

SUBSIDIARY AGREEMENTS
OF THE
COMPACT OF FREE ASSOCIATION
Political Education Committee
Republic of Palau
1989

AGREEMENT
CONCLUDED PURSUANT TO SECTION 234 OF
THE COMPACT OF FREE ASSOCIATION

AGREEMENT
CONCLUDED PURSUANT TO SECTION 234 OF
THE COMPACT OF FREE ASSOCIATION

Section 234 of the Compact of Free Association (the Compact) provides that title to the property of the Government of the United States which is situated in the Trust Territory of the Pacific Islands and in Palau, or which has been acquired by the Government of the United States for use by the Government of the Trust Territory of the Pacific Islands, on or before the day preceding the effective date of the Compact shall vest in the Government of Palau. This vesting of title shall be without reimbursement or transfer of funds by or from the Government of Palau. Title to property of the Government of the United States for which the Government of the United States determines a continuing requirement shall remain vested in the Government of the United States.

United States Public Law 96-597 (94 Stat. 3477) provides in Section 402 that all right, title and interest of the Government of the United States in personal property situated in the Trust Territory of the Pacific Islands shall be transferred to the Government of Palau, the Marshall Islands, the Federated States of Micronesia or the Northern Mariana Islands, without reimbursement by any of them. The High Commissioner of the Trust Territory of the Pacific Islands is required to establish a list of distribution of the property among the recipient governments and in consultation with them. Only property which is surplus to the needs of the Government of the United States shall be included in this list for transfer.

In light of Section 234 of the Compact and of Section 402 of United States Public Law 96-597, the Government of the United States and the Government of Palau confirm their mutual understanding as follows:

1. Identity of Intent

Section 234 of the Compact and Section 402 of United States Public Law 96-597 both have the intention of transferring to the Government of Palau title to property owned but not further required by the Government of the United States, which is situated in the Trust Territory of the Pacific Islands.

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2. Authority for Transfer of Title to Property

The Government of the United States confirms that the property which it contemplates will be transferred under Section 234 of the Compact of Free Association or under Section 402 of United States Public Law 96-597 is transferred pursuant to the legislative authority contained in those instruments. In accordance with its terms Section 234 of the Compact provides legislative authority for the transfer of title to property of the Government of the United States for the full period of its effectiveness.

3. Timing of Transfer of Title

United States Public Law 96-597 directs that title to the property in question shall vest in the recipient governments. Prior to the effective date of the Compact, transfer of title to the property in question shall be governed by United States Public Law 96-597. The Compact, as of its effective date, shall provide the legislative authority for the transfer of title to the property in question to the Government of Palau.

4. Future Transfers of Property

If, at any time after the effective date of the Compact of Free Association and during the period of effectiveness of Section 234 of the Compact, the Government of the United States determines that it no longer has a continuing requirement for any property which would otherwise have been transferred in accordance with paragraph 3 of this Agreement, the Government of the United States may, at its discretion, transfer title to such property to the Government of Palau. The identity of the recipient government shall be the same as the location of the property.

5. Ancillary Understandings

Any understandings or agreements entered into by the High Commissioner of the Trust Territory of the Pacific Islands and the Government of Palau in the implementation of Section 402 of United States Public Law 96-597 and with respect to property addressed in Section 234 of the Compact shall have full force and effect as though the transfer of title to the property in question had taken place under the authority of Section 234 of the Compact.

The Government of the United States and the Government of Palau agree that the list of distribution established by the High Commissioner of the Trust Territory of the Pacific Islands shall, at the time of its publication, be attached to this Agreement as Annex A.

The Government of the United States and the Government of Palau further agree that this Agreement constitutes the separate agreement referred to in Section 234 of the Compact.

This Agreement may be accepted, by signature or otherwise, by the Government of the United States and the Government of Palau. Each Government accepting this Agreement shall possess an original English language version.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE AT PALAU , THIS 10 DAY OF JULY ,
ONE THOUSAND, NINE HUNDRED EIGHTY SIX.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ LAZARUS E. SALII

DONE AT PALAU , THIS 10 DAY OF JULY ,
ONE THOUSAND, NINE HUNDRED EIGHTY SIX.

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ FRED M. ZEDER, II

Agreement Regarding the

Military Use and Operating Rights
of the Government of the United States in
Palau
Concluded Pursuant to Sections 321 and 322 of the
Compact of Free Association

i

MILITARY USE AND OPERATING RIGHTS AGREEMENT

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Concluded Pursuant to Sections 321 and 322 of the
Compact of Free Association

This Agreement sets forth the military use and operating rights of the Government of the United States in Palau, and is concluded pursuant to Sections 321 and 322, Title Three of the Compact of Free Association (the Compact).

Article I

Definitions

1-1

Article I

Definitions

The Definition of Terms set forth in Article VI of Title Four of the Compact and the Definitions set forth in paragraph 2 of Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact (the Status of Forces Agreement) are incorporated in this Agreement.

Article II

Applicability of Status of Forces Agreement

2-1

Article II

Applicability of Status of Forces Agreement

The provisions of the Status of Forces Agreement shall apply.

Article III

Provision of Defense Sites

3-1

Article III

Designation and Provision of Defense Sites

1. In accordance with Article II of Title Three of the Compact, the Government of the United States may designate defense sites, and categories of use for such sites. United States requirements for defense sites and categories of use are set forth in Annex A to this Agreement.
2. Upon the request of the Government of the United States, the Government of Palau shall provide the designated defense sites to the Government of the United States in accordance with the provisions of Section 322 of the Compact. The provision of defense sites shall include all the necessary land and use rights for such sites, rights of access thereto, and road, pipeline and other easements as may be required.

3. With respect to the designation of defense sites pursuant to Section 322(b) of the Compact, the Government of Palau shall make the alternative site, or the site originally designated, available to the Government of the United States within 60 days of the original designation.
4. In connection with the provision of defense sites, any rent, other use charges, or other consideration due to persons with interests in land in Palau shall be provided by the Government of Palau.
5. Upon the designation of any defense site by the Government of the United States in accordance with Article II of Title Three of the Compact, the conditions and restrictions on use specified in Articles V, VI and VII of this Agreement shall apply in accordance with the designated category of use.

Article IV

General Military Use and Operating

Rights Within Defense Sites

4-1

Article IV

General Military Use and Operating

Rights Within Defense Sites

1. The defense sites provided by the Government of Palau to the Government of the United States in accordance with Article II of Title Three of the Compact may be designated for the following categories of use:

- (a) Exclusive-use areas - areas which are reserved exclusively for use by the Government of the United States, subject to the limitations set forth in this Agreement;

(b) Joint-use areas - areas which may be used jointly by the Government of Palau and the Government of the United States, subject to the limitations set forth in this Agreement;

(c) Non-exclusive-use areas - areas for intermittent use by the Government of the United States, subject to the limitations set forth in this Agreement.

2. The Government of the United States shall notify the Government of Palau when it no longer has a requirement to retain any of its rights to defense sites, areas, or portions thereof, which shall then revert to the full and complete control of the Government of Palau.

Article V

Military Use and Operating Rights

Within Exclusive-Use Areas

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Article V

Military Use and Operating Rights

Within Exclusive-Use Areas

1. The Government of the United States has access to and unrestricted control of the exclusive use areas including the right to control entry to and exit from any or all exclusive-use areas and the right to take reasonable and necessary measures for their establishment, use and operation. The Government of the United States may take, within the exclusive-use areas and within the seabeds, water areas and air space adjacent to or in the vicinity of the exclusive-use areas, reasonable and necessary measures for their use, security and defense. These measures include the right:

- (a) To maintain the areas and to construct structures and improvements thereon;

- (b) To improve and deepen harbors, channels, entrances, and anchorages, to dredge and fill, and generally to fit the premises to their intended use;

- (c) To control, so far as may be required for the efficient operation of the areas, anchorages and moorings, the movement of ships and waterborne craft, aircraft operations and land movements;

- (d) To regulate and control all communications of the Government of the United States to, from and within the areas; and

- (e) To install, maintain, use and operate defense-related oceanographic, aeronautical, space communications, and other military or scientific systems and equipment.

2. In conducting activities in exclusive-use areas, the Government of the United States shall use its best efforts to:

- (a) Avoid interference with commercial activities in Palau;

- (b) Avoid interference with access by fishermen to shoreline areas;

- (c) Avoid interference with navigation, aviation, communication and land or water travel in Palau;

- (d) Avoid impeding access to recreational areas, particularly beach areas, by residents of and visitors to Palau;

(e) Minimize damage to the terrain and to reef areas;

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(f) Avoid unreasonable harm to the environment, including water areas;

(g) Avoid activities which would adversely affect the well-being of the residents of Palau; and

(h) Notify the Government of Palau of non-routine activities so that the Government of Palau may take steps to assist the Government of the United States in executing its responsibilities to minimize any adverse impact of such activities.

3. The Government of Palau may use any exclusive-use areas in any manner consistent with paragraph 4 of this Article. The Government of the United States may condition, limit or withdraw, temporarily or permanently, such authorization at any time. The Government of the United States shall provide advance notification to the Government of Palau of the intention of the Government of the United States to condition, limit or withdraw, temporarily or permanently, such authorization.

4. Use by the Government of Palau, which may include making exclusive-use areas available to persons or entities authorized by the Government of Palau, shall be compatible with planned military activities and the rights of the Government of the United States set forth in this Agreement.

5. Except for activities permitted under paragraph 1 of this Article, there shall be no permanent construction without prior consent of the Government of Palau and the United States.

6. United States Federal Aviation Administration safety zone areas and airspace reservations and restrictions shall apply with respect to land use.

Military Use and Operating Rights

Within Joint-Use Areas

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Article VI

Military Use and Operating Rights

Within Joint-Use Areas

1. The Government of the United States shall have access to and use of joint-use areas, including the right to take reasonable and necessary measures for their establishment, operation and maintenance. After consultation with the Government of Palau, the Government of the United States may take, within these areas and within the seabeds, water areas and air space adjacent to or in the vicinity of these areas reasonable and necessary measures for their use, security and defense, including the measures specified in subparagraphs (a) through (e) of paragraph 1 of Article V of this Agreement.

2. In times of emergency, after consultation with the Government of Palau, the Government of the United States may, so far as may be required for the efficient operation of those joint-use areas and for the duration of the emergency, control the use of anchorages and moorings, the movement of ships and waterborne craft, aircraft operations and land movements.

3. In conducting activities in joint-use areas, the Government of the United States shall, in consultation with the Government of Palau, use its best efforts to:

(a) Avoid interference with commercial activities in Palau;

(b) Avoid interference with access by fishermen to shoreline areas:

(c) Avoid interference with navigation, aviation, communication and land or water travel in Palau;

(d) Avoid impeding access to recreational areas, particularly beach areas, by residents of and visitors to Palau;

(e) Minimize damage to the terrain and to reef areas and restore, where practicable, such areas to their prior state;

(f) Avoid unreasonable harm to the environment, including water areas;

(g) Avoid activities which would adversely affect the well-being of the residents of Palau; and

(h) Notify the Government of Palau of non-routine activities so that the Government of Palau may take steps to assist the Government of the United States in executing its responsibilities to minimize any adverse impact of such activities.

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4. The Government of Palau may use any joint-use area, including making such area available to persons or entities authorized by the Government of Palau, in any manner compatible with the rights of the Government of the United States set forth in this Agreement. The Government of Palau shall notify the Government of the United States of any intended use of such area and the Government of the United States shall not interfere with such use unless it is incompatible with the ability of the Government of the United States to carry out its military mission.

5. Except for the activities permitted under paragraph 1 of this Article, there shall be no permanent construction without prior consent of the Government of Palau and the United States.

6. United States Federal Aviation Administration safety zone areas and airspace reservations and restrictions shall apply with respect to land use.

Article VII

Military Use and Operating Rights

Within Non-Exclusive-Use Areas

7-1

Article VII

Military Use and Operating Rights

Within Non-Exclusive-Use Areas

1. The Government of the United States shall notify the Government of Palau, as far in advance of the tentative date of planned use as is practically possible, but not less than 90 days, except in an emergency or as mutually agreed, of its intention to use any area designated for non-exclusive- use.

(a) The notification shall:

- (1) Identify the specific area or areas to be used, which shall be the minimum area necessary to carry out the intended use;
- (2) State the projected dates during which the use will occur; and
- (3) Provide a description of the use to be made of the area.

(b) The Government of Palau may, within 30 days after receipt of the notification, seek clarification or express reservation concerning the planned activity and the parties shall consult as necessary to resolve any differences. The Government of the United States will make every reasonable effort to adjust the planned use to take into consideration the reservations expressed by the Government of Palau. Unresolved issues will be handled in accordance with paragraph 7 of Article VIII of this Agreement.

2. During periods of use the Government of the United States may, within non-exclusive-use areas, control, so far as may be required for efficient conduct of the planned use, the use of anchorages and moorings, the movement of ships and waterborne craft, aircraft operations and land movements.

3. In conducting activities in non-exclusive-use areas, the Government of the United States shall, in consultation with the Government of Palau, use its best efforts to:

(a) Avoid interference with commercial activities in Palau;

(b) Avoid interference with access by fishermen to shoreline areas;

(c) Avoid interference with navigation, aviation, communication and land or water travel in Palau;

(d) Avoid impeding access to recreational areas, particularly beach areas, by residents of and visitors to Palau;

(e) Minimize damage to the terrain and to reef areas and restore, where practicable, such areas to their prior state;

(f) Avoid unreasonable harm to the environment, including water areas;

(g) Avoid activities which would adversely affect the well-being of the residents of Palau;

(h) Avoid residential areas; and

(i) Avoid historical and religious sites.

4. After each use of a non-exclusive-use area, the Government of the United States shall take all measures to ensure, insofar as may be practicable, that every hazard to human life, health and safety resulting from such use is removed from any such area.

5. Except as provided in this Agreement, The Government of Palau shall have full and free use of designated non-exclusive-use areas, including making such areas available to persons or entities authorized by the Government of Palau, provided that the Government of Palau shall undertake or permit permanent construction in such areas only after consultation with the Government of the United States.

Article VIII

Miscellaneous

1. Any activities carried out by the Government of the United States under the terms of this Agreement shall be conducted in accordance with environmental standards established pursuant to Article VI of Title One of the **Compact**.
 2. All minerals, including oil, antiquities and treasure trove in a defense area, and rights relating thereto, remain the property of the Government of Palau, but any exploitation thereof within an exclusive-use or joint-use area shall be with the consent of the Government of the United States, which shall not unreasonably be withheld.
 3. The Government of the United States shall retain title to equipment, materials, and other movable property brought into or acquired in Palau and may remove such property from Palau at any time. In the event the Government of the United States wishes to dispose of such equipment, materials or other movable property, the Government of Palau shall have a right of first refusal to purchase such items, at an agreed upon price, after the Government of the United States has fulfilled its regulatory responsibilities including first offering such equipment to other agencies of the Government of the United States.
 4. At the time the Government of the United States notifies the Government of Palau that it no longer has a requirement to retain a particular exclusive-use or joint-use area, the Government of the United States shall take all measures to ensure, insofar as may be practicable, that every hazard to human life, health and safety resulting from such use is removed from any such area.
 5. If the Government of the United States establishes a military meteorological facility in Palau it shall, consistent with military requirements, supply, without charge, meteorological information to the Government of Palau.
 6. The Government of the United States may station in Palau United States personnel required in its use of the defense sites authorized under this Agreement. United States personnel are authorized to visit Palau on official duty in connection with naval Port visits, aircraft transits or other temporary duty, and may make use of Palau for leave, rest, relaxation, recuperation or similar purposes.
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7. Unless otherwise provided, all disputes under this Agreement shall be resolved in accordance with Section 351 of the **Compact**.
8. In the event of an emergency the Government of the United States, consistent with military requirements, shall make available to the Government of Palau, on a cost reimbursable basis, military fuels and oils.

Article IX

Effective Date, Amendment and Duration

9-1

Article IX

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the **Compact**.
 2. This Agreement may be amended at any time by the mutual consent of the Government of Palau and the Government of the United States.
 3. This Agreement shall remain in effect for a term of fifty years.
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Agreement Regarding the

Military Use and Operating Rights

of the Government of the United States in

Palau

Concluded Pursuant to Sections 321 and 322 of the

Compact of Free Association

IN WITNESS WHEREOF, the undersigned, duly authorized for the purposes, have signed the present agreement.

DONE at Koror, Palau, this 10th day of January, one thousand, nine hundred eighty six.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

Annex A

United States Requirements for Defense Sites
and Categories of Use

A-1

Annex A

United States Requirements for Defense Sites

and Categories of Use

1. Exclusive use of:

- (a) Approximately 65 acres adjoining Airai airfield, as depicted in Tabs 1 and 2 hereto.

- (b) Approximately 40 acres of submerged and adjacent fast land in Malakal harbor, as depicted in Tab 3 hereto.

- (c) An area or areas for such purposes as base and logistic support activities, with the right to construct and use direct access roads.

2. Joint use of:

- (a) The existing airport area at Airai airfield, with the right to extend the runway to 9,600 feet.

- (b) All anchorages in Malakal Harbor and adjacent waters, with the right to make improvements.

3. Periodic non-exclusive use of an area in the State of Melekeok, or another area for training and maneuvers, with suitable landing beaches and necessary access rights.

4. Exclusive and non-exclusive use of the airfield in the State of Angaur, or another airfield and adjoining area, as in paragraph 1 (a) and 2 (a) above.

Existing Runway

6000' x 150'

Asphalt Treated Surface

Existing Terminal

And Apron

L
E
G
E
N
D

N

AIRPORT
IMPROVEMENTS



UNDER CONSTRUCTION
GRAPHIC SCALE

(RUNWAY EXTENSION 1000----
-----0-----1000FT

TO 7,200 FEET).

EXCLUSIVE- SIXTY-FIVE ACRES

RUNWAY EXTENSION USE AREA
FOR AIRCRAFT PARKING,

TO 9,600 FEET

MAINTENANCE,
AND

PERSONNEL SUPPORT

---PROPERTY BOUNDARY
FACILITIES.

JOINT-USE AREA

(APPROX. 550 ACRES) JOINT-USE
FIVE HUNDRED FIFTY FIVE

AREA ACRES (EXISTING AIRPORT

EXCLUSIVE-USE AREA
PROPERTY AREA) WITH RIGHT

(APPROX. 65 ACRES)
TO EXTEND RUNWAY TO
9,600

FEET

TAB 1

AIRAI AIRFIELD DEFENSE SITE

(PRECISE BOUNDARIES SUBJECT TO DELIMITATION BY SURVEY)

Exclusive-Use Area

NOTE: COORDINATES TAKEN FROM
1:10,000 METER PHOTOMAP PREPARED FOR
TTPI BY HAWAII ARCHITECTS AND ENGINEERS.
ALL COORDINATES USE STATION ARAKABESAN

ISLAND (LATITUDE 7°21' 04.3996 "N,
LONGITUDE 134°27' 01.6015 "E) AS POINT
OF ORIGIN. COORDINATES ASSIGNED TO
THIS STATION ARE N 150,000.00 METERS
AND E 50,000.00 METERS.

N



TAB 2

AIRAI AIRFIELD DEFENSE SITE

(PRECISE BOUNDARIES SUBJECT TO DELIMITATION BY SURVEY)

PORTION OF DEFENSE MAPPING AGENCY
HYDROGRAPHIC CENTER CHART NO. 81155,
MALAKAL HARBOR, 1:10,000, 2ND ED.,
MAR 6, 1972

N



GRAPHIC SCALE

500-----0-----500 FT

EXCLUSIVE-USE AREA

FORTY-ACRE, LEVEL, PIER AND
SHORESIDE

AREA TO BE CREATED ENTIRELY BY LANDFILL

CONSTRUCTION OR BY A COMBINATION OF
LANDFILL AND ADJACENT EXCAVATED LEVEL
BORROW PIT AREA.

