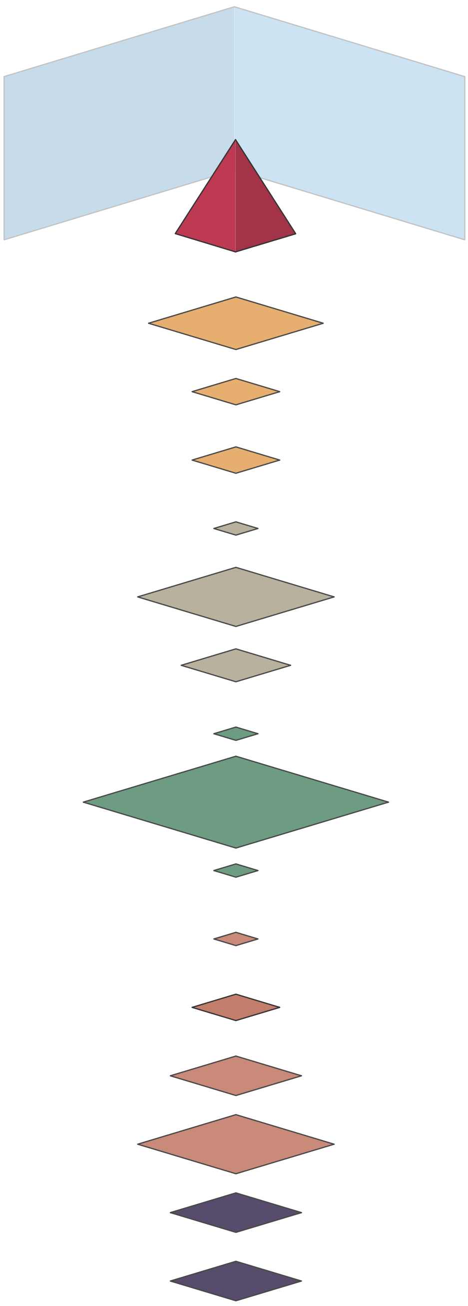
GLOBAL ORGANIZED CRIME INDEX

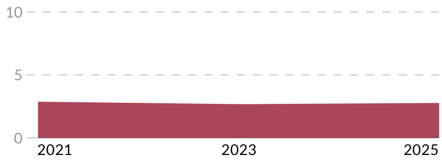
GLOBAL INITIATIVE AGAINST TRANSNATIONAL ORGANIZED CRIME

PALAU



2.83 ↗0.13 CRIMINALITY SCORE

179th of 193 countries ↗4
7th of 14 Oceanian countries ↗1
1st of 5 Micronesian countries ↗1



CRIMINAL MARKETS

CRIMINAL MARKETS	**2.77**	↘0.13
HUMAN TRAFFICKING	4.00	↗0.50
HUMAN SMUGGLING	2.00	↘0.50
EXTORTION & PROTECTION RACKETEERING	2.00	↗0.50
ARMS TRAFFICKING	1.00	↘0.50
TRADE IN COUNTERFEIT GOODS	4.50	0.00
ILLICIT TRADE IN EXCISABLE GOODS	2.50	↘1.50
FLORA CRIMES	1.00	0.00
FAUNA CRIMES	7.00	0.00
NON-RENEWABLE RESOURCE CRIMES	1.00	↘0.50
HEROIN TRADE	1.00	↘1.00
COCAINE TRADE	2.00	↘1.00
CANNABIS TRADE	3.00	↗0.50
SYNTHETIC DRUG TRADE	4.50	↗0.50
CYBER-DEPENDENT CRIMES	3.00	↗0.50
FINANCIAL CRIMES	3.00	↗0.50

CRIMINAL ACTORS

CRIMINAL ACTORS	**2.90**	↗0.40
MAFIA-STYLE GROUPS	1.00	0.00
CRIMINAL NETWORKS	4.00	0.00
STATE-EMBEDDED ACTORS	3.50	↗1.50
FOREIGN ACTORS	4.00	0.00
PRIVATE SECTOR ACTORS	2.00	↗0.50

This project was funded in part by a grant from the United States Department of State.

