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Congress. House. Committee on ways and means.

CONGRESS, } HOUSE OF REPRESENTATIVES. { REPORT
2d Session. } { No. 702.

9-30349

MEXICAN FREE ZONE.

MARCH 11, 1898.—Referred to the House Calendar and ordered to be printed.

Mr. GROSVENOR, from the Committee on Ways and Means, submitted the following

REPORT.

[To accompany H. Res. 27.]

The Committee on Ways and Means, to whom was referred the joint resolution (H. Res. 27) "To repeal the joint resolution in reference to the Free Zone," having had the same under consideration, beg leave to report:

By section 3005 of the Revised Statutes, the right of "free" transportation in bond is accorded to adjoining countries through the United States and upon its railroads and other transportation systems, under regulations made by the Secretary of the Treasury. This right extended to the Republic of Mexico. The Republic of Mexico, in the exercise of its sovereignty, created a district of territory along its entire frontier bordering on the United States about 13 miles wide, in which territory goods and merchandise were and are admitted free of duty. It is called and known as the "Free Zone" or "Zona Libre." This right of shipment was enjoyed until March 1, 1895, when a joint resolution was passed authorizing and directing the Secretary of the Treasury to suspend this right so far as the Free Zone was concerned, and in pursuance thereof the Secretary did suspend said right.

The reason for the passage of that joint resolution (vol. 28, U. S. Stat. L., p. 973, No. 23) was to prevent what was represented as a large "smuggling" trade back into the United States from the "free" goods admitted into this zone. Earnest protest was at the time made against the passage of the resolution, and for the facts bearing upon the matter reference is here made to Congressional Record, volume 27, part 4, page 2850 et seq., Fifty-third Congress, third session. Since that time three years have elapsed, and the purpose for which the resolution was passed shows that it has failed. Mexico has not repealed the "Free Zone," and the United States has not been better protected. On the contrary, the only effect of the resolution has been to drive from our own transportation lines a large traffic in European and foreign lines—very large and profitable business—without any return whatever. The goods that should and would be shipped in bond over our lines into

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territory of Mexico are now shipped by vessels to Vera Cruz and other Mexican ports, in foreign bottoms and over the Mexican railroads, into the Free Zone, thus depriving our railroads of their legitimate business. These facts have been submitted to the Secretary of the Treasury and his opinion taken upon the adoption of the resolution now before the committee, and he sees no objection to such action. His letter, dated January 26, 1898, addressed to Hon. Nelson Dingley, chairman Committee on Ways and Means, is attached hereto and made a part hereof.

We therefore recommend the adoption of the joint resolution (No. 27) now before the committee, and report the same back to the House with a recommendation that it do pass.

The subject of the Free Zone, with its history and the variety of historical data connected therewith, is a very interesting subject; and inasmuch as it affects the relations between this Government and the Republic of Mexico, and inasmuch as the whole subject-matter is one of great interest, the committee have seen fit to embody in this report a very able and comprehensive paper prepared by Señor Don Matias Romero, the distinguished representative of the Republic of Mexico at this capital. That gentleman has had ample opportunity to know whereof he writes in this behalf, having been a member of the Mexican Government and intimate with everything connected with the subject. Your committee take pleasure, therefore, with the consent of that distinguished gentlemen, in here presenting his paper as a part of this report. It is taken from the proofs of a series of papers bearing on the relations between Mexico and the United States that the Mexican minister is now about to publish in book form.

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,
Washington, D. C., January 26, 1898.

SIR: I have the honor to acknowledge the receipt of a letter, dated the 21st instant, from the clerk of your committee, with which was transmitted, for an expression of my views thereon, House joint resolution 27, providing for the repeal of the joint resolution in reference to the Free Zone.

On the 2d of February last, in reply to a letter from you, inclosing, for an expression of the views of this Department thereon, House joint resolution 222, which is substantially the same as that under consideration, you were advised that there is abundant opportunity for the perpetration of frauds on the revenue by reason of the Free Zone of Mexico, and until the privileges pertaining to said Zone are abolished by the Mexican Government the danger to the revenue will continue to exist. The opinion was also expressed that the only practical result of the legislation which it is intended to repeal has been loss of business to American railway companies by reason of the diversion of the traffic to points in the Free Zone by way of Mexican seaports. The views then expressed are reiterated, and I see no objection to the passage of House resolution No. 27.

Respectfully, yours,

L. J. GAGE,
Secretary.

HON. NELSON DINGLEY,
Chairman Committee on Ways and Means, House of Representatives.

THE MEXICAN FREE ZONE.

There is in the northern part of Mexico, along its border line with the United States, a belt of territory exempted from certain duties, and which is called "The Free Zone."

Mexico is a country of high import duties, which, added to the protection by her money having depreciated over 50 per cent, surrounds her people with an almost impassable tariff wall. Against this ground the operations of the Free Zone

are thrown into strong relief, and, as the people of the United States are more concerned with this border commerce than any other people dealing with Mexico, the history of the zone, its influence upon trade, and the question of its permanency become here questions of interest.

Unfortunately, the idea has prevailed in the United States that the Mexican Free Zone was established with a hostile spirit toward the United States and for the main purpose of favoring smuggling against the interests of the Treasury and the bona fide merchants of this country.

As I was perfectly sure that such views were unsound and were based on grave misapprehensions, I thought it would be well—with a view to prevent misunderstandings, which are in the way of closer friendly and commercial relations between the two countries—to give a brief outline of the establishment of the Mexican Free Zone, and its practical results, and with that purpose I wrote an official letter to the Secretary of State of the United States, on February 10, 1888, supplementing it by another on the 14th of the same month, both of which were published with the President's message of March 16, 1888, in answer to a resolution of the Senate of February 16 of the same year, asking for information on that subject. I insert at the end of this paper the President's message and both of my letters. In writing the letters referred to I was prompted by a desire to promote a good understanding and harmonious relations between the two countries, and I believed that it would not be presumptuous on my part to offer some important statements on that subject. When, some time afterwards, some public men, among others Mr. Crain, a Member of Congress from Texas, asked me for some information about the Free Zone, I referred him to my official letters to the State Department, published by the Senate; and my statements seemed to him so satisfactory that when he spoke in the House on February 27, 1895, against the Cockrell resolution, on the subject of the Free Zone, most of his arguments were taken from my statements made to the State Department.

As public documents do not always attain a wide circulation among the people of this country, and as I desired that my statements in regard to the Free Zone should have in the United States as wide a circulation as possible, I thought it would be expedient to embody the views contained in my two official letters to the State Department in an article for one of the leading magazines of this country, and I therefore prepared a paper, which was published in the *North American Review* of April, 1892.

I give below that paper, which has been carefully revised and considerably enlarged, with a view to embrace a complete statement of this question and its bearings both toward Mexico and to the United States.

My opinions about the Free Zone are at least impartial, as the official records of Mexico show that, far from being a friend of that institution, I have ever been its most earnest opponent, having been the leader of the opposition to the same both in the Mexican Congress and in the Mexican cabinet, as I was the only secretary of the treasury who had so far officially advised its abolishment. I will not, therefore, belittle its advantages nor understate its disadvantages as I understand them, my object being to make a full and candid statement of the question in all its bearings for the aforesaid purpose.

The following is the revised paper referred to:

Mexico has had for some years on its frontier with the United States what has been known as the "Zona Libre," or "Free Zone." It is a strip of territory along the northern boundary of the Republic, 20 kilometers, or about 12½ miles in width, and extending from the Gulf of Mexico to the Pacific coast, a distance of 1,833 miles. Foreign goods entered for consumption within this Zone pay now only 18½ per cent of the regular schedule of Mexican import duties. So Mexico maintains along her northern boundary two customs lines. Goods passing the first line are assessed 18½ per cent of the import duties, and when they pass the second, 20 kilometers to the south, they pay the remaining 81½ per cent. This applies only to goods entered for consumption within the Zone, for the full tariff is collected at the first line on all goods intended originally for shipment into the interior, thus necessitating only one collection. The Zone is, therefore, of small account to the Mexican Government as a revenue producer, but has been a constant source of trouble, inasmuch as it presents opportunities for smuggling, and it has been greatly misunderstood here.

It is a misnomer to call such institution a free zone, because foreign goods imported into it have never since its establishment been entirely free of duties. When the Free Zone was originally established, and for some time later, foreign goods paid a duty of 2½ per cent upon the import duties destined to the respective municipalities, and since 1885 they have paid a portion of the import duties, which was in the beginning 10 per cent and is now as high as 18½ per cent. The proper name for it might be, therefore, a zone with discriminating or reduced duties and not a Free Zone. This exemption has been greatly misunderstood in this country, where the impression has prevailed that it was established by Mexico as an act of antagonism,

if not of unfriendliness, toward the United States, and that its main, if not its sole, purpose was to encourage smuggling, to the prejudice of the merchants and the fiscal interests of this country.

To consider this matter impartially and fairly it is proper first to state how the Free Zone originated in Mexico; what vicissitudes it has suffered; what action the United States Government has taken in the premises; and, finally, how it affects the interests of both countries.

Establishment of the Free Zone.—When, in pursuance of the treaty of February 2, 1848, the Rio Grande from El Paso del Norte to the point where it flows into the Gulf of Mexico was accepted as the boundary line between Mexico and the United States, new settlements sprang up on the northern bank of the river, and things began to arrange themselves to the new conditions. The two nations, which so far had been separated by territory, very sparsely populated, were at once brought into close contact with each other, and it was found that the economical and commercial conditions on the north and south banks of the Rio Grande were in striking contrast to each other. In the towns of the United States, along the north bank, no taxes were levied and no restrictions of any kind were imposed upon internal trade. The import duties on foreign goods brought into the United States were at that time comparatively low, and this country was then attaining the full development of its unexampled career of material progress and prosperity. On the opposite bank, in Mexico, the towns were burdened by the oppressive system of taxation, which had come down to us from the Spaniards. The heavy taxes, which were levied on internal trade, under the name of *alcabalas*, largely increased the cost of foreign and domestic goods, and the collection of these taxes made a system of interior custom-houses, with all their attendant evils, a necessary institution. There were many and very onerous restrictions, both upon foreign and domestic trade, and the import duties on foreign goods were so high as to be, in many cases, practically prohibitory.

Many commodities were actually excluded from the country under the plea of protection to our national industries, and among these were articles of prime necessity, such as grain and provisions. The result of this condition of things was that radically different prices prevailed in the towns on the two sides of the river. At Brownsville, Tex., for instance, on the north bank of the Rio Grande, commodities and the necessities of life, such as provisions and clothing, were bought at a low price, while in Matamoras and other Mexican towns, on the south bank, the same articles of domestic production, and often of an inferior quality, cost twice and even four times as much as at the stores just across the river. A still greater disproportion existed in the prices of foreign goods on the two sides of the river, and the cheapest commodities were always sold on the left bank of the Rio Grande.

The difference in taxation, and consequently in prices on the frontier, necessarily brought about one of two results. It either caused the inhabitants of the Mexican towns to emigrate to the settlements on the other side of the river, in order to enjoy the advantages which were to be had in this country, or it induced them to purchase in the United States the goods which they needed, and to smuggle them across the Rio Grande to their homes in Mexico.

Besides, the physical characteristics of Mexico are such that a large portion of the population of its Northern States contained in the valley of the Rio Grande depended for their supplies on the American side of the river, notwithstanding the high tariff of the Mexican Government.

In 1849, the year following the adoption of the new boundary line by the two countries, the situation on the Mexican frontier became so intolerable and disquieting that our Federal Congress was obliged to pass, on April 4 of that year, a law authorizing for three years the importation, with reduced duties, through the frontier custom-houses of the State of Tamaulipas—the only one, excepting Chihuahua, which then had towns on the border—of such provisions as were needed for the use of the people of the frontier. Such goods had up to that time either been prohibited by the existing tariff or had been subject to almost prohibitory duties. This law did not meet the exigencies of the situation because it was restricted to provisions, and these are not the only things that men require for life and comfort.

On August 30, 1852, the United States Congress passed an act by which the contrast between the conditions of the two sides of the Rio Grande was made still greater, and the condition of things on the Mexican side became worse than ever. By that act foreign goods could be sent in bond to Mexico over certain routes specified in the act and others to be authorized by the Secretary of the Treasury. These goods could be held on the frontier in the United States until a favorable opportunity should present itself for their exportation into Mexico, and they were exempted from all duties to the United States when exported from them. There was no similar privilege within the territory of Mexico, as all foreign goods, of whatever kind they might be, were there subject to the payment of duty upon their importation.

The result was that the inhabitants of the Mexican side of the river were placed under such disadvantages that the public men of Tamaulipas, the State which at that time had towns on the border facing the border villages of Texas, came to the

belief that they could not live there unless they had privileges similar to those existing in the United States. It was this belief that originated the Free Zone, and, in the unsettled condition of Mexico, it did not take long for such men to find an opportunity to bring about what they desired.

This statement of facts shows that the Free Zone was not really an invention of the Mexican authorities of the State of Tamaulipas, but an imitation, on a larger scale, of a similar measure enacted more than five years previously by the United States Government for the benefit of that portion of its territory bordering on Mexico.