JOINT-USE AREA ADJACENT MATERS.	ENTIRE HARBOR AND
SOURCE OF FILL MAT'L FOR THE	ALL FILL MATERIAL REQUIRED
CONSTRUCTION OF THE HARBOR LANDFILL	
FACILITY MAY BE OBTAINED FROM THE	
DESCRIBED BORROW PIT. ALTERNATIVELY,	
PART OR ALL OF THE LANDFILL MAY BE	
CONSTRUCTED OF DREDGED CORAL MATERIAL.	

TAB 3

STATUS OF FORCES AGREEMENT

Concluded Pursuant to Section 323 of

The **Compact of Free Association**

Agreement in Implementation

of Section 323 of
The Compact of Free Association

Status of Forces Agreement

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STATUS OF FORCES AGREEMENT

Concluded Pursuant to Section 323 of

The Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth the legal status of the Armed Forces of the United states, their members, and associated civilians, while present in Palau pursuant to Section 323 of the Compact of Free Association (the Compact).

Article I

Definitions

1-1

Article I

Definitions

1. Definition of Terms set forth in Article VI of Title Four of the Compact is incorporated into this Agreement.

2. For the purposes of this Agreement only, the following terms shall have the following meanings:

(a) "Armed Forces of the United States" means the land, sea and air armed forces of the United States of America, including the Coast Guard.

(b) "United States Contractors" means the legal entities, including corporations and natural persons, present in Palau for the purpose of executing their contracts with the Government of the United States, or subcontracts of such contracts, in support of the Armed Forces of the United States and designated as such by the Government of the United States. The term "United States Contractors" does not include local contractors.

(c) "Local Contractors" means the legal entities, including corporations and natural persons organized under the laws of, and who are in, Palau.

(d) "United States Personnel" means anyone who is included in any of the following categories:

(1) "members of the force" -- all military personnel, notwithstanding their citizenship or nationality, on duty with the Armed Forces of the United States who are in Palau;

(2) "members of the civilian component" -- all civilian persons, notwithstanding their citizenship or nationality, except local hire personnel, who are in Palau, and who are in the employ of, serving with, or accompanying the Armed Forces of the United States;

(3) "contractor personnel" -- natural persons, who are United States citizens or nationals or United States permanent resident aliens, except local hire personnel, who are in Palau, and who are United States contractors or officers or employees of United States contractors; or

(4) "dependents",-- the spouses and children of persons included in paragraphs 2(d)(1), 2(d)(2) and 2(d)(3) of this Article and, while-members of the household of such persons, other relatives or wards of such persons or their spouses.

(e) "Third Country Contractor Personnel" means natural persons other than United States personnel or local hire personnel who are in Palau and who are United States contractors or officers of employees of United States contractors or dependents of any of them.

(f) "Local Hire Personnel" means citizens and nationals of Palau, who are employed in Palau, respectively, by the Armed Forces of the United States or United States contractors.

(g) "Defense Sites" means "Military Areas and Facilities" as defined in Section 461 (g) of the Compact.

(h) "Judge" means any judicial officer of a signatory Government who has the authority to issue a warrant of arrest or its equivalent and for purposes of this Agreement, except for paragraph 6(c) of Article XII, shall also include judicial officers certified as such by the Government concerned.

Article II

Movement

2-1

Article II

Movement

1. Consistent with the **Compact**, this Agreement and any other agreements concluded between the Government of the United States and the Government of Palau in accordance with Sections 321 and 323 of the **Compact**:

(a) All aircraft, vessels and vehicles operated by, for, or under the control of the Armed Forces of the United States or United States contractors shall enjoy freedom of movement in Palau;

(b) Such aircraft, vessels and vehicles shall be operated in a manner which minimizes danger to persons and property and interference with trade, commerce, exploration and exploitation of living and non-living resources of the seas; and

(c) Movement of such aircraft, vessels and vehicles in Palau, including access to and use by them of defense sites, ports, harbors and airfields, shall not be subject to any taxes, fees or other charges, except those fees or other charges set forth in paragraph 2 of this Article.

2. The Armed Forces of the United States and United States contractors shall pay, at generally prevailing rates unless otherwise agreed, for specific services rendered at their request, including materials received at their request in connection with the use of ports, harbors and airfields in Palau. Such services and materials may include fuel, towing, mechanical servicing and utilities.

Article III

Entry and Departure

3-1

Article III

Entry and Departure

1. The Government of the United States may bring into Palau:

(a) United States personnel and United States contractors; and

(b) Third country contractor personnel in a manner consistent with those laws of Palau, relating to the exclusion of individual, undesirable aliens and taking into account paragraph 5 of this Article and Article IV of this Agreement.

2. United States personnel shall be exempt from the passport and visa laws and regulations of Palau. Taking into account paragraph 1(b) of this Article and Article IV of this Agreement applications of third country contractor personnel for visas shall be granted or denied expeditiously. All such personnel shall comply with medical immunization requirements of Palau.

(a) No United States personnel or third country contractor personnel shall acquire any right to permanent residence or domicile solely as a result of their being United States personnel or third country contractor personnel.

(b) United States personnel shall be exempt from laws and regulations of Palau on the entry, departure, registration and control of aliens and foreign agents.

3. Upon entry into or departure from Palau, United States personnel shall have in their possession official orders or documents certifying the status of the individual or group. Such orders or documents shall be shown on request to the appropriate authorities of the Government concerned.

4. For the purpose of their identification while in Palau, United States personnel ten years of age or older shall have in their possession a personal identification card authorized by the Government of the United States which shall show the name, date of birth, status, and photograph of the bearer. Such card shall be shown on request to the appropriate authorities of the Government concerned.

5. Should the Government of Palau request the removal from Palau, of any United States personnel or any third country contractor personnel, the request shall be referred to the Joint Committee established pursuant to Section 351 of the Compact for resolution in accordance with that Section, unless the Government of the United States receives the person concerned within its own territory or otherwise effects the departure of such person outside

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the territory of the requesting Government. Section 351 of the Compact is incorporated by reference into, and becomes a part of, this Agreement. If the Joint Committee so determines, the person concerned shall immediately become subject to the jurisdiction of the Government of Palau in accordance with its laws.

6. Transportation costs attendant to the departure and removal of third country contractor personnel shall be the responsibility of the Government of the United States.

Article IV

Utilization of Contractors and Employment of Labor

4-1

Article IV

Utilization of Contractors and Employment of Labor

1. In the establishment, maintenance, and use and operation of defense sites and in the execution of obligations undertaken by the Government of the United States in the **Compact** and its related Agreements, the Armed Forces of the United States, United States contractors and local contractors:

(a) may employ persons possessing requisite skills and qualifications. Employment preference shall be given, without discrimination, to citizens, nationals and permanent resident aliens of Palau, in their respective jurisdictions, and of the United States. In the employment of such persons pursuant to the preferences set forth in this paragraph, the Armed Forces of the United States and United States contractors shall exercise their best efforts to employ persons present in Palau; and

(b) shall utilize without discrimination, consistent with the laws and regulations of the United States, qualified local contractors and contractors which are legal entities of the United States. The Armed Forces of the United States and United States contractors shall ensure that the specifications and instructions for contract bids shall permit such **free** and full competition as is consistent with the procurement of the goods and services needed by the Government of the United States.

2. Prior to the employment of third country personnel or the utilization of third country contractors, the Government of the United States shall notify the Government of Palau and shall consult, if requested, as to the availability of qualified local hire personnel or qualified local contractors.

3. The laws and regulations of Palau shall not apply to the terms and conditions of employment of United States personnel or third country contractor personnel by the Armed Forces of the United States or United States contractors. The Government of Palau shall not require United States personnel, third country contractor personnel or United States contractors to obtain any license, permit or certificate, or to undergo any examination, in connection with the performance of their duties on behalf of the Armed Forces of the United States.

4. In the employment of local hire personnel by the Armed Forces of the United States and United States contractors, the Government of the United States shall adopt measures consistent with the standards of local labor laws to the extent they are compatible with the laws, regulations and operational requirements of the United States.

Taxes and Customs

5-1

Article V

Taxes and Customs

1. The following are exempt from any tax, fee or similar charge imposed by the Government of Palau:
 - (a) The services, activities, facilities, equipment, material, income or any other property or transactions of the Armed Forces of the United States or United States contractors;
 - (b) The ownership, possession, use, or transfer inter se by United States personnel, by death or otherwise, of real or personal property, tangible or intangible, wherever located; and
 - (c) Income received by United States personnel for services with or employment by the Armed Forces of the United States or United States contractors, or from sources outside the territory of the Government concerned, except that United States contractor personnel and dependents who are also United States contractor personnel are not exempt from a personal income tax generally applicable within Palau up to a level of five percent of their annual income derived from their employment in Palau, respectively, by United States contractors.
2. Third country contractor personnel shall be subject to income tax generally applicable in Palau.
3. All materials, equipment and other property imported or exported by or on behalf of the Armed Forces of the United States, or United States contractors for the use or benefit of the Armed Forces of the United States, United States contractors, United States personnel, or third country contractor personnel shall be permitted entry into and exit from Palau free from customs duties, license requirements, and other import and export taxes, fees or charges.

4. United States personnel may import into and export from Palau furniture, household goods and personal effects for their personal or family use, including all forms of privately owned land, sea and air transportation, free from customs duties, license requirements, and other import and export taxes, fees or charges.

5. The following are exempt from customs examination by the Government of Palau:

5-2

(a) Members of the force, members of the civilian component and the dependents of both when entering or leaving Palau under official orders except when under leave orders;

(b) Documents under official seal, and mail in the United States military postal channels; and

(c) Cargo consigned to or shipped by the Armed Forces of the United States or United States contractors.

6. The Armed Forces of the United States, in cooperation with the Government of Palau, shall take appropriate measures, including inspection, to prevent the importation of contraband and to prevent abuse of privileges granted under this Article.

7. Should property imported into Palau under the exemptions provided by this Article subsequently be transferred to a person not entitled to such exemptions, such person shall be liable for import duties and other charges according to the laws and regulations of the Government of Palau.

8. Animals and plants, including fruits and vegetables, imported by United States personnel, subject to the provisions of this Article, and by third country contractor personnel shall be subject to the laws and regulations of Palau, respectively, governing such inspection of and restriction on such importations.

Article VI

Service Facilities

6-1

Article VI

Service Facilities

The Armed Forces of the United States may authorize the establishment, use, operation and maintenance within defense sites in Palau of service, educational and recreational facilities. Such facilities and their related activities, including the importation, purchase, sale or dispensing of merchandise and services by them shall be exempt from all taxes, customs duties, fees, charges any license requirements of the Government of Palau.

Article VII

Military Post Offices

7-1

Article VII

Military Post Offices

The Armed Forces of the United States may establish, operate and maintain military post offices within defense sites for their use and the use of United States contractors and United States personnel. A mail facility operated by a United States contractor on behalf of the Armed Forces of the United States shall be considered a military post office within the meaning of this Article.

Article VIII

Bearing of Arms

8-1

Article VIII

Bearing of Arms

1. Members of the force may possess and use arms when necessary to perform their official duties and, in specially designated areas in defense sites, to maintain skills to perform their official duties, in accordance with the laws and regulations governing the Armed Forces of the United States.
 2. Contractor personnel may possess or use arms when acting in support of the military mission of the Government of the United States in an official capacity as law enforcement personnel or security officers designated as such by the Government of the United States in accordance with its laws and regulations.
 3. Any other possession or use of arms shall be only as agreed between the Government of the United States and the Government Palau.
-

Article IX

Operation and Licensing of Vehicles

9-1

Article IX

Operation and Licensing of Vehicles

1. The Government of Palau shall accept as valid, without a test or fee, the operator's permit or license or military driving permit issued to United States personnel or third country contractor personnel by the Government of the United States, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.
 2. Official vehicles of the Armed Forces of the United States, vehicles owned or operated by United States contractors, and privately owned vehicles of United States personnel shall be identified by individual markings or license plates issued by the Government of the United States, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.
 - (a) Official vehicles shall not be subject to the registration or safety inspection laws of the Government of Palau.
 - (b) The Armed Forces of the United States may register vehicles of United States contractors and United States personnel which are not official vehicles, and may inspect such vehicles applying safety standards of general applicability in Palau, respectively. Vehicles so registered and inspected shall be exempt from the registration and safety inspection laws of the Government of Palau.
 3. For purposes of this Article the term "vehicles" includes all forms of land, sea and air transportation.
-

Article X

Relinquishment of Defense Sites

10-1

Article X

Relinquishment of Defense Sites

1. If any installations or improvements which were constructed at the expense of the Government of the United States are to be left behind after relinquishment of a defense site or portion thereof, whether at the termination of any agreement provided for in Section 321 or 323 of the **Compact** or at any other date, the Government of Palau and the Government of the United States shall consult to determine the residual value, including scrap value, if any, of any such installations or improvements to the Government of Palau.
 2. The Government of the United States shall take all measures practicable to ensure that every condition substantially or materially hazardous to human life, health and safety resulting from use of defense sites is removed or otherwise made safe. The Government of the United States and the Government of Palau shall consult as to what constitutes a hazard and how hazards shall be removed or otherwise made safe.
 3. The Government of the United States shall have no obligation, upon relinquishment, to restore defense sites to their former condition; however, upon such relinquishment of a defense site or portion thereof, or sooner if mutually agreed, the Government of the United States and the Government of Palau shall enter into negotiations with a view to reaching an equitable arrangement for return of lands that takes due account of United States investment, the prospective use to which such lands will be used and the unique importance of land under local custom and law.
-

Article XI

Equipment

11-1

Article XI

Equipment

The Government of the United States shall retain title to equipment, materials and other moveable property brought into or acquired in Palau and may remove such property at any time. In the event the Government of the United States wishes to dispose of such equipment, materials or other moveable property, the Government of Palau shall have a right of first refusal to purchase such items, at an agreed upon price, after the Government of the United States has fulfilled its statutory and regulatory responsibilities including first offering such equipment to other agencies of the Government of the United States.

Article XII

Criminal Jurisdiction

12-1

Article XII

Criminal Jurisdiction

1. Subject to the provisions of this Article:

- (a) United States personnel are subject to the criminal jurisdiction of the Government of Palau for offenses committed by such personnel in Palau.

(b) The Government of the United States has the right to exercise within Palau criminal and disciplinary jurisdiction over United States personnel for offenses punishable under the laws of the United States. In lieu of criminal or disciplinary proceedings in Palau, the Government of the United States may elect to remove United States personnel for such proceedings elsewhere.

(c) For purposes of asserting jurisdiction under this Article, the determination of a Signatory Government as to whether an offense is punishable under its laws shall be conclusive.

2. The Government of Palau has the right to exercise exclusive jurisdiction over United States personnel with respect to offenses committed in Palau, which are punishable under local law, but not under the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States.

3. The Government of the United States has the right to exercise exclusive jurisdiction over United States personnel with respect to offenses committed in Palau which are punishable under the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States, but not under local law.

4. The Government of Palau and the Government of the United States have concurrent jurisdiction over United States personnel with respect to offenses committed in Palau, which are punishable under both local laws and the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States. Whenever it is determined by the Government of Palau that an act or omission is a punishable offense under the laws of Palau, and it is determined by the Government of the United States that the same act or omission is a punishable offense under the laws of the United States applicable to offenses committed outside the territorial jurisdiction of the United States, the following rules shall apply:

(a) The Government of Palau, has the primary right to exercise jurisdiction over United States personnel in all other cases of concurrent jurisdiction, except as provided in paragraph 4(b) of this Article.

(b) The Government of the United States has the primary right to exercise jurisdiction over United States personnel in Palau, for:

(1) Offenses committed within defense sites, including non-exclusive-use areas during periods of use by the Government of the United States under applicable military use and operating rights agreements concluded under Sections 321 and 323 of the Compact;

(2) Offenses against the property or security of the United States, or offenses against the person or property of United States personnel;

(3) Offenses arising out of the performance of official duty;

(4) Offenses committed by United States personnel who are attached to or embarked in aircraft or vessels transiting Palau and which are operated by, for, or under the control of the Armed Forces of the United States or United States contractors; and

(5) Any other offense punishable by deprivation of liberty or by a more severe penalty. However, the Government of Palau, has the primary right of jurisdiction to try any offense that is not a felony under local law and for which the sole penalty which shall be adjudged or imposed, if any, is a fine. Not later than the day following the third anniversary of the effective date of this Agreement, the Government of Palau, shall have the primary right to exercise jurisdiction over any such offense which is not a felony under local law and is subject to a maximum punishment no greater than deprivation of liberty for less than six months.

(c) The Government of Palau having the primary right to exercise jurisdiction waives that right, unless it notifies the Government of the United States of its intention to exercise such right as soon as practicable, but within 30 calendar days after notification of the offense by that Government.

(d) The Government having the primary right to exercise jurisdiction shall give sympathetic consideration to a request from the other Government for a waiver of such primary right in cases the requesting Government considers to be of particular importance.

12-3

(e) The provisions of this Article shall be reviewed by the Signatory Governments concerned at anytime on request by one of them, but not later than during the year following the fifth anniversary of the effective date of this Agreement in order to determine whether any modification of its provisions may be appropriate in light of circumstances then prevailing.

5. Except for laws officially transmitted in English to the Government of the United States by the Government of Palau, ignorance of the laws of Palau shall constitute a defense.

6. The Government of the United States and the Government of Palau shall assist each other in the arrest or detention of United States personnel in Palau.

(a) The Government of Palau shall promptly notify the Government of the United States of the arrest or detention of any United States personnel.

(b) Members of the force accused or suspected of the commission of any offense in Palau shall remain in or be transferred to the custody of the Government of the United States unless the Government of the United States declines such custody. The Government of the United States shall make available for purposes of investigation or trial members of the force in its custody over whom the Government of Palau has the right to exercise jurisdiction pursuant to this Agreement. Upon completion of all judicial proceedings, including appellate proceedings, such personnel shall be transferred to the Government of Palau if a sentence providing for deprivation of liberty has been finally adjudged.

(c) The provisions of Title Four of the Agreement on Mutual Assistance in Law Enforcement Matters shall be applicable to United States personnel who are citizens or nationals of the United States.

(d) The Government of the United States may request custody of a prisoner who is a member of the force, deprived of liberty by order of a Court of Palau. The Government of Palau shall transfer such prisoner to the custody of the Government of the United States which shall provide for the carrying out of the terms of such deprivation of liberty.

7. The Government of the United States and the Government of Palau shall assist each other in the carrying out of all necessary investigations into offenses within the scope of this Article, and in the collection and production of evidence, including the seizure and, in proper cases, the handing over of objects connected with an offense. The transfer of such objects may be made subject to their return within the time specified by the Government delivering them.

12-4

8. Where a person has been tried in accordance with the provisions of this Article, either by the Government of the United States or the Government of Palau, and has been acquitted or convicted, or has been pardoned, he may not be tried again within the same territory for the same offense by either Government. This paragraph is without prejudice to the authority of the Armed Forces of the United States to try a member of the force for any violation of rules of discipline.

