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PALAU

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I. LAND AND PEOPLE

A. The land

Area

1. The Republic of Palau comprises the westernmost group of the Caroline Islands in Micronesia, lying 500 miles equidistant from the Philippines to the west and Papua New Guinea to the south. Guam is located 810 miles to the north-east. Palau is comprised of 340 islands with a total land mass of 188 square miles. Babeldaob, the largest island, contains 129 square miles. To the north of Babeldaob lie the atolls of Ngaruangel and Kayangel. to the immediate south, connected to Babeldaob by bridge, lies the island complex of Koror, Meyuns, and Malakal, the centres of Government and commerce and home to nearly 70 per cent of Palau's 17,225 residents (1995 census).

2. Koror is the gateway to some 300 limestone islands to the south, collectively known as the "Rock Islands", the beauty and uniqueness of which are world renowned. Further south, but still within one hour's travel time by speedboat, lie the islands of Peleliu and Angaur. Some 200-300 miles to the extreme south, accessible only by ship, lie the sparsely populated and ethnically distinct Southwest Islands of Sonsorol, Hatohobei, Pulo Anna, Merir, and Helen's Reef.

3. A barrier reef 70 miles long and up to 20 miles wide surrounds Koror, Babeldaob, and Peleliu, forming a 560 square mile lagoon. The larger maritime Exclusive Economic Zone encompasses 237,830 square miles and holds substantial marine resources.

#### Climate

4. Palau's climate is maritime tropical with an average temperature of 82 degrees Fahrenheit and an average humidity of 82 per cent; there are virtually no seasonal variations. Rainfall averages 150 inches per year without strongly demarcated rainy and wet seasons. Although Palau lies south of the typhoon belt, occasional typhoons do strike, resulting in damage to vegetation and property.

#### B. The people

5. Palau's geographic location has placed it on the threshold of the Pacific. Through the centuries, numerous waves of migrants have crossed Palau en route from the Asian mainland to the widely dispersed islands of Oceania. Today, among ethnic Palauans, many diverse ethnic features can be observed, including Polynesian, Malayan, and Melanesian. In recent years, there has been a considerable Asian-Caucasian admixture.

6. In 1995, 17,225 persons resided in Palau of whom 13,120 were ethnic Palauans and 4,105 were non-Palauans (1995 census). It is further estimated that some 7,000 ethnic Palauans reside abroad, primarily in Guam, the Commonwealth of the Northern Mariana Islands, Hawaii and California.

7. Demographic trends include:<sup>1</sup>

(a) Declining fertility among ethnic Palauans with the average woman now having fewer than four children during her reproductive years (down from 7.7 children in 1973);

(b) A declining natural growth rate among ethnic Palauans; although per annum growth at 1.8 per cent is still well above replacement levels, natural growth is offset by out-migration resulting in negligible growth in the ethnic Palauan segment of the population (average 0.6 per cent per annum growth, 1990-1995);

(c) Despite low growth rates among the ethnic Palauan segment of the population, the overall rate of population growth is high at 2.4 per cent per annum (1990-1995); this is due to rapid growth in the non-Palauan segment of the population (average 9.8 per cent growth per annum, 1990-1995) which reflects a high demand for foreign labour to fuel a rapidly expanding economy;

(d) In 1973, at the height of the American colonial presence, the non-Palauan segment of the population comprised only 4 per cent of the total; by 1995, the non-Palauan segment had increased to 24 per cent and by 1997, to an estimated 33 per cent; rapid growth strains infrastructure and services while changing ethnic composition fuels ethnic tensions;

(e) The vast majority of non-Palauan residents are of Asian descent (85 per cent), and are workers (80 per cent) or dependants of workers (10 per cent);

(f) Palau is extensively urbanized with over 70 per cent of the population resident in the adjacent states of Koror-Airai; however, a road circumnavigating Babeldaob will be completed by the year 2000; this is expected to result in a substantial population shift out of Koror and into the rural states of Babeldaob.<sup>2</sup>

8. Two indigenous languages are spoken in Palau: Palauan, which is the language of the main archipelago, and Sonsorolese-Tobian, which is the language of the Southwest Islands. English is the language of Government and commerce and is spoken by the majority of the people. Many older Palauans are also conversant in Japanese.

9. The Christian religion was introduced into Palau by Spanish missionaries in the early years of European contact. Today, over 90 per cent of residents are affiliated with a religious organization including the Catholics (44 per cent of the population), Evangelical Protestants (25 per cent), Modekngei (11 per cent), Seventh Day Adventists (5 per cent), and a variety of smaller, predominately Christian, denominations (6.5 per cent).<sup>3</sup>

10. Traditionally, and continuing in large measure today, kinship is the core of social relations in Palau. Every Palauan has a defined role, status, and behaviour based on kinship. Every Palauan defines every other Palauan as kin or non-kin.<sup>4</sup>

11. Palau's basic social unit is a single, ancestral biological kin group comprised of a mother and her children. A number of these basic units descended from a specific woman form a family, and several related families constitute a clan. Ideally, a village, the social and political unit, consists of 10 clans. The male leader of each clan is chosen by the ranking female members of the clan and forms with other clan leaders the village council. A separate, but equal, women's council is comprised of the ranking female leaders. Clans are ranked and the male leader of the highest-ranking clan serves as the chief of the village. The chief is not a sole ruler but must use diplomacy and persuasion to maintain the support of his constituents. Should his rule prove unsatisfactory, there are mechanisms for his replacement.