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Funded by the European Union

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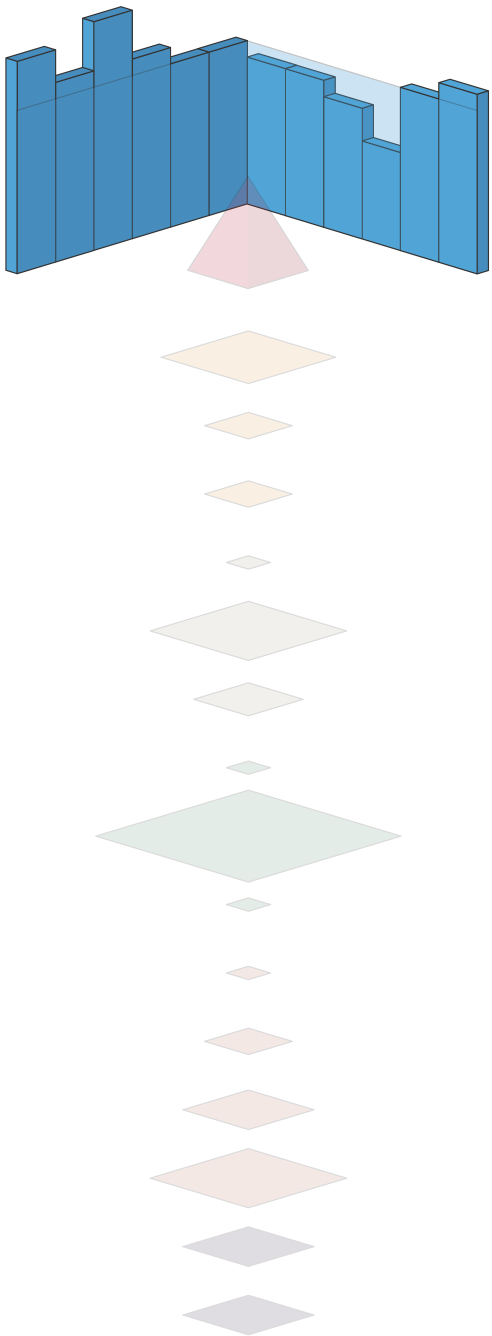
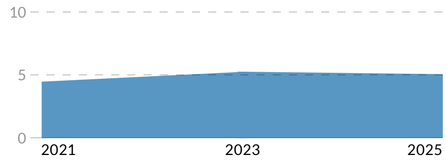


5.08 ↘0.25

RESILIENCE SCORE

83rd of 193 countries ↘14
9th of 14 Oceanian countries ↘1
3rd of 5 Micronesian countries -



POLITICAL LEADERSHIP AND GOVERNANCE	6.50	↘0.50
GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY	5.50	↘0.50
INTERNATIONAL COOPERATION	7.00	↘0.50
NATIONAL POLICIES AND LAWS	5.50	0.00
JUDICIAL SYSTEM AND DETENTION	5.00	0.00
LAW ENFORCEMENT	5.00	↘0.50
TERRITORIAL INTEGRITY	4.50	0.00
ANTI-MONEY LAUNDERING	4.50	↘0.50
ECONOMIC REGULATORY CAPACITY	4.00	↘0.50
VICTIM AND WITNESS SUPPORT	3.00	↗0.50
PREVENTION	5.00	↘0.50
NON-STATE ACTORS	5.50	0.00

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CRIMINALITY

CRIMINAL MARKETS

PEOPLE

Palau is primarily a transit point for trafficked people from China, Taiwan and the Philippines who are destined for the US, Australia and New Zealand. These people are trafficked as forced labour in the agriculture, fisheries, construction and domestic service sectors, and for sexual exploitation. Trafficked workers, mostly men from Bangladesh and the Philippines, are particularly vulnerable. Organized criminal elements operate under the guise of recruitment or migration agencies to facilitate trafficking operations, exploiting weak governance structures and limited law enforcement capabilities. There are also cases of trafficked people being forced to work in Palau's illicit online gambling industry. Human smuggling is not a significant criminal market in Palau. Although the country serves occasionally as a transit point for smuggled people from Asia, no criminal activities related to smuggling were recorded during the reporting period. The small market size has deterred organized criminal involvement, and local demand for smuggling services is minimal. An emerging concern is extortion and protection racketeering that targets in particular Chinese retail shop owners and small businesses in the tourism sector. No widespread evidence of a structured extortion market exists, but reports suggest that these crimes are increasing. Organized crime groups, including the 14K Triad, have expanded their influence in Palau where they use extortion as a means of exerting political and economic control. Further complicating the criminal landscape are reports of outlaw motorcycle gangs travelling to Palau.