9. United States personnel prosecuted under the jurisdiction of the Government of Palau shall be entitled to all guarantees and rights provided by the constitution and laws of the prosecuting Government for its own citizens and to the following guarantees and rights to the extent that they are not provided by that constitution and those laws:

(a) To a prompt and speedy trial;

(b) To be tried only in a court presided over by a qualified Judge trained in the law;

- (c) To be informed, in advance of trial, of the specific charge or charges made against such person;
- (d) To be confronted with and permitted to cross-examine the witnesses against such person;
- (e) To have compulsory process for obtaining witnesses in favor, of such person, if the witnesses are within the jurisdiction of the court;
- (f) To have legal representation of such person's own choice for such person's defense throughout all investigative and judicial phases of the entire proceedings or, at such person's election, to have legal representation appointed by the court at no cost to such person under the same terms and conditions applicable to citizens of Palau;
- (g) To have the services of a competent interpreter, if such person considers it necessary;
- (h) To communicate with a representative of the Government of the United States and to have such a representative present at trial and at all stages of the proceedings, including pretrial hearings and examinations and appeals;
- (i) Not to be charged with a criminal offense on account of any act or omission which did not constitute a criminal offense under the statutory law of the prosecuting Government at the time it was committed or be subjected to punishment more severe or a procedure less favorable than the one applicable at the time the offense was committed;

(j) To be present at trial which shall be public;

(k) To have the burden of proof placed upon the prosecution;

(l) To be protected from the use of a confession or other evidence obtained by unlawful or improper means;

(m) Not to be compelled to testify against or otherwise incriminate himself or herself;

(n) Not to be required to stand trial while physically or mentally unfit to stand trial and participate in his or her defense;

(o) Not to be tried or punished more than once for the same offense, nor to be subject to a greater punishment after appeal than was adjudged initially by the court of first instance;

(p) To have the right to appeal a conviction or sentence;

(q) Not to be subject to an appeal by the prosecution from acquittal, or a finding of not guilty;

(r) To have credited to any sentence of confinement any related period of pretrial confinement in a confinement facility of the Government of the United States or the Government of Palau; and

(s) Not to be subject to the application of martial law or trial by military courts or special tribunals.

10. United States personnel who have been tried in courts of the Government of Palau, and who have been convicted and are serving sentences in confinement facilities of that Government or United States personnel in pretrial custody of that Government, shall be entitled to receive visits not less than monthly from members of their families and from representatives of the Government of the United States. Health and comfort items including clothing, medicine and food may be delivered to and used by such United States personnel in confinement or pretrial custody.

11. Facilities of the Government of Palau used for confinement or detention of United States personnel shall meet standards agreed upon by the Government of the United States and the Government of Palau.

12. United States personnel convicted by courts of the Government of Palau shall not be subject to the death penalty, nor to any form of cruel or unusual punishment.

13. This Article is without prejudice to the authority of the Government of the United States to exercise administrative authority over United States personnel.

Article XIII

Additional Criminal Jurisdiction

13-1

Article XIII

Additional Criminal Jurisdiction

In addition to the rights set forth in Article XII, the Government of the United States shall have the primary right to exercise jurisdiction over all United States citizens or nationals of the United States who are not United States personnel for offenses punishable under the laws of the United States committed within defense sites while in use by the Government of the United States in Palau. The Government of Palau shall assist the Government of the United States in the arrest of any such person. The custody of any such person shall remain in or be transferred to the Government of the United States unless such custody is declined. The waiver provisions of Article XII, paragraph 4, shall apply.

Article XIV

Respect for Local Law

14-1

Article XIV

Respect for Local Law

The Government of the United States shall adopt and enforce measures consistent with the **Compact** and this Agreement as may be necessary to ensure that United States personnel, United States contractors and third country contractor personnel respect the laws of Palau, refrain from any activity inconsistent with this Agreement, and refrain from any political activity concerning Palau.

Article XV

Claims

15-1

Article XV

Claims

1. The authorities of the Armed Forces of the United States shall pay just and reasonable compensation in settlement of meritorious non-contractual claims arising out of acts or omissions occurring prior or subsequent to the effective date of this Agreement in Palau of members of the force; of members of the civilian-component; and, if the act or omission was done in the performance of official duty, of local-hire personnel who are employed by the Armed Forces of the United States. All such claims shall be processed and settled by the authorities of the Armed Forces of the United States in accordance with the laws and regulations of the United States.

Any such claims which cannot be settled as provided for in this paragraph, and which are espoused by the Government of Palau, shall be referred to the Joint Committee established pursuant to Section 351 of the **Compact**.

2. Contractual claims against the Armed Forces of the United States shall be settled in accordance with the disputes clause of the contract if any, and the laws of the United States relating to the resolution of such disputes.

3. Subject to the provisions of Article XII of this Agreement, members of the force, members of the civilian component and, if the act or omission was done in the performance of official duty, local-hire personnel shall not be subject to any proceedings in Palau for an act or omission.

4. The Government of the United States shall facilitate appropriate arrangements between the government of any third country which has members or units of its armed forces in Palau pursuant to Section 312 of the **Compact** and the Government of Palau with respect to appropriate settlement of claims arising from the activities of such members or units.

5. Any judgment presented for certification to the United States Court of Appeals for the Federal Circuit, or its successor court, pursuant to Section 174 of the **Compact** of **Free Association** shall be deemed manifestly erroneous as to law if the claim upon which such judgment is based would have been barred by the statute of limitations if such claim had been brought in a court of the United States.

6. Pursuant to Section 174 of the **Compact**, all claims within the scope of this Article which otherwise would have been within the scope of Section 174 of the **Compact** shall be settled exclusively in accordance with the provisions of this Article.

Article XVI

Currency

16-1

Article XVI

Currency

The Armed Forces of the United States, United States contractors and United States personnel may import into, possess and use within, and export from Palau, United States currency. Such importation, possession, use and exportation of United States currency shall be exempt from any form of regulation, restriction, or control by the Government of Palau. Should the Government of Palau act pursuant to Section 251 of the **Compact** to institute a currency other than United States currency, the Government of the United States and the Government of Palau shall consult regarding the applicability of foreign exchange laws and regulations in the jurisdiction of the Government of Palau.

Article XVII

Medical Services

17-1

Article XVII

Medical Services

To the extent that appropriate services can be made available consistent with available resources and the laws and regulations of the United States, the Government of the United States shall provide, at the request of the Government of Palau, medical care to citizens and nationals of Palau in United States military medical facilities or by United States military medical personnel

on a reimbursable basis under terms and conditions agreed upon between the Government of the United States and the Government of Palau.

Article XVIII

Telecommunications

18-1

Article XVIII

Telecommunications

The Government of the United States may use local telecommunication systems and shall do so to the extent feasible. The Government of the United States in determining its uses of such systems shall take into consideration the cost and security of such systems.

(a) To the extent that the Government of Palau establish complete and fully effective commercial international telecommunications systems compatible with existing United States Government installations, and the Government of the United States determines such use is feasible based on the criteria above, the Government of the United States and the Government of Palau shall enter into negotiations for a use arrangement which includes normal billing procedures. Following entering into such a use agreement, the Government of the United States shall withdraw or modify any authorizations for use of Defense communications systems for non-official calls by United States personnel.

(b) The Government of the United States shall encourage the use of local telecommunication systems by United States personnel for non-official purposes.

Article XIX

Effective Date, Amendment and Duration

19-1

Article XIX

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with **Compact**.
2. This Agreement may be amended at any time as to the Government of Palau by mutual consent of that Government and the Government of the United States.
3. The duration of this Agreement as between the Government of the United States and the Government of Palau is for the period of effectiveness of either Title Three of the **Compact** or of the appropriate separate agreements entered into pursuant to Sections 321 and 323 of the **Compact**, whichever is the longer. Thereafter, this Agreement shall remain in force until terminated by a Signatory Government, in the following manner:
 - (a) Termination of this Agreement by any Signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau, as appropriate.
 - (b) Termination shall take effect one year after the recipient Government has been notified.
4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, or the Government of Palau. Each Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Status of Forces Agreement which shall come into effect in accordance with its terms between the Government of the United States and the Government of Palau.

DONE AT PALAU , THIS DAY OF JANUARY , ONE THOUSAND, NINE HUNDRED EIGHTY SIX.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

DONE AT PALAU , THIS DAY OF JANUARY , ONE THOUSAND, NINE HUNDRED EIGHTY SIX.

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

STATUS OF FORCES AGREEMENT

Agreed Minutes

Article VI, Service Facilities: The terms "service, educational and recreational facilities" include schools, commissary stores, retail exchanges and related concessions, credit unions, banking facilities, radio and television stations, recreational facilities, and social and athletic clubs.

Article VII, Military Post Offices: Such military post offices shall be established, operated and maintained exclusively pursuant to the laws and regulations governing the Armed Forces of the United States.

Article VIII, Bearing of Arms: It is the intention of the Signatory Governments that local military commanders and designated representatives of the Government of Palau shall enter into an exchange of letters governing the control of privately owned arms. Such an exchange of letters may address the following:

- registration by military authorities of all privately owned arms, and the provision of registration lists, including certificates of transfer or removal of such arms, to the Government of Palau;

- designation of target practice areas within defense sites;

- limitations on the carrying of privately owned arms outside defense sites: and

- other provisions for the control by military authorities of privately owned arms.

Article XV, Claims: The Signatory Governments do not intend that paragraph 6 of Article XV preclude the operation of Section 174 of the Compact, provided that paragraph 5 of Article XV governs the operation of Section 174 (c) of the Compact. The import of paragraph 6 of Article XV, read with paragraph 1 of Article XV, is as follows:

- All claims within the scope of paragraph 1 of Article XV which arise after the effective date of this Agreement shall be processed and

settled exclusively pursuant to the Foreign Claims Act, 10 U.S.C. 2734, and any regulations promulgated in implementation thereof.

-- A claim within the scope of paragraph 1 of Article XV which arises during the two year period immediately prior

A-2

Agreed Minute

to the effective date of this Agreement shall also be processed and settled pursuant to the Foreign Claims Act, 10 U.S.C. 2734, unless a court action based on such claim has been initiated prior to the effective date of this Agreement and the party bringing such court action continues the court action and proceeds in accordance with Section 174(c) of the Compact.

The party bringing such court action may, prior to entry of a final judgment by the court in the action, terminate the action before the court and bring the claim under paragraph 1 of Article XV, in which instance paragraph 6 of Article XV shall govern.

-- Claims arising more than two years prior to the effective date of this Agreement may be brought only in accordance with Section 174(c) of the Compact.

-- A claim processed, settled and paid under paragraph 1 of Article XV may not subsequently be brought under Section 174(c) of the Compact. Similarly, a claim which has proceeded to judgment in a court action and is subject to certification under Section 174(c) of the Compact may not be processed and settled under paragraph 1 of Article XV.

Article XV is without prejudice to any claim addressed in Section 353 of the Compact, whether such claim arises prior or subsequent to the effective date of this Agreement.

Article XVI Currency: Subject to Article VI this Article is not intended to authorize the establishment or operation of a private financial institution in Palau, except in accordance with local law.

Article XVII, Medical Services: The term “military medical facilities” as use in this Article does not include the contractor-operated medical facility at Kwajalein Island defense site.

Agreement Regarding the
Jurisdiction and Sovereignty of the
Republic of Palau over its
Territory and the Living
and Non-living
Resources of the Sea

Agreement Regarding the
Jurisdiction and Sovereignty of the
Republic of Palau over its
Territory and the Living and Non-living
Resources of the Sea

PREAMBLE

As provided for in Article I of the Constitution of the Republic of Palau, this Agreement between the Government of the United States and the Government of the Republic of Palau contains international treaty obligations and sets forth the jurisdiction and sovereignty of the Republic of

Palau over its territory and the living and non-living resources of the seabed, subsoil and water column; and

The Government of the United States and the Government of the Republic of Palau, affirming the capacity of the Government of the Republic of Palau to conduct its foreign affairs relating to the law of the sea and marine resources matters recognized in Title One of the **Compact of Free Association** (the **Compact**), and affirming their desire to maintain a mutually beneficial relationship of **free association** and to ensure harmony with international law,

NOW THEREFORE AGREE:

Article I

Pursuant to the last clause of the first sentence of Article I, Section 1 of the constitution of the Republic of Palau, the Government of the Republic of Palau defines, by this Agreement, the jurisdiction and sovereignty of the Republic of Palau over its territory and the living and non-living resources of the seabed, subsoil and water column as follows:

Section 1

The Republic of Palau has jurisdiction and sovereignty over its territory, which includes its land and its internal waters, territorial seas, and airspace superjacent thereto, only to the extent permitted by international law. The Government of the Republic of Palau shall not claim an archipelago or a regime of archipelagic waters.

Section 2

To the full extent such jurisdiction is permitted by international law, the Republic of Palau has jurisdiction over the non-living resources of the seabed and subsoil adjacent to its coasts and over the living resources of the seabed, subsoil and water column adjacent to its coasts.

Section 3

In recognition of Article I, Section 4 of the Constitution of the Republic of Palau, the Government of the Republic of Palau recognizes and affirms the high seas freedoms of navigation and overflight and of the laying of submarine cables and pipelines and other internationally lawful uses of the sea in accordance with international law.

Article II

The Government of the Republic of Palau shall make no claims or exercise sovereignty or jurisdiction inconsistent with this Agreement.

Article III

The undertakings of Article I of this Agreement extend to all other States.

Article IV

The Government of the United States recognizes that this Agreement, which shall have the full force and effect of an Executive Agreement of the United States, constitutes a treaty obligation under international law.

Article V

The Government of the Republic of Palau recognizes that this Agreement constitutes "international treaty obligations" as those words are used in Article I, Section 1 of the Constitution of the Republic of Palau and agrees to submit this Agreement for approval as a treaty pursuant to its constitutional processes.

Article VI

Nothing in this Agreement is intended to or shall prejudice any treaty obligation assumed, or any rights, jurisdiction or authority gained or confirmed by the Government of the United States or

the Government of the Republic of Palau in becoming a Contracting Party to the United Nations Convention on the Law of the Sea.

Article VII

Nothing in this Agreement shall prejudice any undertaking by either the Government of the United States or the Government of the Republic of Palau toward the other in the **Compact**.

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Article VIII

Nothing in this Agreement shall affect or prejudice the rights, freedoms and obligations of the Government of the United States or the Government of the Republic of Palau under international law with respect to high seas freedoms, the exercise of rights and jurisdiction over the waters or seabed and subsoil or any other matter related to the law of the sea.

Article IX

Section 1

This Agreement shall come into effect simultaneously with the **Compact**.

Section 2

This Agreement may be amended at any time by mutual agreement.

Section 3

This Agreement shall remain in effect so long as Title Three of the **Compact** remains in force between the Government of the United States and the Government of the Republic of Palau or

until the United Nations Convention on the Law of the Sea enters into force and is entered into by both the Government of the United States and the Government of the Republic of Palau.

Agreement Regarding the
Jurisdiction and Sovereignty of the
Republic of Palau over its
Territory and the Living and Non-living
Resources of the Sea

IN WITNESS WHEREOF the undersigned, duly authorized for the purpose, have signed the present agreement.

DONE at PALAU , in duplicate, this 10th day of January

one thousand, nine hundred eighty six.

FOR THE GOVERNMENT OF THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

Agreement Regarding the Provision
of Telecommunication Services by the

Government of the United States
to
Palau
Concluded Pursuant to Section 131 of
the Compact of Free Association

i

Agreement Regarding the Provision
of Telecommunication Services by the
Government of the United States
to
Palau
Concluded Pursuant to Section 131 of
the Compact of Free Association

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Agreement Regarding the Provision
of Telecommunication Services by the
Government of the United States

to

Palau

Concluded Pursuant to Section 131 of
the Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth their respective authority and responsibility with regard to the provision of telecommunication services by the Government of the United States to the Government of Palau as authorized by Section 131 of the Compact of Free Association (the Compact).

Article I

Definitions

1-1

Article I

Definitions

1. The definition of terms set forth in Article VI of Title Four of the **Compact** are incorporated in this Agreement.
2. For the purposes of this Agreement only, the following term shall have the following meaning:

"International Telecommunication Union (ITU) Administration": is for the purposes of this Agreement the Government of the United States.

Article II

Authority and Responsibility

2-1

Article II

Authority and Responsibility

1. The Governments of Palau, which is competent and capable under Section 121 of the **Compact** to conduct foreign affairs in their own name and right with respect to, among other things, communications, has requested that the Government of the United States act as its agent with regard to the provision of certain communications services set forth in Section 131 of the **Compact**.

2. The Government of the United States shall provide telecommunication services to the Government of Palau as authorized by Section 131 of the Compact. Pursuant to Section 131, the Government of the United States shall represent the interests of the Governments of Palau before the International Telecommunication Union (ITU) and other administrations concerned with international telecommunication in matters pertaining to the International Telecommunication Convention.

3. When the Government of the United States acts on behalf of the Government of Palau pursuant to paragraph 2 of this Article, the Government of the United States shall act in accordance with the provisions of the laws and regulations of the United States which the Government of the United States determines are applicable to Palau at such time. The actions of the Government of the United States shall be consistent with the following:

(a) Prior to the Government of the United States acting on behalf of the Government of Palau in its capacity as ITU Administration, wherever preparation for, or representation at plenipotentiary or administrative conferences of the Union is concerned, the Government of the United States shall consult with the Government of Palau on matters which in the opinion of the Government of the United States relate to or affect any such Government. These consultations shall occur in order for the Government of Palau to present its views to the Government of the United States which shall consider these views when developing United States proposals and positions in connection with the conference preparatory efforts cited hereinbefore. No consultations need be undertaken in respect to matters which, in the opinion of the ITU Administration arise by virtue of due application of the regulatory provisions of the international Radio Regulations then in force.

(b) The Government of the United States shall notify the Government of Palau of significant actions of the ITU and other administrations which the Government of the United States regards as relating to or affecting such governments.

(c) When developing those rules and regulations of the United States which may be applicable to the Government of Palau pursuant to paragraph 2 of this Article, the Government of the United States shall give prior notice of its intentions to the Government of Palau and shall take into account all views expressed by or on behalf of the Government of Palau in connection with the relevant rule-making proceedings.

(d) The provisions of Section 421 of the Compact shall apply, and the Government of the United States shall confer promptly at the request of the Government of Palau and that government shall confer promptly with the Government of the United States on matters relating to this Agreement except in respect to matters which, in the opinion of the ITU Administration, arise by virtue of due application of the regulatory provisions of the International Radio Regulations then in force.

(e) For the purpose of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the Signatory Governments. The Competent Authority of the Government of the United States and the Competent Authority of the Government of Palau may communicate directly with each other. The designation by a government of its Competent Authority will be communicated in writing to the other signatory governments, and such designation may, from time to time, be amended.

4. (a) The authority and responsibility of the Government of the United States pursuant to paragraph 1 of this Article is without prejudice to the authority and responsibility of the Government of Palau with regard to telecommunication in Palau, except as may otherwise be required by the International Telecommunication Convention as completed by the Administrative Regulations.

(b) The Governments of Palau shall develop, prior to conducting any telecommunication activity in Palau, standards and procedures, as recommended by the Government of the United States, which shall be consistent with the ITU Convention inasmuch as this Convention is a treaty obligation of the ITU Administration for the Government of Palau. In developing, implementing and maintaining these standards and procedures, the Government of Palau shall take whatever steps may be required by the ITU Convention, as completed by the Administrative Regulations, such that the ITU Administration for the Government of Palau may fully meet its obligations under that Convention.

Article III

Transition

3-1

Article III

Transition

1. Upon receipt of notice pursuant to Article IV of this Agreement from the Government of Palau, the Government of the United States shall assist the requesting government in obtaining membership in the ITU. After receipt of notice from the ITU of the requesting government's qualification to act, the Government of the United States shall take such actions as may be necessary to transfer to Palau all relevant obligations and rights.
2. Upon termination of the functions enumerated in Section 131 of the **Compact** by the Government of the United States, the applicability of all laws of the United States, and of its regulations, practices, policies, treaties, conventions, and arrangements which are applicable to this Agreement shall cease to be applicable in the territory of Palau, and any authority and responsibility of the Government of the United States in respect to such services shall also cease.

Article IV

Effective Date, Amendment and Duration

4-1

Article IV

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the **Compact**.

2. The provisions of this Agreement may be amended as to the Government of Palau and as to the Government of the United States at any time by mutual agreement.

3. This Agreement shall remain in force for a period of fifteen years, subject to Section 231 and Article IV of Title Four of the Compact and in the absence of action to the contrary by a Plenipotentiary Conference of the ITU, unless terminated by a signatory Government in the following manner:

(a) Termination of this Agreement by any signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau, as appropriate, and

(b) Termination shall take effect as mutually agreed or one year after the recipient Government has been notified, but not before receipt of notice from the ITU of the qualification to act.

