



## *State of the Republic Address*

**By President Tommy E. Remengesau, Jr.  
Before the Tenth Olbiil Era Kelulau**

**April 13, 2017**

**Good morning, Mr. Senate President, Mr. Speaker, Mr. Vice President, and Chief Justice. Today I would request that all of us, and all of the Senators, Delegates, Ministers and Justices who have gathered in this Chamber today extend our warmest greetings to Ibedul, Reklai, and the Council of Chiefs, Bilung, Ebil Reklai, First Lady, and all the Mechesil Belau, Governors, Speakers, all State Legislators, members of the Diplomatic Corps, students, and fellow Palauans. Good morning everyone and thank you for joining us today at this joint session of the Olbiil Era Kelulau as we present to the people the 2017 State of the Republic Address.**

**Ladies and Gentlemen, when we came into office in 2013, we were emerging from a very economically turbulent period and recognized the need to set our ship back on course. With the hard work of the Olbiil Era Kelulau, our states, our private partners and our people, we were able to balance the budget and pay off our bills. We were also able to provide a cost-of-living increase to our government workers, bring up to date our government contributions to our Pension, Social Security and Health Care funds and establish a General Reserve Fund to provide our people with a safety net in the future.**

**While addressing our immediate economic challenges, we were also able to add another, and the most significant piece, to our Protected Area Network, by creating the Palau National Marine Sanctuary. This Nation and our Palauan People came together to make a statement for all ages: that we will preserve our ocean and our marine life for future generations.**



**Of great significance, we also began the process of defining the type and scope of our future tourism industry by recognizing that unchecked tourism growth does not benefit all of our people. I ask that we continue to work together, for the best interest of future generations, to define just what this future tourism industry must look like.**

**Over these next four years, we will focus our efforts on protecting and building upon the gains that we have made. In this effort, we must make sure that our government is a caring government that is responsive to the needs of our people. Specifically, we must safeguard family income gains and retirement benefits; further strengthen education, health and public safety services; increase support for our youth, aged and vulnerable populations; expand our capacity to protect and preserve our environment; and contain the cost of our government operations. We must also mainstream our climate change mitigation and adaption agenda, and continue to strengthen our resilience to natural disasters.**

**Before going over our agenda to accomplish these goals over the next four years, let us first briefly review the State of the Republic and our recent economic developments and outlook.**

**Palau's economy, after a slight decline in FY 2013, has steadily grown through 2016. Strong growth recorded in 2014 and 2015 is due to the major spike in tourist arrivals from Mainland China. Economic growth was 6.9% in 2014 and 10.6% in 2015, and despite a drop in tourist arrivals of approximately 22,000, Palau's economy still grew in 2016 by 1.6%, driven by expanded construction activities and sustained consumer spending from wage increases.**

**As I noted in last year's State of the Republic Address, the dramatic increase in overall tourism-related revenues reflected the greater number of tourists arrivals from Mainland China that also resulted in a much lower average revenue per visitor arrival, which dropped by approximately 24% over those two years. As we started**



to focus our efforts on high-value visitor markets to help ensure that our most critical industry is sustainable, our tourism numbers have decreased but more importantly, revenue per arrival and visitor nights have increased by approximately 9% and 5% respectively.

In the short term, tourism numbers are anticipated to continue to decline due to certain factors, including slow growth in the Asian Tourism markets, political turmoil in the European and North American tourism markets, increasing fuel prices and their impact on air services to Palau and price competition with other destination markets. Perhaps the most important factor affecting visitor arrivals will be the strength of the US Dollar and its effect on the relative costs of other destination markets in our region.

After a slowdown in FY 2013, government revenues bounced back, recording a 16% increase in FY 2014, a 7% increase in FY 2015, and just over 3.5% increase in FY 2016. Tax collections increased an average of a 14% over the past two years, fueled by wage increases in the government and private sectors. Expenditures also increased in FY 2016 by 12% compared with FY 2015, largely due to increased salaries and wages expenses.