On February 5, 1857, we adopted our present constitution, which went into operation on the 16th of the following September. On the 1st of December of that year, Gen. Ignacio Comonfort, who had just been elected President under the new constitution, was inaugurated. Two weeks later he unfortunately issued a pronunciamiento against the very constitution to which he owed his election, thus undermining the source of his authority, and he thereupon dissolved the Federal Congress then in session. Almost all of the Mexican States refused to consent to so daring a violation of the constitution, and many of them, especially those far distant from the capital, reassumed their sovereignty, and their legislatures granted extraordinary powers to the governors, in order to enable them to defend their institutions against those who had betrayed their trust by trying to overthrow the constitution, acting in this very much as some of the Brazilian States recently did when the President of that Republic, Marshal Diodoro Da Fonseca, attempted to assume the dictatorship, and these States exercised, consequently, all the powers belonging to an independent State, as they were actually beyond the reach of the Federal Government.

By virtue of such powers the governor of the State of Tamaulipas issued, on March 17, 1858, a decree designed to afford a remedy for the hardships from which the frontier population of that State were then suffering. This decree established what has since that time been known in Mexico as the Free Zone. It exempted all foreign goods intended for the use of the frontier towns of that State or the ranches in their jurisdiction, or for trade between those towns, from all Federal duties, but not from municipal or State taxes. Such goods could remain in bond in the same towns, either at the house of the importer or at the public warehouse. The Federal Government not then having warehouses on the frontier, all packages had to go, of course, to the house of the importer. Thus goods imported into the frontier towns could remain stored indefinitely without paying any storage or other charges to the Federal treasury, and they only paid import duties when they were taken from the frontier towns to the interior of Mexico.

Nothing could give a better idea of the real object of the ordinance issued by the governor of Tamaulipas, if there were any doubt about it, than the grounds on which he based his action, which he stated in the preamble of his decree in the following words:

"The citizen Ramon Guerra, governor ad interim of the State of Tamaulipas: Whereas our towns on the northern frontier are in a state of actual decadence for the lack of laws to protect their commerce; and whereas, being situated in close proximity to a commercial nation which enjoys free trade, they need equal advantages in order not to lose their population, which is constantly emigrating to the neighboring country: Now, therefore, desiring to put an end to so serious an evil by means of franchises which have so long been demanded by the frontier trade, favorably considering the petition of the inhabitants of Matamoras, and using the extraordinary faculties with which I am invested by the decree of December 28 of the honorable legislature of the State, with the advice and consent of the council, I have seen fit to decree as follows," etc.

The following articles of the decree contain the main provisions in regard to the Free Zone, and show exactly how far it was intended to go:

"ARTICLE 1. Foreign goods designed for the consumption of the city of Matamoras and of the other towns on the bank of the Rio Bravo, Reynosa, Camargo, Mier, Guerrero, and Monterey Laredo, and for the trade which these towns carry on among themselves, shall be free from all duties, with the exception of municipal duties and such taxes as may be imposed to the end that the burdens of the State may be borne. In like manner, goods deposited in Government warehouses, or in warehouses belonging to private individuals, in the said towns, shall be free of duties so long as they are not conveyed inland to other towns of the State or of the Republic. The terms on which this trade is to be conducted are laid down in the following articles:

* * * * *

"ARTICLE 7. Foreign goods leaving the privileged towns to be conveyed into the interior of the Republic shall, at the time of so doing, become subject to the duties laid upon them by the tariff, and they shall never be conveyed into the interior without having paid, at the custom-house of their place of departure, all duties which are required to be paid in the port, and without the observance of all the requirements and provisions of the laws in force, in order that they may not be molested or detained on their way."

The governor of Tamaulipas foresaw that his decree would naturally facilitate smuggling, to the loss of the Federal treasury of Mexico; but I am sure he little imagined that the Treasury of the United States would suffer in consequence thereof, and he earnestly recommended the citizens of the State to try to prevent such a result by all the means in their power, as appears from the following article of his decree:

"ARTICLE 8. As the privilege granted by this decree ought not to cause any detriment to the national revenue, it is the duty of the inhabitants of the frontier to prevent, by all the means in their power, this privilege from being converted into a shameful smuggling traffic; it is, therefore, the duty of every inhabitant of the frontier voluntarily to become a sentinel, constantly on the watch to prevent smuggling, otherwise the Government will be under the painful necessity of withdrawing this privilege by revoking the present decree."

The governor's decree ended with the following article:

"ARTICLE 9. This decree shall be subject to the revision and approval of the legislature of the State at its next meeting in ordinary session, and to that of the Federal Congress when constitutional order shall be restored, although it shall go into force as soon as published in the privileged towns.

"Therefore, I order it to be printed, published, circulated, and duly enforced.

"Done at Ciudad Victoria, March 17, 1858.

"RAMON GUERRA.

"JOSE MARIA OLVERA, *Chief Official.*"

The foregoing decree was confirmed and amplified on the plea of establishing regulations for its execution by another decree of the governor of Tamaulipas, bearing date of October 29, 1860. The former decree was submitted, in compliance with the provisions of its last article, to the legislature of the State, and also to the Federal Congress for their approval, and was sanctioned by the latter body July 30, 1861.

New conditions are reducing very materially the scope and workings of the Free Zone. In former years, when the Free Zone duties were only 2½ per cent and the people were allowed to manufacture, the Free Zone was a benefit, and a very large number of articles of foreign manufacture were cheaper in the Free Zone than the same articles of domestic manufacture; but since the duties have been raised to 18½ per cent and exchange increased to 212, very few foreign articles can be consumed in the Free Zone in competition with Mexican domestic goods. Therefore the rate of duties of 18½ per cent, the decline in silver, and the progress of Mexico in manufacturing have practically nullified all advantages. Such articles as coffee, sugar, straw hats, shoes, vegetables, flour, beans, milk, fruits, meat, common clothing, blankets, etc., used and consumed by the poorer class of people are, if Mexican products or manufactures, cheaper than if imported from the United States; and as for the other articles, which are generally consumed by the wealthier classes, the latter have the means to buy such articles and pay full duties.

The Mexican frontier labors under great disadvantages as compared with its neighbor, and a great drawback on that frontier is that the merchants have to pay on their invoices the State taxes on sales. Therefore nearly all houses of consequence have an office on the United States side, in order to avoid paying this tax, which is, in some instances, out of proportion. This could be easily changed by allowing to the municipalities or States, instead of 1½ per cent which the present law provides, the additional 2 per cent known as port duties, of which the frontier towns get no benefit. With this assistance of 3½ per cent to the municipalities or States, by the Federal Government, this tax on sales could be avoided, and the condition of things on the frontier would be considerably improved.

This brief statement will, I think, be sufficient to show that the establishment of the Free Zone was a step taken in what was then thought to be the duty of self-preservation, so to speak, and imitating similar measures adopted by the Congress of the United States, and that it was by no means a measure approved in a spirit of unfriendliness, much less of hostility, toward the United States, as has been generally believed in this country.

For more detailed information on this subject, and especially for the English translation of some of the official documents bearing on the same, I refer the reader to a message which the President of the United States sent to the Senate on March 16, 1858 (Senate Ex. Doc. No. 130, Fiftieth Congress, first session), and to the report and accompanying documents of the Committee on Foreign Affairs of the House of Representatives, on the relations of the United States with Mexico, presented by Mr. Schleicher on the 25th of April, 1878 (House Report No. 701, Forty-fifth Congress, second session).

Discussion of the Free Zone in the Mexican Congress.—I think it will not be amiss to say a few words about the different phases through which the Free Zone has passed in Mexico, since the restoration of the Republic in 1867. The committee on ways and means of the Fifth Mexican Congress reported, in its session of 1870, a tariff bill which sanctioned the Free Zone, and this matter was fully discussed during the latter part of October and the beginning of November of that year.

Members of the cabinet have in Mexico not only the privilege of the floor in both Houses, as in the United States, but the right to participate in the debates and to express the views of the Executive. As secretary of the treasury of Mexico, I made a thorough study of this important and complicated subject, and I took part in the debate in question in the sessions of the House of the 28th and 29th of October, and the 4th and 5th of November, 1870, making lengthy remarks against the Free Zone, which were published in English in Mr. Schleicher's report. I at that time recommended its abolition to Congress, on behalf of the Executive. The reasons that led me to this conclusion were mainly of a constitutional nature, namely, that the Free Zone constituted a privilege in favor of a State, which is prohibited by our constitution; and that although I was aware that the situation of the frontier towns of Mexico required the adoption of suitable remedies, I thought that one could be found of such a nature as would embrace the whole country, and be divested of the odious character of a privilege. My efforts were in vain; Congress voted in favor of the maintenance of the Free Zone and its extension to answer any objections of its unconstitutionality; and although the tariff then under discussion never became a law,¹ nevertheless the vote of Congress in favor of the Free Zone exercised great influence upon the existing and succeeding administrations, as it showed what was the opinion of the representatives of the people on that question.

The abolition of the Free Zone was agitated in Mexico after I left the treasury department in November, 1872. When, four years later, in 1878, I was again at the head of that department, and saw that it was not possible then to abolish the Free Zone, because the frontier influences were stronger than ever, I thought that we ought at least to make proper regulations to prevent, as far as was possible, any abuses of its franchises, and the regulations of June 17, 1878, were then issued with that object in view.

Extension of the Free Zone.—In the meanwhile there had been a strong reaction in favor of the Free Zone, as the State of Tamaulipas had taken a leading part in support of the revolution of Tuxtepec, which succeeded in 1876, and brought about the administration then in power, and this was especially so during the presidency of General Gonzalez, a citizen of that State, from 1880 to 1884.

General Diaz succeeded General Gonzalez on December 1, 1884, and in a new tariff act issued by him, January 24, 1885, the Free Zone, which had been up to that time restricted to the State of Tamaulipas, was extended to the whole frontier, namely, to the States of Coahuila, Chihuahua, and Sonora, and to the Territory of Lower California, for a distance of 20 kilometers from the boundary line, thereby placing it on a better footing than it had been before, when it appeared as a privilege confined to a single State and denied to others which were in exactly the same condition, an objection which I was the first to advance against the Free Zone. But the same tariff act which so extended the Free Zone limited considerably its franchises by the regulations contained in Chapter XII.

The frontier towns and their representatives in Congress, however, exerted such pressure in the Federal Congress that by an act dated June 19, 1885, the limitations established in that tariff were suspended, and very liberal regulations were again adopted in the succeeding tariff of March 1, 1887, which remained in force until the present one of June 12, 1891, was issued. This act marked a new era, in so far as the Free Zone is concerned, as article 696 of the same subjects all foreign goods coming to the Free Zone, which had been previously free of all import duties, to a duty of 10 per cent of the import duties levied by the same tariff, excepting cattle of all kinds, which had to pay full duties. That rate has since been raised to 18½ per cent of the import duties by a decree promulgated by the treasury department of Mexico on May 12, 1896, which established a duty on foreign merchandise arriving in the country after the 1st of July of the same year of 7 per cent upon import duties, to be paid in internal-revenue stamps in substitution of the duties collected by the interior custom-houses, which were abolished from that date. Another decree of the same department, dated June 4, 1896, established a municipal duty of 1½ per cent upon import duties. I consider this provision as the beginning of a new system which will finally result in doing away with the institution.

The worst blow given by the Mexican Government to the Free Zone was the clause of article 696 of our tariff act of June 12, 1891, to the effect that commodities manufactured in the Zone, whether of foreign or domestic raw materials should pay import duties coming into Mexico, outside of the Free Zone. This provision proved so detrimental to the interests of the people living in the Free Zone that after a time

¹ In the papers relating to foreign relations of the United States, accompanying the President's message to Congress of December 4, 1871 (pp. 608, 609), there is a letter from Mr. Thomas H. Nelson, United States minister to Mexico, dated December 22, 1870, addressed to Mr. Fish, and annexed one addressed to me of December 21, 1870, and my answer of the same date, which states exactly the condition of things so far as the Free Zone was concerned after the Mexican Congress had voted in favor of the extension of the same.

they would have to give up their privileges for the sake of enjoying the same rights as other Mexican citizens, so far as their products and manufactures were concerned. But recently, on October 31, 1896, regulations were established by the Mexican treasury which allowed, with many restrictions, the introduction into Mexico free from import duties, of commodities manufactured in the Free Zone, and, although this is a marked advantage to the inhabitants of that Zone, the conditions required for the free importation of their manufactures are very burdensome, and they are by no means put on the same footing as those manufactured by the other inhabitants of the country.

Public opinion in Mexico about the Free Zone.—As I have already observed, the opinion of Mexican statesmen on the Free Zone question has been divided, some entertaining the belief that it should be abolished because it grants to one section of the country privileges which are not authorized by the constitution; and others, and by far the larger number, holding that, under the circumstances, its establishment was an imperative necessity, as its abolition would be equivalent to the destruction of the frontier. The friends of the Free Zone represented that the frontier towns of Mexico owed their existence to that institution, and that they could not exist without it. Through a concurrence of events, to which I shall refer later, many Mexicans were led to attribute to the Free Zone more beneficial results than it has really produced, and this has also had a decided influence in its maintenance and extension.