4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, and the Government of Palau. Each such Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement Regarding the Provision of Telecommunication Services which shall come into effect in accordance with its terms between the Government of the United States and the other Government signatory to this Agreement.

Agreement Regarding the Provision
of Telecommunication Services by the
Government of the United States
to
Palau

Concluded Pursuant to Section 131 of
the Compact of Free Association

DONE AT Koror, Republic of Palau, this 10th day of JANUARY,
one thousand, nine hundred eighty-six.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

A-1

Agreement Regarding the Provision
of Telecommunication Services by the
Government of the United States
to
Palau

Concluded Pursuant to Section 131 of

the Compact of Free Association

AGREED MINUTE

The Signatory Governments agree that in order to facilitate common carrier, including satellite, telecommunications in Palau, this Agreement shall be amended as to the matter of United States Federal Communications Commission (FCC) jurisdiction in Palau.

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES
AND
THE GOVERNMENT OF PALAU
REGARDING ECONOMIC ASSISTANCE
CONCLUDED PURSUANT TO SECTION 211(f)
OF THE COMPACT OF FREE ASSOCIATION

i

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES
AND
THE GOVERNMENT OF PALAU
REGARDING ECONOMIC ASSISTANCE
CONCLUDED PURSUANT TO SECTION 211(f)

OF THE COMPACT OF FREE ASSOCIATION

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THE GOVERNMENT OF PALAU
REGARDING ECONOMIC ASSISTANCE
CONCLUDED PURSUANT TO SECTION 211(f)
OF THE COMPACT OF FREE ASSOCIATION

This Agreement is concluded by the Signatory Governments and sets forth the obligations and duties between them and the procedures governing the management of a fund to be provided by the Government of the United States for the express purpose of producing income for the Government of Palau in accordance with Section 211(f) of the Compact of Free Association (the Compact).

Article I

Definitions

1-1

Article I

Definitions

1. The Definition of Terms contained in Article VI of Title Four of the Compact is incorporated in this Agreement.
2. For the purpose of this Agreement only, the following term shall have the following meaning:

"the Fund" means the sum provided to the Government of Palau in accordance with paragraph 1 of Article II of this Agreement, such instruments in which this sum is

invested, earnings derived from such sum or such investments reduced by any distributions made in accordance with this Agreement.

Article II

Creation, Ownership and Distribution

Aspects of the Fund

2-1

Article II

Creation, Ownership and Distribution

Aspects of the Fund

1. In fulfillment of its obligation under Section 211(f) of the **Compact**, the Government of the United States shall provide to the Government of Palau the sum of \$66 million commencing on the effective date of the **Compact** and the sum of \$4 million during the third year after the effective date of the **Compact**. These sums shall constitute the initial corpus of the Fund.
2. The Fund shall be owned by the Government of Palau. Neither the expiration of Section 211(f) of the **Compact** on the fiftieth anniversary of its effective date nor the termination of the **Compact** pursuant to its terms shall affect the ownership by the Government of Palau of the Fund. The capitalization of the Fund by the Government of the United States pursuant to paragraph 1 of this Article shall constitute fulfillment of any obligation of the Government of the United States to provide economic assistance to the Government of Palau in the event that the **Compact** is terminated by the Government of Palau pursuant to Section 443 of the **Compact** on or after the fifteenth anniversary of its effective date.
3. The Government of Palau may make distributions from the Fund as set forth in Section 211(f) of the **Compact** and this Agreement as follows:

(a) Distributions may be made from the Fund only during a qualifying year. The qualifying years are the forty-six one-year periods following the fourth anniversary of the effective date of the **Compact**; and

(b) Any amount which is not distributed in any qualifying year shall remain in the Fund for growth and subsequent distribution in accordance with the terms of this Agreement. All distributions from the Fund shall be made to the account of the Government of Palau and shall be used in accordance with its constitutional processes for current account and capital account purposes as specified in Sections 211(a), 211(f), 461(h) and 461 (i) of the **Compact**.

4. Upon the expiration or termination of this Agreement, the ownership of the Fund by the Government of Palau shall be without condition.

Article III

Management of the Fund

3-1

Article III

Management of the Fund

1. Upon the initial capitalization of the Fund in accordance with Article II of this Agreement, the Government of Palau shall invest the Fund into interest-earning instruments which are structured to allow distributions during the qualifying years. The Fund may be invested in a single instrument or in a series of different instruments.

2. The Government of Palau shall retain the services of a qualified investment manager (the Fund Manager) of United States nationality with funds under management in excess of \$1 billion to invest and manage the Fund on behalf of the Government of Palau in accordance with Section 211(f) of the **Compact** and this Agreement. The Fund shall be invested only in qualified instruments which are identified from time to time by mutual agreement of the Government of the United States and the Government of Palau. Issues of bonds, notes or other redeemable instruments of the Government of the United States shall be considered qualified instruments and

the Government of Palau may invest the Fund in such issues without transaction fees or intermediary charges imposed by the Government of the United States. In consultation with the Government of Palau, the Government of the United States shall designate other investment grade instruments of United States nationality and shall consider designating other investment grade instruments as qualified instruments in order that the performance objectives of the Fund are met.

3. The Government of Palau shall inform the Government of the United States of its decisions and actions with respect to investment or reinvestment of the Fund within sixty days of the consummation of each action. The Government of Palau shall notify the Government of the United States of the amount of each distribution made from the Fund within sixty days after the date of the distribution.

4. Investment of the Fund in qualified instruments of United States nationality, and the distribution of sums derived from such investment to the Government of Palau, shall not be subject to any form of taxation by the United States or its political subdivisions.

Article IV

Distribution Goals

4-1

Article IV

Distribution Goals

1. In order to attain the objectives for performance of the Fund set forth in Sections 211(a) and 211 (f) of the **Compact**, the Government of Palau, in its management of the Fund, shall be guided by the distributions shown in the following illustrative table which includes goals for the minimum and maximum amounts of annual distribution.

TABLE 1

This table is based on the assumption that the Fund, capitalized pursuant to Article II of this Agreement, is invested in a fashion which yields a twelve and one-half percent annual return.

The disbursement schedule in Column 1 assumes that the annual distribution is made on the first day of the year in question and the disbursement schedule in Column 2 assumes that the annual distribution is made on the last day of the year in question.

- \$ in millions -

Column 1	Column 2
<u>Year</u>	<u>Year</u>
Disbursement	Disbursement
Fund at	Fund at
year end	year end
	1
	5.00
	61.88
	5.00
	62.50
	2
	5.00
	63.99
	5.00
	65.31
	3
	5.00
	66.37
	5.00
	68.48
	4
	5.00
	69.04
	5.00
	72.04
	5
	5.00
	72.04

5.00
76.04

6
5.00
75.42

5.00
80.55

7
5.00
79.22

5.00
85.61

8
5.00
83.50

5.00
91.32

9
5.00
88.32

5.00
97.73

10
5.00
93.73

5.00
104.95

11
5.00
99.82

5.00
113.06

12
5.00
106.67

5.00
122.20

13
5.00
114.38

5.00
132.47

14
5.00
123.06

5.00
144.03

15
5.00
132.81

5.00
157.04

16
15.00
132.54

15.00
161.67

17
15.00
132.23

15.00
166.87

18
15.00
131.89

15.00
172.73

19
15.00
131.50

15.00
179.32

20
15.00
131.06

15.00
186.74

21
15.00
130.57

15.00
195.08

22
15.00
130.01

15.00
204.47

23
15.00
129.39

15.00
215.03

4-2

Table 1, continued

- \$ in millions -

<u>Year</u> year end	Disbursement	Column 1	Column 2	Fund at
		Fund at	Disbursement	
		24	15.00	
			128.69	
			15.00	226.90
		25	15.00	
			127.90	
			15.00	240.27
		26	15.00	
			127.01	
			15.00	255.30
		27	15.00	
			126.01	
			15.00	272.21
		28	15.00	
			124.89	
			15.00	291.24
		29	15.00	
			123.62	
			15.00	312.64
		30	15.00	
			122.20	
			15.00	336.72
		31	15.00	
			120.60	
			15.00	363.81
		32	15.00	
			118.80	
			15.00	394.29
		33	15.00	
			116.77	
			15.00	428.58

34	15.00		
	114.49		
	15.00	467.15	
35	15.00		
	111.93		
	15.00	510.54	
36	15.00		
	109.05		
	15.00	559.36	
37	15.00		
	105.80		
	15.00	614.28	
38	15.00		
	102.15		
	15.00	676.07	
39	15.00		
	98.05		
	15.00	745.58	
40	15.00		
	93.43		
	15.00	823.77	
41	15.00		
	88.23		
	15.00	911.74	
42	15.00		
	82.39		
	15.00	1010.71	
43	15.00		
	75.81		
	15.00	1122.05	
44	15.00		
	68.41		
	15.00	1247.31	

45	15.00	
60.09		
15.00		1388.22
46	15.00	
50.73		
15.00		1546.75
47	15.00	
40.19		
15.00		1725.09
48	15.00	
28.34		
15.00		1925.73
49	15.00	
15.01		
15.00		2151.44
50	15.00	
0.01		
15.00		2405.37

Article V

Consultation

5-1

Article V

Consultation

1. The Government of the United States and the Government of Palau shall consult at any time at the request of either of them with respect to the subject matter of this Agreement.

2. The Government of Palau shall provide a report on its implementation of this Agreement, including the date and amount of any distributions and the resulting size and status of the Fund, in conjunction with its annual report referred to in Section 231 of the Compact. For purposes of this report and all other transactions, the Fund shall be denominated in the currency of the United States. Such report shall provide comprehensive information on the activities of the Fund Manager with respect to the Fund and may include material supplied by the Fund Manager.
3. Upon the fifth anniversary of the effective date of the Compact and at five year intervals thereafter, the Government of the United States and the Government of Palau shall review all aspects of the performance of the Fund and shall take such actions as are mutually agreed to resolve any issue identified in these reviews. In the reviews, specific consideration shall be given to the relationship between the performance of the Fund and the condition of the current account of the Government of Palau.
4. Any issue or dispute arising under the terms of this Agreement shall be resolved exclusively by the Government of the United States and the Government of Palau in accordance with the provisions of Article II of Title Four of the Compact.

Article VI

Transitional Provisions

6-1

Article VI

Transitional Provisions

1. The Government of the United States and the Government of Palau recognize that certain assumptions underlie the signature of this Agreement by their representatives. Specifically the representatives of the Government of the United States and the Government of Palau anticipate that the Fund can be invested in a fashion which yields a minimum annual return of twelve and one-half percent, and anticipate that the Compact will be approved and come into effect in 1986. If questions arise regarding the basis for these assumptions during the period between the signature of this Agreement and its effective date, the provisions of this Agreement may be revised and adjustments made on the basis of mutual agreement of the Signatory Governments.

2. Prior to the effective date of this Agreement, the Government of the United State shall assist the Government of Palau in determining an investment strategy which accord with the term of this Agreement and the objectives of Sections 211(a) and 211(f) of the Compact.

Article VII

Effective Date, Amendment and Duration

7-1

Article VII

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.
 2. This Agreement may be amended at any time by the mutual consent of the Government of the United States and the Government of Palau.
 3. This Agreement shall remain in effect for a term coincident with Section 211(f) of the Compact and thereafter as mutually agreed by the Government of the United States and the Government of Palau.
-

Agreement Between the
Government of the United States
and the
Government of Palau

Regarding Economic Assistance
Concluded Pursuant to Section 211(f) of
the Compact of Free Association

DONE AT PALAU , THIS 10 DAY OF JANUARY ,
ONE THOUSAND, NINE HUNDRED EIGHTY-SIX.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Sali

DONE AT PALAU , THIS 10 DAY OF JANUARY ,
ONE THOUSAND, NINE HUNDRED EIGHTY-SIX.

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

Agreement Regarding the Operation of
Telecommunication Services of the
Government of the United States

in
Palau
Concluded Pursuant to Section 132 of the
Compact of Free Association

i
Agreement Regarding the Operation of
Telecommunication Services of the
Government of the United States

in
Palau
Concluded Pursuant to Section 132 of
the **Compact of Free Association**

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Agreed Minute

i i

Agreement Regarding the Operation of
Telecommunication Services of the
Government of the United States

in

Palau

Concluded Pursuant to Section 132 of the

Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth their respective authority and responsibility with regard to the operation of telecommunication services of the Government of the United States in Palau as authorized by Section 132 of the **Compact of Free Association** (the **Compact**).

Article I

Definitions

1-1

Article I

Definitions

1. The Definition of Terms set forth in the following documents are incorporated into this Agreement:

(a) Article VI of Title Four of the Compact;

(b) Paragraph 2 of Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact (the Status of Forces Agreement); and

(c) Paragraph 2 of Article I of the Federal Programs and Services Agreement Concluded Pursuant to Sections 221, 224, 225 and 232 of the Compact (the Federal Programs and Services Agreement).

Article II

General Provisions

Article II

General Provisions

1. The Governments of Palau shall permit the Government of the United States to operate telecommunications services in Palau to the extent necessary to fulfill the obligations of the Government of the United States under the Compact.

2. The Government of the United States may take within Palau measures for the installation, operation and maintenance of its telecommunication services, including:
 - (a) the operation and maintenance of all telecommunication facilities, and use of the associated radio frequencies authorized for use or in use upon the entry into force of this agreement;

 - (b) the installation, operation and maintenance of new or additional telecommunication facilities in Palau. Such actions will be coordinated with the respective Government of Palau;

 - (c) the regulation and control of all telecommunications of the Government of the United States, including the licensing of operations personnel; and

 - (d) the use of codes, ciphers and other means of cryptographic security.

3. The Government of Palau:
 - (a) Authorize the operation of United States telecommunication facilities, and the provision of frequencies to the Government of the United States shall be free from all license requirements, taxes, duties, fees and charges;

(b) Shall make prompt and reasonable efforts to satisfy requests by the Government of the United States for changes in existing frequencies and for requests for additional frequencies; and

(c) Shall accept as its own, without a test or fee, the permits or licenses issued to United States personnel by the Government of the United States.

4. (a) For the purpose of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the signatory Governments. The Competent Authority of the Government of the United States and the Competent Authority of the Government of Palau may communicate directly with each other. The designation by a government of the Competent Authority will be communicated in writing to each signatory government and such designation may, from time to time, be amended.

2-2

(b) In order to harmonize the telecommunication operations of the Government of the United States with those of the Governments of Palau, the Competent Authorities shall establish a Joint Telecommunication Board which shall meet at least semi-annually or more often as may be required. The Board will review plans for changes to the respective telecommunication systems of the parties to ensure maximum possible compatibility and interoperability. The United States shall act as the secretariat for this board and shall host the initial meeting of the Board. The secretariat and host for later meetings will be as mutually agreed by the parties.

5. The Government of the United States, through its Competent Authority, shall coordinate proposed major changes to United States telecommunications and extraordinary activities or exercises which would have the potential of causing either electromagnetic or physical interference with other systems used or licensed by the Government of Palau. The Government of Palau, through its Competent Authority, shall coordinate similar changes with the United States Competent Authority. The Government of the United States and the Government of Palau respectively shall use their best efforts to avoid both electromagnetic and physical interference to each other's telecommunication operations. In the event the Competent Authorities cannot reach a mutually satisfactory agreement through consultations, the matter will be referred to their respective governments for resolution in accordance with the provisions of Article V of Title Three or Article II of Title Four of the Compact as appropriate.

6. Transmitter and receiver antennas installed by the Government of the United States shall be located and constructed so as not to constitute hazards including, inter alia, hazards to air navigation.

Article III

Defense Telecommunication Provisions

3-1

Article III

Defense Telecommunication Provisions

1. The Armed Forces of the United States and their United States contractors may take in Palau measures for the installation, operation and maintenance of telecommunication services pursuant to Title Three of the Compact and its related agreements. These measures include the right, as provided for in this agreement, to install, operate and maintain:

(a) Radio communication, radar and telemetry systems including:

(1) Major radio communication facilities as links with the world-wide military network of the United States;

(2) Such other lesser radio-telephonic and telegraphic communication facilities including the Military Affiliate Radio System as may be required for the support of military and administrative services of the Armed Forces of the United States;

(3) Television systems;

(4) Radio facilities for communication with aircraft and surface vessels;

(5) Satellite communications;

(6) Such other broadcast stations contributing to the morale, welfare and training of the Armed Forces of the United States and its contractors, which includes the Armed Forces Radio and Television Service, and short-range broadcast stations; and

(7) Such other telecommunication facilities as may be required from time to time.

(b) Aids to air navigation and airfield approach control systems including electronic navigation and landing aids, such as airport surveillance radars, ground control approach (GCA), TACAN and instrument landing systems (ILS), and other such aids as may be developed and adapted for such use.

(c) Telecommunication equipment in connection with the operation of weather facilities.

Article IV

United States Federal Programs and Services

Telecommunication Provisions

Article IV

United States Federal Programs and Services

Telecommunication Provisions

United States Federal Agencies and their United States Contractors may take in Palau measures for the installation, operation and maintenance of telecommunication services in support of United States Federal Programs and Services as set forth in the Agreement concluded pursuant to Sections 221, 224, 225 and 232 of the compact.

Article V

Effective Date, Amendment and Duration

5-1

Article V

Effective Date, Amendment and Duration

1. This Agreement shall enter into force simultaneously with Compact.
2. The provisions of this Agreement may be amended as to the Government of Palau and the Government of the United States at any time by mutual agreement.
3. This Agreement shall remain in force in accordance with the following terms:
 - (a) Articles I, II, III and V of this Agreement shall remain in force as between the Government of the United States and the Government of Palau for the period of effectiveness of their respective Military Use and Operating Rights Agreements Concluded Pursuant to Sections 321 and 323 of the Compact; and

(b) Articles I, II, IV and V of this Agreement shall remain in force as between the Government of the United States and the Government of Palau for the period of effectiveness of the provisions of Article XIV of the Federal Programs and Services Agreement Concluded Pursuant to Sections 221, 224, 225 and 232 of the Compact.

4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, the Government of Palau. Each Government accepting this Agreement shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement Regarding the Operation of Telecommunication Services which shall come into effect in accordance with its terms between the Government of the United States and the other Government signatory to this Agreement.

Agreement Regarding the Provision
of Telecommunication Services of the
Government of the United States
in
Palau
Concluded Pursuant to Section 132 of
the Compact of Free Association

DONE AT Koror, Republic of Palau, this 10th day of January, one thousand, nine hundred eighty-six.

FOR THE GOVERNMENT
OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

Agreement Regarding the Operation of

Telecommunication Services of the

Government of the United States

in

Palau

Concluded Pursuant to Section 132 of the

Compact of Free Association

AGREED MINUTE

Article II, General Provisions: In Palau, permits or licenses issue to United States personnel by the Government of the United States shall be solely for the operation of telecommunication facilities of the Government of the United States.

Article III, Defense Telecommunication Provisions:

- (a) The list of activities contained in Article III, paragraph 1 of this Agreement, is a non- exclusive, illustrative listing of the telecommunications activities which the United States may take in Palau.

(b) The term "television systems" as used in Article III, paragraph 1(a)(3) refers only to such systems used for surveillance monitoring, security systems and other such uses, but not including television broadcast stations as addressed in Article III, paragraph 1(a)(6).

(c) The Government of the United States shall not undertake any actions to install or operate broadcast stations pursuant to Article III, paragraph 1 (a) (6) of this agreement without the prior agreement between the Government of the United States and the Government of Palau.

Agreement on Extradition, Mutual Assistance
in Law Enforcement Matters and Penal Sanctions
Concluded Pursuant to Section 175 of
The Compact of Free Association

i

Agreement in Implementation
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This Agreement is concluded by the Signatory Governments as an international agreement and sets forth the obligations, duties, and procedures between the Governments of the United States and Palau, regarding mutual assistance and cooperation in law enforcement matters including the pursuit, capture, imprisonment and extradition of fugitives from justice and transfer of prisoners pursuant to Section 175 of the Compact of Free Association (the Compact).