The total number of employed persons in Palau increased in 2016 by approximately 4%. The total average wage and salary level increased by 5% for all workers from \$8,695 in 2015 to \$9,169 in 2016. The average wage and salary level for Palauans is \$14,142 and \$6,282 for foreign workers. Gender wise, the total average wage and salary level for females is \$11,741 and \$8,023 for males.

Overall, Palauan labor has remained almost constant and foreign labor has increased by almost 38% over the past ten years. Meanwhile, Palauan wages have increased by approximately 28% and foreign labor has increased by approximately 13.5% over the past ten years.



**The wage gains and construction activities that drove growth in 2016 are expected to continue over the medium-term. Construction is expected to perform strongly due to continued construction including improvements to new and existing visitor accommodations, major public projects and on-going road construction. I will speak more to this construction activity later.**

**Overall, the total population in Palau demonstrated a very small increase in the Census of 2015. The total population in Palau has decreased by almost 13% in the last ten years. The Palauan Population has decreased by approximately 12% over this period.**

**The National Government currently has four major loans outstanding. Of the initial value of \$54 Million, \$22.9 Million is still owed as of 2016. External debt position remains favorable with total debt service as a percent of the recurring budget at 2.4%.**

**Palau's Compact Trust Fund increased from \$183.9 million in 2015 to \$196 million to in 2016.**

**Ladies and Gentlemen, our overall tourism numbers are down from the expanded levels of 2015 and 2016. In fact, it looks like our tourism arrivals will further decrease by about 10% in 2017. This would put our 2017 tourism numbers slightly above those in 2014, a level that, at the time, we considered both a great opportunity and a challenge. In my State of the Republic Address that year, I posed the following question:**

**“What do we want Palau to look like? How many tourists do we want to see in Palau? What kind of tourists do we want to attract to Palau? We believe that we must chart our course towards economic self-sufficiency by attracting high-end tourists and developing eco-tourism based policies, which will support sustainable economic growth.”**



**My fellow Palauans, with the current situation of the tourism industry, I believe that we have been given a one-time-only opportunity to reset our tourism industry and to once again aim for a High-Value Tourism model. We must keep in mind that the recent rapid influx of tourists brought in mostly low-value tourists, with daily expenditure well below historical levels. These tourists traveled on vertically integrated package tours, at very low prices, where most of the revenues remained off-shore.**

**In our reset, we can once again return to our vision of a high-value tourism destination with a maximum return on investment and a diverse set of tourism guests. A number of years ago, when we experienced SARS and the Avian Flu, we all came to the realization that we cannot put all of our eggs into one basket. For our tourism industry to flourish over time, we need to ensure market diversity.**

**Understanding this need for diversity, we have, over the past few years, focused on three important issues. 1) Our tourism policy, 2) our aviation policy and 3) our hotel policy.**

**In the area of tourism policy, our leadership has agreed to move toward the concept of “Pristine Paradise. Palau”. This is reflected in our new PVA Marketing brand and this is further reflected in the creation of our Marine Sanctuary, where we just renamed the “Environmental Impact Fee” as the “Pristine Palau Environmental Fee”**

**By quality tourism, we do not mean that we will only permit high-value tourists into Palau. Rather, we are talking about a type of tourism that will include a range of hotels that will provide a quality experience at each level and that will bring a certain focus to the availability of high-value accommodations.**



Within this quality tourism industry, it will be our job to provide exceptional service, including a skilled labor force, effective enforcement, expanded accommodation amenities, quality local products, reliable basic infrastructure, efficient port facilities, easy access to the Ocean, and overall high standards.

Fellow Palauans, this effort simply recognizes the fact that we have to give value to get value. At the end of the day, what we are creating is an image that will maximize our return and focus on the pristine nature of our greatest asset, our environment.

