

August 5, 1975

Dear Mr. <sup>x</sup>Connolly: *George A.*

The President has asked that I respond to your letter of June 25 regarding the Panama Canal treaty negotiations.

You may be assured that the question of United States interests in the Panama Canal and how we can best protect them has been subjected to the most thorough review and continues to receive concerted attention throughout the Executive Branch. Our principal goal in these negotiations is to protect United States interests over the long term.

As you noted in your letter, the U.S. has fulfilled all its economic obligations under the treaty throughout its relationship with Panama. Panama's discontent with the treaty does not relate primarily to the level of compensation and economic benefit it receives from the Canal. In fact, Panamanians have categorically rejected economic enticements as a substitute for the restoration of what they regard as their basic national rights.

Panama has been discontented with the Treaty of 1903 since its inception and has pressed for more favorable terms with increasing intensity in recent years. We believe it should prove possible to negotiate a new treaty relationship with Panama which will protect basic United States interests in the Canal (including provision for the operation and defense of the Canal by the United States for an extended period of time) while meeting some of Panama's concerns and desires. It is our belief that this is the most effective way to assure that the Canal is kept safe, open,



RECEIVED  
AUG 6 1975  
CENTRAL FILES



efficient and neutral over the long term. The talks, however, are still continuing and a number of difficult issues remain to be discussed.

We appreciate having your views on this important subject, and I have taken the liberty of forwarding a copy of your letter to the Department of State in order that it may be brought to the attention of appropriate U.S. officials concerned with the negotiations.

With the President's best wishes,

Sincerely,

Roland L. Elliott  
Director of Correspondence

Mr. George A. Connolly  
Keil, Connolly and Barbieri  
244 Kearny Street  
San Francisco, California 94108

RLE:NSC:JHH:aby



## NATIONAL SECURITY COUNCIL

July 31, 1975

MEMORANDUM FOR: JEANNE W. DAVIS

FROM: STEPHEN LOW *SL*

SUBJECT: Letter to Mr. George  
Connolly re Panama  
Canal Treaty

Attached for your signature is a memo to Roland Elliott forwarding a draft reply on the Panama negotiations to a letter received from Mr. George Connolly.





## MEMORANDUM

## NATIONAL SECURITY COUNCIL

July 31, 1975

MEMORANDUM FOR: ROLAND ELLIOTT

FROM:

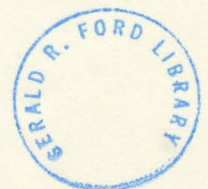
*WHD*  
*fn* JEANNE W. DAVIS

SUBJECT:

Letter to Mr. George A. Connolly regarding  
the Panama Canal Treaty

Mr. George A. Connolly wrote the President on June 25 to express his opposition to any change in our treaty with Panama regarding the Canal. He expresses the view that we have fulfilled our economic obligations and paid for the rights which we obtained. His father participated in the Commission which adjudicated property claims of Panamanian nationals in the Zone. (Tab B)

Attached for your signature at Tab A is a suggested response to Mr. Connolly thanking him on behalf of the President for his letter and commenting on the reasoning which motivates our negotiations with Panama. The letter also notes that Panamanian discontent with the Treaty of 1903 does not relate primarily to the level of compensation and economic benefits it receives from the Canal.



A





Suggested Reply

Final

Dear Mr. Connolly:

The President has asked that I respond to your letter of June 25 regarding the Panama Canal treaty negotiations.

You may be assured that the question of United States interests in the Panama Canal and how we can best protect them has been subjected to the most thorough review and continues to receive concerted attention throughout the Executive Branch. Our principal goal in these negotiations is to protect United States interests over the long term.

As you noted in your letter, the U.S. has fulfilled all its economic obligations under the treaty throughout its relationship with Panama. Panama's discontent with the treaty does not relate primarily to the level of compensation and economic benefit it receives from the Canal. In fact, Panamanians have categorically rejected economic enticements as a substitute for the restoration of what they regard as their basic national rights.

Panama has been discontented with the Treaty of 1903 since its inception and has pressed for more favorable terms with increasing intensity in recent years. We believe it should prove possible to negotiate a new treaty relationship with Panama which will protect basic United States interests in the Canal (including provision for the operation and defense of the Canal by the United States for an extended period of time) while meeting some of Panama's concerns and desires. It is our belief that this is the most effective way to assure that the Canal is kept safe, open, efficient and neutral over the long term. The talks,



however, are still continuing and a number of difficult issues remain to be discussed.