TITLE ONE

DEFINITIONS

1-1

Article I

Definitions

1. The definition of terms set forth in Article VI of Title Four of the Compact is incorporated in this Agreement.
2. For the purposes of Titles Two, Three and Four of this Agreement only, the following terms shall have the following meanings:

(a) "Signatory Governments" means the Government of the United States and the Government of Palau. As used here, the Government of the United States shall include the Governments of the states of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands.

(b) "Jurisdiction" is used in a geographic sense. The term "jurisdiction of the requesting/requested Government" when applied to the Government of Palau, means "Palau" as defined in Section 461(c) of the Compact.

(c) "Judge" as used in this Agreement shall include any judicial officer of a Signatory Government who has the authority to issue a warrant of arrest or its equivalent.

(d) "Investigation" means an investigation being conducted by a grand jury or by a law enforcement or administrative agency of a "Signatory Government".

(e) "Proceeding" means a proceeding before an administrative or judicial tribunal of a "Signatory Government".

(f) "Resident Representative" means a person so designated by the sending Government pursuant to Section 152(b) of the Compact and serving in that capacity.

TITLE TWO

EXTRADITION

2-1

Article I

Obligation to Extradite

The Government of the United States shall extradite to Palau and the Government of Palau shall extradite to the United States, subject to the provisions and conditions described in this Agreement, any person found in their respective jurisdictions against whom the requesting

Government is proceeding for an offense or who is wanted by that Government for the enforcement of a sentence.

2-2

Article II

Extraditable Offenses

1. (a) Extraditable offenses, pursuant to the provisions of this Agreement are:
 - (1) Offenses listed in the Schedule of Offenses appended to this agreement which are punishable under the laws of both the requesting and requested Signatory Governments by deprivation of liberty for at least a period exceeding one year or by a more severe penalty; or
 - (2) Offenses, regardless of whether listed in the Schedule of Offenses appended to this Agreement or not, which are punishable under both the federal laws of the United States and the national laws Palau, by deprivation of liberty for at least a period exceeding one year or by a more severe penalty.
- (b) For purposes of extradition, it shall not matter whether the laws of the requesting and requested Signatory Governments place the offense within the same category of offenses or describe an offense by the same terminology.
2. Extradition shall be granted in respect of an extraditable offense for the enforcement of a penalty or prison sentence if the duration of the penalty or prison sentence still to be served amounts to at least six months.
3. Subject to the conditions set out in paragraph 1 of this Article extradition shall also be granted:

(a) For attempt or conspiracy to commit, or participation as a principal, accomplice or accessory in, any extraditable offense; and

(b) For any otherwise extraditable offense, whether or not the offense is one for which the laws of the United States require proof of interstate transportation, or use of the mails or of other facilities affecting interstate or foreign commerce, such considerations being solely for the purpose of establishing jurisdiction in a federal court of the United States.

4. When a request for extradition is granted in respect of an extraditable offense, it may also be granted for an offense which could not otherwise fulfill the requirements of paragraphs 1 and 2 of this Article as related to the period of deprivation of liberty

2-3

for which the offense is punishable or as related to the duration of the sentence to be served in the jurisdiction of the requesting Government.

5. Extradition shall be granted in respect of an extraditable offense committed outside the territory of the requesting Signatory Government if:

(a) The courts of the requested Government would be competent to prosecute in similar circumstances; or

(b) The person sought is a citizen or national of the requesting Government.

2-4

Article III

Exceptions to Extradition

1. Extradition shall not be granted:

(a) When the person whose surrender is sought is being prosecuted or has been convicted, discharged or acquitted by the requested Government for the offense for which extradition is requested; or

(b) When the prosecution of the offense is barred by lapse of time according to the laws of the requesting Government.

2. Subject to paragraph 3 of this Article, extradition may be refused when the Executive Authority of the requested Government, in its sole discretion, determines:

(a) That the offense in relation to which extradition is requested is of a political character; or

(b) That the request for extradition has been made for the purpose of trying or punishing the person whose extradition is sought for an offense of a political character.

3. Extradition shall not be refused on the basis of paragraph 2 of this Article where the offense for which extradition is requested involves a murder or willful crime, including attempts, against the life or physical integrity of a Head of State or Head of Government or any other internationally protected person, including resident representatives, or where the offense for which extradition is sought is one which the requesting Government has the obligation to prosecute by reason of a multilateral treaty or other international agreement.

When the offense for which extradition is requested is punishable by death under the laws of the requesting Government and the laws of the requested Government do not permit such punishment for that offense, extradition may be refused unless the requesting Government provides such assurances as the Executive Authority of the requested Government considers sufficient that the death penalty will not be imposed, or, if imposed, will not be executed.

2-6

Article V

Deferred or Temporary Surrender

After a decision on a request for extradition has been rendered in the case of a person who is being proceeded against or is serving a sentence in the jurisdiction of the United States, or Palau for an offense other than that for which extradition has been requested, the requested Government may defer the surrender of the person sought until the conclusion of the proceedings against that person, or the full execution of any punishment that may be, or may have been, imposed; or temporarily surrender the person sought to the requesting Government solely for the purpose of prosecution. The person so surrendered shall remain in custody during the period of surrender and shall be returned at the conclusion of the proceedings against that person in accordance with conditions to be determined by agreement of the Executive Authorities of the Governments in each case.

2-7

Article VI

Extradition Procedures and

Required Documents

1. The request for extradition shall be made to the requested national Government by the requesting national Government on behalf of itself or one or more political subdivisions. The requesting Government shall promptly notify the resident representative of the requested Government of its extradition request. Such requests, supporting documentation and notices shall be in the English language.
2. The request shall be accompanied by a description of the person sought, a statement of the facts of the case, the text of the applicable provisions of the laws of the requesting Government describing the offense and punishment, and a statement of its applicable laws relating to proceedings barred by lapse of time.
3. When the request relates to a person who has not yet been convicted, it shall also be accompanied by a copy of a warrant of arrest issued by a judge or other judicial officer of the requesting Government and by such evidence as would provide probable cause, according to the laws of the requested Government, to believe that the person sought has committed the offense for which extradition is requested.
4. When the request relates to a convicted person, it shall be supported by a copy of the judgment of conviction and evidence establishing that the person sought is the person to whom the conviction refers. If no sentence has been imposed, the request for extradition shall be accompanied by a statement to that effect. If a sentence has been imposed, the request for extradition shall be accompanied by a statement to that effect, by a copy of the sentence or committal order and by a statement showing the portion of the sentence remaining to be served.
5. Documentary evidence from the requesting Government in support of a request for extradition shall be deemed duly authenticated and shall be admissible in evidence in the extradition hearing when it bears a seal of the requesting Government, the authenticity of which is attested to by the resident representative of the requesting Government assigned or accredited to the requested Government, or by the resident representative of the requested Government assigned or accredited to the requesting Government, or by the designee of such a resident representative.
6. The requested Government shall promptly communicate to the requesting Government the decision on the request for extradition.

1. In case of urgency, a requesting Government may apply to the requested Government for the provisional arrest or detention of the person sought pending the presentation of the formal request for extradition. The request may be transmitted to the requested Government by the resident representative of the requesting Government.
 2. The application shall contain: a description of the person sought, including, if available, the person's nationality; a brief statement of the facts of the case, including, to the extent possible, the time and location of the offense; a statement of the existence of a warrant of arrest or detention or a judgment of conviction against that person; and a statement of intention to request the extradition of the person sought.
 3. On receipt of such an application, the requested Government shall take the appropriate steps to secure the arrest or detention of the person sought. The requested Government shall promptly notify the requesting Government of its action.
 4. The proceedings against the person so arrested or detained shall be terminated and that person discharged upon expiration of forty-five days, unless otherwise agreed, from the date of arrest or detention pursuant to such application if the request for extradition referred to in Article VI of Title Two of this Agreement is not received by the requested Government. The requested Government shall sympathetically consider a request for extension not to exceed an additional fifteen days. Such termination and discharge shall not prevent the institution of further proceedings for the extradition of that person.
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2-9

Article VIII

Rule of Speciality

1. A person extradited under this Agreement shall not be arrested, detained, tried or punished in the jurisdiction of the requesting Government for an offense other than that for which extradition has been granted nor be extradited by that Government to another signatory Government or a third country unless:

- (a) That person has left the jurisdiction of the requesting Government after extradition and has voluntarily returned to it;

(b) That person has not left the jurisdiction of the requesting Government within thirty days after being free to do so; or

(c) Upon such conditions as may be prescribed by the requested Government, that Government:

(1) Has consented to the arrest, detention, trial or punishment of that person for an offense other than that for which extradition was granted;
or

(2) Has consented to extradition to another signatory Government or to a third country.

2. Paragraph 1 of this Article shall not apply to offenses committed after extradition.

3. Instead of the offense for which a person was extradited, after notice to the requested Government, the person may be tried or punished for a different offense, including a lesser included offense, provided that it is:

(a) Based on the same facts as were set out in the request for extradition and the supporting evidence;

(b) Punishable by no greater penalty than the offense for which the person was extradited; and

(c) An offense referred to in the Schedule of Offenses appended to this Agreement or in paragraph 1 (a) of Article II of Title Two.

Article IX

Multiple Extradition Requests

When requests for extradition of the same person are received from the requesting Government and one or more other Governments, the requested Government shall have the discretion to determine to which Government the person is to be extradited.

2-11

Article X

Surrender

When a request for extradition has been granted, surrender of the person sought shall take place within such time as may be prescribed by the laws of the requested Government.

2-12

Article XI

Waiver

1. A person whose extradition is sought may at any time voluntarily waive extradition proceedings. The waiver shall be in writing, endorsed by a judge, and have the effect of a final decision of the requested Government to surrender that person.
2. A certified copy of the waiver shall constitute sufficient authority to maintain the person sought in custody within the jurisdiction of the requested Government and to deliver that person into the custody of the requesting Government.

2-13

Article XII

Surrender of Property

1. To the extent permitted under the laws of the requested Government and subject to the rights of third parties, all property relating to the offense shall at the request of the requesting Government be seized and surrendered upon the granting of the extradition. This property shall be handed over even if the extradition cannot be effected due to the death, escape or disappearance of the person sought.
2. The requested Government may make the surrender of the property conditional upon a satisfactory assurance from the requesting Government that the property shall be returned to the requested Government as soon as possible.

2-14

Article XIII

Transit

1. Upon prior notice, the Government of the United States shall have the right to transport through the jurisdictions of the Government of Palau persons surrendered by a Signatory Government or a third country.
 2. Upon prior notice, the Government of Palau shall have the right to transport through the jurisdiction of the Signatory Governments persons surrendered by the Government of the United States or a third country.
 3. When such transport is by air and no stop is scheduled in the jurisdiction of a Signatory Government, but is required by extenuating circumstances, no prior notice shall be required.
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2-15

Article XIV

Expenses

1. The requesting Government shall bear the cost of transportation of the person sought.
 2. The appropriate legal officers of the requested Government shall act as counsel for the requesting Government except as otherwise agreed.
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2-16

Article XV

Extradition of Citizens or Nationals

1. No Signatory Government shall be bound to extradite its own citizens or nationals, but may grant extradition if, in its discretion, extradition is deemed proper.
 2. If the requested Government denies extradition solely on the basis of citizenship or nationality, it shall submit the case to its competent authorities for purposes of prosecution.
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2-17

Article XVI

Relationship with Other Agreements

Offenses committed by United States personnel as defined in the Status of Forces Agreement shall be subject to the provisions of the Status of Forces Agreement only when such personnel are in Palau; otherwise the provisions of this Agreement shall govern.

TITLE THREE
JUDICIAL ASSISTANCE

3-1

Article I

Judicial Assistance

1. The United States District Court of the district in which a person resides or is found may order that person to give testimony or a statement or to produce a document or other thing for use in a judicial, administrative or criminal investigation or proceeding in Palau.
2. A national court in Palau may order a person residing or found within its jurisdiction to give testimony or a statement or to produce a document or other thing for use in a judicial, administrative, or criminal investigation or proceeding in the United States.
3. The order may be made exclusively either pursuant to a letter rogatory issued or a request made by a court of one of the Signatory Governments, or pursuant to a request made by a department or ministry of justice of one of the Signatory Governments.
4. The order may direct that the testimony or statement be given or the documents or other things be produced before a person appointed by the court. By virtue of this appointment, the person appointed has power to administer any necessary oath and take the testimony or statement.
5. The order shall prescribe the procedure for taking the testimony or statement or producing the document or other thing. When requested, the prescribed procedure shall be designed to meet the requirements for admission in evidence of the testimony or statement to be given, or the document or other thing to be produced, in the place where it is sought to be used.
6. A person may not be compelled to give testimony or a statement or to produce a document or other thing in violation of any legal or constitutional right or privilege applicable in the jurisdiction in which the testimony or statement is given, or a document or other thing is produced.

7. This Agreement does not preclude a person from voluntarily giving testimony or a statement, or producing a document or other thing, for use in an investigation or proceeding in the United States or Palau.

8. Letters rogatory, requests and applications for assistance pursuant to this Title shall be in the English language.

TITLE FOUR

EXECUTION OF PENAL SANCTIONS

4-1

Article I

Scope

1. Sentences imposed by courts of Palau on citizens or nationals of the United States may be served in penal institutions of the United States or under the supervision of its authorities in accordance with the provisions of this Agreement.

2. Sentences imposed by courts of the United States, or a state thereof, on citizens or nationals of Palau may be served in penal institutions of Palau, or under the supervision of its authorities in accordance with the provisions of this Agreement.

4-2

Article II

Definitions

For the purposes of this Title only:

1. "Transferring Government" means the Signatory Government from which the offender is to be transferred.
2. "Receiving Government" means the Signatory Government to which the offender is to be transferred.
3. "Offender" means a citizen or national of Palau who has been sentenced by a court of the United States, or a state thereof; or a citizen or national of the United States who has been convicted by a court of Palau.
4. "Category I Offender" means an "Offender" who comes within the meaning of the term "United States personnel", as that term is defined in paragraph 2(d) of Article I of the Status of Forces Agreement.
5. "Category II Offender" means all "Offenders" other than "Category I Offenders".
6. "State" when used in the sense of a part of the United States means any State of the United States, any territory or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands.

4-3

Article III

Eligibility

This Agreement shall apply only under the following conditions:

1. That the offense for which the Offender was convicted and sentenced is one which would be punishable in the Receiving Government; provided, however, that this condition shall not be interpreted so as to require that the offense described in the laws of both Governments be identical in those matters which do not affect the nature of the crime.
2. That the Offender be a citizen or national of the Receiving Government.
3. That the Offender has not been sentenced to the death penalty nor convicted of a purely military offense.

4. Except for Category I Offenders, that at least six months of the Offender's sentence remain to be served at the time of petition to transfer.
 5. That the sentence be final, that any appeal procedures have been completed, and that there be no collateral or extraordinary remedies pending at the time of invocation of the provisions of this Agreement.
 6. That the Offender's express consent, or the consent of a legal representative in the case of a minor or of an Offender who has become mentally incompetent, to transfer has been given voluntarily and with full knowledge of the legal consequences thereof.
 7. That, before the transfer, the Transferring Government shall afford an opportunity to the Receiving Government to verify through an officer designated by the laws of the Receiving Government that the Offender's consent to the transfer has been given voluntarily.
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4-4

Article IV

Transfer Procedures

1. The Signatory Government of which an Offender is a citizen or national shall make each request for transfer of an Offender in writing to the Transferring Government.
2. As to an eligible Category I Offender, no finding of the appropriateness of such consenting Offender's transfer by the Transferring Government shall be required. Once internal arrangements have been completed, the transfer of the Offender shall be effected.
3. As to a Category II Offender, if the Transferring Government considers the request to transfer the Offender appropriate, the Transferring Government will communicate its approval of such request to the Receiving Government so that, once internal arrangements have been completed, the transfer of the Offender may be effected.
 4. (a) In deciding whether to request the transfer of a Category II Offender under paragraphs 1 and 3 of this Article and with the objective that the transfer should contribute positively to the Offender's social rehabilitation, the authorities of the Receiving Government will consider, among other factors: the seriousness of the crime; the Offender's previous criminal record, if any; the Offender's health status; and the ties which the Offender may have to the society of the Transferring Government and the Receiving Government.

(b) If the Offender gives iris express consent to tl transfer, the Transferring Government shall consider the promptly and approve it in the absence of serious counter considerations, which it shall specify.

5. In any case in which a citizen or national of Palau has been sentenced by a state of the United States, the approval of such an Offender's transfer pursuant to paragraph 3 of this Article shall be required from both the appropriate state authority and the federal authority.

6. When the Transferring Government does not approve, for whatever reason, the transfer of a Category II Offender, it shall communicate this decision to the Receiving Government without delay.

7. The Transferring Government shall furnish to the Receiving Government a certified copy of the sentence or judgment relating to the Offender. When the Receiving Government considers such information relevant, it may request, at its expense, copies of the

4-5

trial record, or portions thereof, or such additional information as it deems necessary. The Transferring Government shall grant such requests to the extent permissible under its laws.

8. Delivery of an Offender by the authorities of the Transferring Government to those of the Receiving Government shall occur at a place agreed upon by the two Governments. The Receiving Government will be responsible for the custody and transport of the Offender from the Transferring Government.

9. The Receiving Government shall not be entitled to any reimbursement for the expenses incurred by it in the transfer of an Offender or the completion of the Offender's sentence.

4-6

Article V

Execution of Sentence

1. An Offender delivered for execution of sentence under this Agreement may not again be detained, tried or sentenced by the Receiving Government for the same offense for which the sentence was imposed by the Transferring Government.
 2. Except as otherwise provided in this Agreement, the completion of a transferred Offender's sentence shall be carried out according to the laws and procedures of the Receiving Government, including the application of any provisions for reduction of the term of confinement by parole or conditional release.
 3. Each Signatory Party may request reports indicating the status of confinement of all Offenders transferred by it under this Agreement, including in particular the parole or release of an Offender. A Transferring Government may, at any time, request from the Receiving Government a special report on the status of the execution of an individual sentence.
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4-7

Article VI

Review or Modification of Sentence

The Transferring Government shall retain exclusive jurisdiction over the sentences imposed and any procedures that provide for revision or modification of the sentences pronounced by its courts. The Transferring Government also shall retain the power to pardon or grant amnesty or clemency to an Offender. The Receiving Government, upon being informed of any decision in this regard, will put such measures into effect.

4-8

Article VII

Transit

1. Upon prior notice, the Government of the United States shall have the right to transport through the jurisdictions of the Government of Palau Offenders being transferred by a Signatory Government or a third country.
2. Upon prior notice, the Government of Palau shall have the right to transport through the jurisdiction of the United States Offenders being transferred by the Government of the United States or a third country.
3. When such transport is by air and no stop is scheduled in the jurisdiction of a Signatory Government, but is required by extenuating circumstances, no prior notice shall be required.

TITLE FIVE

EFFECTIVE DATE, AMENDMENT AND DURATION

5-1

Article I

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.
2. This Agreement may be amended at any time as to the Government of Palau by mutual consent of the Government of Palau and the Government of the United States.
3. Titles One, Two and Three of this Agreement are effective as to the Signatory Governments until terminated by in the following manner:
 - (a) Termination of this Agreement by either any Signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau.

(b) Termination shall take effect one year after the recipient Government has been notified.

4. Titles Four and Five of this Agreement are effective for the period of effectiveness of the Status of Forces Agreement, except for those provisions relating to Category II Offenders which may be terminated in accordance with paragraph 3 of this Article.

5. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, and the Government of Palau. Each Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Agreement on Extradition, Mutual Assistance in Law Enforcement Matters and Penal Sanctions which shall come into effect in accordance with its terms between the Government of the United States and the Government of Palau.

