

AN ACT

To establish a moratorium on the establishment or operation of any garment assembling or manufacturing enterprises, and for related purposes.

THE PEOPLE OF THE STATE OF KOROR REPRESENTED IN THE STATE  
LEGISLATURE DO  
ENACT AS FOLLOWS:

SECTION 1. FINDINGS. The Sixth Koror Legislature hereby finds that there is currently one garment assembly or manufacturing enterprise operating in the State of Koror, and that there is a potential for other garment manufacturing operations to be established in Koror because of trade and tariff exemptions of the United States of America.

The garment factory operations include the utilization of real property, which is scarce in the State of Koror. The real property involved may also constitute a use of public lands, which are also a limited resource in the State of Koror. The use and development of lands in the State of Koror is currently undergoing changes by way of amendments to the Koror State Zoning Map, and the Legislature is considering a comprehensive zoning scheme that could make significant changes to the current zoning status of many lands in the State of Koror. Until such a comprehensive plan is fully considered and developed, the establishment of a garment factory in any particular area may lead to a use which is later considered "non-conforming", and which may be inappropriate for other planned development in the same area.

The establishment and operation of these garment assembly operations also produces little economic benefits to the State of Koror, when compared to the potential adverse impacts to the environment of the State of Koror. Most if not all sales of the garments can be arranged to be completed outside of the Republic of Palau, which makes the actual sale of the manufactured garments exempt from the national gross receipts tax provisions; if the sale of garments takes place outside of the Republic of Palau, it is not subject to gross receipts taxes, even if millions of dollars worth of sales are consummated. In addition to the comprehensive zoning changes being considered

as mentioned above, the people of the State of Koror have not had the opportunity, through their elected leaders and through public hearings, to fully consider a "master plan" scheme that comports with the recommendations of the economic development plan for the Republic of Palau, and for the State of Koror. Until the suitable and most beneficial use of lands is determined in a comprehensive plan consistent with national goals and objectives,

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the establishment or operation of garment assembly facilities in the State of Koror is better left for the future.

In addition to these matters, there are issues relating to the increase in the number of foreign workers, who will add to the increase in population (even if only temporarily or during working hours), and increased pressure on the already strained infrastructure of Koror. The sewage treatment facility is already operating at full capacity, and there are still shortcomings in the pumping delivery systems and other parts of the system. The planned expansion of the sewage treatment plant has not started, and the potential effects of the drainage from garment operations, and from employee wastewater, cannot be determined at this time. There are also uncertainties relating to the delivery of electricity, and the ability of the present systems to absorb increased utility demands.

Because of these concerns that affect the health, safety, and welfare of the people of the State of Koror, the Legislature determines that it is in the best interests to place a moratorium on the establishment or operation of any further garment assembly operations until there are better comprehensive land use plans and infrastructure to support the planned economic development of Koror.

**SECTION 2. MORATORIUM ON GARMENT MANUFACTURING  
ESTABLISHED;  
EXEMPTION.**

A. There is hereby established a moratorium on the establishment or operation of any garment manufacturing facility in the State of Koror for a period of two (2) years

from the effective date of this

Act. No person shall establish or operate a garment manufacturing facility, or attempt to establish or operate a garment manufacturing facility, for a period of two (2) years after the effective date of this Act. The prohibitions of this section do not apply to any garment manufacturing facility that is fully licensed and/or lawfully engaged in the operation of a garment manufacturing facility.

B. As used in this Act,

(1) "garment manufacturing facility" means a physical location or site where fabric or cloth is sewn or assembled into garments or other clothing or wearing apparel, and includes but is not limited to operations which cut cloth or material, which sew cloth or material together, or which sews, makes, or otherwise produces finished garments or other clothing or wearing apparel.

(2) "establishment or operation", and forms of these words, means engaging in the creation, management, operation, or administration of a garment manufacturing facility, and includes the

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opening of any such garment manufacturing facility for production, the operation of a garment manufacturing facility, the management of a garment manufacturing facility, administering a garment manufacturing facility, having an ownership interest in a garment manufacturing facility, being employed by a garment manufacturing facility, acting as an agent of a garment manufacturing facility, or sharing in the financial profits of, or receiving anything else of value from, a garment manufacturing facility, either directly or indirectly.

SECTION 3. PENALTIES. Any person who violates the provisions of this Acts

shall, upon conviction, be guilty of a misdemeanor, and shall pay a fine in the amount of \$100.00, or be sentenced to thirty (30) days in jail, or both. Upon conviction of a second offense, the penalty shall be \$100.00 and imprisonment for a term of no less than thirty (30) days and no more than ninety (90) days. Upon a conviction of third or subsequent offenses, then the penalty shall be a \$100.00 fine and imprisonment for ninety (90) days. In the event of multiple offenses that are prosecuted in one action, each offense for which a person is found guilty shall be deemed as a different and subsequent offense to any other offense or violation of this Act.

SECTION 4. SEVERABILITY. In the event that a court of competent jurisdiction determines that any part or portion of this law is invalid, then the offending portion or portions may be stricken, and the remaining portions shall continue in full force and effect.

SECTION 5. EFFECTIVE DATE. This Act shall become effective upon its approval by the House of Traditional Leaders of the State of Koror, or upon its becoming law by operation of the Koror State Constitution.

PASSED: September 1, 1999

CERTIFIED BY:

ATTESTED TO BY:

/s/ \_\_\_\_\_  
Salvador Tellames, Speaker  
6<sup>th</sup> Koror State Legislature

/s/ \_\_\_\_\_  
Charlyne Uong, Clerk  
6<sup>th</sup> Koror State Legislature

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APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 1999.

*/s/*  
John C. Gibbons  
Governor, Koror State

APPROVED THIS 22 DAY OF Sept., 1999.

*/s/*  
Ibedul Y. M. Gibbons  
Chairman, House of Traditional Leaders