The situation of the Mexican frontier up to the beginning of the civil war of the United States was, as I have already observed, one of poverty and even of misery, and formed a striking contrast to that existing on the other side of the Rio Grande. The war broke out almost simultaneously with the establishment of the Free Zone, and the situation of the Mexican frontier changed very materially as a consequence of the war, during its continuance, and for some time after its conclusion prosperity deserted the left for the right bank of the Rio Grande, on account of the general prostration then prevailing in the South, while the Mexican border towns, and specially Matamoras, had something like a boom.¹ Superficial observers attributed that prosperity not to its true cause, which, in my opinion, was the war, but to the Free Zone, and feeling convinced that it had been productive of extraordinarily favorable results, they naturally considered it as a panacea for every ill, and its extension an imperative necessity for the frontier. The latter opinion finally prevailed in the councils of the Mexican Government, which debated the question from 1877 to 1885, with the result, already stated, of the extension of the Free Zone to all the boundary States.

The opinion of Mexican merchants to the south, at Saltillo, Monterey, and other places, is decidedly opposed to the Free Zone, and they protested vigorously against the gross discrimination against their interests, for, as they contend, they can not compete with the Zone merchants in selling goods to purchasers living within 100 miles of the Zone, owing to the facility with which such goods can be bought therein and carried out by the purchasers, or bought from the smugglers who make a business of furnishing the interior trade with contraband goods.

The merchants and the newspapers in the interior have always contended that the existence of the Free Zone on the frontier was contrary to the interests of the nation; even the people on the frontier, the property owners, and practically all persons having the welfare of the country at heart and who have given the subject some thought, share this opinion.

Right of Mexico to establish the Free Zone.—There can be no doubt as to the right of the Government of Mexico to exempt from duties or levy them on the foreign trade of the country, even though they should injure the mercantile interests of other nations, and I therefore think it unnecessary to argue the right of Mexico to adopt

¹ The following is the testimony of a spectator of the scenes in the Free Zone during the war:

“The law had but little effect upon our commerce until the opening of the civil war. With the Southern States in revolt, a free and neutral port on the border became at once of vast importance. Contrabands of war and supplies of all kinds could be bought in New York or Europe and sent to Matamoras, a neutral port. From a mere village Matamoras grew within three years to the third port of the world, with eighty vessels at a time anchored off the dangerous roads at the mouth of the Rio Grande. Bagdad, at the mouth, grew from nothing to 12,000 inhabitants, while Matamoras had 40,000, including representatives from every commercial nation in the world. The wickedness of the towns of Scripture fade away before that of these two during the years from 1861 to 1865. Men made or lost a fortune before break-fast buying or selling supplies or cotton. The smallest change for a gentleman was a \$5 gold piece; for a laborer, a Mexican dollar. Cotton was wagoned from east of the Mississippi across the plains of Texas to seek a neutral port for export. When the Southern Confederacy collapsed, the Zona Libre lost all national importance and steadily declined in value. Matamoras still has the Zona Libre, but her commerce has become insignificant and her present population does not exceed 6,000.”

and maintain the Free Zone, especially as regards the United States, which, in its tariff laws, does not have much consideration for the interests of the commerce of foreign nations, and only has in view the requirements of its own citizens, no matter how prejudicial they may be to foreign merchants, manufacturers, or producers; but I will only mention some reasons which seem to me rather plain.

The rates of duties established by the tariff laws of the United States have always been lower than those of Mexico. In a pamphlet published at El Paso, Tex., in 1895, by Mr. C. R. Morehead, president of the State National Bank of El Paso, who is one of the most determined opponents of the Free Zone, entitled *The Free Zone of Mexico, Its Baneful Effects on the Commercial Interests of that Republic and those of the United States*, the author states as follows:

"In the year 1858 the United States of America only levied for the expenses of the Government an average import duty of 15 per cent on all imported articles, while the import duties of Mexico were from 20 to 25 per cent, thus giving the American border an advantage over their Mexican neighbors of 5 to 10 per cent in their commercial relations. Again, the Mexican border could only be reached by traversing a mountainous country for long distances, and the mode of transportation being the most primitive (burro trains), their goods could only be transported at great expense, as no such conveniences as a railroad existed in the Republic at that time. This apparent difference in the duties imposed upon the two banks of the river, and the resulting superiority of the one bank over the other in commercial intercourse, was the cause of the establishment of the Free Zone by the Government of Mexico."

This disproportion in the tariffs of the two countries, as Mr. Morehead acknowledged, made the commercial condition of the United States towns on the Mexican border a great deal more favorable than the condition of the Mexican towns. How would the Government of the United States have acted if Mexico had based on these great differences a remonstrance against the tariff in force in this country, and required that it should abolish it and establish one with the same or higher rates of duty than the Mexican tariff? And how would it have felt if remonstrances had been made against the building of railroads in this country tapping the frontier, because thereby the condition of the inhabitants of the northern border of the Rio Grande would be bettered? What would the people of this country think if we should ask them to repeal the act of August 20, 1852, because it encouraged smuggling in Mexico? The Mexican people feel exactly as the people of the United States would feel if the circumstances were reversed.

It would be absurd to consider as an act hostile to this country the establishment by Mexico of absolute free trade—that is, the abolition of its custom-houses and import duties; in other words, the extension of the Free Zone throughout the whole country—because the United States, as a neighboring nation, would be the nation likely to profit most by such freedom of trade; and if such extension could not be justly a motive of complaint, how can it be so when the free trade is reduced to a very limited zone?

How far the Free Zone favors smuggling into the United States.—Having explained in what manner the Free Zone was established and what were its real purpose and scope, and before I consider the action of the United States Government on that subject, it will be proper to examine the main objections against it.

The second impression prevailing in the United States about the Free Zone, namely, that it was established to injure the United States, and that it causes a very large smuggling of foreign goods into this country, is equally incorrect, as I will try to show.

It does not seem to me reasonable to suppose that the Free Zone was established for the purpose of encouraging smuggling, to the detriment of the United States Treasury, when in fact it harms Mexico to a much greater extent than it does this country, as, in order to injure the United States, Mexico would hardly be willing to injure itself ten times as much; and if the contraband trade carried on under the shadow of the Free Zone was a sufficient reason for its suppression, the interest of Mexico in this matter would long since have settled the question.

Any human institution can be abused by men. The goods stored in the frontier towns of the United States in accordance with the act of August 30, 1882, were easily smuggled into Mexico; and yet when the United States Congress passed that law it did not intend, assuredly, to encourage smuggling to the detriment of Mexico, although such was practically its result. In the same manner the governor of Tamaulipas at first, and the Mexican Congress afterwards, did not intend in establishing the Free Zone to encourage smuggling to the detriment of the United States.

Unfortunately, the mistaken impression that the Free Zone injures the United States has made a great headway among some of the American statesmen, no doubt because they have not carefully studied this subject. The annual loss caused to the United States Treasury by the Free Zone has been estimated to be as high as \$6,000,000, as will presently appear. Secretary Fairchild, in a report to the Senate, to which I shall presently refer, expressed that opinion, which was then the general impression of several other officials of the Treasury Department, and even of committees in both Houses of Congress.

The only way to estimate the loss to the United States Treasury by smuggling through the Mexican frontier would be to examine what has been the amount of the importations of foreign goods from the United States into the Mexican Free Zone. But the United States custom-houses do not keep an account of foreign goods exported for consumption in the same, and as most of them go in transit to the interior the amount of such goods, as appears in the reports of the Bureau of Statistics of the United States Treasury Department, only represents a small portion of the goods exported to the Zone which might be smuggled back into the United States. With a view to ascertain the exact amount of such trade, Senator Morgan, who has always taken great interest in everything relating to Mexico, thought it proper to inquire how much that contraband trade amounted to, and on February 16, 1888, he introduced in the Senate¹ a resolution asking of the Treasury Department whether the Mexican Free Zone encouraged smuggling across that border into either country, and for the estimated loss to the United States; and in answer to that resolution the Secretary of the Treasury transmitted, on the 1st of the following March, a statement² from which it appears that the total value of the foreign

¹ Congressional Record, Vol. XIX., Part II, p. 1720. In the Senate of the United States, February 16, 1888.

THE MEXICAN FREE ZONE.

Mr. Morgan submitted the following resolution:

"Resolved, That the Secretary of the Treasury is directed to inform the Senate whether and to what extent the customs laws and regulations of Mexico, in the belt of country known as the Free Zone of Mexico, extending along our border, have encouraged smuggling across that border into either country; the estimated loss of revenue to the United States from that cause; the means employed, or that are necessary, to prevent such smuggling; and the additional cost to the United States of the necessary agencies to prevent the violation of its laws in consequence of the existence of that Free Zone."

The resolution was considered by unanimous consent, and agreed to.

² Fiftieth Congress, first session (Senate Ex. Doc. No. 108), letter from the Secretary of the Treasury in response to Senate resolution of February 16, 1888, relative to smuggling in the Free Zone of Mexico. March 5, 1888, ordered to be printed and referred to the Committee on Foreign Relations:

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,
Washington, D. C., March 1, 1888.

SIR: I have the honor to acknowledge the receipt of Senate resolution, dated the 16th ultimo, directing me—

"To inform the Senate whether and to what extent the customs laws and regulations of Mexico, in the belt of country known as the Free Zone of Mexico, extending along our border, have encouraged smuggling across that border into either country; the estimated loss of revenue to the United States from that cause; the means employed, or that were necessary, to prevent such smuggling; and the additional cost to the United States of the necessary agencies to prevent the violation of its laws in consequence of the existence of that Free Zone."

In reply I have to state that the only information in possession of this Department relative to the subject-matter of the resolution is of a general character. There is no doubt that the existence of the Free Zone of Mexico furnishes an opportunity for smuggling into the United States.

Under the provisions of section 3005, Revised Statutes, merchandise arriving in the United States and destined for places in the Republic of Mexico in transit may be conveyed through the territory of the United States without payment of duties, under such regulations as the Secretary of the Treasury may prescribe. The total value of foreign merchandise which thus passed through the United States to Mexico during the last fiscal year was \$497,654. In addition to that amount, merchandise of the value of \$194,774 was withdrawn from warehouse and exported to Mexico, making a total of \$692,428, of which \$211,589 was dutiable and \$480,839 free under our tariff.

It has been alleged that a large proportion of the dutiable merchandise thus sent into Mexico is smuggled back into the United States. This Department has no means of ascertaining to what extent this is true.

The principal articles, products of Mexico, which have been subjects of seizure by the customs officers on the Mexican border, are horses and cattle. So long as our present tariff on imports is continued, customs officers will be needed to collect duties and prevent smuggling, and I am not advised that the number and cost of such officials could be diminished if the Free Zone of Mexico were abolished.

Respectfully, yours,

C. S. FAIRCHILD, *Secretary.*

HON. JOHN J. INGALLS,
President pro tempore United States Senate.

merchandise which had passed through the United States into Mexico during the fiscal year ending June 30, 1887, was \$497,654; and adding to that amount merchandise to the value of \$194,774, which was withdrawn from warehouse and exported to Mexico, making a total of \$692,428, of which only \$211,589 was dutiable, the balance of \$480,839 was free under the tariff act of March 3, 1883, then in force. So that, supposing that the whole of that amount had been smuggled back into Mexico, which could not possibly be the case, because some of those goods were needed in the Free Zone and near-by in Mexico, others legally imported and others smuggled into Mexico, the loss suffered by the Treasury of the United States would have been in reality insignificant.

The average amount of duties under the tariff act of March 3, 1883, on the whole of the dutiable articles was 47.10 per cent, and the actual loss of revenue to the United States, supposing that all foreign goods imported into Mexico by the Free Zone should have been smuggled back into the United States, would only amount to \$99,658, which is by no means as large as the amount estimated by the opponents of the Free Zone, and not so much considering the facilities for smuggling which the frontier affords.

Secretary Fairchild in his answer expressed the views prevailing among the Treasury officials that there was no doubt that the existence of the Free Zone in Mexico furnished opportunities for smuggling into the United States; but the figures he gave showed that, if any smuggling had been carried on, its amount was really insignificant.

From an official statement, published by the Bureau of Statistics of the United States Treasury Department, of imports and exports of merchandise from the United States during the year ending June 30, 1895, the first year after the act of August 28, 1894, went into effect, it appears that the value of the foreign merchandise which passed by the frontier into Mexico was as follows: Through Brazos de Santiago, \$36,510; Corpus Christi, \$26,738; Paso del Norte, \$35,810, and Saluria, \$32,868, making a total of \$131,926. So that the total amount of foreign merchandise imported into the Free Zone from the United States in the first year after the act of August 28, 1894, went into effect was \$131,926, and supposing that the whole of it should have been smuggled back into the United States, the import duties on the same, at the rate of 41.75 per cent under the tariff then in force, would amount to \$55,080, which is a mere trifle, considering the conditions of the frontier.