We appreciate having your views on this important subject, and I have taken the liberty of forwarding a copy of your letter to the Department of State in order that it may be brought to the attention of appropriate U.S. officials concerned with the negotiations.

*With the President's best wishes,*  
Sincerely,

Roland Elliott

Mr. George A. Connolly  
Keil, Connolly and Barbieri  
244 Kearny Street  
San Francisco, California 94108

*RLE/NSC/JA*





B





(CLASSIFICATION)

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT  
TRANSMITTAL FORM

S/S: 7513438

Date: July 17, 1975

For: Lt. Gen. Brent Scowcroft  
National Security Council  
The White House

Pursuant to referral dated 7/2/75, NSC No. 7504572 (if any)  
a copy of which is attached, we are enclosing the following:

Information copy  
of direct reply Translation Other  
X Draft reply for: President's signature X Other signature

We believe no response is necessary for the reason cited below

The attached item, which was sent directly to the Department  
of State, is being forwarded for your attention.

We believe no response is necessary for the reason cited below

A draft reply is attached

A draft reply will be forwarded

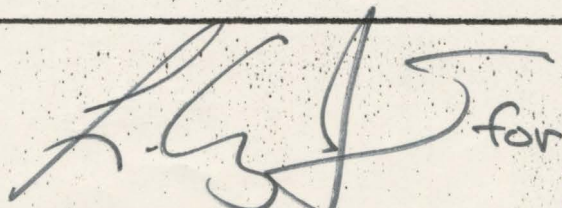
A translation is attached

Other

REMARKS:

DOCUMENT DESCRIPTION:

To: The President From: George Connolly  
Date: 6/25/75 Subject: Panama Canal Zone

 for  
George S. Springsteen  
Executive Secretary





SUGGESTED REPLY

Dear Mr. Connolly:

The President has asked that I reply to your letter of June 25 concerning the Panama Canal treaty negotiations.

You seem to have a clear understanding of the terms of the 1903 treaty in which the United States was granted extensive jurisdictional rights in the Canal Zone. The interests of Panama, the U.S. and world shipping have been served efficiently under that treaty, as revised in 1936 and 1955. [However, the last 70 years have seen many changes throughout the world. These changes are to some degree inconsistent with the terms of the treaty of 1903 and our present relationship with Panama.]

In seeking a new treaty which will accommodate the important interests of both Panama and the U.S., the Executive Branch is not attempting, as you imply, to compensate for past slights to Panama. As you have noted, the U.S. has fulfilled all its economic obligations under the treaty throughout its relationship with Panama. However, it is not true that Panama's current grievances and

Mr. George A. Connolly,

244 Kearny Street,

San Francisco, California 94108.





discontent relate primarily to the level of compensation it receives from the canal. In fact, Panamanians have categorically rejected economic enticements as a substitute for the restoration of what they regard as their basic national rights. The Panamanian people harbor deep feelings of resentment and feel the Canal Zone is an insult to their national dignity.

This intensifying Panamanian restiveness has been engendered primarily by the portions of the 1903 treaty which give the U.S. rights "as if it were the sovereign" and "in perpetuity." This, in reality, would mean the presence forever of a mini-United States government on Panamanian territory.

We believe that our exercise of these broad jurisdictional rights is today merely an unnecessary source of friction and will itself be a growing threat to our real interest in the canal, because it antagonizes the Panamanians so severely. In contrast, we believe that a new treaty based on partnership will restore Panamanian consent and at the the same time provide us the specific treaty rights we require to continue efficient operation and defense of the canal during the life of the new treaty.

The commercial importance of the canal to the United States, while still great, is not as large as it has been in the past. Moreover, the canal is only of economic



value when open and efficiently run. Therefore, our prime objective is to keep the canal safe, open, efficient and neutral.

Thus, in pursuit of our own best interests, the U.S. seeks a new treaty which will ensure continued U.S. operation and defense of the canal for an extended time period, while accommodating Panama's need for the full exercise of its sovereignty. In my view, such a new partnership will avoid an unnecessary confrontation. It should not be viewed as a surrender of U.S. territory or an apology to Panama for past misdeeds, but rather as the best means of insuring what is of interest to both countries -- a well run and secure canal.

