 countries
8th of 14 Oceanian countries
3rd of 5 Micronesian countries

POLITICAL LEADERSHIP AND GOVERNANCE	7.00
GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY	6.00
INTERNATIONAL COOPERATION	7.50
NATIONAL POLICIES AND LAWS	5.50
JUDICIAL SYSTEM AND DETENTION	5.00
LAW ENFORCEMENT	5.50
TERRITORIAL INTEGRITY	4.50
ANTI-MONEY LAUNDERING	5.00
ECONOMIC REGULATORY CAPACITY	4.50
VICTIM AND WITNESS SUPPORT	2.50
PREVENTION	5.50
NON-STATE ACTORS	5.50

 **2.70**
CRIMINALITY SCORE

 CRIMINAL MARKETS	2.90
 CRIMINAL ACTORS	2.50



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CRIMINALITY

CRIMINAL MARKETS

PEOPLE

Palau is susceptible to opportunistic human trafficking due to its small size and population, but the market for this crime is not substantial enough to sustain organized criminal organizations. Trafficking primarily occurs for labour exploitation in industries such as agriculture, fisheries, domestic work, prostitution and construction. Foreign Asian workers are often tricked into being trafficked under the promise of a high salary in Palau, and they are willing to pay vast sums to be recruited. Approximately one third of Palau's population comprises foreign workers, which suggests that this is especially prevalent. Palau is also reported to be a transit country for human trafficking victims from China, Taiwan and the Philippines, who are destined for the US, Australia, New Zealand and Canada. Palau's sub-par socio-economic circumstances can also make its nationals more vulnerable to recruitment by traffickers: most trafficking cases involve poor Palauans and those vulnerable to typhoons, who are tricked into forced-contract labour operations. Human trafficking is more closely tied to government negligence, and to corruption and inefficiency by certain authorities, than to organized criminal markets.

In terms of human smuggling, Palau also appears to have a moderately small market. The island primarily serves as a transit country for smugglers, although it can be a destination in some cases. As with human trafficking, the smuggling market does not generate enough value for criminal organizations to sustain a presence in the country. People are typically smuggled using immigration fraud – using false passports, visas and work permits – or by using real documents that have been stolen. This suggests a potential role played by corrupt customs officials and border-control guards. There is no evidence or reports of crimes such as extortion and racketeering occurring in Palau, except for historic and sporadic instances.

TRADE

The possession of guns in Palau (and their import) is strictly forbidden, except by law enforcement officials. The number of privately owned firearms is low, and arms trafficking is not a significant issue in the country.

In contrast, trade in counterfeit goods is prevalent in Palau. Several brands have issued cautionary notices to ensure that their products – including beverages, vaccines, monetary services, shoes and other items – are the only ones that carry their logos. During the COVID-19 pandemic,

counterfeit items surged in the region: fake pharmaceutical items like vaccines, masks, medicines and sanitizers were found at the borders.

The illicit trade of tobacco products has increased in recent years. Tobacco products are the most common excise good in illicit trade in the Pacific; Palau is especially vulnerable because there are no tobacco manufacturing facilities in the country.

ENVIRONMENT

Flora crimes are not prevalent in Palau, but fauna crimes are significantly affecting the country – particularly irregular, unreported and unregulated (IUU) fishing. Reports of foreign vessels fishing illegally have become more frequent in recent years due to weak law enforcement and complicity of public authorities. Palau depends on help from other countries to police its waters. Despite having ocean reserves and natural conservancy initiatives, Asian fleets increasingly encroach into protected waters, particularly shark reserves. IUU fishing deprives Palau of one of its most important resources, impacts local fishers' livelihoods and hampers the development and prosperity of the local seafood industry. The resultant push effect incentivizes fishers to engage in other illicit activities. Misreporting is the most prevalent problem when dealing with IUU fishing. (Identifying and reporting criminal activity requires coordination across national boundaries.) The issue is aggravated by an increasing number of wooden boats from South East Asia illegally poaching marine life. These so-called 'blue boats' fish more ruthlessly and are harder to detect than foreign fishing fleets.

Although gold and copper mining take place in the island territories, there is no evidence of a non-renewable resource black market in Palau, or of any criminal organizations behind these activities. However, the country seems to be a transit point between markets for various non-renewable resources exploited across the South Pacific region.

DRUGS

Palau is a transit country on the so-called 'Pacific drug highway'. Heroin is randomly and minimally present, as a result of transit shipments crossing the country. Although Palau is situated along the drug routes between Latin America and Asia, it is less exposed than better-located Pacific Island countries. Some cocaine shipments destined for Australia are suspected to pass through Palau.

Cannabis consumption is prevalent in Palau, but there is little evidence linking its trade to organized crime. The market is supplied by local production and there are no reports

of the drug being exported to neighbouring countries. The social acceptability of cannabis use and trade in Palau has the potential to lead to its legalization in the near future.