For more details showing how insignificant is the smuggling from the Mexican Free Zone into the United States, and how great the advantages that this country derives from the Free Zone, I refer the reader to a letter that Mr. Frank B. Earnest, collector of customs at Laredo, Tex., addressed on February 23, 1895, to the Hon. W. H. Crain, Member of Congress from Texas, to an editorial from the Lower Rio Grande, a paper published in Brownsville, Tex., and to a letter from prominent citizens of Brownsville addressed also to Mr. Crain, all of which were read by him in the House of Representatives on February 27, 1895.

Even Mr. John W. Foster, who was, when United States minister to Mexico, one of the most decided opponents to the Free Zone, and expressed in the different official communications addressed to the Department of State the opinion that the Free Zone was a great detriment to the United States, and had been established for the purpose of encouraging smuggling, changed his views when he went himself to the frontier for the purpose of making a personal examination of the subject, and in an official communication (No. 1077), addressed to Mr. Everts, Secretary of State of the United States, dated City of Mexico, December 26, 1879, said as follows:

"In the past two or three years the situation has materially changed. The decline in price of manufactured goods in the United States and our increased spirit of commercial enterprise enable the American merchants on the Texas side of the river to compete successfully in many classes of goods with the merchants in Mexico, who import from Europe. The practical result is that, in cotton fabrics and many other articles, the Mexican frontier is supplied almost entirely from the United States, and the inducements for smuggling into Texas have greatly diminished. Our customs authorities along the Rio Grande, as well as the citizens in general, informed me on my recent visit to that region that the smuggling of foreign merchandise from the Mexican Free Zone had almost entirely ceased. On the other hand, my observation led me to the conclusion that this Zone was made the base of operations for quite an extensive system of smuggling of American (as well as European) goods into the interior of Mexico.

"It is the practice of the Mexicans to cross the river to the American towns and purchase our cotton and other goods and introduce them without hindrance into the Zona Libre, whence they are clandestinely taken into the adjoining States of this Republic; so that the measure which was originally intended to be a protection to Mexican interests and an obstruction to American commerce in its practical workings is just now proving to be the contrary. While I can not regard the continuance of the Zona Libre as a friendly act toward the United States, my recent visit satisfied me that it was a much greater evil to Mexico than to our country. The exist-

ence of such a discriminating territory must always be a source of annoyance, and ought to be abolished if we are ever to have a legitimate and cordial commercial intercourse between the two countries, but at present it is the occasion of greater damage to the government and people who created it than to its neighbors."

Considering the matter from a disinterested point of view, it would certainly appear that, barring a possible increase in the temptation and opportunity to land and smuggle foreign goods into the United States, the Mexican Free Zone has been, and still continues to be, a benefit to American trade, and that any attempt to commit the United States Government to a hostile attitude toward that institution is only instigated by local interests.

Smuggling on the frontier will never be prevented, as it has recently happened that people were caught smuggling several sacks of potatoes, which pay practically no duties. Even sewing machines and plows, which pay almost no duty at all, are smuggled. Perhaps this is due, in a great measure, to the conflicting and vexatious documentary requirements for the importation of small articles at the frontier. If the Government would allow bringing into Mexico small articles up to the value of, say \$20, without requiring any papers, then smuggling might be considerably reduced, and everybody would have the opportunity of accompanying the goods to the custom-house and paying the duties there, as is done on this side, and a great inducement to smuggling into Mexico would disappear.

Advantages of the Free Zone to the United States.—There is one aspect of this question which, as I believe, has so far passed entirely unnoticed. The Free Zone is really an advantage to the United States, since, as I have already stated, the Mexican system of legislation in the matter of customs and excise duties has generally been restrictive and even prohibitory, both by reason of the high import duties levied on foreign goods and of the existence of interior custom-houses, which prevailed up to the 30th of June, 1896, and also of State and municipal taxes, requiring vigilance and restrictions that must necessarily hamper business transactions. Any relaxation of such a system of restriction could not but be favorable to foreign nations trading with Mexico, and especially to a neighboring country like the United States, whose agricultural products and manufactures are mainly, if not exclusively, consumed on the Mexican frontier.

Under the tariff acts of October 1, 1890, and July 24, 1897, the Government of the United States has been trying very earnestly to obtain from foreign countries, and especially from the Spanish-American Republics, the free entry, or the admission at a reduced rate of duties, of some of its products and manufactures, and they naturally feel pleased when a new agreement is made. And yet the liberal terms provided by Mexico in favor of the free admission of all the products and manufactures of this country into our Free Zone has been taken here as an unfriendly act on our part toward this country.

It is a fact, which has already been commented upon by officials of the United States Government,¹ that the merchants on the north side of the Rio Grande River who clamored most loudly against the Free Zone were the European merchants, and the reason is very plain. The United States has, on account of its contiguity of territory, lines of railways, etc., almost the monopoly of the goods consumed in the Free Zone, while the European countries can not send their goods there unless by long ocean routes and paying expensive railway freight, which add considerably to their cost and make their prices quite high. The advantages accruing from a free market are therefore almost exclusively enjoyed by merchants and citizens of the United States, and it would seem incredible that they should have often been so loud in their denunciations of that institution which has really been a boon for many of them.

If the Free Zone has inconveniences for this country, although much less serious ones than those which it has for Mexico, it possesses, in my judgment, a decided advantage which has remained hitherto unnoticed. It practically makes a portion of Mexico a free market for all the products and manufactures of the United States, since merchandise of all kinds from this country may be imported into and consumed in Mexican territory almost duty free and be warehoused in the region of the zone for an unlimited time. No greater privilege can be asked for the commerce of a nation, and the only drawback in this respect that I can see to the Free Zone, in so far as the United States is concerned, is that it does not embrace the whole of Mexico. Supposing its privileges were extended to the whole of Mexico, would the United States consider the free admission of their products into that country as prejudicial to their interests? How strange, under this view of the question, does the idea prevailing here appear, that the Free Zone brings only injury to the United States and has been established to the advantage of European goods only, when 95 per cent of the goods imported there under its franchises are from the United States.

¹Mr. Warner P. Sutton, United States consul-general to New Laredo, in an official dispatch, dated April 25, 1890, addressed to the Secretary of State.

Estimates of the present population of the zone range from 60,000 to 80,000 souls. Allowing that 70,000 people find lodgment therein, it is evident the question is of importance both to Mexico and to the United States, on account of the peculiar trade conditions produced by this almost free-trade belt separating two high-tariff countries.

During the fiscal year ending on June 30, 1894, the United States exported to Mexico \$12,441,805 in domestic manufactured goods and breadstuffs. Of these exports \$6,715,688 went through the five customs districts on the northern border—Brazos de Santiago, Corpus Christi (Laredo), Saluria (Eagle Pass), El Paso del Norte, and Nogales, Ariz. Of the imports into the United States from Mexico, \$8,228,892 came through these same ports. It is impossible to arrive at any exact figures as to the amount consumed by the inhabitants of the Zone, but it is estimated by the customs officers at the five points named that about 12 per cent, or about \$813,890, is shipped into the Zone, and that only about 3 per cent of this amount is reentered for import to Mexico on the other side and pays the other 82½ per cent of the Mexican tariffs. This would give, as a result, that about \$800,000 in American goods were consumed by the residents of the Zone. These figures are comparatively valueless in arriving at any idea of the purchasing power of the Zone in the line of American products, for the reason that this \$800,000 constitutes but an item of the real consumption. It is a well-known fact that the residents of the Zone buy most of the goods they consume of a staple character from the American merchants on the north side of the river. Allowing 70,000 people as the population of the Zone, it would be a conservative estimate to place the yearly trade at least as high as \$3,200,000 in gold, for the Free Zone resident is very much dependent upon the American merchants. Based upon these estimates, the purchasing value of the Zone to the American trade is at least \$4,000,000 each year, and by many who are in a position to be well informed in the premises it is placed at a much higher figure.

Disadvantages of the Free Zone to Mexico.—The events connected with the foreign intervention in Mexico did not prevent the natural effects of the Free Zone to be felt in the country until the Republic returned to its normal condition; that is, until after the termination of the French intervention and the downfall of the so-called empire of Maximilian, events which took place during the year 1867. In January of 1868 I was called to the treasury department by President Juarez, and in my annual report to Congress, on September 16 of that year, I stated that one of the causes of the then depleted condition of the Mexican treasury was the large contraband trade that was carried on through the Free Zone and enjoyed by the frontier towns of Tamaulipas; further remarking that the custom-houses of those towns were hardly able to meet their clerical and office expenses, and that this fact showed that the establishment of the Free Zone had not made that region prosper; and that, in my opinion, that institution was not the proper remedy for the evil which it was intended to cure.

It is true that the privilege of the Free Zone granted to the inhabitants of the northern portion of Tamaulipas to import and consume foreign goods without paying Federal duties, to store them in their own houses, and to keep them in bond for an unlimited time, was a powerful incentive to smuggling from the Free Zone either to Mexico or the United States, and that Mexico, which has suffered greatly from that result, has been obliged, with a view to the repression of smuggling, to establish a costly, oppressive, and complicated system of inspection; but protection to smuggling was not the object of the creators of the Free Zone, nor is it possible that smuggling should have been carried on to the prejudice of the United States to the same extent to which it was done to the disadvantage of Mexico.

As the duties levied by the Mexican tariff are much higher than those imposed in the United States, it is evident that the most lucrative contraband trade, and the easiest one to conduct, is that which is carried on to the detriment of the Mexican treasury. Smuggling is more easily carried on in Mexico, because the Mexican frontier is very sparsely populated, and therefore the difficulty of guarding it is greatly increased, while the frontier of the United States is more thickly settled and thus better protected against illicit traffic.

To prevent smuggling from the Free Zone, as far as this was possible, the Mexican Government has been obliged to double its frontier custom-houses of inspection of goods imported from the United States, at great expense and considerable inconvenience to bona fide merchants, as it has, in addition to the custom-houses directly on the boundary line, with proper inspection between each of them, another system of custom-houses and inspection some distance farther south, under the name of fiscal police, to prevent smuggling between the Free Zone and the rest of the country.

The Free Zone law has worked such a hardship on the property owners and manufacturers on the Mexican side that the losses they have sustained amount up into the millions, while the Republic has lost many thousands of inhabitants, as all the frontier towns have greatly decreased in population on account of its being impossible for them to provide work for the laboring classes. Matamoras, once a flour-

ishing town of about 40,000 inhabitants, has decreased to about 4,000 inhabitants. Nuevo Laredo and Piedras Negras have about held their own on account of the railroads, but Laredo and Eagle Pass, Tex., have increased much more in proportion. This same comparison may be made between Nogales, Mexico, and Nogales, Ariz. However, the greatest anomaly exists in El Paso del Norte. Before the Free-Zone law went into effect El Paso del Norte had a population of 15,000 people, and to-day the census shows only 8,000. In 1881, El Paso, Tex., was a village of 500 people; to-day it has a population of over 15,000 souls.

The existence of the Free Zone, with its prohibitory laws as to manufactured articles, has prevented the establishment of factories; without that law it is certain that ere this there would have been established along the frontier smelters, soap factories, glass factories, packing houses, machine shops, cracker factories, candle factories, brick factories, furniture factories, whisky distilleries, etc.

In questions of this character there are, of course, a good many conflicting interests; but the main question is which interest the Government should really protect and which interest should be subordinate to others. The people who have been fiercely contending for the continuation of the Free Zone and bringing about the old rate of 2½ per cent duties are principally owners of retail stores who import foreign goods, especially European and Asiatic goods, into the Free Zone and pretend to sell them to both United States and Mexican people. It is well known that retail stores never employ any great number of clerks, whereas a factory of any kind would give employment to a large number of operatives and hands, and thus be of much more benefit to the people and to the city in general than a retail store employing only a few persons.

Action of the United States Government adverse to the Free Zone.—It was for some time a matter of wonder to me that public opinion in this country could have been so grossly misled on the subject of the Free Zone, and that a measure which allowed a free market for all kinds of products and manufactures of this country into a large section of Mexican territory could be misunderstood to the extent of considering it as an offense to the United States. I can imagine, however, how it was that public opinion came to be so grossly misled on this subject. The Southern States of the United States, and especially those close to the southeastern border of Mexico, enjoyed great prosperity before the war of the rebellion. All foreign merchandise was allowed to go free of duties to the border, and was smuggled into Mexico, and such transactions naturally established there a very large and prosperous commercial business. The ravages of the war destroyed the wealth and commercial prosperity of the South, and when the war was over towns which had been before rich and flourishing were prostrated and poor. The Free Zone, which had then begun to be in operation, allowed the Mexican towns on the other side of the Rio Grande to have some commercial activity, especially with the importation of domestic commodities of the United States, and that naturally hurt the interests of some of the merchants established on the American side, especially those of European origin or connections.