I am enclosing for your information copies of the Background and Status of the Panama Canal Treaty Negotiations and a recent speech by Ambassador Bunker on the treaty issue.

I do hope the foregoing thoughts have been helpful to you.

Sincerely,





CLASSIFICATION

NSC REFERRAL TO STATE SECRETARIAT

Date: July 2, 1975

MEMORANDUM FOR:

GEORGE SPRINGSTEEN  
EXECUTIVE SECRETARY  
DEPARTMENT OF STATE

NSC LOG# 7504572

DOCUMENT DESCRIPTION:

TO: President

FROM: George Connolly

DATE: June 25, 1975

SUBJECT: Panama Canal Zone

ACTION REQUESTED:

XX DRAFT REPLY FOR:

       PRESIDENT'S SIGNATURE

XX WHITE HOUSE STAFF SIGNATURE

       OTHER

       DIRECT REPLY

       FURNISH INFO COPY

       DISPATCH

       RECOMMENDATIONS/COMMENTS

       TRANSLATION

       APPROPRIATE HANDLING

       INFORMATION

       FOR ADDITIONAL PROCESSING AS INDICATED:

DUE DATE: July 14, 1975

URGENT       

ROUTINE       

COMMENTS:       

*Charlotte W. Davis*  
for JEANNE W. DAVIS  
Staff Secretary

CLASSIFICATION





MS  
Pro Retain Panama Canal

4572

KEIL, CONNOLLY & BARBIERI

EDWARD D. KEIL  
GEORGE A. CONNOLLY  
ROBERT J. BARBIERI  
WILLIAM D. SOMMER  
JACK F. BONANNO  
SIDNEY R. SHERAY  
H. KELLY OGLE

ATTORNEYS AT LAW  
KEIL BUILDING  
244 KEARNY STREET  
SAN FRANCISCO, CALIFORNIA 94108  
TELEPHONE (415) 986-4667

CHARLES P. KNIGHTS (1890-1968)  
GEORGE F. BARRY, JR. (1901-1970)

June 25, 1975

HK  
Honorable Gerald R. Ford  
President of the United States  
White House  
Washington, D. C.

My dear President Ford:

I have noted in the newspapers recently, news items and accounts with respect to the urgings and demands of the Republic of Panama, that the United States of America cede to Panama, territorial rights of the United States to the Panama Canal and the Panama Canal Zone. The latter comprises an area of approximately 500 sq. miles (5 miles on each side of the approximate 50 mile length of the Panama Canal itself across the isthmus of Panama).

The territorial rights of the United States to Panama Canal and the Canal Zone, stem from the treaty between the United States and the Republic of Panama which I believe was signed on November 18, 1903, which treaty granted to the United States the right to construct the canal across the isthmus of Panama and gave to the United States certain territorial rights over the Canal Zone. The treaty, I believe, provided for the payment by the United States of periodic payments to the Republic of Panama and required the United States to settle with the owners of private property taken for the Canal and for the Canal Zone, fair compensation for the property rights so taken.

I believe that the Congress has on several occasions, increased the amounts of the required payments by the United States to the Republic of Panama for the treaty rights of the United States in and to Panama Canal and the Canal Zone.

My own father who died in 1928 and who was a San Francisco lawyer and had the same name as the writer, was appointed on September 1, 1917, as one of the two American commissioners of the Joint Commission of the United States and the Republic of Panama, for the appraisal and settlement of damages to property rights taken in the Canal Zone. That Commission had two United States commissioners; two Panamanian commissioners; and one





Honorable Gerald R. Ford  
June 25, 1975  
Page Two

Spanish umpire and the Commission sat at Ancon on the Pacific side of the Canal Zone, for approximately two and one half years to decide and adjudicate property claims of the Panamanian nationals. My father sat on that Commission and performed his required duties and our family, consisting of my father, mother, sister and myself, lived together in Ancon on the Pacific side of the Canal Zone during the greater part of that time. I was then in 1917 a boy 10 years of age.

I greatly deplore the moves and efforts to have the territorial rights of the United States to the Panama Canal and the Canal Zone, ceded back to Panama. Our country by its treaty has paid for our rights, including far greater amounts than were called for by the original treaty.