In the area of aviation policy, we need to develop a transparent policy towards charter flights that ensures that our primary goal of diversity is supported. It is clear that regular flights define your market, and to have a high-quality tourism industry, we need to stabilize and expand our regular airline partners. Charter flights should augment these primary regular carriers by exploring potential new markets and by filling in the gaps during slower periods of visitor arrivals, such as now. In order to accomplish these goals, we must work to develop a strong and transparent process of charter flight selection and monitoring. Ultimately, our regular airlines should be the major carriers bringing quality tourists to our market.

Finally, in regard to our hotel policy, we need to improve the quality of our accommodations and products. We can do this from a number of different perspectives, but the key is to establish minimum standards and incentives that will direct investments toward the types of tourism infrastructure and products that are in line with our *Pristine Paradise. Palau* brand. We must also provide support that will allow the necessary upgrades to existing tourism related facilities and products to meet minimum standards. To ensure sustained gains in our tourism infrastructure, we must look to establish land-use planning laws and regulations for our hotels that include strong building codes to ensure resiliency and quick recovery from catastrophic events.



**At the end of the day, we will only succeed as a high value tourism destination, with sustainable tourism numbers, if we effectively establish ourselves as a unique destination in our region. We best accomplish this by providing a quality experience and service standards that sets us apart from the competition. We already have Palau, the most beautiful island setting in the world. All we need to add is a quality industry that ensure that we realize the benefits from tourism without sacrificing the sustainability of our ‘*Pristine Paradise. Palau*’.**

**The selection of good partners, especially in the area of tourism, requires a good foreign investment law and strong enforcement of that law. To strengthen the law and to better guide foreign investment, we amended the Foreign Investment Law in RPPL 9-64. And to ramp up enforcement capacity under this new amendment, we have increased the Foreign Investment Board budget by 89%. In addition, a bill is pending before the Olbiil Era Kelulau that increases the required minimum investment for hotels.**

**We must be mindful that, “Many will come calling and knocking at our door, but only a few good partners can be chosen.”**

**We must also have a much more business friendly system of processing Foreign Investment related permitting. By improving our own efficiency, we can make sure that we do not scare away our investors with historically slow processing. To make this vision a reality, we intend to construct a ‘One-Stop Shop’ structure, on the site of the current National Finance Office in Koror, that will house numerous agency outlets, such as Social Security, Revenue and Tax, Foreign Investment, EQPB and Historical Preservation in order to fast-track licensing and permit processing.**

**We must always remember that the key to our survival and success as a people and as a nation will be to find a balance between economic development, the protection of our environment and the preservation of our cultural heritage. To do this we**



must put into effect our new tourism marketing brand, *Pristine Paradise. Palau* within the context of our Palau National Marine Sanctuary. Both are moving rapidly forward.

In our recently released 2016 Annual Report for the Marine Sanctuary, we documented our significant progress establishing the foundations of the Sanctuary and in identifying supplemental funding sources. I have also signed into law an amendment to the Sanctuary Law that renames the Environmental Impact Fee as the “Pristine Paradise Environmental Fee”.

The passage of the PNMS law was a monumental effort. And it will take a monumental effort at all levels to implement the law. I am happy to say that much has already been accomplished that will lay the foundations for a successful Sanctuary.

We have established a PNMS Office and an Executive Committee to oversee this implementation. Taking our year of experience since the law’s passage into account, I recently promulgated Executive Order No. 395, which streamlines the Executive Committee by tying it to seven core issues and subcommittees. The Executive Order also improves strategic planning in line with the Government’s strategic planning process and expands reporting requirements.