It is not strange, therefore, that they should attribute entirely to the existence of the Free Zone in Mexico what was really the consequence of the civil war in the United States, and of the new condition of things brought about by the restoration of peace, and that they should account for their depressed condition by the existence of the Free Zone, although in that opinion they were utterly mistaken, and perhaps some others were guided by a feeling of jealousy or envy for the passing prosperity that the Mexican side of the line enjoyed during that war. Their complaints and murmurs naturally spread to the Members of Congress from the respective districts, and finally reached the highest officials of the United States Government. As Mexican affairs had been then so little understood in the United States, and this question had not been presented in its true light, the impression finally prevailed that the establishment of the Free Zone was an act of hostility on the part of Mexico toward the United States, intended to destroy its commerce and to favor smuggling into this country to the prejudice of its Treasury and bona fide merchants. Of course, the existence of this impression afforded a good opportunity to anybody who desired to attack or abuse Mexico to do so, as was the case with Mr. Schleicher, a Representative from Texas, of whom I shall presently speak.

It was in this way that almost all the representatives of the United States in Mexico since the restoration of the Republic in 1867, beginning with Mr. Edward Lee Plumb, General Rosecrans, Mr. Thomas H. Nelson, and especially Mr. John W. Foster, and some of their successors, seemed to labor under the impression—judging from the correspondence which they sent to the State Department on the subject, published afterwards by Congress—that the Mexican Free Zone was a very great injury to the United States; and several Secretaries of State, including such distinguished men as Mr. Hamilton Fish, Mr. William M. Evarts, and others, seem (very likely for want of sufficient information) to have given the Free Zone more importance than it really deserved.

This impression extended even to President Grant, who, in three of his annual messages to Congress, spoke of the Mexican Free Zone, expressing the mistaken opinion about that institution which prevailed for so long.¹

Mr. Samuel A. Belden, a citizen of the United States, residing at Brownsville, Tex., wrote a letter to the Secretary of the Treasury, dated in Washington on September 21, 1868,¹ in which he said that the effect of the Free Zone had been most disastrous to the commerce of the city of Brownsville and other towns on the American side of the Rio Grande, as well as to the revenue of the United States, and that prior to the existence of the Free Zone the amount of merchandise in the United

¹ [Extract from the annual message of President Grant, December 5, 1870.]

It is to be regretted that our representations in regard to the injurious effects, especially upon the revenue of the United States, of the policy of the Mexican Government in exempting from impost duties a large tract of its territory on our borders have not only been fruitless, but that it is even proposed in that country to extend the limits within which the privilege adverted to has hitherto been enjoyed.

The expediency of taking into your serious consideration proper measures for countervailing the policy referred to will, it is presumed, engage your earnest attention.

[Extract from the annual message of President Grant, December 4, 1871.]

The Republic of Mexico has not yet repealed the very objectionable laws establishing what is known as the "Free Zone" on the frontier of the United States. It is hoped that this may yet be done, and also that more stringent measures may be taken by that Republic for restraining lawless persons on its frontiers. I hope that Mexico, by its own action, will soon relieve this Government of the difficulties experienced from these causes.

[Extract from the annual message of President Grant, December 7, 1875.]

The Free Zone, so called, several years since established by the Mexican Government in several of the States of that Republic adjacent to our frontier, remains in full operation. It has always been materially injurious to honest traffic, for it operates as an incentive to traders in Mexico to supply without customs charges the wants of the inhabitants on this side the line, and prevents the same wants from being supplied by merchants of the United States, thereby, to a considerable extent, defrauding our revenue and checking honest commercial enterprise.

¹ WASHINGTON, D. C., *September 21, 1868.*

Some time in the year 1857 or 1858 the governor of the State of Tamaulipas, Mexico, issued a decree authorizing the merchants and citizens inhabiting the strips of territory embraced in the portion of the State extending from the mouth of the Rio Grande to its farthest boundary, and from the river inland for 2 leagues, to introduce free of duty merchandise of all classes.

This is known as the Zona Libre (free belt), and the decree of the governor was in operation for three years before it was ratified by the General Government, and is in full force at this time, notwithstanding the protest of the cities of Tampico and Veracruz against it as partial and unjust. The Government was not in a condition to refuse any demand on the frontier, because of the heroic defenses which the inhabitants had made against Carvajal and other raiders. The merchandise introduced under this decree is required to pay duties only when exported from the Zona Libre to the interior of Mexico, or to the United States side of the Rio Grande, and its effect has been most disastrous to the commerce of the city of Brownsville and other towns on our side of the Rio Grande, as well as to the revenue of the United States. No argument is required to prove this, nor can there be any doubt that it is the cause of the immense amount of contraband trade upon the frontier, the inducements to which are irresistible to such as are willing to engage in it, particularly in liquors and foreign merchandise, which can be purchased at Matamoros at a very small advance over the foreign cost, and their introduction into the United States at some point in an extended frontier of upward of 900 miles can not be prevented.

Prior to the existence of this decree the amount of merchandise in the United States bonded warehouses at Brazos de Santiago and Brownsville ranged from one to three millions of dollars, but since that period the trade has dwindled to such a point the custom-house there, instead of being a means of revenue, is an expense to the United States.

For the removal of this incubus upon the trade of the citizens of our frontier they are without power, but think that the relations which have existed between the Governments of Mexico and the United States, since the passage of the decree, will justify prompt action on the part of the United States to terminate so flagrant an injustice.

Very respectfully,

SAM. A. BELDEN, *Brownsville, Tex.*

States bonded warehouses at Brazos de Santiago and Brownsville ranged from one to three millions of dollars, and that since that period the trade has dwindled to such a point that the custom-house there, instead of being a means of revenue, was an expense to the United States; calling the Free Zone a flagrant injustice, and concluded by asking the prompt action on the part of the United States to terminate the Free Zone.

Mr. Belden's personal interests might have been adversely affected by the Free Zone, or he might have shared in good faith the prejudices of his neighbors, due to the want of a proper understanding of the case. He also forgot the changed condition of things in the South caused by the then recent civil war, but be this as it will, such slender grounds as those stated in his letter were made the subject of a communication addressed by the Secretary of the Treasury, Mr. Hugh McCulloch, to the Department of State, on September 26, 1868,¹ indorsing Mr. Belden's views, and asserting that the Free Zone seriously affected the growth and prosperity of that portion of the United State which borders on the Rio Grande.

This statement of facts shows how easy it is to mislead public opinion, not only in complex but even in simple questions, and how difficult it is when an error is allowed to spread and to prevail unchallenged to bring things back to their true condition, the result often being not only unpleasant, but highly dangerous.

Adverse action of the United States Congress on the Free Zone.—The mistaken opinion that prevailed regarding the Free Zone was naturally reflected in Congress. As early as June 9, 1868, Mr. Blaine introduced in the House of Representatives a resolution,¹ which passed by unanimous consent, instructing the Committee on Foreign Affairs to inquire whether the action of the Mexican Government in establishing the free ports at Matamoras and other points on the Rio Grande was not in violation of treaty stipulations and unfriendly to the commercial rights of this country.

The Committee on Foreign Affairs called on the State Department for a copy of the papers relating to the subject of Mr. Blaine's resolution, and Mr. Seward sent to General Banks, chairman of that committee, such letters from Mr. Plumb and other diplomatic representatives of the United States in the City of Mexico as were in possession of the State Department, with his letters of December 17, 1868, and January 2, 1869. With his clear mind Mr. Seward understood at once, even with the meager information then at hand, that Mexico had violated no right of the United States in establishing the Free Zone, and in his letter accompanying the correspondence in answer to the queries of the resolution he said: "I am under the impression that the establishment of the Free Zone, so called, is not at variance with any existing treaty stipulation between the United States and the Mexican Republic."

¹*Mr. McCulloch to Mr. Seward.*

TREASURY DEPARTMENT,
September 26, 1868.

SIR: I have the honor to transmit herewith a copy of a communication, dated the 21st instant, from Mr. Samuel A. Belden, of Brownsville, Tex., in reference to the existence on the Mexican side of the Rio Grande of a belt of country which is free to commerce.

It is alleged by Mr. Belden, and it has also been represented to the Department through other sources, that by reason of the existence of such free belt of country the loss to the revenue by means of smuggling is immense and continually increasing, and that it seriously affects the growth and prosperity of that portion of the United States which borders on the Rio Grande.

In view of these representations, it is respectfully suggested whether it would not be advisable to bring to the notice of the Mexican authorities the exemption of that section of the country lying in immediate proximity to the United States from customs duties and exactions which, so far as I am advised, are enforced throughout the residue of the Republic, thus inviting importation of merchandise with a view to its introduction into the United States without the payment of duty, and imposing a heavy expense on the United States Government for the protection of the revenue on that frontier, without any corresponding benefit to Mexico, that I can perceive, which would justify a measure so injurious to a neighboring and friendly power.

I am, very respectfully,

H. McCULLOCH,
Secretary of the Treasury.

Hon. WILLIAM H. SEWARD, *Secretary of State.*

¹[House of Representatives Journal, second session Fortieth Congress, p. 327.]

Resolved, That the Committee on Foreign Affairs be instructed to inquire whether the action of the Mexican Government in establishing free ports at Matamoras and other points on the Rio Grande is not in violation of treaty stipulations and unfriendly to the commercial rights of this country.

After receiving the preceding letter the committee failed to make any report on Mr. Blaine's resolution.

On December 6, 1869, a meeting was held in the city of Brownsville, Tex., largely attended by citizens of that city and the adjoining country, and the meeting appointed Edward Downey, mayor of Brownsville, a delegate to come to Washington to ask Congress that measures be taken to procure from the Mexican Government the abolition of the Free Zone, with a view to prevent smuggling into the United States, and for the protection of American interests on the frontier.

Mr. Downey, therefore, came to Washington and addressed a long memorial to Congress dated January 10, 1870,¹ in which he repeated the assertions of Mr. Belden, that the Free Zone had been established by the Mexican Government as an act of hostility to the United States, and for the main purpose of encouraging the smuggling of foreign goods into this country, adding that the Free Zone was the outcome of the efforts of European merchants on the Mexican side of the frontier; that during the war of rebellion the Mexican Government sympathized with the Southern Confederacy, and to assist it Mexico had reduced to one-fourth the duties on munitions of war for the benefit of the Confederates, an assertion entirely at variance with the facts.

He stated that the loss suffered by the United States Treasury in consequence of the smuggling carried on by the Free Zone was estimated from one to six millions of dollars a year, and asserted that the Free Zone had been extended through the whole Mexican frontier with the United States, when that extension did not take place until 1885. How far was correct the assertion regarding the supposed sympathy of the Mexican Government with the Confederates will appear from what I have already stated, and from the facts that I will mention in considering Senator Patterson's report, which accepted the same assertion. This memorial was referred to the Joint Select Committee on Retrenchment, which did not take any action on the same. Fortunately a remarkable change of feeling has taken place in Brownsville, in so far as the Free Zone is concerned, as will be seen further on.

Public men in the United States, or at least some of them, had been for some time under the impression that the way to abolish the Free Zone was to repeal the acts which allowed foreign merchandise to go in bond to frontier custom-houses; as if Mexico was very anxious, which was by no means the case, that the border towns of the United States should enjoy that privilege; and this accounts for the efforts made to repeal such acts, which were always unsuccessful until Mr. Cockrell passed his bill, to which I will presently refer.

In accordance with this view, Senator Patterson, of New Hampshire, introduced on April 9, 1870, in the second session of the Forty-first Congress, a bill² to repeal all existing laws authorizing the transportation and exportation of goods, wares, and merchandise in bond to Mexico, overland or by inland waters, and for other purposes, which was referred to the Joint Select Committee on Retrenchment.

That committee reported favorably to the Senate Mr. Patterson's bill on May 16, 1870. The report was presented by Mr. Patterson himself, and shows a complete misunderstanding of the case. It repeats the charges made by Mr. Belden, Mr.

¹ Mr. Downey's memorial is published as Senate Mis. Doc. No. 19, Forty-first Congress, second session, and being a lengthy paper and full of errors and misrepresentations, I will not insert it here.

² Forty-first Congress, second session (Senate, 783). In the Senate of the United States, April 9, 1870, Mr. Patterson asked, and by unanimous consent obtained, leave to bring in the following bill, which was read twice, referred to the Joint Select Committee on Retrenchment, and ordered to be printed:

A BILL to repeal all existing laws authorizing the transportation and exportation of goods, wares, and merchandise in bond to Mexico, overland or by inland waters, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That all existing laws authorizing the transportation and exportation of goods, wares, and merchandise in bond to Mexico, overland or by inland waters, be, and the same are hereby, repealed.

SEC. 2. *And be it further enacted, That all existing provisions of law authorizing the payment of drawback upon goods, wares, and merchandise exported from the United States to ports or places in Mexico north of parallel twenty-three degrees thirty minutes north latitude, or the cancellation of bonds given for the exportation and landing of goods, wares, and merchandise at such ports and places be, and the same are hereby, repealed; and all authority to issue certificates in respect to the landing and delivery of goods, wares, and merchandise, conferred by law upon merchants and consuls of the United States resident at places in Mexico north of said parallel, is hereby revoked.*

Passed the Senate without amendment June 9, 1870, but failed in the House of Representatives.