TRADE

Palau has stringent firearm regulations, which effectively limits arms trafficking. Civilian gun ownership is highly restricted, with extensive background checks and licensing requirements. As a result, illegal arms trade is virtually non-existent – the last reported gun-related fatality occurred in 2015. Law enforcement officers are allowed to carry firearms, and strict penalties are imposed for violations of gun laws. The trade in counterfeit goods has marginally increased in Palau, driven by imports from China and other Asian countries. There is no evidence of local production, but counterfeit luxury items, medicines and consumer goods are commonly found in street markets and online platforms. Despite strict regulations, enforcement remains a challenge. Counterfeit medicines, in particular, pose significant risks to public health. The illicit trade of excise consumer goods, particularly tobacco, is not uncommon in Palau. Although tobacco consumption has declined due to increased excise taxes, the smuggling of illicit products through maritime routes remains a problem. Criminal networks exploit Palau's vast oceanic territory to circumvent import duties, undermining government revenues.

ENVIRONMENT

Flora crimes are virtually non-existent in Palau. The country has strong environmental protections and no established illegal market for timber or other flora-related resources. Local communities value biodiversity conservation, while legislation regulates logging activities.

In contrast, fauna crimes, particularly illegal, unreported, and unregulated (IUU) fishing, are one of Palau's most significant criminal markets. Foreign vessels, primarily from China and Vietnam, frequently engage in IUU fishing, threatening marine biodiversity and the national economy. Small boats often violate the country's shark sanctuary and territorial waters and then transfer catches to larger factory ships just outside national waters. In addition, driven by depleted fish stocks in their home waters, 'blue boats' from South East Asia, mainly Vietnam, target valuable marine species such as sharks and sea cucumbers. Despite Palau's enforcement efforts, including regional cooperation and surveillance programmes, deterring IUU fishing operations remains a challenge, and limited resources and occasional corruption within law enforcement allow these activities to continue unabated.

Non-renewable resource crimes are not prevalent in Palau. The country exports small quantities of copper and gold, but there is no evidence of illegal mining or smuggling.

DRUGS

Palau has a small and localized cannabis market, and one of the highest per capita cannabis consumption rates globally. Cultivation and distribution mostly occur locally, with cannabis processed into cigarettes and sold through small retail outlets. The production, sale and possession of cannabis is illegal, with severe penalties for violators, although discussions are ongoing about legalizing medical cannabis. The synthetic drug market is an emerging concern, especially the increasing methamphetamine (meth) trafficking and drug-related violence. For instance, in 2024, a murder was linked to meth smuggling. Foreign criminal networks, including the 14K Triad, have been implicated in this trade. Law enforcement faces significant challenges in combating meth distribution, particularly within prisons, where corrupt officials facilitate drug circulation. The cocaine trade is minimal in Palau, which functions mainly as a transit point for shipments destined for Australia and New Zealand, with little evidence of significant local involvement in trafficking networks. Strict drug laws and low domestic demand further limit Palau's role in the cocaine market. Similarly, Palau does not have a consolidated heroin market due to its location, which is not on main heroin trafficking routes, and low domestic demand. Palau is sometimes used as a route for drug shipments, but no significant heroin-related criminal activities have been reported.

CYBER-DEPENDENT CRIMES

Although limited in scope and scale, cyber-dependent crimes, particularly ransomware and fraudulent cryptocurrency scams, are becoming more prevalent in Palau. Chinese criminal organizations have been implicated in cyber offences. Palau's digital residency programme, which was designed to attract investment, is popular among crypto traders and has raised concerns about its potential misuse by criminal actors. Recent incidents, such as a ransomware attack on the Ministry of Finance, highlight vulnerabilities in the country's digital infrastructure. The government has established a cybercrime unit, but cyber-dependent crimes remain a concern and are exacerbated by resource limitations and political corruption.

FINANCIAL CRIMES

Financial crimes in Palau are relatively rare but present growing risks, in particular related to tax fraud, identity theft and misuse of public funds. Palau's designation as a tax haven has led to the country being placed on the EU tax haven blacklist, further complicating its financial regulatory landscape. The introduction of non-US banks and the potential misuse of digital residency documentation could increase the risk of financial crimes in the future.

CRIMINAL ACTORS

Palau has no recorded evidence of mafia-style groups, but some experts suggest some families have long-standing connections to illicit drug trafficking that date back to the 1970s. These families engage in legitimate business operations but are suspected of using their economic influence to foster a political environment that allows corruption and illicit activities. The extent of their involvement remains unclear, and no conclusive evidence indicates that these groups function as hierarchical, organized mafia-style entities. However, their potential for shaping regulatory and enforcement frameworks to their advantage through political influence is a concern.