Each of these core focus areas are essential for the success of the Sanctuary and the sub-committees will develop comprehensive strategic plans this year. The seven sub-committees are:

- Surveillance and Enforcement
- Fisheries and food Security
- Science and Monitoring
- Sustainable Financing
- Tourism and Marketing;



- **Education and Awareness; and**
- **Administration**

**The ‘Surveillance and Enforcement’ already has a comprehensive strategic plan and the PNMS Office and the Bureau of Maritime Security and Fish and Wildlife Protection (BMSFWP) have taken significant steps to implement the recommendations of this plan. Some, like the strengthening of our maritime capacity with new boats, manpower and resources, you may have noticed in the news.**

**We have made great strides in our fundraising efforts. Of special note are the contributions from the Nippon Foundation and Sasakawa Peace Foundation to greatly improve our basic surveillance infrastructure. Funding goes towards a second 40-meter patrol vessel, crew and fuel for the vessel, an additional 15-meter patrol boat, a new wharf, a training center, and a new Marine Security Administrative Building. Let us give a round of applause to the Nippon and Sasakawa Foundations for their very generous contributions.**

**In addition, Australia has confirmed that they will deliver a replacement for our current patrol vessel, the PSS Remeliik, by August of 2019.**

**With this expanded surveillance infrastructure, Palau will establish a center to monitor all activity in our Exclusive Economic Zone, and the Bureau and the PNMS Office will coordinate surveillance operations throughout our EEZ, and beyond, in partnership with regional fishery management organizations.**

**In addition to these generous contributions, we have received start-up assistance from a number of private and public friends, including Italy, Taiwan, Prince Albert of Monaco, Shin Kong Hospital, TNC, and Oceans Five. Thus far, we have received commitments of approximately \$2.9.**



**One million dollars of this funding has been generously provided by the Republic of China, Taiwan to assist Palau in establishing an Endowment Fund, initially planned to be capitalized at \$25 million, to augment funding from the Pristine Paradise Environmental Fee.**

**In addition to strong administration and surveillance and enforcement that uses the latest technology, we will work creatively to establish a domestic fishing industry that benefits Palauan fishermen and the local tourism industry. Within this context, we plan to create a Central Fishing Auction and Processing Facility, a wharf for the Auction facility, and a Central Market. We will also place Fish Aggregating Devices (FADs) throughout the Domestic Fishing Zone so our local fishermen and women can have access to our fish resources and take part in the future domestic fishing industry.**

**Finally, we will undertake a number of studies to identify baseline facts about our ocean. These studies will include a baseline market assessment, so that we can better define our domestic market needs and a tuna tagging study so that we can study the impact of the Sanctuary on fish populations in the future.**

**The Palau International Coral Reef Center recently published their research paper that shows that Palau's Marine Protected Areas (MPA) are effective. There are twice as many fish in MPAs as there are in non-MPAs. Essentially, their paper demonstrates that the larger the MPA and the longer it is protected, the more effective it is in increasing fish stock. Conducting this type of study in the Sanctuary will help us better understand the Sanctuary's value and ensure a sustainable domestic fishery.**

**In addition to expanding our marine surveillance infrastructure over the next four years, we also plan to continue to expand and strengthen the resilience of our basic infrastructure to support our tourism industry and our overall economic development. On the public sector side, I am sure you are all aware of our work on**



**the water lines in Koror and Airai that makes your drives to and from work so pleasant. This \$17 million project will be followed very shortly by the \$28.8 million Koror-Airai Sewer Project, known as KASP.**

**We are already undertaking preliminary work on a new submarine fiber optic cable that will bring high speed internet capacity to Palau within the next year at a concessionary loan cost from the Asian Development Bank of about \$24 million. The submarine cable project is well under way, with several key milestones achieved already in 2017. The company manufacturing the cable, NEC, has already commenced building the cable. Manufacture of the prefabricated Cable Landing Station is complete. The building is currently being shipped to Palau. The cable is currently being laid from the Philippines to Guam. Shortly, the repeater and branching unit will be attached and then the spur to Palau will be laid to the landing station. Ground was broken for the civil works at the landing site at Ngaremlengui in March, and work is now well advanced. There is every indication that the project will be delivered on target, in December 2017, and within budget.**

**Once in service, the Belau Submarine Cable Corporation will bring very significant reductions in the wholesale cost of broadband internet connectivity. High speed internet is critical to Palau's future social and economic well-being. Services in electronic education and electronic health are already being planned. BSCC capacity will be abundant, at a lower price and with more reliable delivery.**