DONE AT _____, THIS _____ DAY OF
ONE THOUSAND NINE HUNDRED EIGHTY-SIX.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

DONE AT Palau, THIS 10 DAY OF
January ONE THOUSAND NINE HUNDRED EIGHTY-SIX.

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

Appendix A

SCHEDULE OF OFFENSES

1. Offenses against the laws relating to homicide, including murder, manslaughter and causing death by criminal negligence.
2. Offenses against the laws relating to assault, wounding, maiming or causing grievous bodily harm.
3. Rape; indecent or sexual assault; incest; bigamy.
4. Unlawful sexual acts with or upon children under the age specified by the laws of both the requesting and requested Governments.
5. Willful nonsupport or willful abandonment of a minor or other dependent person when such person is or is likely to be injured, or the life of that person is or is likely to be endangered.
6. Kidnaping; abduction; false imprisonment.
7. Offenses against the laws relating to abortions.
8. Offenses against the laws relating to robbery, theft; breaking and entering, burglary, embezzlement, larceny or extortion.
9. Offenses against the laws relating to fraud, breach of trust, fraudulent conversion, or obtaining property, money or securities by fraud or false pretenses.
10. Offenses against the laws relating to bribery, payment of commissions or gratuities, or conflict of interests.
11. Offenses against the laws relating to the receipt or possession of property, including money or securities.
12. Offenses against the laws relating to counterfeiting or forgery.

13. Offenses against the laws relating to perjury, including subornation of perjury, making a false affidavit, statement, or statutory declaration.

14. Offenses against the laws relating to arson.

15. Offenses against the laws relating to obstruction of judicial proceedings or proceedings before governmental bodies; interference with the investigation of a violation of a statute by

Appx. A-1

influencing, bribing, impeding, threatening or injuring by any means any officer of the court, juror, witness or duly authorized investigator.

16. Offenses against the laws relating to the escape of persons.

17. Any act or omission intended or that is likely to:

(a) endanger the safety of an aircraft in flight or of any person on board such an aircraft, or

(b) destroy or render any aircraft incapable of flight.

18. Offenses against the laws relating to unlawful seizure or exercise of control of an aircraft.

19. Offenses against the laws relating to piracy, mutiny, or revolt on board a vessel.

20. Offenses against the laws relating to civil disorder and riot.

21. Offenses against the laws relating to willful damage to property.

22. Offenses against the laws relating to bankruptcy.

23. Offenses against the laws relating to usury.

24. Offenses against laws relating to securities and commodities.

25. Offenses against the laws relating to the traffic in, production, manufacture, or importation of narcotics, dangerous drugs, controlled or restricted substances, including their derivatives and similar synthetic preparations.

26. Offenses against the laws relating to firearms and other weapons, ammunition, explosives, incendiary devices or nuclear material.

27. Offenses relating to willful evasion of taxes or duties.
28. Offenses against the laws relating to importation, exportation or transit of goods, articles, or merchandise.
29. Offenses against the laws relating to competition and trade practices.

Appx. A-2

Agreement on Extradition, Mutual Assistance
in Law Enforcement Matters and Penal Sanctions
Concluded Pursuant to Section 175 of
The Compact of Free Association

Agreed Minute

Article XVI, Relationship with Other Agreements: Article XVI of this Agreement makes it clear that "United States personnel" (within the meaning of the Status of Forces Agreement ¼ SOFA) who commit offenses while in Palau, shall be subject to the applicable provisions of the SOFA. If a person who comes within the SOFA definition of "United States personnel", other than a member of the force, returns to the United States and is no longer subject to the SOFA, the provisions of the extradition agreement would apply. If, however, the offender is a member of the force at the time of the extradition request, it is contemplated that the Executive Authority would not exercise its authority to extradite the offender, but would refer the case to the military authorities for disposition in accordance with the provisions of the SOFA.

Article XVI of the Extradition Agreement is without prejudice to the provisions of the SOFA which otherwise allows transfer of members of the force to Palau.

Agreement Regarding
Construction Projects in Palau
Concluded Pursuant to Section 212(a) of

the Compact of Free Association

Agreement Regarding
Construction Projects in Palau
Concluded Pursuant to Section 212(a) of
the Compact of Free Association

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Agreement Regarding
Construction Projects in Palau
Concluded Pursuant to Section 12 (a) of
the Compact o Free Association

This Agreement sets forth the undertakings of the Government of the United States and the Government of Palau with respect to the construction program and projects undertaken by the Government of the United States in Section 212(a) of the Compact of Free Association.

Article I

Definitions

1-1

Article I

Definitions

1. The Definition of Terms contained in Article VI of Title Four of the Compact of Free Association (hereinafter "the Compact") is incorporated in this Agreement.
2. The Definitions of Terms set forth in the following additional agreements between the Government of the United States and the Government of Palau are incorporated in this Agreement:

(a) The Agreement Regarding Federal Programs and Services Concluded Pursuant to Article II of Title Two and Section 232 of Compact;

(b) The Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau Concluded Pursuant to Sections 321 and 323 of the Compact;

(c) The Agreement Regarding the Status of Forces Concluded Pursuant to Section 323 of the Compact.

3. For the purpose of this Agreement only, the following terms shall have the following meanings:

(a) "Civic Action Team" or "CAT" is a unit consisting of members of the Force which is specifically organized to under take civic action and community development projects.

(b) "CAT Base Camp" is a defense site as set forth in paragraph 2(g) of Article I of the Status of Forces Agreement.

(c) "United States contractors" means the same as the definition for "United States contractors" set forth in paragraph 2(b) of Article I of the Agreement Concluded Pursuant to Section 232 of the Compact except the reference to Title Two of the Compact is understood to include Section 212(a).

Article II

Legal Status of United States Programs and
Related Services, of United States Federal Agencies,
Contractors, Personnel and of the
United States Armed Forces in Palau

2-1

Article II

Legal Status of United States Programs and

Related Services, of United States Federal Agencies,

Contractors, Personnel and of the

United States Armed Forces in Palau

1. The provisions of the Status of Forces Agreement shall apply.
2. The provisions of the Federal Programs and Services Agreement, which are hereby incorporated into this Agreement, shall be applicable in determining the legal status of United States Federal Agencies, contractors and other personnel and persons defined therein who are in Palau for any period of time in accordance with the purposes of this Agreement.

Article III

The Construction Project Program

3-1

Article III

The Construction Project Program

1. The Government of the United States and the Government of Palau agree that the specification of construction projects and related material attached as Annex A of this Agreement constitutes the description of the projects which the Government of the United States shall complete in Palau pursuant to Section 212(a) of the Compact.
2. When the construction projects are completed in the manner specified in Annex A of this Agreement, the Government of the United States shall have discharged its responsibility under Section 212(a) of the Compact and this Agreement.
3. Paragraph 1 of Article VIII of the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau shall apply to all activities undertaken by the Government of the United States in the discharge of its obligations under Section 212(a) of the Compact and pursuant to this Agreement.

4. Without transfer or reimbursement of funds, the Government of Palau shall provide to the Government of the United States, on a temporary basis:

(a) access by the Government of the United States and its duly appointed agents and contractors to any land and water areas adjacent to or within the sites specified in Annex A of this Agreement upon which construction projects will be executed, including easements to those sites;

(b) uninterrupted use of the construction sites for the period necessary to prepare the sites and execute the specific projects associated with them.

5. The Government of Palau shall hold harmless the Government of the United States, its agents, personnel and contractors from any claims with respect to the alteration of any land or water areas under the jurisdiction of the Republic of Palau, be they held in community, private, governmental or other ownership, by the Government of the United States in connection with Section 212(a) of the Compact and this Agreement and to the extent that the actions of the Government of the United States, its agents, personnel and contractors are consistent with the provisions of Section 212(a) of the Compact, paragraph 1 of Article VIII of the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau and this Agreement.

Article IV

Timing and Execution of the Construction Project Program

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Article IV

Timing and Execution of the Construction Project Program

1. The Government of the United States shall promulgate a project completion schedule which specifies project initiation dates, project review benchmarks and anticipated completion dates for each of the projects specified in Annex A. This schedule shall be attached to this Agreement as Annex B and shall be an integral part of this Agreement.
2. The Government of the United States shall appoint a program manager for the construction project program who shall have a representative resident in Palau for the period of Government of the United States responsibilities under this Agreement.
3. Subject to the terms of this Agreement and after consultation with the Government of Palau, the Government of the United States shall determine methods for the execution of the projects specified in Annex A. Such methods may include construction contracts, the use of military construction units including Civic Action Teams, or any combination of the two and shall be set forth in Annex B on a project-by-project basis.
4. Upon certification to the Government of Palau by the Government of the United States, the Government of Palau shall arrange for the entry into Palau of such persons and equipment as the Government of the United States may require for the purposes of this Agreement. The entry into and positioning of such persons and equipment in Palau, as well as the transactions of the Government of the United States generally in accordance with this Agreement, shall be covered by the terms of the Status of Forces Agreement, the Agreement Regarding the Military Use and Operating Rights of the Government of the United States in Palau, or the Federal Programs and Services Agreement, as appropriate.

Article V

Consultation

5-1

Article V

Consultation

1. There is established a Construction Review Committee consisting of the United States program manager and of a representative designated in writing by the Government of Palau. The

Construction Review Committee shall meet semiannually for consultations which will involve a review of project status and, generally, the implementation of this Agreement. The Construction Review Committee may also meet at any time at the request of the Government of Palau or the Government of the United States. The United States program manager, if unable to attend a special meeting, may designate the United States resident manager to represent him at such special meetings.

2. Any question concerning the terms of this Agreement, or activities undertaken pursuant to the Agreement, shall be referred to the Construction Review Committee for review and resolution. Should the Construction Review Committee fail to resolve such question, it shall be forwarded to the United States Resident Representative referred to in Article V of Title One of the Compact for resolution by the Government of the United States and the Government of Palau.

Article VI

Substitution and Scheduling of Projects

6-1

Article VI

Substitution and Scheduling of Projects

1. The Government of the United States or the Government of Palau may at any time propose to the other the substitution of one or more projects for one or more of the projects specified in Annex A of this agreement. Amendment of Annex A shall be made exclusively by mutual agreement between the Government of the United States and the Government of Palau.

2. The Government of Palau may propose amendments to the project implementation schedule contained in Annex B of this Agreement at any time. The Government of the United States shall make every effort to accommodate such proposals. Except as otherwise provided in Annex B, any amendment to Annex B shall be by the mutual agreement of the Government of the United States and the Government of Palau.

Article VII

Local Labor and Training

7-1

Article VII

Local Labor and Training

1. In the execution of those projects specified in Annex A of this Agreement which will be contracted to commercial construction firms, the United States program manager shall make special efforts, consistent with United States contracting procedures, to select Palauan construction firms or firms which employ citizens of Palau. In order to facilitate these efforts, actions undertaken by the Government of the United States pursuant to this Agreement shall not be restricted as to source of procurement of materials, equipment or contractors. The Construction Review Committee shall develop and keep current a standing list of Palauan construction firms and firms which employ and train citizens of Palau and shall inform them in a timely fashion of official bid requests from the United States program manager.
2. In the development of proposals for commercial construction firms with respect to the projects which the Government of the United States determines are to be contracted, the United States program manager shall make every reasonable effort to include requirements for the hiring and training of citizens of Palau by the construction firms selected to perform the contracts. The United States program manager shall encourage United States contractors to provide on-the-job training of citizens of Palau, especially those who volunteer to work with or without compensation with such contractors or who are nominated to work with United States contractors as part of training programs sponsored by the Government of Palau.

Article VIII

Operations and Maintenance

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Article VIII

Operations and Maintenance

1. The Government of the United States shall, upon completion of each construction project specified in Annex A, transfer it to the ownership and use of the Government of Palau. The Government of Palau is responsible for the operation and maintenance of completed construction projects.
2. The United States program manager, in conjunction with the Construction Review Committee, shall develop a plan for the economic operation and maintenance of each construction project specified in Annex A. Each operations and maintenance plan shall be made available to the Government of Palau upon completion of the construction project to which it refers and shall specify optimal operational costs and personnel and equipment levels and shall also set forth a methodology for maintenance to a degree of detail sufficient for use by the Government of Palau in its development of official program documents, including its official overall economic development plan, for the subjects addressed.

Article IX

Effective Date, Amendment and Duration

9-1

Article IX

Effective Date, Amendment and Duration

1. This Agreement shall come into effect simultaneously with the Compact.

2. This Agreement may be amended at any time by the mutual consent of the Government of the United States and the Government of Palau.

3. This Agreement shall remain in effect for a term coincident with Section 212(a) of the Compact. This Agreement may be terminated earlier than the date of expiration of Section 212(a) of the Compact upon fulfillment by the Government of the United States of its obligations undertaken pursuant to Section 212(a) of the Compact and this Agreement.

Agreement Regarding
Construction Projects in Palau
Concluded Pursuant to Section 212(a) of
the Compact of Free Association

IN WITNESS WHEREOF, the undersigned, duly authorized for the purpose, have signed the present agreement.

DONE at Palau, in duplicate, this 10 day of
January, one thousand, nine hundred eighty-six.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II

A-1

Annex A

1. The Government of the United States will construct on Babeldaob Islands a fifty-three mile road system, the exact routing of which is to be determined by mutual agreement following a technical survey. Except where natural constraints prohibit, the roadway will be eighteen feet wide, with a double bituminous surface treatment and two foot shoulders on each side. Quarry and dredge sites will be identified by the Government of Palau. These sites, and the products thereof, will be provided to the Government of the United States without taxation. In view of the economic benefits which are expected to develop from this project, it is the intention of the Government of Palau that necessary coral and rock be provided without charge to the Government of the United States. However, it is understood that this may not be possible due to conditions beyond the control of the Government of Palau. Those instances will be resolved on a case-by-case basis by the Construction Review Committee or by the respective Governments as necessary.
 2. Contributions to the capital account made by the Government of the United States under Section 212(b) of the Compact will be devoted by the Government of Palau toward accomplishment of the Basic Infrastructure Requirements set forth in the attachment to this Annex, or toward other projects selected by the Government of Palau.
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Annex B

¹/₄Annex B, to be negotiated and promulgated according to paragraph 1 of Article IV of this Agreement, shall set forth the methods of construction and execution and completion dates, on a project-by-project basis, of the projects listed in Annex A. Annex B is specifically defined in paragraph 1 of Article IV of this Agreement.

FEDERAL PROGRAM AND SERVICES

AGREEMENT

Concluded Pursuant to

Article II of Title Two and Section 232 of

The Compact of Free Association

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Federal Programs and Services Agreement

Concluded Pursuant to Sections 221, 224, 225 and 232

of The Compact of Free Association

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Federal Programs and Services Agreement Concluded
Pursuant to Article II of Title Two and Section 232 of
The Compact of Free Association

This Agreement is concluded by the Signatory Governments and sets forth their respective authority and responsibility for the provision of the services and related programs authorized by Article II of Title Two and Section 232 of the Compact of Free Association (the Compact).

Article I

Definitions

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Article I

Definitions

1. The Definition of Terms set forth in Article VI of Title Four of the Compact is incorporated into this Agreement.

2. For the purposes of this Agreement only, the following terms shall have the following meanings:

(a) "Federal agency" refers to each authority of the Government of the United States which provides services and related programs in accordance with Article II of Title Two and Section 232 of the Compact, including any successor agency or agencies, and does not include:

(1) The Armed Forces of the United States as defined in Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact; or

(2) The Resident Representative officer and office established by the Government of the United States pursuant to Article V of Title One of the Compact.

(b) "United States contractors" means the legal entities, including corporations and natural persons, present in Palau for the purpose of executing their contracts with the Government of the United States, or subcontracts of such contracts, in support of the Federal agencies acting pursuant to Article II of Title Two and Section 232 of the Compact and who are designated as such by the Government of the United States. The term "United States Contractors" does not include local contractors.

(c) "Local Contractors" means the legal entities, including corporations and natural persons organized under the laws of and who are in, Palau.

(d) "United States personnel" means anyone who is included in any of the following categories:

(1) "civilian employees" -- all Federal agency personnel, notwithstanding their citizenship or nationality, except local hire personnel, who are in Palau, and who are in the employ of or serving with a Federal agency and who are employed in any of the activities of such Federal agency.

(2) "contractor personnel" -- natural persons, who are United States citizens or nationals or United States permanent resident aliens, except local hire personnel, who are in Palau, and who are United States contractors or officers or employees of United States contractors; or

(3) "dependents" -- the spouses and children of persons included in paragraphs 2(d)(1) or 2(d)(2) and, while members of the household of such persons, other relatives or wards of such persons or their spouses.

(e) "third country contractor personnel" means natural persons other than United States personnel or local hire personnel who are in Palau and who are United States contractors or officers or employees of United States contractors or dependents of any of them.

(f) "local hire personnel" means citizens and nationals of Palau who are employed in Palau, by Federal agencies or United States contractors.

(g) "rawinsonde" means a method of upper-air observation consisting of an evaluation of the wind speed and direction, temperature, pressure, and relative humidity aloft by means of a balloon-borne radiosonde tracked by a radar or radio direction-finder. If radar is used for tracking, a radar target is also attached to the balloon. Thus, it is a radiosonde observation combined with a type of rawin observation.

ARTICLE II

Legal Status of Programs and Related Services,
Federal Agencies, United States Contractors and
United States Personnel

2-1

Article II

Legal Status of Programs and Related Services,
Federal Agencies, United States Contractors and
United States Personnel

1. The provision by the Government of the United States of any programs and related services to the Government of Palau, as may be appropriated by the United States Congress, pursuant to this Agreement shall be contingent upon compliance by the Government of Palau with the provisions of Sections 173 and 225 of the Compact. The Government of the United States shall, on an annual basis, seek the appropriation of such funds.

2. (a) The Government of the United States, Federal agencies and United States contractors and their respective assets, income and other property shall be exempt from all direct taxes and shall be exempt from all customs duties on the import and export of articles required for the official functions and personal use of United States personnel and official offices established in Palau by a Federal agency. The Government of the United States and Federal Agencies shall be exempt from all customs restrictions, inspection and examination on such import and export.

(b) Income received by United States personnel for services with or employment by the Federal agencies or United States contractors, or from sources outside the territory of the Government of Palau, are exempt from any tax, fee or other charge imposed by the Government of Palau, except that United States contractor personnel

and dependents who are also United States contractor personnel are not exempt from a personal income tax generally applicable within Palau up to a level of five percent of their annual income derived from their employment in Palau, by United States contractors.

3. United States personnel may import into and export from Palau furniture, household goods and personal effects for their private use, including all forms of privately owned land, sea and air transportation, free from customs duties, license requirements and other import and export taxes, fees or charges.

4. Animals and plants, including fruits and vegetables, imported by United States personnel, subject to the provisions of this Article, and by third country contractor personnel shall be subject to the laws and regulations of Palau, governing the inspection of and restrictions on such importations.

5. The Federal agencies, in cooperation with the Government of Palau, shall take appropriate measures, including inspection, to prevent importation of contraband and to prevent abuse of Privileges granted to United States personnel under this Article.

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6. Should property imported into Palau under the exemptions provided by this Article subsequently be transferred to a person not entitled to such exemptions, such person shall be liable for import duties and other charges according to the laws and regulations of the Government of Palau.

7. Civilian employees shall have the privileges and immunities of a resident representative as set forth in Sections 152(b) and (e) of the Compact, and immunity from civil and criminal process and liability relating to or resulting from any wrongful act or omission done within the scope and in the performance of official duty, except insofar as such immunity is expressly waived by the Government of the United States. Civilian employees who have been arrested in connection with an offense not related to the performance of their official duties, shall be released to the custody of the resident representative or the head of their agency in Palau, unless in the case of a grave crime a competent judicial authority decides that such civilian employees shall remain subject to detention by the local authorities.