12. This traditional system of governance retains considerable authority today with customary law recognized under the Constitution and the legal code as equally authoritative to codified law. A National Council of Chiefs, consisting of the ranking chiefs from each of the 16 states, advises the President on traditional and customary matters.

13. Palauans are highly group-oriented - traditionally, Palauans were born, lived, and died in a group. Decisions of importance relating to an individual, as well as those relating to society in general, were made and enforced by the group. Today, Palauans retain a strong group orientation placing high value on: respect; sharing and cooperation; participation in community activities; work; responsibility and self-reliance; spirituality; and humility. Western influences, however, result in ongoing tension between competing and sometimes incompatible values.<sup>5</sup>

## II. HISTORIC OVERVIEW

14. In the era preceding European contact, Palauans believed Palau to be a unique and complete world closed unto itself and extending to a point just beyond the horizon. To the early Palauans, the culture of Palau was created in Palau. It was not a borrowed set of practices but a distinctly Palauan way of life.<sup>6</sup>

15. The first recorded European contact occurred in 1564, but it was another 200 years before sustained contact was initiated in 1783 following the wreck of the English vessel Antelope on the reef at Ulong. From this time, various colonial powers - British, French, German, Russian, Japanese and American - began to compete for political control, a competition which continued for 125 years. Although establishing no permanent presence, these early visitors wrought massive changes in Palauan society from introduced diseases which decimated the population and firearms which intensified inter-village rivalry.

16. Beginning with formal establishment of a Spanish protectorate in 1891, foreign influence intensified; Palauans came to be inundated by cultural changes brought by the Church, schools, and the foreign-imposed Government. Change in Palau has been a story of resistance and pragmatic acceptance. Resistance resulted from the tenacity of the indigenous view of Palau as a unique and complete world universe. However, the social power, prestige, and wealth brought by foreigners influenced acceptance among the naturally competitive Palauans.<sup>7</sup>

17. During a brief eight-year reign (1891-1899), Spain exercised only nominal political control. Spain's major contribution to social change was the introduction of Christianity.

18. Change accelerated during the German period (1899-1914). Germany established a resident Government, initiated widespread economic development based on copra production and bauxite mining, and instituted social reforms which began to transform traditional Palauan society. German public health measures indirectly undermined the traditional system of village clubs - an important part of the educational and socialization process for young people. Many clubhouses were burned to control the spread of communicable diseases, but seldom rebuilt, in part because the population, drastically depleted by foreign-introduced diseases, lacked sufficient labour to undertake traditional community work. German edict outlawed inter-village warfare, discouraged tattooing, and limited the authority of chiefs to collect fines and tribute. By creating an economy based on Western money rather than the traditional Palauan udoud (ceramic money), opportunities were created for lower-ranking individuals to obtain wealth and associated prestige, thereby undermining chiefly power which was derived, in part, from manipulation of wealth. Germany also introduced the first foreign workers to Palau by importing labourers from other areas of Micronesia to offset the shortage of Palauan labour resulting from depopulation.

19. In 1914, at the outbreak of the First World War, Japanese naval squadrons took military possession of Palau, along with the Marshalls, the Carolines and the Marianas (except for Guam). Following the War, Japan continued to rule Palau under a mandate from the League of Nations. The League's mandate obligated Japan to "promote the material and moral well-being and social progress of Palauans, to abolish slavery, traffic in arms, and alcoholic beverages, to refrain from building military bases, and to permit freedom of worship and missionary activity".

20. Japanese rule ushered in an era of tumultuous change. The Japanese attitude towards Palau differed from that of the Germans and the Spanish, for Japan intended to permanently integrate Palau into the greater Japanese Empire. Palau was to be remade in the image of Japan, and thousands of Japanese colonists were settled in Palau to hasten amalgamation. A formal, albeit limited, system of education was introduced for Palauans (three years of compulsory instruction followed by two further years of optional schooling for the most able). Economic development accelerated. These changes created many new opportunities for young, able Palauans to gain relative wealth and prestige independent of their status in traditional Palauan society.

21. Palau was the scene of bitter fighting during the Second World War. Little of the pre-war infrastructure survived. Upon assuming control in 1944, the American naval administration was challenged to respond to the urgent needs of a people on the brink of mass starvation. Development had to resume virtually from scratch.