**We look to our Palauan retail service providers to translate the opportunity that BSCC is bringing into real improvements in service quality at lower prices.**

**This fiber optic cable will be augmented by infrastructure upgrades planned at an additional cost of \$5 million. These upgrades will allow the current island cable system to receive the much improved signal from the new submarine cable.**



**Other public sector construction projects in progress include the already mentioned Maritime Security Administrative Building in Malakal, the PMDC Hatchery Facility in Malakal, at a cost of \$6 million, a new Weather Services Building, at a cost of \$3.2 million, and on-going State economic stimulus projects at \$10 million. Overall, our projected investment in our infrastructure is more than \$100 million over the next four years.**

**We also have a very long list of planned hotels, at a value of somewhere between \$200 and \$300 million, that have a Foreign Investment Permit and/or an EQPB Permit issued. If actually constructed, these proposed hotels, hostels, ‘apartelles’ and villas will significantly alter Palau’s visual, economic and environmental landscape. In light of these developments, it is imperative that we keep in mind that our environment is our economy and our economy is our environment. If we fail to gain a handle on this unlimited foreign investment stream and consequent construction, we risk losing control of our development agenda and compromise our ability to ensure that all Palauans share in the benefits of economic growth and development.**

**Finally, we are working directly with the private sector to develop public-private partnerships that encourage investment in and further improvements to our basic infrastructure in a manner that promises significant benefits to both sides. To that end, we are in discussions with several prominent Japanese companies with support from the Japanese government for a major expansion and upgrade of the passenger terminal at the Palau International Airport. Likewise, we are preparing to execute agreements for the development of townships in Babeldaob by a private development firm.**

**These projects and others like them promise to bring the efficiency and expertise of private businesses to bear on our critical infrastructure, while ensuring that the Republic retains ultimate ownership and control over the underlying assets.**



**Ladies and Gentlemen, entering these final four years in Office, we are committed to work with the Olbiil Era Kelulau to focus on the following areas:**

- **Safeguarding family income gains and retirement benefits;**
- **Further strengthening of Education, Health & Public Safety Services;**
- **Increasing support for our Youth, Aged, & Vulnerable Populations;**
- **Enhancing our capacity to protect and preserve our Environment;**
- **Developing key Economic Sectors to support Sustainable Growth and Development;**
- **Enacting and Promulgating needed Laws & Regulations; and**
- **Containing the Cost of Government Operations.**

**Within our current governmental structure, we will seek to move each of these commitments forward. To accomplish this, I have directed the updating of the Management Action Plan. And to jump-start this planning process, I have also directed that each Ministry undertake certain activities over the first 100 days. A report of these 100-day activities has already been prepared, indicating the action required, the budget for the action and the timeline for completion.**

**In order to give focus to the family - “telungalek” - as the center piece to our traditional heritage, I have declared 2017 as the ‘*Year of the Family*’. Only upon a foundation of strong families and communities, can we build a bold vision for the next four years and beyond.**

**To ‘Safeguarding family income gains and retirement benefits’, we are committed to continuing to raise the minimum wage in line with cost of living increases so that families can meet their basic needs. We are also committed to working with the OEK to strengthen the financial viability of our retirement plans, particularly the Pension Plan. We intend to determine the feasibility of expanding the Plan to include the private sector to increase their retirement income options. In line with**



these reform efforts, we will seek to ensure that COLA adjustments for Social Security and Pension Plan benefits are undertaken in line with the costs of living.

We are also attentive to the very significant displacement of Palauan citizens from their homes that has occurred in the recent past due to Super Typhoons Bopha and Haiyan and due to land court decisions in Koror State. In response, we have accessed a \$5 million loan from The Republic of China, Taiwan, available to all Palauans through the Palau Housing Authority at concessionary rates, to construct new homes. We would encourage Palauan families in need to make use of this concessionary loan funding facility.