Synthetic drugs, particularly crystal methamphetamine, are increasingly entering the country. Poor fishermen, unable to generate enough income due to low numbers of fish, are recruited into organized crime groups involved in the trafficking of synthetic drugs from Asia to other markets. Methamphetamines can enter Palau on planes, in fishing boats and ships and via the postal service. Although local consumption levels are moderate to small, demand may be growing. The presence of synthetic drugs has started to have noticeable effects on some parts of the community. Deported Palauans who consumed drugs in the United States or other countries generate a significant amount of Palau's demand.

CYBER-DEPENDENT CRIMES

Palau has experienced email scams in the past, but cybercrime has since evolved into different forms and has increased in frequency thanks to higher internet speeds. The most common cybercrimes in the region are ransomware and fraudulent initial coin offerings (ICOs) for cryptocurrencies. There have also been recent reports of malware attacks on Palau's private telecommunications providers. There are concerns related to Palau's new digital residency programme, which allows foreign nationals to purchase an e-residency card and engage in cryptocurrency trading. Similar programmes have attracted cryptocurrency scammers, making Palau vulnerable to exploitation by blockchain developers. The country could potentially become a 'scammer's paradise', attracting individuals seeking a safe haven to invest their cryptocurrency or engage in other dubious investments.

FINANCIAL CRIMES

Financial crimes in Palau are currently seen as sporadic and not connected to traditional organized criminal groups. They mostly involve tax fraud and isolated incidents of public officials being sentenced for misusing funds. Despite this, Palau remains on the European Union tax blacklist for noncooperative countries, reflecting its reputation as a tax haven for wealthy individuals.

One area of concern is online gambling, which is largely driven by Chinese actors and has potential to enable other cyber-enabled crimes. While the police have arrested cybercriminals associated with these activities and seized their equipment, some high-level authorities are accused of protecting them by returning their computers and downgrading the charges to labour violations.

CRIMINAL ACTORS

The criminal landscape in Palau is relatively limited. There are no mafia-style groups; rather, loose criminal networks dominate nearly all criminal markets. These networks generally do not employ high levels of violence. However, as a transit and destination country for illicit commodities – particularly drugs – these networks have developed international ties to criminal actors in neighbouring Pacific Island countries, as well as in Australia and South East Asia. These structures are opportunistic and often have links to legitimate businesses that are necessary for the illegal trade, such as transport companies. There is also evidence of local islander hybrid indigenous groups that consist of people from different island nations in the region. These groups cooperate to engage in smuggling activities. That being said, most criminal activity in Palau is limited to the transit of shipments to larger markets in Asia and Australia.

Foreign criminal actors play a relatively important role in the illicit economies of Palau. Many criminal entrepreneurs from South East Asia are involved in the drug trade and in IUU fishing. Palauan nationals are often recruited for illegal fishing operations conducted by foreign criminal actors. Furthermore, there is a high risk that Palau's shark sanctuary may become an increasingly attractive target for Asian fleets, given the high price of shark fins in that region. Smuggling and trafficking of various types of contraband and people also seem to be carried out by foreign nationals. Still, the activities of these foreign actors – despite the important role they play in the organized crime landscape – are fairly limited given the small size of the markets. However, recent reports suggest an increasing involvement of Chinese triads in the illicit markets of Palau. There is no evidence to suggest that the Palauan state directly controls, nor is significantly involved in, any criminal market in the country. Like other Pacific Island countries, there is some risk of high-level corruption related to IUU fishing, but there is no evidence of any ties to organized criminal groups. Additionally, the involvement of private sector actors in organized crime is minimal: incidents are anecdotal.

RESILIENCE

LEADERSHIP AND GOVERNANCE

Palau's political scene is dominated by family clans and local power structures. As such, nepotism within political circles remains a problem. Still, Palau is considered a free country where frequent and transparent elections take place. The current president was elected on a platform that prioritizes the protection of Palauan waters and the conservation of the environment. To send a strong message, the government has taken a hard stance against IUU fishing and has even burned Asian fishing boats involved in such activities. While instances of corruption are isolated, nepotism, cronyism and the misappropriation of government funds have been flagged as issues. Access to government statistics, budget data and other information is limited. Palau has anti-corruption measures in place, but the quality of those measures is in doubt. Among state institutions, the Palauan International Ship Registry is a leader in its efforts to tackle bribery and corruption.

Palau has made progress in recent years when it comes to cooperating to tackle organized crime. The country has acceded to several UN conventions and it is a member of the Forum Fisheries Agency (FFA) and the Pacific Transnational Crime Network. It also cooperates with other police forces in the region to help patrol maritime corridors. However, Palau is still heavily dependent on support provided mainly by the US and Japan when it comes to defending and patrolling its maritime territories. Although Palau does not have comprehensive organized crime legislation, it has several pieces of legislation related to the issue, including laws on kidnapping, obstruction of justice and perjury, terrorism-related offences and money laundering. The Palauan government takes an aggressive approach to crime in general and continues to lead on ocean conservation efforts, as well as the protection of exclusive economic zones.