8 (a) The authorities of the Federal agencies shall pay just and reasonable compensation in settlement of meritorious, noncontractual claims arising out of the wrongful acts or omissions occurring subsequent to the effective date of this Agreement in Palau of the Federal agencies themselves, or of their civilian and local hire personnel, if such act or omission occurred within the scope and in the performance of official duty of the civilian and local hire personnel. All such claims shall be processed and settled by the respective Federal agencies in accordance with the laws and regulations of the United States. Any such claims which cannot be settled as provided for in this paragraph, and which are espoused by the Government

of Palau, shall be disposed of pursuant to the provisions of Article II of Title Four of the Compact.

(b) Contractual claims against the Federal agencies shall be settled in accordance with the disputes clause of the contract if any, and the laws of the United States relating to the resolution of such disputes. In the absence of such clause, the claims shall be presented to the appropriate United States authority; if no settlement is reached, the appropriate court of the United States shall have jurisdiction over such claims.

(c) The Government of Palau shall present claims arising under this Article to the United States Resident Representative who shall forward such claims to the Competent Authority of the Federal Agency concerned.

9. Except as otherwise expressly provided in this Agreement, any dispute arising under this Agreement shall be disposed of exclusively pursuant to the provisions of Article II of Title Four of the Compact.

(a) The Federal agencies shall not be subject to the jurisdiction of the courts of the Government of Palau under Article VII of Title One of the Compact for any claim under paragraph 8 of this Article arising in Palau from the acts or omissions of the Federal Agencies occurring subsequent to the effective date of the Compact. All such claims shall be processed and settled exclusively in accordance with this Article.

(b) Any judgment presented for certification to the United States Court of Appeals for the Federal Circuit pursuant to Section 174 of the Compact of Free Association shall be deemed manifestly erroneous as to law if the claim upon which such judgment is based would have been barred by the statute of limitations if such claim had been brought in a court of the United States.

10. For the purposes of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the Signatory Governments. The Competent Authorities of the Government of the United States and the Competent Authorities of Palau may communicate

directly with each other. In the case of the Government of the United States the Competent Authority shall be the head of or designee of the Federal Agency concerned who shall be designated in writing to the Government of Palau.

11. The Government of Palau shall accept as valid, without a test or fee, the operator's permit or license or military driving permit issued to United States personnel or third country contractor personnel by the Government of the United States, the Governments of the States of the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands.

12. Official vehicles of the Federal Agencies, vehicles owned or operated by United States contractors, and privately owned vehicles of United States personnel shall be identified by individual markings or license plates issued by the Government of the United States, the Governments of the States of the United States of America, its Territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, or the Commonwealth of the Northern Mariana Islands. However, the Government of the United States may use local individual markings or license plates in Palau.

(a) Official vehicles shall not be subject to the registration or safety inspection laws of the Government of Palau.

(b) The Armed Forces of the United States may register vehicles of United States contractors and United States personnel which are not official vehicles, and may inspect such vehicles applying safety standards of general applicability in Palau. Vehicles so registered and inspected shall be exempt from the registration and safety-inspection laws of the Government of Palau.

13. For purposes of this Article the term "vehicles" includes all forms of land, sea and air transportation.

14. Any reference in this Agreement to a provision of the law of the United States constitutes the incorporation of the language of such provision into this Agreement as such provision is in force on the effective date of this Agreement or as it may be amended thereafter on a nondiscriminatory basis according to the constitutional process of the United States.

15. The Government of the United States may use local telecommunication systems and, in determining its uses of such systems, shall take into consideration the cost and security of such systems and the availability of alternate United States systems. The Government of the United States shall encourage the use of local telecommunication systems by United States personnel for nonofficial purposes. To the extent that the Government of Palau establishes telecommunications systems compatible with existing United States Government installations, the Government of the United States and the Government of Palau may enter into negotiations for a use arrangement which includes normal billing procedures.

Article III

Employment of Labor

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Article III

Employment of Labor

1. In providing services and related programs in Palau pursuant to Section 221 of the Compact, the Federal agencies, United States contractors and local contractors:

(a) may employ persons possessing requisite skills and qualifications. Employment preference shall be given, without discrimination, to citizens, nationals and permanent resident aliens of Palau, in their respective jurisdictions, and of the United States. In the employment of such persons pursuant to the preferences set forth in this paragraph, the Federal Agencies and the United States contractors shall exercise their best efforts to employ persons present in Palau.

(b) shall utilize without discrimination, consistent with the laws and regulations of the United States, qualified local contractors and contractors which are legal entities of the United States. The Federal Agencies and United States contractors shall

ensure that the specifications and instructions for contract bids shall permit such free and full competition as is consistent with the procurement of the goods and services needed by the Government of the United States.

2. Prior to the employment of third country personnel or the utilization of third country contractors, the Government of the United States shall notify the Government of Palau and shall consult, if requested, with that Government as to the availability of qualified local hire personnel or qualified local contractors.

3. The laws and regulations of Palau shall not apply to the terms and conditions of employment of United States personnel by Federal agencies, or United States contractors. The Government of Palau shall not require United States personnel, third country contractor personnel or United States contractors to obtain any license, permit or certificate, or to undergo any examination, in connection with the performance of their duties on behalf of Federal agencies.

4. In the employment of local hire personnel by the Federal agencies and United States contractors, the Government of the United States shall adopt measures consistent with the standards of local labor laws to the extent they are compatible with laws, regulations and operational requirements of the United States.

Article IV

Entry and Departure

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Article IV

Entry and Departure

1. The Government of the United States may bring into Palau:

(a) United States personnel and United States contractors; and

(b) Third country contractor personnel in a manner consistent with those laws of Palau, relating to the exclusion of individual, undesirable aliens and taking into account paragraph 5 of this Article and Article III of this Agreement.

2. United States personnel shall be exempt from the passport and visa laws and regulations of Palau. Taking into account paragraph 1(b) of this Article and Article III of this Agreement applications of third country contractor personnel for visas shall be granted or denied expeditiously. All such personnel shall comply with medical immunization requirements of Palau.

(a) No United States personnel or third country contractor personnel shall acquire any right to permanent residence or domicile solely as a result of their being United States personnel or third country contractor personnel.

(b) United States personnel shall be exempt from laws and regulations of Palau on the entry, departure, registration and control of aliens and foreign agents.

3. Upon entry into or departure from Palau, United States personnel shall have in their possession official orders or documents certifying the status of the individual or group. Such orders or documents shall be shown on request to the appropriate authorities.

4. For the purpose of their identification while in Palau, United States personnel ten years of age or older shall have in their possession a personal identification card authorized by the Government of the United States which shall show the name, date of birth, status, and photograph of the bearer. Such card shall be shown on request to the appropriate authorities.

5. If the Government of Palau requests the removal from Palau, of any United States personnel or any third country contractor personnel, the request shall be directed to the United States resident representative, who shall consult with the Government of Palau on the appropriate action to be taken regarding removal. If the Government of the United States and the Government of Palau so determine, the person whose removal has been requested shall immediately become subject to the jurisdiction of the Government of Palau in accordance with its laws.

6. Transportation costs attendant to the departure and removal of third country contractor personnel shall be the responsibility of the Government of the United States.

Article V

Implementation of Section 225 of the Compact

and Title to Property

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Article V

Implementation of Section 225 of the Compact

and Title to Property

1. Specific arrangements for the establishment and use by the Government of the United States of facilities or areas for Federal agencies in Palau shall be set forth in Exchanges of Notes, which, when signed, shall be annexed to this Agreement as Annex A.
2. If, in the exercise of its authority and responsibility under Section 221 of the Compact, the Government of the United States requires the use of facilities or areas in Palau in addition to or in place of those for which specific arrangements are concluded pursuant to the exchanges of notes included in Annex A of this Agreement, it may request the Government of Palau to satisfy those requirements through leases or other arrangements. That Government shall sympathetically consider any such request and shall establish suitable procedures and provide a prompt response to the Government of the United States.
3. If the Government of Palau requires for some other purpose the use of facilities or areas which have been provided the Government of United States pursuant to this Agreement, the Government of Palau shall request the Government of the United States to accept equivalent facilities or areas. The Government of the United States shall sympathetically consider any such request and provide a prompt response. Any pertinent agreement shall be effected in accordance with paragraph 2 of Article XII of this Agreement by an amendment to the Exchanges of Notes included in Annex A of this Agreement.
4. All property for which the Government of the United States determines that it has a continuing requirement in order to carry out its authority and responsibility pursuant to Section 221 of the Compact, title to which therefore remains vested in the Government of the United States pursuant to Section 234 of the Compact, is set forth in the separate agreement in implementation of Section 234 of e Compact.
5. Title to improvements to real property or to any item of equipment or other personal property hereinafter furnished, acquired, supplied, constructed or purchased by or with funds provided by the Government of the United States in connection with the programs and related services set forth in this Agreement is vested in the Government of the United States, except where expressly sold or otherwise conveyed.

6. Upon relinquishing facilities or areas designated for Federal agency use, or a portion thereof, whether at the termination of a specific service and its related programs or at an earlier date, the Government of the United States shall not be obligated to restore any such site or portion thereof to its former condition, or to make

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compensation in lieu of such restoration. The Signatory Governments may otherwise agree, based on considerations including the existence of conditions substantially or materially hazardous to human life, health and safety.

7. The Government of the United States has the right to remove any installations or improvements which it has constructed on an area designated for Federal agency use. If any installations or improvements which were constructed at the expense of the Government of the United States are to be left behind after relinquishing facilities or areas designated for Federal agency use, or a portion thereof, the Government of Palau and the Government of the United States shall consult to determine the residual value, including scrap value, if any, of any such installations or improvements to the Government of Palau and to agree upon an appropriate method of compensating the Government of the United States for such residual value.

8. Except as may be otherwise expressly agreed, the Government of the United States, Federal agencies and United States contractors shall retain title to equipment, materials and other movable property brought into or acquired by them in Palau and may remove such property at any time from Palau, or dispose of it therein.

Article VI

Postal Services and Related Programs

6-1

Article VI

Postal Services and Related Programs

1. The Government of Palau shall assume responsibility pursuant to its laws and regulations for all local postal services.
2. The Government of Palau shall be responsible for all its postal staff, facilities and equipment.
3. From the effective date of this Agreement until its first anniversary, salaries for United States Postal Service (USPS) employee positions in Palau shall be paid by the USPS, without reimbursement by the Government of Palau, to the extent that employee costs remain at the level the USPS would have expended to maintain the level of service available in Palau in the year prior to the effective date of this Agreement.
4. Prior to the first anniversary of the effective date of this Agreement, any postal employee serving in Palau who was a USPS employee on the effective date of this Agreement shall have the right to transfer to a position of comparable pay level at a facility outside Palau, as follows:
 - (a) the employee may choose to transfer to a facility designated by the USPS with reimbursement of moving expenses as provided in the USPS Methods Handbook M-9, "Travel"; or
 - (b) the employee may choose to transfer to an available position designated by the USPS in a location chosen by the employee at the employee's own expense.
5. Six months prior to the first anniversary of the effective date of this Agreement, the Government of Palau shall offer comparable positions, as determined by that Government, to all employees referred to in paragraph 4 of this Article serving in post offices located in Palau, who do not elect to transfer to another location pursuant to paragraph 4 of this Article. Such employees shall notify the Government of Palau, within thirty days after such offer, whether they intend to accept such position.. Such offer and the employee's election in response thereto shall not alter the employee's status under paragraph 3 of this Article prior to the first anniversary of the effective date of this Agreement.
6. On the effective date of this Agreement the USPS shall, without compensation, turn over to the Government of Palau all USPS facilities and equipment, in good repair and workable condition, in use in Palau, as of that date.
7. The Governments of Palau shall issue postage stamps and other prescribed postal indicia which shall be used for prepayment of postage rates and other postal charges on all mail originating in its territory, except for mail sent through the military postal system

provided for in Article VII of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact of Free Association.

8. The USPS shall provide the following services for Palau for a period of fifteen years commencing on the effective date of this Agreement without compensation by the Government of Palau; provided that the provision of such services shall be based upon reimbursement of the USPS from funds appropriated by the United States Congress in implementation of this Agreement:

(a) conveyance of mail, at levels of service, including classes and special services, equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of this Agreement, to and from the designated exchange offices in Palau; and

(b) dispatch, documentation, statistical, accounting, and settlement operations in connection with the international exchange of such mail.

9. The Government of Palau shall undertake to protect the postal services provided by the Government of the United States from exploitation for the monetary gain of private or government organizations or of individuals or of commercial enterprises, including the posting of bulk mail, books, catalogues, goods or materials. The Government of the United States shall provide mail service pursuant to this Agreement with the understanding that the volume of mail may increase in proportion to population increases and ordinary growth of local commercial enterprise. Should an increase in the volume of mail of twenty percent or more within a twelve-month period be anticipated or experienced by the Government of Palau, the Government of Palau shall enter into a separate agreement with the Government of the United States which shall establish the amount of reimbursement to be paid to the Government of the United States for the volume in excess of twenty percent.

10. The Government of Palau shall ensure that all mail turned over to the USPS for conveyance to the United States or other countries complies with the postal conventions to which the United States adheres and with the postal laws and regulations of the United States.

11. Pursuant to this Agreement, mail shall be exchanged at the exchange offices designated in this paragraph and outgoing mail from Palau shall be merged with United States mail for

conveyance to the United States or to other countries. Such outgoing mail from Palau shall be treated as though it were mail from the United States for dispatch, documentation, statistical, accounting and settlement operations with other countries. The designated exchange office shall be located at Koror, Palau.

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12. Until the effective date of the Compact, United States domestic postal rates shall apply to mail exchanged between addresses in Palau and between those addresses and addresses in the United States. After the effective date of the Compact, the USPS may establish cost-related rates for mail from the United States to Palau. Such United States-established rates shall establish the ceiling and United States domestic rates shall establish the floor for postage rates for mail from Palau to the United States and to Palau. International postal rates applicable in the United States shall apply to mail from Palau addressed to other countries.

13. The Government of Palau may determine postal rates for internal mail to local addresses within Palau.

14. Revenues derived from the sale of stamps issued by the Government of Palau for postal services or for philatelic purposes shall be retained by the Government of Palau. The Government of Palau agrees to provide, pursuant to their constitutional processes, adequate funding for the operation of their postal services in a manner which will allow the USPS to perform its responsibilities under this Agreement in an efficient and economical manner, with any disputes arising under this paragraph to be resolved pursuant to Article II of Title Four of the Compact.

15. Liability for the loss of a registered or insured item shall rest with the Government which, having received it without comment, cannot prove either delivery to the addressee or correct transfer to another administration. Pursuant to paragraph 19 of this Article, the Government of the United States shall, upon request, assist the Government of Palau in developing local practices and procedures to fulfill the requirements of this paragraph.

16. The Government of Palau shall not impose any terminal dues or other charges on the USPS or the postal administrations of any other government for mail conveyed to Palau by the USPS pursuant to this Agreement.

17. Postal Money Orders shall be issued in Palau on USPS forms and in accordance with USPS regulations. All amounts collected in connection with such issuance, including the Postal Money Order fees, shall be remitted to the USPS. Postal Money Orders paid in Palau shall be deposited for the credit of the Government of Palau in accordance with prescribed procedures. Such Postal Money Orders shall follow the normal bank clearance process for final payment by the USPS.

The USPS shall be responsible for providing all necessary forms and for reconciling the Postal Money Order accounts. The Government of Palau may terminate the category of service set forth in this paragraph in the same manner as this Article may be terminated in accordance with Article XII of this Agreement.

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18. The USPS and the Government of Palau shall issue stamps to commemorate the inauguration of the new political status of free association between the United States and Palau. The Government of Palau shall retain all revenues from the sale of the stamps it issues.

19. Pursuant to this Agreement the USPS shall provide, without compensation, such technical assistance, including technical assistance to provide for the orderly transfer of postal responsibilities, and employee training as the USPS and appropriate officials authorized to act on behalf of the Government of Palau mutually agree to be necessary and appropriate. The USPS shall provide expedited training at no cost to Palau for the replacement of employees who transfer pursuant to paragraph 4 of this Article so that the Government of Palau can continue to execute properly their postal responsibilities pursuant to this Agreement. In addition, appropriate officials of the Government of Palau shall consult with the USPS with regard to fiscal planning and postal administration for the purpose of promoting economical and efficient postal services and programs.

20. The obligations of the Governments signatory to this Agreement under this Article shall terminate fifteen years after the effective date of this Agreement. Prior to termination of this Agreement, the USPS and the Government of Palau shall enter into bilateral arrangements to establish mutually acceptable terms and conditions for the exchange of mail between the United States and Palau.

21. As mutually agreed, the United States shall assist the Government of Palau in acquiring membership in relevant international or regional postal organizations.

22. If, prior to the effective date of this Agreement, the Government of the United States and the Government of Palau have entered into a separate agreement for interim implementation of the postal services and programs provided for in this Agreement, the obligations of the Signatory Governments provided for in paragraphs 3, 4, 5, 6 and 19 of this Article shall be considered fully executed or shall be diminished to the extent such obligations have been discharged under such interim agreement prior to the effective date of this Agreement.

Article VII

Weather Services and Related Programs

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Article VII

Weather Services and Related Programs

1. The National Weather Service of the United States, in cooperation with the United States Navy, shall provide weather services and related programs in Palau at the levels equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of the Compact.
2. These services and related programs shall be provided pursuant to:
 - (a) the provisions of 15 U.S.C. 311-329; the International Aviation Facilities Act 49 U.S.C. 1151 et seq.; and section 803 of the Federal Aviation Act of 1958 49 U.S.C. 1463;
 - (b) other provisions of the laws of the United States to the extent they expressly apply to the National Weather Service;
 - (c) weather treaties and other international weather agreements to which the United States is a party;
 - (d) applicable Executive Orders of the President of the United States; and

(e) implementing National Weather Service regulations.

3. The Government of Palau may issue weather forecasts under such terms as may be mutually agreed with the National Weather Service. The Government of the United States shall continue to provide public and aviation weather forecasts and severe weather warnings.

4. The Government of Palau may take such transitional actions as may be necessary to prepare for the establishment and support of its own weather service. Such transitional actions may be initiated at any time prior to termination of the Compact pursuant to Article IV of Title Four of the Compact or prior to termination of this Article pursuant to Article XII of this Agreement.

The National Weather Service shall provide advice in the development of the weather service of Palau at the request of the Government of Palau.

5. The National Weather Service shall provide weather services and related programs pursuant to this Article, in part, through weather service offices established in Palau.

(a) As of the effective date of this Agreement all employees at Weather Service offices in Palau shall be employed in like positions by the Government of Palau.

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(b) The National Weather Service and the Government of Palau shall in an Exchange of Notes set forth the duties and qualifications of employees and provide procedures to reimburse the Government of Palau for materials and for salaries and other expenses incurred in the performance of these duties; and

(c) The Government of the United States shall reimburse the Government of Palau for costs incurred under this paragraph.

6. As required to implement the services and related programs provided pursuant to this Article or to meet technological change, the National Weather Service shall train employees of the Government of Palau assigned to weather stations. The Government of the United States shall reimburse the Government of Palau for costs incurred for training approved by the National Weather Service.

7. The National Weather Service shall inspect weather stations to assure the quality of meteorological operations.

8. The National Weather Service shall provide and maintain Weather Service offices pursuant to Article V of this Agreement, including meteorological observatories and other buildings, and shall maintain and replace meteorological and other equipment of the National Weather Service.

9. The National Weather Service shall provide the supplies required for the operation of its programs and related services.

10. Pursuant to Article III, Title One of the Compact, the radio operating frequencies in the bands 401-406 MHz and 1660-1700 MHz shall be protected by the Government of Palau in order to ensure their interference-free use for rawinsonde observations, in accordance with the provisions of Radio Regulations annexed to the International Telecommunication Convention (ISBN 92-61-0081-5). Other radio operating frequencies may be substituted for those set forth in this paragraph by mutual agreement of the Government of Palau and the United States.