To facilitate the 'Further Strengthening of Education, Health & Public Safety Services', we have set in motion many initiatives. In education, we are in the process of implementing the Education Master Plan and will seek the support of Congress for this ten-year plan. We are also revising the Teacher Certification System and will similarly seek the support of the Congress. In addition, we are procuring a bookmobile for the Public Library and acquiring busses for Airai, Aimeliik, Keiukel and Despedall. We have also initiated applications for the accreditation of Public Elementary Schools throughout Palau and are extending adult education programs in Aimeliik and Kayangel. Finally, we are strengthening the use of Information and Communications Technology (ICT) throughout our school system in preparation for our improved internet capacity. These efforts are intended to increase our outreach and improve services at the community level.

Improvement of our Palauan skilled labor pool must continue to be a priority of Palau Community College. PCC must expand its efforts to provide both short and long-term training opportunities so that certificates can be attained for welders, plumbers, electricians, heavy equipment operators, air condition repairmen and the like. The Workman's Incentive Act is in place, allowing local businesses to gain tax credits where they hire these locally trained workers. The success of our efforts is demonstrated by the fact that Guam and Saipan are already recruiting these locally



**trained workers. That is why we must continue to raise the minimum wage law -- to keep our Palauan laborers in Palau.**

**In the area of Health, we continue to work to ensure that there are sufficient medical supplies, equipment and drugs. We are procuring an incinerator for the hospital, expanding affordable off-island medical care options and developing a relocation plan for the current hospital. We are also renovating the Hospital patient ward and working to construct a long-term health care facility for the elderly within the next 18 months. And in line with our efforts to increase services at the community level, we plan to expand the services available at the Community Health Centers in Babeldaob and outlying states to include full time medical staff, including doctors and trauma care.**

**In the area of public safety, we have opened up the police substation facility in Ngardmau to increase police presence and emergency services, again in line with our efforts to expand services at the community level. We have also begun construction of a new prison. We have also expanded funding to support the Drug Task Force and reorganized BPS by creating a new Narcotic Enforcement Agency. Finally, the Vice President has established a zero-tolerance drug policy at the Ministry of Justice for all employees. I am sad to say that drugs have infiltrated all realms of our society and we must no longer tolerate this to continue. We must continue to wage war against those who sell drugs and destroy our children's futures.**

**In our on-going efforts focused on 'Supporting our Youth, Aged, & Vulnerable Populations', we are in the process of implementing a new 5-Year Palau National Youth Policy. We are also committed to expanding programs and services targeting persons with disabilities. Over the next four years, we also plan to develop a youth corps program to provide training to disadvantaged youth; continue to develop family oriented recreational parks in partnership with our states; design and construct a**



sports Training Facility; increase program assistance to vulnerable populations; and expand the power subsidy for low and fixed-income households.

In regard to ‘Enhancing our capacity to Protect and preserve our Environment’ we have moved aggressively to implement our Marine Sanctuary. We must simultaneously work to respond to Climate Change and work towards Disaster Risk Reduction in our vulnerable island nation. We are therefore working to mainstream Climate Change planning and implementation into our on-going budget and planning process. Through this process, we are working to climate-proof our infrastructure and strengthen our resiliency to the impacts of climate change. Much of this work is being undertaken within the context of our very successful Protected Area Network System.

The Ministry of Natural Resources, Environment and Tourism (MNRET) is also working on terrestrial issues, such as eradication of fruit flies, the Rhinoceros Beetle and other invasive species, the propagation of coconut plants, developing animal production projects, and the rehabilitation of degraded lands.

The National Environmental Protection Council (NEPC), chaired by the Minister of Natural Resources, Environment, and Tourism, has developed a State of the Environment (SOE) report that helps show trends in key natural resource indicators over time. The Report will help inform policy decisions and prioritize efforts to address environmental risks.

We must rapidly move forward with renewable energy initiatives and opportunities, being mindful of our commitment to meeting our National Determined Contribution of 40% renewable energy by 2025. We can begin by incorporating a renewable energy component into our growing water and sewer system.