22. In 1947, the United Nations established the Trust Territory of the Pacific Islands, consisting of what are today the Republics of Palau and the Marshall Islands, the Federated States of Micronesia and the United States Commonwealth of the Northern Mariana Islands. Administered by the United States, the early years of the Trusteeship were characterized by limited resources and a much slower pace of development than Palauans had been accustomed to during the Japanese era. Beginning in the 1960s, development accelerated and with it government budgets and payrolls expanded. Thousands of islanders were sent abroad for schooling while increasingly sophisticated health care was made available at home. The implicit goal was to create within Micronesia a standard of living at least equivalent to that enjoyed by a rural United States community. However, social development outpaced economic development and the standard of living came to exceed that which Palauans could realistically pay for from domestic resources.

23. Negotiations on post-Trusteeship political status were initiated in the early 1970s and culminated at 1 p.m. on 1 October 1994 with the birth of the new nation of Palau. Under the Compact of Free Association, the “independence agreement” which governs relations between Palau and the United States, Palau receives trust funds plus 15 years of budgetary support, to decline at five-year intervals over the 15 years. Having achieved political independence, Palau is now faced with the challenge of achieving economic independence.

### III. THE GOVERNMENT AND THE ECONOMY

#### The economy

24. Throughout the Trust Territory era, Government dominated the Palauan economy, employing most of the labour force and generating, directly or indirectly, most of the gross domestic product. In recent years, the fishing industry has developed as the leading economic sector apart from Government. Tourism is also expanding rapidly.

25. The National Master Development Plan (NMDP) approved in early 1998 by the Olbil Era Kelulau (or “OEK”, the national congress) establishes a 21-point strategic framework for achieving economic independence. Collectively, these strategies accord high priority to

establishing an environment supportive of private sector development. Tourism and marine resources are identified as the lead economic sectors, with agriculture and forestry envisaged as having critical supporting roles. Mindful also that development depends on both natural and human resources, high priority is accorded to environmental protection, cultural preservation, and human resource development.

26. In 1992, Palau's pre-Compact GDP was estimated to be \$5,400 per resident. Three years later, following implementation of the Compact, GDP per capita had increased to an estimated \$7,900 per capita. The economy is oriented towards services (60 per cent of the total) and is dominated by the public sector (20 per cent of the total). Financing derives from three primary revenue sources: (i) transfer payments from the United States under the Compact of Free Association; (ii) tourism; and (iii) fisheries. Compact funds are the single largest source of financing and are expected to contribute approximately 35 per cent of the GDP over the period 1994-1999. In order to maintain per capita GDP as Compact, funds begin to decline (1999) and eventually phase out (2009), the National Master Development Plan emphasizes fiscal reform, private sector development, and human resource development, coupled with environmental and cultural preservation.<sup>8</sup>

27. As contained in Palau's National Master Development Plan, the goal for the future is to substantially enhance the quality of life of Palauans and future generations of Palauans by:

- (a) Increasing real economic growth per capita on a sustained basis;
- (b) Sharing the benefits of economic growth on an equitable basis;
- (c) Enriching and enhancing confidence in the Palauan culture, raising national consciousness, and protecting the natural environment.

#### Government

28. Palau has a presidential form of Government patterned after that of the United States. The executive branch is headed by a popularly elected President and Vice-President assisted by seven ministers appointed by the President with the consent of the OEK. The legislative branch (the OEK) is comprised of 30 members divided into two equal houses. Sixteen delegates in the House represent each of the 16 states. Fourteen senators represent four senatorial districts (East and West Babeldaob, Koror, and the Southern Islands). The judiciary is a third, independent branch of Government, comprised of the Supreme Court, the National Court, the Court of Common Pleas, and the Land Court.

29. Each of the 16 states has its own constitution and independent Government headed by a governor. States have special responsibilities for environmental protection, land-use planning, health and welfare. However, only the state of Koror at present has significant administrative capacities independent of those provided by the national Government.

Notes

- <sup>1</sup> The Palau National Committee on Population and Children, "Population and Development: Toward a Palau National Policy on Sustainable Human Development", Koror, Palau, March 1997.
- <sup>2</sup> Data for estimating probable rates of transmigration from Koror to Babeldaob are presented in: Palau Resources Institute, "Pathways to Change: A Social Impact Assessment of the Palau Compact Road", Koror, August 1996.
- <sup>3</sup> Palau Office of Planning and Statistics, "Report on the Census of Population and Housing, 1995", Koror, Palau (table 59).
- <sup>4</sup> R. Force and M. Force, "Just One House: An Analysis of Kinship in the Palau Islands", Bishop Museum Press, Honolulu, Hawaii, 1972.
- <sup>5</sup> Palau 2000 Task Force, "The Palau 2000 Master Plan for Educational Improvement", Ministry of Education, Koror, Palau, 30 November 1994.
- <sup>6</sup> Ibid.
- <sup>7</sup> Ibid.
- <sup>8</sup> All information relating to the economy of Palau is derived from: Palau Office of Planning and Statistics, "Palau National Master Development Plan", March 1997 edition.

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