Criminal activity in Palau is largely facilitated by loosely organized networks rather than structured criminal organizations. These networks are involved in drug trafficking and human trafficking, with some connections to transport and logistics companies that operate both legally and illicitly. Little is known about their internal structure, but these groups have ties to Singapore, Cambodia, Guam and Macau, and leverage international connections for smuggling and illicit trade. Palau's small size limits the presence of major criminal hubs, and most illicit activities are probably concentrated in Koror, the nation's economic and trade centre. The return of Palauan citizens deported from the US due to drug-related offences could contribute to recriminalization and transnational gang affiliations. However, there is no direct evidence of this taking root in Palau thus far.

Foreign actors, particularly from China, the Philippines and Bangladesh, also play a significant role in Palau's criminal landscape. Foreign involvement in organized crime is relatively limited, but Chinese Triads, particularly the 14K Triad, are implicated in drug trafficking, money laundering and online fraud operations. Many counterfeit goods and smuggled products entering Palau originate from China, and Palau's increasing engagement with Chinese business networks has raised alarms over potential political manipulation. Some analysts suggest that Chinese actors are using their financial incentives and criminal influence to shift Palau's diplomatic allegiance from Taiwan to China. The presence of long-term Chinese residents with strong business and political connections has further solidified China's foothold in Palau's economy. Foreign business people, particularly from China, have been able to establish operations in Palau under the guise of legitimate enterprises, which could potentially be used as fronts for illicit financial transactions and economic exploitation.

Although state-embedded actors do not actively facilitate organized crime, systemic weaknesses enable financial crimes, money laundering and tax evasion. Corruption has been observed in the mismanagement of public funds, with notable cases involving high-ranking officials. Some members of Palau's legislative branch, the Olbiil Era Kelulau (OEK), have also been implicated in unethical practices, suggesting vulnerabilities in governance and accountability mechanisms.

Private-sector involvement in organized crime in Palau is low, with little documented evidence of businesses actively engaging in criminal networks. However, some long-standing business entities in Palau have been accused of facilitating criminal activities or enabling illicit financial transactions. Despite the lack of direct evidence linking private-sector actors to large-scale criminal enterprises, collusion between key business leaders and political figures has contributed to a regulatory environment that favours financial opacity. The absence of stringent financial oversight and enforcement mechanisms allows for the potential misuse of corporate structures to launder illicit funds or shield criminal actors from scrutiny.

RESILIENCE

LEADERSHIP AND GOVERNANCE

Palau has a democratic and transparent governance system, with regular, free and fair elections. The bicameral legislature, the OEK, consists of the Senate and the House of Delegates, and is complemented by a Council of Chiefs that provides guidance on traditional laws and customs. Despite these strengths, concerns persist over nepotism and the dominance of powerful family clans, which influence political appointments and decision-making. Between 2022 and 2024, governance was stable, with no major shifts. However, institutional effectiveness is undermined by the reliance on executive orders rather than formal legislation, which is driven by internal political conflicts.

Efforts to improve government transparency and accountability continue, but corruption remains a key issue. Cases of nepotism and the mismanagement of public funds undermine trust in government institutions. Although high-ranking officials have been convicted of corruption, investigations are difficult because of the country's small population and interconnected political circles. Institutions, such as the Office of the Special Prosecutor and the Palauan International Ship Registry, play a role in combating financial crimes, but enforcement is weak. Despite transparency initiatives promoting access to information, implementation at the subnational level is inconsistent. Palau has adopted international frameworks, such as the UN Convention against Corruption, and is developing a National Anti-Corruption Strategy with international support, but gaps in enforcement and whistle-blower protections remain.

Palau is actively involved in international cooperation to combat transnational crime, participating in treaties such as the UN Convention against Transnational Organized Crime and agreements on human trafficking, arms trade and drug trafficking. Extradition frameworks with key partners, such as the US and Taiwan, enhance its ability to prosecute cross-border criminal activities. The country plays a leading role in regional efforts against illegal fishing through the Pacific Islands Forum Fisheries Agency and the Western and Central Pacific Fisheries Commission. Furthermore, international organizations, including the UN Office on Drugs and Crime, provide technical support to Palau's anti-crime efforts. However, despite these efforts, intelligence-sharing is weak, and the implementation of treaty commitments is inconsistent.

Palau may have laws criminalizing activities linked to organized crime, but no comprehensive legislation directly addresses organized crime networks. Instead, laws cover individual offences, such as smuggling, kidnapping and money laundering. Efforts to align with international human trafficking and smuggling laws have led to legal amendments, but enforcement is inconsistent. Environmental legislation reflects the country's commitment to conservation, but enforcement challenges persist due to limited resources.