Our efforts at ‘Developing key Economic Sectors to support Sustainable Growth and Development’ cuts across all ministries. As mentioned, much work has been undertaken to reform our tourism industry -- from introducing a new marketing



system -- to initiating joint public-private sector planning -- to improving charter flights, the quality of hotels and -- to introducing new tourism services.

The Bureau of Tourism is in the process of developing a 5-year Tourism Strategic Plan under the guidance of the Palau Tourism Task Force. MNRET is also working to develop a Home-Stay Program and to complete the National Tourism Policy Framework. I would ask the Olbiil Era Kelelau to officially support both the Strategic Plan and the Policy Framework.

While tourism will always be our primary economic sector, we must also continue our efforts to diversify our economy, protect our food security, and honor our commitments to sustainable livelihoods. That is why the Bureau of Agriculture is moving forward with the construction of a slaughterhouse. And that is why the Bureau of Marine Resources is working to expand our aquaculture programs and projects, including the expansion of our Giant Clam Center, the introduction of rabbit fish, and the production of shrimp and other species into the local markets. And finally, that is why we are creating a domestic fishery, with a Central Market and a Fishing Auction. To be successful, these activities must ultimately be undertaken by the private sector.

We have accessed a \$5 million loan from the Republic of China, Taiwan, to make available small scale Agricultural and Aquaculture loans to support these activities. We must make full use of this funding opportunity in order to establish private and community based opportunities. I would strongly encourage interested Palauans to look into the many opportunities made available through these loans.

Our efforts at ‘Enacting and Promulgating needed Laws & Regulations’ that benefit the people of Palau will also continue over the next four years. I have submitted legislation to continue to increase minimum wages to compete with the Saipan and Guam markets. As mentioned, we have also introduced high value, low impact legislation for our Hotels and our Pristine, Paradise. Palau brand. We will continue to



support the reform of our tax code to ensure a fair and efficient tax system. We will also support smart tax incentives that help grow our economy and strengthen our infrastructure. In addition, we will support reforms aimed at strengthening the long-term viability of our pension and our social security plans. I would call on the OEK to work with me to pass a comprehensive labor law and a modern corporation law.

We must also be creative in our development of new industries that will increase the revenue generating capacity of our nation. I call on the OEK to work with me to revisit the Palau Registry Act and bring high-end Japanese and other international corporations to our shores. With the new fiber optic cable, we should also look to expand our high tech potential in areas of financial services and related corporate services. And in these efforts we must keep in mind the need to spread the wealth and to identify development opportunities in Babeldaob.

I will also be introducing an Election Law Reform in the near future to ensure that everyone has a fair opportunity to run for political office by placing limits on campaign contributions and expenditures.

Finally, 'Containing the Cost of Government Operations' must always be a primary objective. While we cannot always control who visits us or how much they spend, we can always put aside a bit of money for a rainy day and live within our means.

If we are to be a caring government and a government that is responsive to the needs of the People of Palau, then we must ensure our long-term fiscal sustainability. To this end, we are working to implement a Medium-Term Budget Framework including the establishment of a cohesive and coordinated framework for national planning. The establishment and implementation of these key frameworks will greatly facilitate our efforts to mobilize domestic, as well as external resources to help implement our various plans and strategies such as our National Climate Change Policy Framework and our Nationally Determined Contribution (NDC).



**Ladies and Gentlemen. We live in a world of nations and a world of people. In order to prosper, we must look towards friendships with both and take advantage of regional and international assistance opportunities. Our country has been very blessed to make and maintain the friendships that have allowed us to move towards self-sufficiency and self-governance. We therefore extend our heart-felt appreciation to our development partners for their continued support and consideration.**

**Palau would like to once again recognize its close and unique friendship with the United States as well as the significant assistance that has been provided by the United States through the Compact of Free Association. Palau will continue to stand with the United States in its effort to support the institutions of democracy and to eliminate terrorism worldwide. We hope the United States will recognize the on-going importance of the issue of Climate Change to small island developing nations, such as Palau, and will find it in its heart to offer its continued support to our efforts in this regard. We are also hopeful that with this new administration we will be able to conclude the ratification of the Compact Review Agreement with the additional proposed programs that will make the agreement more workable.**