11. The Government of Palau, in order to assure that they receive the most current meteorological information and that such information from them will be available on a global basis, shall provide continuing access to its telecommunications services, for meteorological traffic to and from Guam, or other points as may be designated by the Government of the United States.

Article VIII

Civil Aviation Safety Services and Related Programs

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Article VIII

Civil Aviation Safety Services and Related Programs

1. The Government of the United States and the Government of Palau agree that the Federal Aviation Administration (FAA) shall provide aviation safety services in Palau in accordance with this Article with the common desire to:

(a) promote the common interests of the Government of the United States and the Government of Palau in fostering safe and efficient air service; and

(b) facilitate the orderly establishment of aviation safety statutory and regulatory regimes and aviation safety authorities by the Government of Palau.

2. On behalf of the Government of Palau, the Government of the United States shall provide aviation safety services in the Palau at levels equivalent to those available to the Trust Territory of the Pacific Islands during the year prior to the effective date of this Agreement as follows:

(a) en route air traffic services within that air space including Palau for which the Government of the United States has responsibility under the appropriate regional air navigation plan approved by the International Civil Aviation Organization (ICAO);

(b) flight inspection and ground certification of nondirectional beacons and distance-measuring equipment, and periodic review and evaluation of the need for, and the maintenance, modification, improvement or replacement of, nondirectional beacons, distance-measuring equipment and related support systems in Palau; and

(c) development and updating of instrument approach procedures, standard instrument departure procedures and standard terminal arrival routes for airports in Palau, and issuance of appropriate Notices to Airmen.

3. The Government of Palau, pursuant to Section 471(b) of the Compact, shall take all necessary steps to ensure the conformity of its laws, regulations and administrative procedures with the provisions of this Article. The aviation safety services specified under paragraph 2 of this Article shall be provided exclusively pursuant to treaties and other international agreements relating to aviation safety to which the United States is a party and the laws and regulations of the United States. The Governments of Palau:

(a) consistent with Resolution A23-11, Appendix N, Part II, Air Navigation of ICAO Assembly Resolutions in force as of October 7, 1980, U.N. Doc. 9349, assign and delegate to the Government of the United States sole authority and responsibility for providing aviation safety services as specified in paragraph 2(a) of this Article until such time as those responsibilities are transferred at the request of the Government of Palau, and with the approval of the ICAO, from the Government of the United States to the Government of Palau; and

(b) grant unobstructed access by FAA personnel and FAA equipment to the property on which the navigational and landing aids set forth in paragraph 2(b) of this Article are located.

4. The FAA shall provide technical assistance to the Government of Palau to develop civil aviation safety authorities and to assist the government of Palau in the administration of safety certification and related aviation safety programs. Such technical assistance shall be provided pursuant to implementing agreements to be negotiated from time to time between the Government of the United States and the Government of Palau. The FAA shall provide such technical assistance in accordance with the provisions of the Federal Aviation Act of 1958, 49 U.S.C. 1301 et seq. and the International Aviation Facilities Act, 49 U.S.C. 1151 et seq. The technical assistance provided by the FAA includes:

(a) continuing development of aviation safety statutes, regulations and aviation safety authorities;

(b) training, in the United States, of personnel designated by the Government of Palau; and

(c) the stationing of FAA personnel in Palau to provide continuing advice and guidance to aviation safety authorities at the request of the Government of Palau. Such advice and guidance may include assistance required for certification by the Government of Palau of airmen, aircraft, airports and air agencies, as the term "air agencies" is used in 49 U.S.C. 1427.

5. Pursuant to Article II, Title One, of the Compact, the Government of Palau shall protect radio frequency bands allocated in accordance with Article 5 of the Radio Regulations of the International Telecommunications Union to the aeronautical mobile, mobile, aeronautical fixed, fixed, aeronautical radio-navigation, and radio-navigation services in accordance with the provisions of Radio Regulations annexed to the International Telecommunication Convention, in

order to ensure their use free of interference for these allocated purposes in support of civil aviation.

6. The Government of Palau, in order to ensure that they transmit and receive the most current meteorological information for civil aviation purposes and that such information provided by them shall be available on a global basis, shall provide continuing access to their telecommunications services for meteorological traffic to and from Guam or other points as may be designated by the Government of the United States in consultation with the Government of Palau.

7. The Government of Palau, in order to ensure that they transmit and receive the most current flight movement and airmen information data for civil aviation purposes, and that such information received or provided by them will be available on a global basis, shall provide continuing access to their telecommunications services for flight movement and airmen information traffic to and from Guam or other entry points into the Aeronautical Fixed Service of the International Civil Aviation Organization as may be designated in accordance with the Convention on International Civil Aviation, Annex 10, Volumes 1 and 2, by the Government of the United States in consultation with the Government of Palau.

8. The Government of the United States and the Government of Palau shall from time to time enter into such agreements as may be necessary to implement subparagraphs (b) and (c) of paragraph 2 of this Article.

Article IX

Civil Aviation

Economic Services and Related Programs

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Article IX

Civil Aviation

Economic Services and Related Programs

1. The Government of the United States and the Government of Palau agree that the following provisions shall apply to the economic regulation of air services of Palau.
2. The Government of Palau shall exercise independent economic regulatory jurisdiction over air services to, from and within Palau, which for the purposes of this Agreement are points outside the United States, as the term "United States" is defined in 49 U.S.C. 1301(41).
3. In accordance with Section 124 of the Compact, the Government of the United States, if requested and as mutually agreed, shall negotiate or assist in negotiations for air rights with third countries on behalf of the Government of Palau.
4. The Civil Aeronautics board, upon request, shall provide the following assistance to the Governments of Palau:
 - (a) preparation of statutory and regulatory proposals for the economic regulation of civil aviation;
 - (b) processing, in Washington, D.C., on behalf of and on the basis of procedures mutually agreed with the Government of Palau of applications from any person seeking authority from those governments to engage in air services to, from or within Palau, respectively; the power of ultimate disposition of such applications rests with the Government of Palau;
 - (c) training in the processing of air service applications, in Washington, D.C., of not more than two persons annually, and a total of not more than six persons during the life of this Agreement. The Government of Palau shall be responsible for travel, subsistence and similar expenses of its designated persons while in such training; and
 - (d) such other assistance as may from time to time be specifically agreed to by the Civil Aeronautics Board.
5. Subject to approval of the Congress of the United States, the Government of the United States shall establish:
 - (a) Until October 24, 1988 and thereafter if extended by the laws of the United States, eligibility of United States air carriers for subsidy compensation necessary to

support essential air transportation, at a level determined by the Civil Aeronautics Board, between

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the United States and points in Palau receiving regularly scheduled air service by Continental Air Micronesia on August 26, 1982, and between such points in Palau. In determining the level of essential air transportation, the Civil Aeronautics Board shall take account of all air service, including connecting service, provided to Palau, including service by United States, Freely Associated State and all other carriers.

(b) A distinct classification of foreign air carrier, as the term "foreign air carrier" is defined in 49 U.S.C. 1301(22), to be known as "Freely Associated State Air Carrier." This classification shall apply exclusively to a carrier which:

(1) is organized under the laws of Palau; and

(2) has consent to such classification from the Government of Palau, and consent to such classification from the Government of the United States pursuant to standards adopted by the Government of the United States for such classification.

(c) Authority for the Civil Aeronautics Board to authorize Freely Associated States Air Carriers to carry local traffic between Guam, the Commonwealth of the Northern Mariana Islands, and Honolulu, and within the Commonwealth of the Northern Mariana Islands.

(d) Eligibility of Freely Associated State Air Carriers to receive subsidy compensation at a level determined by the Board in accordance with paragraph 5(a) of this Article either if no United States air carrier is available to provide the essential air transportation or if the subsidy required for the provision of essential air

transportation by a Freely Associated State Air Carrier would be substantially less than the subsidy which would be paid to an available United States air carrier, provided that unilateral action by the Government of Palau under subparagraph 5 (b)(2) of this Article shall impose no obligation on the Government of the United States to increase the level of such compensation.

(e) Authority for the Civil Aeronautics Board to require that any United States, Freely Associated State or other carrier which provides service in a subsidized market comply with specified service, rate or fare conditions as may be necessary or desirable to minimize subsidy without undue impairment of the service provided.

(f) Notwithstanding the provisions of 49 U.S.C. 1301(16), Air Micronesia, Inc. shall qualify as a U.S. citizen air carrier, within the meaning of 49 U.S.C. 1301(3), for so long as it continues to be (1) incorporated in the United States or its Territories or possessions, and (2) controlled by citizens of the United States or by a corporation or corporations controlled by citizens of the United States.

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(g) Compensation determined by the Civil Aeronautics Board to be necessary to maintain essential air transportation shall be provided from funds specifically appropriated for compensation for service under paragraph 5(a) of this Article.

(h) The Civil Aeronautics Board shall adopt rules to implement the provisions of this paragraph as the Board in its discretion, deems appropriate.

6. Notwithstanding paragraph 2, the Government of Palau shall authorize, without restrictions or impairment, United States air carriers to operate air services to, through, beyond, within and between Palau and to establish tariffs applicable to such air services. The Government of the United States shall promptly notify the Government of Palau, of the filing with the Civil Aeronautics Board of any application by a United States air carrier for authority under the laws of the United States to operate air services pursuant to this paragraph. The Government of Palau shall designate competent authorities pursuant to Article II, paragraph 10, of this Agreement for

the purpose of receiving such notice. The Government of Palau shall be accorded an opportunity to present its views which shall be considered in reaching any decision. Should a formal or informal proceeding be instituted by the Government of the United States in connection with any such application, the Government of Palau shall be made a party to such proceeding with full rights in accordance with the applicable procedural rules.

7. The Government of the United States shall sympathetically consider requests by the Government of Palau for negotiations of a bilateral air transport agreements between the Government of the United States and the Government of Palau. The Government of Palau and the United States shall, on the basis of reciprocity, exempt air carriers which are authorized by the government signatory to this Article to provide air services, from customs duties and taxes imposed by their national authorities, and shall not impose user charges which exceed an equitable proportion of the reasonable costs of providing the facilities, or which are discriminatory.

8. The Government of Palau may terminate the operation of any of four categories of economic services described in the subparagraphs of this Article and set forth below. Such partial termination, which may be effected in the same manner as this Article may be terminated in accordance with Article XII of this Agreement, may be exercised only for the categories listed below.

(a) Category 1 -- paragraph 4;

(b) Category 2 -- subparagraphs (a), (d) and (e) of paragraph 5;

(c) Category 3 -- subparagraph (c) of paragraph 5; or

(d) Category 4 -- subparagraphs (a), (b), (c), (d) and (e) of paragraph 5.

If the Government of Palau terminates the operation of the subparagraphs in Category 4, that Government may, in accordance with Article XII of this Agreement, also terminate the operation of paragraph 6 of this Article.

If the Government of Palau elects to terminate both the operation of the subparagraphs in Category 4 and the operation of paragraph 6 of this Article, the remaining provisions of this Article shall cease to be in effect two years after such termination, unless otherwise agreed by the Government of Palau, and the Government of the United States.

Article X

Implementation of Section 221(b) of the Compact

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Article X

Implementation of Section 221(b) of the Compact

1. The Government of the United States recognizes the special needs of Palau, particularly in the fields of education and health care. The Government of Palau have determined that its special needs, particularly in the fields of education and health care, can be addressed through provision by the Government of the United States of a special block grant of assistance. In light of this determination and in implementation of Section 221(b) of the Compact, the Government of the United States shall assist that Government in meeting these special needs through provision of the assistance set forth in this Article.
2. The Government of the United States shall provide annually to the Government of Palau a special block grant to be used in accordance with the purposes set forth in paragraph 3 of this Article. The annual amount of this special block grant shall be \$2 million.
3. The special block grant provided by the Government of the United States is divided into the program categories set forth in this paragraph. In any year, the Government of Palau may dedicate its overall block grant to any combination of these program categories subject to the

guidelines set forth in paragraph 5 of this Article. The special block grant provided pursuant to Section 221(b) of the Compact and this Article is intended to complement the programs of the Government of Palau in the same program categories.

(a) Health Care Program Category Funding dedicated to the health care program category may support program efforts including the following areas:

- Preventive Health Care and Services;
- Maternal and Child Health Services;
- Alcohol, Drug Abuse and Mental Health;
- Primary Health Care including provision of grants to private nonprofit, public or governmental entities for planning, development and operation of community health centers and for the delivery of family health services;
- Social Services including support for private non-profit, community, public or governmental efforts in child care services, family planning, day-care services, counseling, and preparation and delivery of meals or other health support services; and

- Community Services including support for in the area of emergency health assistance, community health systems rehabilitation or reestablishment and housing.

(b) Education program category Funding dedicated to the education program category may be used to support programs including the following areas:

- Vocational Education including support for private non-profit, public and governmental institutions of vocational education and maintenance of vocational education physical plant;

- Primary and Secondary Education including grants to public or private non-profit primary and secondary educational institutions for curriculum development, staffing and personnel, supplies, teacher training, and maintenance of primary and secondary education physical plants;

- Post-secondary Education including grants to private non-profit or public institutions of post-secondary education, maintenance of post-secondary education physical plants, curriculum development, teacher training and recruitment; and

- Educational planning and research.

(c) Technical Assistance Funding provided in this program category may be used by the Government of Palau to employ technical experts in any area of specific need. This technical assistance may be used as transitional assistance or to mount sustained program efforts including the training of local personnel in the program areas.

(d) Housing Assistance Funding dedicated to this program category may be used generally for housing assistance programs sponsored by the Government of Palau including guarantees of commercial loans for initial construction or improvements.

(e) Food Supplement Assistance Funding dedicated to this program category may be used to support governmental efforts and programs including those designed to ensure that the citizens of Palau are not without resources to meet minimum nutritional requirements.

4. The Government of Palau shall present annual special block grant program plans to the Government of the United States which plans shall set forth the purposes for which the special block grant funding shall be used. Each annual special block grant program plan may take any form which is most convenient to the Government of Palau

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but the plan must indicate that the funds will be expended in a manner consistent with paragraphs 3 and 5 of this Article.

5. The use of the special block grant funds by the Government of Palau shall comply with the guidelines set forth in this paragraph.

(a) Transferability. Funding may be transferred by the Government of Palau among specific program purposes within the program categories set forth in paragraph 3 as well as among the program categories from year to year.

(b) Guidelines for expenditures. Funding available to the Government of Palau in its annual special block grant allocation may not be used for the following purposes:

-- cash assistance payments to individual citizen program recipients which totals more than ten percent of any year's total allocation to the Government of Palau;

-- payment to or support of for-profit organizations;

- investment in any interest bearing instruments;

- purchase of equipment not primarily related to the program category purposes set forth in paragraph 3.

- purchase of technical assistance or services from any individual government other than the Government of the United States or the Government of Palau.

In any year, not more than 10% of the total annual allocation of special block grant funds available to the Government of Palau may be used for administrative expenses attendant to program or service delivery, exclusive of medical referral and other transportation costs directly related to delivery of programs and services to recipients.

(c) Audit. The Government of Palau shall keep current records of all funding transactions of the special block grant funds and shall make such records available to the Government of the United States in connection with any audits conducted pursuant to Section 233 of the Compact.

6. Funds made available by the Government of the United States to the Government of Palau pursuant to Section 221(b) of the Compact and this Article do not require any matching with local funds.

7. In the event that the audit conducted pursuant to Section 233 of the Compact and paragraph 5(c) of this Article reveals that the expenditure of funds by the Government of Palau, in connection with a prior year special block grant was not in conformity with the requirements of this Article, the Government of the United States may withhold, for the subsequent year, special block grant funding which would otherwise be made available to that Government. Should the Government of the United States determine to withhold special grant funding pursuant to this paragraph, such action shall be subject to the consultation and dispute resolution provisions of

Article II of Title Four of the Compact. The Government of the United States and the Government of Palau shall consult regarding the nature of actions required.

8. Funding for the special block grant shall be disbursed by the Government of the United States to the Government of Palau in the same fashion as the current account grant funding referred to in Article I of Title Two of the Compact.

Article XI

Transition and Termination of Services and Related Programs

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Article XI

Transition and Termination of Services and Related Programs

1. Whenever the Government of Palau desires to terminate a category of the services and related programs set forth in Articles VI, VII, VIII, IX, or X of this Agreement, that Government shall give written notice to the United States resident representative and to the Federal agency of Palau. The Government of the United States shall assist in the orderly transfer of authority and responsibility. Unless otherwise agreed, the authority and responsibility of the Government of the United States under this Agreement shall terminate one year after receipt of such notice by the resident representative.

2. Upon termination of a category of services and related programs pursuant to paragraph 1 of this Article, the applicability of all laws of the United States, its regulations, practices, policies, treaties, conventions, or arrangements, which are applicable to that category solely by virtue of this Agreement, shall cease to be applicable in the territory of the Government of Palau and any authority and responsibility of the Government of the United States for the conduct of foreign affairs in respect to such services and related programs shall also cease.

Article XII

Effective Date, Amendment and Duration

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Article XII

Effective Date, Amendment and Duration

1. This Agreement shall enter into force simultaneously with the Compact; its related Exchanges of Notes shall enter into force in accordance with their own terms.
2. The provisions of this Agreement may be amended as to all of the Government of Palau and the Government of the United States at any time by mutual agreement.
3. This Agreement shall remain in force for a period of fifteen years, subject to Section 231 and Article IV, Title Four of the Compact.
4. This Agreement may be accepted, by signature or otherwise, by the Government of the United States, the Government of Palau. Each Government shall possess an original English language version.

IN WITNESS WHEREOF, the undersigned, duly authorized, have signed this Federal Programs and Services Agreement which shall come into effect in accordance with its terms between the Government of the United States and the other Governments signatory to this Agreement.

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FEDERAL PROGRAMS AND SERVICES AGREEMENT

AGREED MINUTES

Federal Programs and Services Agreement: The provisions of this Agreement relating to technical assistance to be provided in connection with specific programs and services are without prejudice to the provision of technical assistance pursuant to Section 226 or other provisions of the Compact.

Article II, paragraph 6, Legal Status of Programs and Related Services, Federal Agencies, United States Contractors and United States Personnel: Paragraph 6 is without prejudice to the Government of Palau adopting laws and regulations which require the giving of notice of such transfer.

Article VI, Postal Services and Related Programs, paragraph 10: This Agreement does not impair the authority of the Government of Palau, pursuant to paragraph 1 of this Article, to enact laws and promulgate regulations governing the operation of their respective local postal services.

Article VII, Civil Aviation Safety Services and Related Programs: The Signatory Governments intend that aviation safety authorities be in place in Palau on or as soon after the effective date of this Agreement as is necessary or practicable. To this end, the Government of the United States agrees to provide FAA technical assistance in the preparation of aviation safety statutes and regulations for the Government of Palau. On or after the effective date of this Agreement, such technical assistance shall be provided through agreements concluded pursuant to paragraph 4 of this Article. Prior to the effective date of this Agreement, such technical assistance shall be provided only if funding is obtained to reimburse the FAA for such assistance. The Government of Palau has been advised that such funds will have to be provided by the Government receiving FAA technical assistance should such funds not otherwise be available.

Article X, Implementation of Section 221(b) of the Compact, paragraph 5(b): The provisions of paragraph 5(b) of the Compact for payments to or support of for-profit organizations are not intended to preclude acquisition of goods and services for public purposes within the programs categories set forth in paragraph 3 of Article X.

DONE AT Palau, THIS 10th DAY OF January,

ONE THOUSAND NINE HUNDRED EIGHTY-SIX.

FOR THE GOVERNMENT

OF

THE REPUBLIC OF PALAU

/s/ Lazarus E. Salii

DONE AT Palau, THIS 10th DAY OF January,

ONE THOUSAND NINE HUNDRED EIGHTY-SIX.

FOR THE GOVERNMENT

OF

THE UNITED STATES OF AMERICA

/s/ Fred M. Zeder II