CRIMINAL JUSTICE AND SECURITY

Palau's judicial system operates independently, with courts overseeing legal processes without government interference. The judiciary consists of the Supreme Court, National Court and Court of Common Pleas, and lifetime judicial appointments ensure continuity. Due process protections are in place, and legal proceedings follow constitutional safeguards. Prison conditions remain inadequate, are overcrowded and lack proper medical facilities. The country's only detention centre fails to segregate prisoners by gender or legal status, and oversight mechanisms, such as the Office of the Ombudsman, are inactive.

Law enforcement in Palau has significant resource constraints, including limited forensic testing capabilities and understaffing. The Bureau of Public Safety operates under the Ministry of Justice, but its capabilities are hindered by inadequate training and internal conflicts. Allegations of nepotism in law enforcement recruitment raise concerns about the impartiality of policing. Despite its small size, Palau hosts regional security meetings and collaborates with Pacific law enforcement agencies to combat transnational crime. Although new surveillance technologies and aerial monitoring capabilities have been introduced to enhance border security, the effectiveness of policing remains limited, and corruption within the force reduces public trust.

Territorial integrity is a concern due to Palau's vast economic exclusion zone (EEZ) and limited enforcement capacity. Illegal fishing vessels, human traffickers and drug smugglers exploit the country's porous borders and remote islands, which provide opportunities for trans-shipment. Palau has a comprehensive maritime monitoring system that integrates patrol boats, drones and aerial surveillance, but the sheer size of its EEZ makes enforcement difficult. Border security relies on international partnerships, including US military assistance and patrols, while negotiations with neighbouring countries focus on maritime boundary demarcation and surveillance cooperation. However, vulnerabilities persist, particularly in cyber security, with critical infrastructure susceptible to digital attacks. Investments in satellite and aerial surveillance have improved monitoring capabilities, but further technological advancements are needed to counter transnational threats effectively.

ECONOMIC AND FINANCIAL ENVIRONMENT

Palau faces ongoing challenges in its anti-money laundering (AML) efforts. The country is not on the Financial Action Task Force list of AML-deficient countries, but its inclusion on the EU tax haven blacklist raises concerns about financial transparency. The Financial Intelligence Unit plays a crucial role in monitoring financial crimes but is under-resourced. Although Palau participates in regional AML cooperation, gaps in regulatory oversight persist. Despite legal frameworks criminalizing money laundering, enforcement is inconsistent, and the reliance on a cash-based economy increases the risk of financial crimes. Further complicating AML efforts is the online gambling sector, which operates in a regulatory grey area.

Palau's economic regulatory environment is shaped by its dependence on foreign aid, primarily from the US under the Compact of Free Association. The economy is not very diverse. The tourism sector is a key economic driver but faces long-term challenges, including the impact of the COVID-19 pandemic and global economic shifts, while banking and remittance services are vulnerable to exploitation due to weak oversight of virtual financial transactions. The government has launched a national stablecoin cryptocurrency to facilitate digital transactions, but regulatory concerns persist. The country's tax system, characterized by low corporate tax rates, has raised concerns about its potential misuse by companies seeking to evade taxes. Foreign investment is regulated, but land ownership laws complicate business development.

CIVIL SOCIETY AND SOCIAL PROTECTION

Victim and witness support services in Palau have improved, particularly for victims of human trafficking. The government has implemented victim identification protocols and collaborates with NGOs to provide shelter, medical care and legal assistance. However, resource limitations hinder the expansion of services. Courts can order restitution for trafficking victims, but the available legal aid is insufficient. Rehabilitation programmes for substance abuse are available but face funding shortages, and concerns persist over drug users being criminalized instead of being provided with treatment and rehabilitation services.

Palau has maintained its crime prevention efforts, particularly in response to human trafficking, drug trafficking and illegal fishing. The Anti-Human Trafficking Unit leads national strategies, including awareness campaigns and legal reforms. Regional collaboration has strengthened cybercrime monitoring and border security initiatives, but enforcement gaps and limited community engagement reduce the effectiveness of preventive measures. Palau has no dedicated whistle-blowing mechanisms for reporting organized crime, and trust in law enforcement remains low due to allegations of corruption and nepotism.

Non-state actors, including NGOs and the media, play an important role in addressing organized crime and governance issues. Civil society organizations focus on environmental conservation, human rights and maritime security. Although Palau's legal framework allows for civil society engagement, coordination is weak between government agencies and NGOs. Press freedom is guaranteed in Palau, but financial pressures limit media operations, and the defamation lawsuit against a prominent newspaper has raised concerns about media independence.

This summary was funded in part by a grant from the United States Department of State. The opinions, findings and conclusions stated herein are those of the authors and do not necessarily reflect those of the United States Department of State.