CRIMINAL JUSTICE AND SECURITY

The judiciary in Palau is characterized by independence and integrity, but the legal system suffers from bureaucracy and inefficiency. While Palau has made efforts to address human trafficking and organized crime, there are still concerns about a lack of positive convictions and the possible complicity of authorities. The police service is understaffed and underpaid, although officers are well-respected within communities. The police service requires assistance when it comes to forensic and intelligence matters, and it will struggle to cope with a surge in major crimes. Palau is part of the relevant regional law enforcement networks and has established a drug task force to tackle the drug threat in the country. Moreover, the government also established the office of the National Security Coordinator

to coordinate activities and responsibilities of its security and law enforcement agencies and to serve as a primary advisory for national security issues. There are concerns about Palauan police using inappropriate force: no human rights commission exists to monitor this issue, nor prison maintenance or other types of abuse by authorities. The country only has one prison.

Exacerbated by limited resources and the effects of climate change, it is a challenge for Palau to control its porous island borders and its vast maritime territory. Palau and other Pacific Island countries have called for assistance in tackling the drug trade due to these constraints. Palau relies heavily on support from the United States and its allies to patrol and protect its territories, and it is negotiating proper demarcation of maritime borders with the Philippines and Indonesia. Palau is also concerned about China's encroachment in the Pacific. It recognizes Taiwan as a state, which has led to a Chinese tourist ban that has hurt the economy. The marine security department of the Palau International Ship Registry has developed guidelines to help companies address cyber risks associated with the digitalization and automation of ships.

ECONOMIC AND FINANCIAL ENVIRONMENT

Although Palau has an extensive legislative framework in place to combat money laundering, this framework has not been adequately implemented. Local money laundering laws do not cover half of the offenses recommended by international standards. As such, the regulatory framework limits preventive measures, such as monitoring financial transactions, customer due diligence and the provisional seizure of assets. In addition, while the financing of terrorism has been criminalized, measures to freeze terrorist assets have not been addressed in a satisfactory manner. As with other Pacific Island countries, Palau relies on assistance from foreign governments to conduct financial investigations. The country's financial transaction laws are sometimes opaque, which may facilitate money laundering. Palau is considered a high-risk country for this crime and has been flagged by the European Union as a non-cooperative jurisdiction for tax purposes.

Palau's banking and remittance services may be vulnerable to criminal exploitation, largely due to a lack of expertise among law enforcement agencies to regulate and enforce the sector. The current government has launched an initiative to make Palau the owner of the world's first government-backed national stablecoin, trying to profit from other cryptocurrency endeavours in the region. However, experts are worried about the government's capacity to police virtual transactions, especially since the partner chosen was charged by the US Securities Exchange Commission

for stealing millions of dollars' worth of tokens through their cryptocurrency platforms. Palau's economy relies heavily on the US, under the Compact of Free Association, which provides Palau with millions in much needed aid. The government has contracted services and is in partnership with many foreign corporations and private businesses. Tourism, agriculture and fisheries are the main industries. All are regulated by the government, especially the latter two. However, the government has been lacking when it comes to ensuring appropriate labour inspections and enforcing the law, notably when private interests are at stake. Cronyism and favouritism fuel corrupt practices, aided by the country's small size and population.

CIVIL SOCIETY AND SOCIAL PROTECTION

The support provided to victims of crime in Palau is generally inadequate due to a lack of resources and slow judicial proceedings. While there have been some small improvements, victim protection and support remain deficient. There is no victim identification tool, and there is a lack of funding for medical and psychological care for adult victims of trafficking. The government has failed to provide special operations procedures for identifying and referring services for human trafficking victims, resulting in potential victims being penalized. The country has launched a hotline to assist victims and provide aid.

Even though Palau is not considered a high-risk jurisdiction for organized criminal activity, there are preventative measures in place targeting specific economies such as drug trafficking and illegal fishing. There are public awareness campaigns, and labour rules and regulations have been updated. The law provides protection against exploitative labour practices, but enforcement remains inadequate, leaving foreign workers vulnerable.

Palau respects freedom of the press and has several independent news outlets, although they all face financial difficulties. Non-governmental organizations (NGOs) are free to operate and are active in various fields such as development, public health, environmental conservation and human trafficking. The government and law enforcement agencies have collaborated with NGOs and tech companies to combat IUU fishing and improve maritime control. Palau also guarantees civil liberties: civil society engages in activities such as ocean conservation and the right to unionize, even though membership to labour organizations remains low.

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