Enclosed is a photocopy of a news account appearing in the San Francisco Chronicle issue of Thursday, June 19, 1975, which purports to quote the views and statements of Ambassador William Mailliard in support of ceding the Panama Canal area back to Panama.

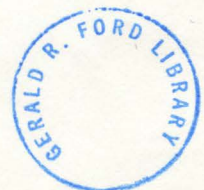
I strenuously disagree with the views of Ambassador Mailliard for I feel that our country has been punctilious in heeding its obligations to the Republic of Panama and that the rights which we have in the Panama Canal and the Canal Zone were granted to us with ample quid pro quo on the part of the United States.

I forward this letter to you, my dear Mr. President, in all good faith and urge you and your Administration to retain our Panama Canal rights, exactly in accordance with our existing treaty.

Very sincerely yours,

*George A. Connolly*  
GEORGE A. CONNOLLY

GAC/eca





**'It Just Isn't Worth the Price'**

## Mailliard Urges U.S. to Cede Panama Canal

Ambassador William Mailliard declared yesterday that the United States is now in a position to make prompt, dignified settlements to long-standing disputes over the status of the Panama Canal and the blockade of Cuba.

It is time to recognize that Panama has the right to claim sovereignty over the canal that bisects its territory, the former San Francis-

co Congressman said in an interview. Mailliard, who is now U.S. Ambassador to the Organization of American States, was in San Francisco for a visit with his family.

"What price does the United States want to pay for a treaty that no government in the world would sign today?" asked Mailliard, referring to Panama's earlier agreement to yield perpetu-

al control of the canal to the United States.

"We can keep control, but do we want to send a couple of divisions of marines to do it? We have no support on our claim from any other country in the world. It just isn't worth the price."

The canal has lost much of its strategic value, Mailliard said, because it cannot be used by aircraft carriers or any tankers larger than

100,000 tons. Even if the canal were closed off completely, he argued, swift Navy ships could go around Cape Horn with comparatively little loss of time.

"Now when our relations with Panama are good is the time to protect the United States with a new treaty rather than have to withdraw under fire in a period of protest and terrorizing," Mailliard said.

The one difficulty with getting approval from the Senate for a new Panama Canal treaty, Mailliard said, is the strong opposition from the American Legion, the Daughters of the American Revolution and similar organizations.

The ambassador said he expects technical steps to be taken at a conference of American states in Costa Rica in mid-July to remove

San Francisco Chronicle 15  
★★ Thurs., June 19, 1975

formal sanctions from trading with Cuba, leaving each nation in the hemisphere free to decide whether to continue the embargo.

"I don't think we would trade with Cuba right away," he added.

### Canada-Viet Talks Ottawa

Formal talks are expected soon between Canada and South Vietnam on reopening missions in each others capitals, a Foreign Ministry spokesman said yesterday.

Reuters





## NSC CORRESPONDENCE PROFILE

| DOC |    | RECD |    |    | LOG NBR | INITIAL ACTION |
|-----|----|------|----|----|---------|----------------|
| MO  | DA | MO   | DA | HR |         |                |
| 6   | 28 | 7    | 2  | 17 | 2504572 |                |

|                                                                                                                        |                   |                               |             |                       |                 |
|------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------|-------------|-----------------------|-----------------|
| SOURCE/CLASS/DESCRIPTION                                                                                               | TO: PRES <u>*</u> | FROM: <u>Connolly, George</u> | REFERENCE:  | CIRCLE AS APPROPRIATE |                 |
|                                                                                                                        | KISSINGER _____   | COLBY, W _____                | S/S _____   | <u>UNCLAS</u>         | LOG IN/OUT      |
|                                                                                                                        | SCOWCROFT _____   | SCHLESINGER, J _____          | OTHER _____ | LOU                   | NO FORN NODIS   |
|                                                                                                                        | DAVIS _____       | ST EX SEC _____               |             | C                     | EYES ONLY EXDIS |
|                                                                                                                        |                   |                               |             | S                     | CODEWORD        |
|                                                                                                                        |                   |                               |             | TS                    | SENSITIVE       |
| SUBJECT: <u>Ack ltr to Pres for Connolly re his views concerning Panama's demand to obtain control of Panama Canal</u> |                   |                               |             |                       |                 |