**Palau would also like to recognize the generous support that we have received over the years from our close friend and ally Japan. We recently celebrated the 2<sup>nd</sup> anniversary of the visit of the Emperor and Empress to Palau and this continues to be a very significant testimony to the historic ties between our two nations. We look forward to continued and strengthened relations for generations through ODA projects, JICA programs and people to people exchanges. Japan's on-going assistance has been critical to our development over the years. We are thankful for this support that has been so graciously provided.**

**As a neighbor and a friend, we continue to support the efforts of Japan to secure a seat on the Security Council of the United Nations. As we did last year, we would also like to reiterate our sincere thanks to the Nippon Foundation and the Sasakawa**



**Peace Foundation for their very substantial support to our Palau National Marine Sanctuary.**

**Palau is also thankful to the Republic of China, Taiwan for its friendship and its continued developmental support. For many years now, Taiwan has rapidly responded to our unique financing needs and challenges and has demonstrated a readiness to engage in helpful consultations to meet our challenges. Taiwan has represented itself well in our Pacific Region and has gained the right to contribute as a member of the global community. The International Community should recognize this right. Palau will strongly support Taiwan's efforts in the international fora and will remain true to our strong relationship.**

**We also offer our thanks Australia and New Zealand for their on-going friendship and assistance and to our other Pacific friends and neighbors of the Pacific Islands Forum. We offer special thanks to Australia for its generous support to Palau and the Pacific Region's surveillance and enforcement efforts. We continue to offer our support and commitment for the new Pacific Framework for Regionalism.**

**We also offer our thanks to other national friendships gained over the years, including the European Union, Italy, India, Indonesia, New Zealand, Russia, Thailand, Spain, Singapore, Korea, South Africa, and many others. I would also like to thank the many public and private organizations that have offered their generous assistance to our growing nation throughout the years.**

**Mr. Senate President, Mr. Speaker. This is a formative time for Palau. As leaders of our small nation, we have a great opportunity over the next four years to establish the foundations of a vibrant economy for future generations. I think that we can all agree that, in retrospect, we were unprepared for the massive increases in tourist arrivals that we experienced over the past two years. This is not surprising, as we have never experienced a situation like this in our history. Our streets became overcrowded, every available accommodation was put to the task of housing these**



**new visitors, room costs dropped drastically, visitor stays shortened, long-term tourism partners became displaced, and we lost sight of the need for careful planning.**

**While I realize that the current reduction in tourists has lowered our private and public sector revenue streams, we must recognize that this is only temporary. We need to see this slowdown as an opportunity to right our ship before the next rising tide of visitors arrives. Let us not forget that our relationship with tourism has always been challenging and that diversifying our visitor base is one of the most important ways to ensure a sustainable tourism industry.**

**During this very momentary cessation, let us work to strengthen our regular airline service and to better define and manage our charter flights. Let us ensure that foreign investment in our tourism is directed where we want it to be invested and that our rate of return expands rather than diminishes. And let us work to develop our services in Palau so that we can effectively compete against our regional rivals so that we can warrant our higher prices.**

**Palau is truly a unique environment. As I have said for decades now, it is our goose that lays the golden egg and we must cherish and save it for our children. So let us continue on our course of environmental concern and work to complete the job that we started together, preserving our natural environment through the most effective series of protected area networks, particularly the marine protected areas, in the world.**

**And while we move to stabilize this course that joins economic development, environmental protection and cultural integrity, let us also remember that, as leaders, we must work for each and every citizen of Palau and for their well-being. In moving forward, we must not leave even a single Palauan behind. I therefore commit myself, over the next four years, to work with you and with the People to strengthen our governmental institutions and to fortify the underpinnings to a**



**strong and vibrant future. We must ensure that everyone shares in the benefits of economic development.**

**Thank You**