Downey, and others, giving them, on account of Mr. Patterson's position, a great deal more importance than they had before. It assumes that the establishment of the Free Zone in Mexico was a hostile act against the United States, decreed for the purpose of defrauding her revenues; that the Mexican Government had sympathized with the rebellion, and had, for the purpose of assisting it, altered her revenue laws, with a view to allowing contraband trade through Mexican territory; both statements being entirely incorrect.

The idea that the Mexican Government sympathized with the so-called Southern Confederacy and assisted it materially is simply preposterous, as everybody knows that Louis Napoleon, availing himself of the civil war in the United States, tried to establish an European empire in Mexico, with the ultimate purpose of acquiring a foothold in that country, and the Mexican people and the Mexican Government were therefore as anxious as the most patriotic of the Union men in this country to have the Union restored, if for no other reason than to obtain the restoration of the republic in Mexico; and the soundness of these views was fully confirmed by the subsequent facts.

I have reviewed carefully all the laws and regulations issued by the Federal Government of Mexico from 1861 to 1865, while the civil war lasted in the United States, and the only act that I find concerning either cotton or commerce with the Southern States is one issued by President Juarez, under extraordinary powers, at San Luis Potosi, on July 28, 1863, for the purpose of establishing an additional duty of 1 cent per pound on national and 2 cents per pound on foreign raw cotton, to be paid at the place of consumption; and that duty, far from being a discrimination in favor of the Confederates, was, in the nature of things, a heavy tax on their principal product.

Under the regulations of the Free Zone, all goods that came to the same were free of import duties, and only paid them when they were taken outside of the Free Zone to be imported into Mexico. Any cotton imported into Mexico from the United States or from any other country, therefore, which did not go outside of the limits of the Free Zone, was not liable to the payment of duties and could be freely exported. General Vidaurri, who in 1861 was the governor and military commandant of the State of Nuevo Leon, with authority over Coahuila and Tamaulipas, issued an order on April 5, 1862, levying transit duties of 1 cent per pound upon all cotton which had come free of duty to the Free Zone and was reexported from the same.¹

The only object of General Vidaurri was, of course, to obtain revenue for his State government, and not to assist in the exportation of cotton through the Mexican frontier. If anybody had any right to complain of that duty it was the officials and the people of the so-called Confederate States, as the duty was a charge upon their main product, which at the time had a very high price, and was almost their only export abroad. I understand that even that duty was later increased to 1½ cents per pound, but I have not been able to find the act establishing that increase.

Senator Patterson could not have understood fully the nature of the Free Zone and the conditions of the case, as otherwise I do not think he would have found fault with the Mexican officials for not forbidding the export of foreign cotton through Mexican ports. As no international law or act of comity could prevent the transit of such merchandise through Mexico, for the sole reason that the Southern States of this country had rebelled against the Federal Government, the Government of Mexico could not close its ports to the exportation of goods from the Southern States; and to do so would have been equivalent to an alliance with the United States against the Southern States, and although the Federal Government of Mexico desired at heart the success of the Union, especially for the reason that its success insured the prompt end of the French intervention in Mexico, it would not have been justified in taking that step.

¹ I give below the order of General Vidaurri, which created a tax on foreign cotton exported from Matamoras:

MILITARY DEPARTMENT OF TAMAULIPAS.

Taking into consideration the increased expenses that have to be incurred by merchants dealing in cotton, who bring this article in order to reexport it, and it being desirable to increase, if possible, the arrival at this port of merchant vessels, I have deemed it proper to grant, in view of the petition presented for such purpose by the American citizen, J. A. Quintero, that hereafter all cotton imported to be reexported shall pay as the only and entire duty the sum of \$1 per quintal or hundredweight. I communicate the same to you so that it may be duly complied with, and I renew you the assurances of my esteem.

God and Liberty.

MONTEREY, April 5, 1862.

SANTIAGO VIDAURRI.

To the Citizen Collector of the Maritime and Frontier Custom-House of Matamoras.

Senator Patterson's bill, reported favorably and without amendment by the Joint Committee on Retrenchment on May 16, 1870,¹ passed the Senate without amendment on June 9, 1870. In the House of Representatives it was referred to the Com-

[¹Forty-first Congress, second session. Senate Report No. 166. In the Senate of the United States, May 16, 1870. Ordered to be printed.]

Mr. Patterson made the following report (to accompany bill S. No. 783):

"The Joint Select Committee on Retrenchment, to whom was referred Senate bill No. 783, 'to repeal all existing laws authorizing the transportation and exportation of goods, wares, and merchandise in bond to Mexico overland or by inland waters, and for other purposes,' having considered the same, respectfully submit the following report:

"The object of the bill is to protect, so far as it can be done by legislation on our part, the revenue of the United States and the interests of our frontier bordering on the Rio Grande from the losses and injuries resulting from the facilities for smuggling afforded by the laws which it is proposed to repeal, and by the existence of the Zona Libre, or Free Belt, on the Mexican side of the Rio Grande.

"Prior to 1858 the American towns enjoyed greater commercial advantages and were much more thrifty and populous than their Mexican neighbors on the opposite side of the river.

"By the act of August 30, 1852, the transportation to Mexico of goods in bond was permitted by certain routes specified in the act, and by such others as the Secretary of the Treasury might prescribe. This enabled American merchants to store larger quantities of goods in our bonded warehouses until a favorable opportunity arrived to withdraw them for consumption or for exportation in bond to Mexico.

"It is simply an impossibility to prevent smuggling on such a line as that formed by the Rio Grande, so long as a sufficient inducement to smuggle exists, and doubtless, at that time, there was considerable smuggling from the American side of the river, to the detriment of the revenue of Mexico and the legitimate commerce of her merchants, who were unable to compete successfully with those whose goods had paid only the lower rate of duty then required at the American ports, or, having been exported from the United States in bond and smuggled into Mexico, had escaped payment of duties to either nation.

"On the 28th day of December, 1857, the legislature of the State of Tamaulipas passed an act creating the Zona Libre, which was promulgated March 17, 1858, by decree of Ramon Guerra, then provisional governor of Tamaulipas. The immense amount of smuggling on the Rio Grande, and the necessity for the repeal of our laws authorizing the exportation of goods in bond to Mexico, are mainly in consequence of that act.

"As the Zona Libre promises to be a matter of considerable interest to the country, we give the decree establishing it in full in the appendix to this report; also the testimony of competent witnesses showing its effects on our revenue and the prosperity of the frontier.

"The object of the act is clearly shown in the preamble, where it is recited 'that the villages on the northern frontier are found in a really ruinous state,' and that the decree is issued 'that they may not be entirely depopulated by emigration to the neighboring country.'

"By the first article of the decree foreign goods are admitted to Matamoras and other towns in the State of Tamaulipas on the Rio Grande free of duty, except such as might be imposed for local purposes, which were mainly municipal and trifling in amount.

"Article 2 invites merchants established on the American bank of the river to transfer their business and effects to the other side, and grants special facilities and privileges for doing so. The other articles are mainly occupied with the regulations for the transfer of merchandise from the Zona Libre to the interior of Mexico.

"That the result of this decree was not unanticipated by its authors is clearly shown in article 8, in which the inhabitants are invoked 'to impede, by every means in their power, the conversion of this benefit granted to them into a shameless contraband traffic.'

"The purpose of the act was evidently to build up the Mexican towns at the expense of their American neighbors, which was to be accomplished by furnishing to smugglers, for hundreds of miles along a frontier that it is impossible to guard, a safe and convenient place of deposit for goods which they received free of duty until a convenient opportunity should occur to smuggle them into the United States. The inevitable result was the destruction of the commerce and prosperity of the American towns and great frauds, estimated at from \$2,000,000 to \$6,000,000 per annum, on the revenue of the United States.

"The General Government of Mexico hesitated to approve an act so hostile to the interests of a friendly nation, and it was not until July 30, 1861, when Texas was

mittee on Commerce, but it was not reported by that committee, and consequently failed.

Senator Reagan, from Texas, following in the footsteps of Senator Patterson, introduced in the Senate of the United States, on January 6, 1890, a bill to prevent the

in the possession of the so-called Confederate States, to whom the Zona Libre would be of great advantage, that it received the sanction of President Juarez.

"During the war the towns of the Zona Libre furnished free ports of entry for the Confederates, through which they exported their cotton and received in return large supplies of arms and other munitions of war. The Mexican Government, while professing friendship for the United States, sympathized with the rebels and aided them by every means in its power. It modified its customs regulations so as to facilitate the exportation of cotton and the return of war material, and while the Confederate ports were blockaded by our cruisers permitted merchandise and munitions of war imported into the Zona Libre to be transferred to the Confederacy at one-fourth the rate of duty required on the same articles when shipped to other countries, or even taken to other places in Mexico. Under the guise of friendship and neutrality the Mexican Government did us more harm during the late war than it could have done if openly hostile, for in that case we could have easily blockaded the mouth of the Rio Grande, and have completely cut off that great source of Confederate supplies.

"Since the close of the war the Zona Libre has served as a base from which smuggling into the United States can be safely carried on. The American towns have decayed and the Mexican towns have flourished in proportion, so that instead of being in a 'really ruinous state,' and liable to be 'entirely depopulated by emigration to the neighboring country,' as they were in 1858, they contained in 1868 a population more than three times as large as that of their American neighbors that ten years before were threatening to absorb them. Honest merchants, unable to compete with the smugglers, have been compelled to abandon the country or to engage in illicit trade themselves, and the whole community on both sides of the river has become so thoroughly demoralized that smuggling is generally considered a legitimate and honorable business. The desperate characters whom this condition of things has attracted or created plunder private citizens as well as defraud the Government, and frequently make raids into Texas and drive large herds of cattle across the river into Mexico. It is estimated by well-informed men that the loss by these raids is sometimes as high as 200,000 head a year.

"The prosperity of the whole frontier is paralyzed by the existence of the Zona Libre. The revenue of Mexico suffers as well as our own. By the decree of Ramon Guerra, only goods consumed in the Zona Libre were exempted from duty; but, although the importations exceed many times the amount that can be consumed by the population of that territory, the custom-houses collect barely enough to pay their own expenses.

"The secretary of the treasury of Mexico, in his report, published in the fall of 1869, says:

"Another of the causes which have contributed most powerfully to diminish the product of the public rents, and especially that of importation duties, has been the institution of the Free Zone, enjoyed by the frontier of Tamaulipas. The establishment of this institution, owing in the beginning to the desire of favoring the frontier population of Tamaulipas, constitutes an exception which can with difficulty be sustained according to good economical principles, and which has given and will still give margin for abuses and frauds of importance by which suffer greatly the commerce of good faith and the Federal exchequer."

"Soon after the restoration of order, the attention of the Mexican Government was called to the injuries resulting to both countries from the existence of the Zona Libre, and to the unfriendly spirit shown by enacting for the territory bordering on our frontier different customs regulations from those which existed in other parts of the country, by which the enforcement of our laws and the prevention of frauds on our revenue were made impossible. The President and heads of the executive departments admitted the justice of our complaints, and gave reason to hope that the decree establishing the Zona Libre would be abrogated at the next session of Congress. No action was taken by the Mexican Congress until December last, when, instead of abrogating the decree, they extended it so as to include the States of Nuevo Leon and Coahuila.

"The following extract from an article which appeared in *La Cronica*, March 18, 1870, and which it is understood was written by a distinguished member of the Mexican Congress, will show the spirit in which this extension was made and the manner in which the Zona Libre is regarded by the enlightened statesmen of Mexico:

"The newspapers of the United States are full of complaints against the institution of the Free Zone on our northern frontier. The evils resulting therefrom to the Treasury and the commerce of their country are serious, and they denounce the measure as contrary to the reciprocity which should exist between the two countries. For ourselves, from the time the establishment of the Free Zone was discussed in Congress, it never seemed to us a measure favorable to the interests of Mexico, and

transportation of merchandise in bond through the ports and territory of the United States into the Republic of Mexico, and to restore that privilege whenever the Zona

we believed further that it would tend to destroy the relations of friendship existing between the two nations.

“ We remember that Congress was deluded by the assurance that the institution of the Free Zone injured the commerce of the United States, and for this reason favored the interests of Mexico. We admit the former proposition, but are far from expecting that the latter will prove true. We do believe, after having studied the question, that the Free Zone injures both nations; the United States, because all that frontier being a free port, the merchants of the American side will come to our territory to store their goods and watch for an opportunity to introduce them in a clandestine manner into Texas. Thus Mexico will be in the position of a person who injures himself and at the same time injures his neighbor.

“ It was said in Congress that Mexico was free to dictate her own laws. Nobody can doubt that she has this right, but neither can we disregard the obligations imposed upon nations by natural law not to make themselves bad neighbors, one to the other.”

“ With a knowledge of the course pursued by Mexico during the war and of the feeling toward the United States which now animates the majority of her Congress, it is useless to expect anything from her friendship or her justice.