| DISTRIBUTION/INITIAL ACTION ASGMT | INTERNAL ROUTING AND DISTRIBUTION |          |          | REC<br>CY<br>FOR | ACTION REQUIRED                            |
|-----------------------------------|-----------------------------------|----------|----------|------------------|--------------------------------------------|
|                                   |                                   | ACTION   | INFO.    |                  |                                            |
|                                   | ADVANCE CYS TO HAK/SCOWCROFT      |          |          |                  | MEMO FOR HAK ..... (_____)                 |
|                                   | STAFF SECRETARY                   |          |          |                  | MEMO FOR PRES ..... (_____)                |
|                                   | FAR EAST                          |          |          |                  | REPLY FOR ..... (_____)                    |
|                                   | SUB-SAHARAN AFRICA                |          |          |                  | APPROPRIATE ACTION ..... (_____)           |
|                                   | MID EAST / NO. AFRICA / SO. ASIA  |          |          |                  | MEMO _____ TO _____ ..... (_____)          |
|                                   | EUROPE / CANADA                   |          |          |                  | RECOMMENDATIONS ..... (_____)              |
|                                   | LATIN AMERICA                     |          | <u>✓</u> | <u>×</u>         | JOINT MEMO ..... (_____)                   |
|                                   | UNITED NATIONS                    |          |          |                  | REFER TO _____ FOR: _____ (_____)          |
|                                   | ECONOMIC                          |          |          |                  | ANY ACTION NECESSARY? ..... (_____)        |
|                                   | SCIENTIFIC                        |          |          |                  | CONCURRENCE. .... (_____)                  |
|                                   | PROGRAM ANALYSIS                  |          |          |                  | DUE DATE:                                  |
|                                   | NSC PLANNING                      |          |          |                  | COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS) |
| CONGRESSIONAL <u>Press</u>        |                                   | <u>✓</u> |          |                  |                                            |
| OCEANS POLICY                     |                                   |          |          |                  |                                            |
| INTELLIGENCE                      |                                   |          |          |                  |                                            |
| <u>To State per Lanan</u>         |                                   |          |          |                  |                                            |

| SUBSEQUENT ROUTING/ACTIONS | DATE        | FROM       | TO           | S        | SUBSEQUENT ACTION REQUIRED (OR TAKEN): | CY TO |
|----------------------------|-------------|------------|--------------|----------|----------------------------------------|-------|
|                            | <u>7/2</u>  |            | <u>State</u> | <u>D</u> | <u>Draft reply for WHS (7-14)</u>      |       |
|                            | <u>7/17</u> |            |              |          | <u>Reel State draft 7513438</u>        |       |
|                            | <u>7/17</u> |            | <u>Low</u>   | <u>S</u> | <u>Memo Davis to R. Elliott (7-24)</u> |       |
|                            | <u>7/31</u> | <u>Low</u> | <u>S</u>     |          | <u>② memo for Elliott</u>              |       |
|                            | <u>7/31</u> |            |              |          | <u>C Davis to R. Elliott</u>           |       |
|                            |             |            |              |          |                                        |       |
|                            |             |            |              |          |                                        |       |
|                            |             |            |              |          |                                        |       |
|                            |             |            |              |          |                                        |       |
|                            |             |            |              |          |                                        |       |
|                            |             |            |              |          |                                        |       |

|                  |                                    |                           |                                         |
|------------------|------------------------------------|---------------------------|-----------------------------------------|
| NSC/S DISP INSTR | DISPATCH <u>8/1/75 w/attach ed</u> | MICROFILM & FILE RQMTS:   |                                         |
|                  | CY RQMTS: SEE ABOVE PLUS:          | AUG 11 1975 BY <u>ADC</u> |                                         |
|                  | NOTIFY _____ & DATE _____ BY _____ | CRT ID: <u>ADC</u>        |                                         |
|                  | SPECIAL DISPOSITION: _____         | OPEN <u>ADC</u>           |                                         |
|                  | CROSS REF W/ _____                 | CLOSE <u>ADC</u>          |                                         |
|                  | SUSPENSE CY ATTACHED: _____        | FOLDER: _____             | SA SF<br>HR NS<br><u>WH</u> EP<br>PA DY |