“ We must depend wholly on ourselves and must protect our revenue by the best means in our power. This can be partially effected by the passage of the proposed bill. Large quantities of merchandise are transported in bond from other parts of the United States, mainly from Indianola, Galveston, and Corpus Christi, to the bank of the Rio Grande, and ostensibly crossed over into Mexico. Of this the certificate of an American consul, or, where there is no consul, that of two merchants, is considered sufficient evidence, and on the return of such a certificate the bond is canceled. Where nearly all the inhabitants are engaged in smuggling such certificates are not difficult to obtain. No inconsiderable portion of those goods ever cross the river, but after proceeding for a few miles in the direction of the place to which they are professedly destined they are carried into the chaparral, taken from the original packages, and thereafter transported with perfect impunity into the interior. After the requisite time the certificate that they have been landed in Mexico is returned, signed, as required, by two merchants, and the bond is canceled. Sometimes the goods are actually carried across the river, but the greater portion soon find their way back into the United States without the payment of duties.

“ The Northern States of Mexico are mainly dependent for their supplies on goods transported in bond across a portion of our territory.

“ The Secretary of the Treasury has lately issued orders discontinuing routes designated by the Treasury Department pursuant to the provisions of the act of August 0, 1852. By the passage of the proposed bill the other routes authorized by that act will be closed, and the transit trade in bond, with all the smuggling resulting therefrom entirely stopped.

“ The cost of supplies for the Northern States of Mexico will be increased by the expense of transportation over long, difficult, and unsafe routes, or, if received by the same routes as at present, by the addition of the United States duty, which must then be paid, so that it will be for the interest of the people of those States to join with the party already opposed to the Zona Libre in demanding its abolishment.

“ The passage of the proposed bill will prevent smuggling, so far as it is perpetrated under cover of our laws authorizing the exportation of goods in bond, but it will not prevent the smuggling into the United States of goods originally imported into Mexico, and will therefore prove only a partial remedy. No effectual prevention of smuggling across the Rio Grande can be devised, except such as will require the concurrent action of Mexico.

“ The State Department has been in correspondence with the Mexican Government for two years past in relation to the Zona Libre, and, although the President and executive officers of that Government have expressed their sense of its injurious effects on both countries, and their desire for its abolishment, the only practical result has been, as was before stated, its extension by Congress over two more States.

“ The hope of successful negotiations seems to have been exhausted. In violation of her own constitution, which prohibits the enactment of revenue laws unequal in their effect, Mexico still persists in maintaining along our frontier a belt of territory to which goods are admitted free, while imports to all other portions of the country are required to pay a heavy duty. Unfriendly is the mildest term by which such conduct can be characterized. A due consideration for the protection of our own interests may render other measures requisite to induce Mexico to regard the comity of nations and observe toward us such a course of conduct as is essential to the maintenance of friendly relations between neighboring countries. In so delicate and important a matter the committee offer no suggestions, but simply report the facts connected with the existence of the Zona Libre for the consideration of Congress, and recommend the passage of the proposed bill without amendment.”

Libre along the boundary line between the two countries shall be abolished,¹ which was referred to the Committee on Commerce, and reported adversely on June 25, 1890, by Mr. Cullom, of that committee, and after being debated was recommitted on July 1, 1890.

Senator Reagan was not satisfied with that decision, and on the same day, July 1, 1890, he presented substantially the same bill, with only a few verbal alterations, as an amendment to Senate bill 1642,² which was referred to the Committee on Commerce, but that committee did not take any further action on the subject and the matter rested there.

A similar measure finally passed Congress on February 27, 1895, and became the joint resolution signed by the President March 1, 1895, and of which I will presently speak.

Marauding on the frontier.—The close connection that marauding on the frontier had with the Free Zone question from 1872 to 1879 makes it necessary to say a few words about this incident.

The unsettled condition of the frontier at the time caused marauders to prey upon both sides of the border, Texas often being the victim; and for this the Mexican Government was not responsible, but on the contrary exerted itself as far as it could to prevent and punish such offenders. There were at the time also Indian raids, made especially by the Indians living in the United States, which at times were given permission to leave their reservations and hunt in Mexico, where they committed terrible crimes, from which sometimes the Texas settlements suffered, and all this contributed to establish a condition of unrest on the frontier. Members of Congress from Texas thought very likely the Mexican Government was somewhat responsible for such occurrences, and they exerted themselves to place the responsibility upon Mexico.

[¹Fifty-first Congress, first session. (S. 1642.) In the Senate of the United States. January 6, 1890, Mr. Reagan introduced the following bill; which was read twice and referred to the Committee on Commerce. June 25, 1890, reported by Mr. Cullom adversely.]

A BILL to prevent the transportation of merchandise in bond through the ports and territory of the United States into the Republic of Mexico, and to restore that privilege whenever the Zona Libre along the boundary between the two countries shall be abolished.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That after thirty days from the passage of this act it shall be unlawful for any person, firm, or corporation to transport any merchandise in bond through the ports or territory of the United States into the territory of the Republic of Mexico; and any person, firm, or corporation violating the provisions of this section shall be liable to a fine of not less than one thousand dollars and to imprisonment for a term not exceeding one year.

SEC. 2. That if the Republic of Mexico shall at any time abolish said Zona Libre, and shall give notice of that fact to the President of the United States, he shall, upon the receipt of such notice, by proclamation restore the right to transport merchandise through the ports and territory of the United States in bond into the territory of the Republic of Mexico as now permitted by law.

²[Fifty-first Congress, first session. (S. 1642.) In the Senate of the United States. July 1, 1890, Referred to the Committee on Commerce and ordered to be printed.]

AMENDMENT intended to be proposed by Mr. Reagan to the bill (S. 1642) to prevent the transportation of merchandise in bond through the ports and territory of the United States into the Republic of Mexico, and to restore that privilege whenever the Zona Libre along the boundary between the two countries shall be abolished, viz: Strike out all after the enacting clause and insert the following:

That after thirty days from the passage of this act it shall be unlawful for any person, firm, or corporation to transport any merchandise in bond through the ports or territory of the United States into the Zona Libre or Free Zone of the Republic of Mexico; and any person, firm, or corporation violating the provisions of this section shall be liable to a fine of not less than one thousand dollars and to imprisonment to a term not exceeding one year. But this act shall not be construed to prohibit the transportation of such merchandise into any part of the territory of Mexico where duties on imports are required to be paid by that country; and the Secretary of the Treasury shall make such rules and regulations as may be necessary to carry into effect the provisions of this act.

SEC. 2. That if the Republic of Mexico shall at any time abolish said Zona Libre, and shall give notice of that fact to the President of the United States, he shall, upon the receipt of said notice, by proclamation, restore the right to transport merchandise through the ports and territory of the United States in bond into any port of the territory of the Republic of Mexico as now permitted by law.

Mr. John Hancock, a Member of Congress from Texas, succeeded in having a joint¹ resolution passed by Congress, which was approved on May 7, 1872, to appoint a special commission of three persons to inquire into depredations by bands of Indians and Mexicans who crossed the Rio Grande into the State of Texas, and in pursuance of that resolution President Grant appointed Messrs. Thomas P. Robb, Richard H. Savage, and Thomas O. Osborn as commissioners to investigate such depredations. Mexico, on her part, appointed a similar commission for the purpose of ascertaining the marauding which had taken place in her territory.

The United States commission presented in 1872 a preliminary report which was submitted to Congress by President Grant with his message of December 16, 1872. In that report the commissioners said, referring to the Free Zone, as follows:

"The harassing question of the Zona Libre it does not fall within the province of the commissioners to examine, but they feel called to notice the extension of this zone in opposition to the most friendly remonstrances of the United States as another evidence of the spirit which has characterized the policy of the Mexican Government in its dealings with the United States for a series of years."

What has already been said about the extension of the Free Zone shows how greatly misinformed were the United States commissioners on the subject.

The final report of the commission, made on June 30, 1873, to the Secretary of State containing no proposal on the Free Zone, was communicated by President Grant to Congress with his message of May 26, 1874.

President Grant, in his annual message of December 7, 1874, said in reference to the marauding on the frontier:

"* * * Marauding on the frontier, between Mexico and Texas, still frequently takes place despite the vigilance of the civil and military authorities in that quarter.

"* * * It is hoped that the efforts of this Government will be seconded by those of Mexico, to the effectual suppression of these acts of wrong.

Which shows that in President Grant's opinion the Mexican frontier had also suffered by the marauding.

From 1876 to 1878 the relations between Mexico and the United States were in a critical condition, owing especially to the efforts of Mr. Gustav Schleicher, a Member of Congress from the Sixth district of Texas, born in Darmstadt, Germany, and who had served in the house of representatives and senate of the Texas legislature, having been elected to the Forty-fourth Congress and reelected to the Forty-fifth and Forty-sixth Congresses of the United States, although he died before the beginning of his last term. Guided either by a great zeal to serve the interests of his State, or because he desired to precipitate some trouble with Mexico, he exerted himself in an extraordinary manner to make it appear that Mexico was giving great

¹ [Resolution not of general nature—No. 4.]

JOINT RESOLUTION appointing commissioners to inquire into depredations on the frontiers of the State of Texas.

Whereas there are complaints of many depredations having been committed for several years past upon the frontiers of the State of Texas by bands of Indians and Mexicans who crossed the Rio Grande River into the State of Texas, murdering the inhabitants or carrying them into captivity, and destroying or carrying away the property of the citizens of said State; as also that bands of Indians have committed and continue to commit like depredations on the property, lives, and liberty of the citizens along the northern and northwestern frontiers of said State: Therefore,

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President of the United States be, and he is hereby, authorized and empowered to appoint three persons to act as commissioners to inquire into the extent and character of said depredations, by whom committed, their residence, or country inhabited by them, the persons murdered or carried into captivity, the character and value of the property destroyed or carried away, from what portions of said State, and to whom the same belonged.

SEC. 2. That it shall be the duty of said commissioners, or a majority of them, as soon as practicable, to proceed to the frontiers of said State and take the testimony, under oath, of such witnesses as may appear before them, after having given notice for ten days previous, by publication in the nearest newspaper, of the time and place of their meeting, of all such depredations, when, where, by, and upon whom committed, and shall make up and transmit to the President full reports of their said investigations.

SEC. 3. That said commissioners shall be entitled to and receive as compensation for their services, the sum of \$10 per day each, and their traveling expenses to each, for and during the time they shall be engaged in said service; and the sum of \$6,000, or so much thereof as may be necessary, be, and the same is hereby, appropriated to pay the expenses of said investigation and said commissioners.

Approved, May 7, 1872.

cause of offense to the United States, and that this country had to take the necessary means, even at the cost of war, to stop such imaginary aggressions.

On January 6, 1876, the House of Representatives passed a resolution introduced by Mr. Schleicher to the effect:

“That the portion of the President’s Message which refers to the inroads, robberies, and murders along the Mexican border in Texas be referred to a special committee of five Members, with instructions to inquire into the causes and the nature and extent of these depredations, and the measures that might prevent their continuance, with power to send for persons and papers, and to report at as early a date as possible.”

As is usual in such cases, Mr. Schleicher was appointed chairman of that special committee, which gave him, of course, a commanding position in the same.

On February 9, 1876, the special committee appointed in conformity with the resolution approved by the House on January 6, submitted its report,¹ which concerned especially the raids on the frontier.

On the 1st of November, 1877, the House of Representatives passed a resolution, introduced by Mr. Schleicher, asking the President to communicate to the House any information in his possession relative to the Mexican border in Texas and any recent violations of the territory of the United States by incursions by Mexicans, and in answer to that resolution President Hayes sent to the House, with his message of November 12, 1877, reports of the Secretaries of State and of War, of the same date, with their accompanying papers. This message was referred by the House to the Committee on Foreign Affairs, and on December 10 of the same year a resolution presented by Mr. Schleicher was adopted by the House of Representatives, referring to the same committee so much of the annual message of the President of the United States to the two Houses of Congress at that session, together with the accompanying documents, as related to the difficulties on the Rio Grande border.

The report of the Committee on Foreign Affairs of the House of Representatives of the Forty-fifth Congress, second session, presented on April 25, 1878, by Mr. Schleicher, accompanying a resolution² which was equivalent to a declaration of war against Mexico, was based, among other imaginary insults, on the supposition that the Free Zone in Mexico was very injurious to the United States and its establishment almost an act of hostility on the part of Mexico.

Mr. Schleicher died at Washington on January 10, 1879, and this incident ended with him, his death having coincided with the consolidation of peace in Mexico.

Joint resolution of March 1, 1895.—When some of the most prominent men of the United States misunderstood the scope and purpose of the Free Zone, it is not strange that some of the inhabitants of the Texas border should have done so also, and should, for that reason, have shown a strong dislike and opposition to it. Some citizens of Texas living on the frontier, and prejudiced against the Free Zone, presented a petition on January 24, 1895, to the Texas legislature, which was afterwards approved by that body, in the shape of a resolution calling upon the Members of Congress from that State to urge upon Mexico to abolish the Free Zone, and in case of a refusal, then for the United States to close its bonded warehouse against all goods

¹ Forty-third Congress, first session, House Ex. Doc. No. 257.

² [Forty-ninth Congress, first session, House of Representatives, Report No. 2615.]

JOINT RESOLUTION.

Be it resolved by the Senate and House of Representatives of the United States of America in Congress assembled: 1. That experience has fully demonstrated the necessity, under existing conditions, for the presence of an adequate military force on the Mexican border in Texas as the only guarantee of the lives and property of our citizens against the cattle thieves, robbers, and murderers who cross from the Mexican side of the Rio Grande; and that the President is therefore requested to keep on that border, from the mouth of the Rio Grande to El Paso, a military force of not less than five thousand men, of which at least three thousand shall be cavalry.

2. That the orders of the President, issued by the Secretary of War June 1, 1877, authorizing the crossing of the border by our troops in certain cases, are necessary for an efficient defense of the lives and property of our citizens, and should not be withdrawn or modified until treaty stipulations shall have been agreed to by Mexico that will secure an equally efficient protection.

3. That the following should be secured by treaty stipulations:

First. Indemnity for injuries to the persons and losses to the property of citizens of the United States for which the Government of Mexico shall be found liable.

Second. The abolition of the Free Zone.

Third. Such provisions as will hereafter secure on the border the speedy trial and punishment of criminals, residents or citizens of Mexico, as well as others, in the courts within whose jurisdiction the crimes have been committed.

Fourth. The exemption of American citizens residing in Mexico from forced loans and all other illegal exactions.

entering Mexico through any of our ports. Mr. Jeremiah V. Cockrell, a Member of Congress from the Thirteenth district of Texas, undertook with more zeal than discretion to carry out the wishes of the Texas legislature, and on January 17, 1895, he introduced a joint resolution¹ with a long preamble, asserting that the Free Zone was detrimental to the interests of American merchants doing business near the said Zone by reason of their inability to compete with the untaxed importations of foreign countries; that it was depriving this Government of much revenue by reason of the increasing evil of smuggling on the frontier of the Rio Grande, where an increased force of customs inspectors adequate to prevent this contraband trade would entail an enormous expense, and that all the free importations landed on the Free Zone caused loss of revenue to this Government.

From what I have already stated from official information obtained from the Secretary of the Treasury and from the testimonials of gentlemen from Texas holding high official positions, who know all about the Free Zone, Mr. Cockrell's assertions will be seen to be destitute of foundation.

Both the preamble and enacting clause were so objectionable to the Committee of Ways and Means that, when they reported this resolution² to the House on February

¹[Fifty-third Congress, third session (House of Representatives, 260). In the House of Representatives, January 17, 1895. Mr. Cockrell introduced the following joint resolution; which was referred to the Committee on Ways and Means and ordered to be printed.]

JOINT RESOLUTION in reference to the Free Zone along the northern frontier of Mexico and adjacent to the United States.

Whereas the so-called "Free Zone" along the northern frontier of Mexico and adjacent to the United States, in which all foreign goods are admitted free of duty by the Mexican Government, has had for years past a detrimental effect on the interests of American merchants doing business near the said zone, by reason of their inability to compete with the untaxed importations from China, Japan, France, Italy, Germany, and all Europe; and

Whereas the said Free Zone has for years and is daily depriving the Government of much revenue by reason of the increased and growing evil of smuggling on that frontier of the Rio Grande, where an increased force of customs inspectors adequate to prevent this contraband trade would entail an enormous expense not commensurate with the revenues there collected; and

Whereas all the free importations that are landed on that zone, which cause the loss of revenue to this Government and the humiliation of daily violations of its customs laws, which it is impossible to correct, are carried in bond through this country and delivered in said zone: Therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be, and is hereby, directed to suspend, so long as the Mexican Free Zone law exists, obedience to the laws that permit merchandise in bond to be landed thereon, as the only means this Government has to prevent loss of revenue and to protect the honest importers of the United States from the unjust discrimination which the Free Zone of Mexico occasions against them, without, however, impairing, hindering, or impeding the bona fide importations into the interior of Mexico beyond the Free Zone frontier, or in any manner disturbing the commercial relations of the two countries, excepting so far as the Free Zone of Mexico is concerned, which has proven to be inimical to the interests of the United States, and after long toleration has justified this course.

²[Fifty-third Congress, third session. House of Representatives. Report No. 1850. Mexican Free Zone. February 18, 1895. committed to the Committee of the Whole House on the state of the Union and ordered to be printed.]

Mr. Bynum, from the Committee on Ways and Means, submitted the following report (to accompany H. Res. 277):

"The Committee on Ways and Means, to whom was referred the House resolution (H. Res. 260) entitled 'A joint resolution in reference to the Free Zone along the northern frontier of Mexico and adjacent to the United States,' having had the same under consideration, respectfully report the same back with the recommendation that the accompanying substitute be adopted in its stead.

"The design of the resolution was to prevent the transportation of merchandise in bond through the United States into the Free Zone of Mexico. The Free Zone of Mexico is a narrow strip extending along the northern boundary of Mexico from the Gulf of Mexico to the Pacific Ocean. The Government of Mexico does not allow shipments in bond through its territory into the Free Zone, hence all shipments into this territory are made through the United States. The sparsely settled country along the line between the United States and Mexico makes smuggling easy, and the officers of the Government have found it impossible to prevent the same. The exemption of that portion of Zona Libre between the Gulf of Mexico and Laredo is deemed advisable by reason of the navigability of the river between those points. There is no objection upon the part of the Mexican Government to the passage of this resolution and the action proposed to be taken by this Government."

18, 1895, they had to omit the former and leave of the latter only the provision that the Secretary of the Treasury "should suspend the operation of section 3005 of the Revised Statutes in so far as the same permits foreign goods, wares, and merchandise to be transported in bond through the United States into the Free Zone of Mexico so long as the Mexican Free Zone law exists."¹

In justice to other Members from Texas, I must say that some of them objected to Mr. Cockrell's resolution, and Mr. William H. Crain, a young and very promising Member from that State, representing the Eleventh district, who, unfortunately, has since died, spoke in favor of the Free Zone, showing that it was not prejudicial to the United States, and he qualified Mr. Cockrell's resolution as an attempt to coerce Mexico into the abolition of the Free Zone. Finally, when he found that he could not stem the current, he amended the resolution to the effect that it should not embrace his Congressional district, extending from Laredo, Tex., to the Gulf of Mexico; and the resolution so amended was approved by the House of Representatives, reported favorably by the Committee on Finance of the Senate on February 20, and approved by the Senate on February 25; but when the directors of the railways running to the excluded district learned of this discrimination they naturally objected to it, on the ground that it discriminated against them, and this objection was so strong that the resolution had to be reconsidered by the Senate and amended to make the prohibition general, and in this form it was finally approved by both Houses of Congress and by the President on March 1, 1895.²

Commissioner Lyman, of the United States Civil Service Commission, made a trip to the frontier, and hearing only parties inimical to the Free Zone, and giving full credence to their statements, made a report to the commission on his return to Washington in February, 1895, in which he repeated the assertions that the Free Zone was prejudicial to the interests of the United States; that it encouraged smuggling, and suggested that for the purpose of stopping it, the bonded privilege for foreign merchandise sent to the frontier should be withdrawn. How ungrounded these views were, will appear by reading the opinions of the collector of customs at Laredo, of citizens of El Paso, and other prominent parties on the frontier better informed than Mr. Lyman of the condition of things there. His opinion, however, could not fail to assist the friends of the measure proposed in the House by Mr. Cockrell.

Mr. Cockrell's resolution, after all his exertions, was inoperative because of its imperfect wording, to the effect "that the Secretary of the Treasury should suspend section 3005 of the Revised Statutes in so far as the same permitted goods, wares, and merchandise to be transported through the United States into the Free Zone of Mexico so long as the Free-Zone law exists."

When this resolution went to the Treasury Department, it was found that section 3005 of the United States Revised Statutes, which was the only one repealed by the same, was insufficient to accomplish the purpose intended by its originators, as it ought to have repealed also sections 3002, 3003, and 3004. Section 3005 allowed for-

¹[Fifty-third Congress, third session. (H. Res. 277.) In the Senate of the United States. February 20, 1895, read twice and referred to the Committee on Finance. February 21, 1895. *Resolved*, That this joint resolution pass. February 25, 1895, vote on third reading and passage reconsidered and referred to the Committee on Finance.]

JOINT RESOLUTION in reference to the Free Zone along the northern frontier of Mexico and adjacent to the United States.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be, and is hereby, authorized and directed to suspend the operation of section 3005 of the Revised Statutes, in so far as the same permits goods, wares, and merchandise to be transported in bond through the United States into the Free Zone of Mexico, so long as the Mexican Free-Zone law exists, at any point between the western boundary of the city of Laredo, in the State of Texas, and the Pacific Ocean: *Provided*, That nothing herein contained shall be construed so as to prevent the transportation of merchandise in bond to be delivered at points in the territory of Mexico beyond the limits of said Free Zone.

Passed the House of Representatives February 19, 1895.

Attest:

JAMES KERR, *Clerk*.

²[Public Resolution, No. 23.]

JOINT RESOLUTION in reference to the Free Zone along the northern frontier of Mexico and adjacent to the United States.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be, and is hereby, authorized and directed to suspend the operation of section 3005 of the Revised Statutes, in so far as the same permits goods, wares, and merchandise to be transported in bond through the United States into the Free Zone of Mexico, so long as the Mexican Free-Zone law exists: *Provided*, That nothing herein contained shall be construed so as to prevent the transportation of merchandise in bond to be delivered at points in the territory of Mexico beyond the limits of said Free Zone.

Approved, March 1, 1895.

sign goods to enter in transit in bond directly to the place of destination without examination, while the others allowed the same goods to enter for warehouse and transportation with examination at the port of arrival. As the other three sections had been left in force, the only result accomplished by the act was that goods sent to the frontier, intended for the Mexican Free Zone, would now be required to be examined, when before they could be passed without examination.

Therefore the efforts of Mr. Cockrell were entirely ineffective; but even if they had been successful, their practical result would have been that European goods intended for the Free Zone, which formerly came through the United States, paying freight to the American railways, would be imported through Mexican ports, and from there transported to the Free Zone, to the advantage of the Mexican railways and Mexican merchants, and that the American merchants on the frontier who formerly handled such goods and gained the commission on the same, would be deprived of that business, which would be transferred to the Mexican merchants and the right bank of the Rio Grande.

Prior to the attempt of the United States to put an end to the bonding privilege allowing the shipping of goods through the United States, Mexico extended no bonded privilege from her ports of entry. This forced all shipments from foreign countries to American ports and over American railroads.

The Mexican entry ports of Tampico, Vera Cruz, and Guaymas did not recognize the Zone, and full duties were required on all goods entered, regardless of their ultimate destination. The people of the United States, therefore, had up to April 1, 1895, an absolute monopoly of the carrying trade of the Zone and a monopoly of the selling trade of that territory in nearly every line of goods. Such is the result of ill-advised legislation.

The danger that foreign goods transported in bond from or to the frontier and passed into Mexico should be smuggled back into the United States could not be remedied by that act, because the same danger exists in regard to the same goods, once in the Free Zone, whether they come through the United States or through Mexican territory, and therefore the measure enacted was entirely inadequate to accomplish the object intended.

These reasons were so plain that on December 18, 1896, Mr. Seth W. Cobb, a Member of Congress from Missouri, introduced, by request, in the House of Representatives a joint resolution for the repeal of the act of March 1, 1895, which was referred to the Committee on Ways and Means of the House.¹

If the purpose of that act was to obtain from Mexico a repeal of the Free Zone, as might be inferred from its wording, and especially in the form in which it was originally submitted, that purpose entirely failed, and I can affirm that this and similar measures will be new and serious obstacles for the abolition of the Free Zone.

An incident happened, in this connection, which I think worth mentioning. In the report of the Committee on Ways and Means, submitted to the House of Representatives on February 18, 1895, Mr. Bynum, who had this matter in charge, stated that there was no objection on the part of the Mexican Government to the passage of that resolution and to the action proposed to be taken by the Government of the United States. While this matter was pending in Congress I purposely refrained from speaking to any Member on the subject, or taking any action in regard to it, notwithstanding that I was sure that Mr. Bynum was misinformed, lest my interference might be considered as an attempt to influence legislation, and because, as we have objected to the United States Government interfering in our legislation on the Free Zone, to be consistent, I thought we ought not to interfere when the United States attempted to legislate on the same subject. But after the joint resolution had been approved by the President, and it was placed in the statutes of this country, I thought I would make this matter clear, and I wrote to Mr. Bynum the following letter:

WASHINGTON, March 6, 1895.

MY DEAR SIR: I noticed that you stated, both in the report submitted by yourself on the 18th of February ultimo in behalf of the Committee on Ways and Means of the House of Representatives, and during the discussion on the subject in the House, that there was no objection on the part of the Mexican Government to the passage of the resolution to suspend the transportation of our merchandise in bond through

¹ [Fifty-fourth Congress, second session (H. Res. 222). In the House of Representatives, December 18, 1896.]

Mr. Cobb (by request) introduced the following joint resolution; which was referred to the Committee on Ways and Means and ordered to be printed:

JOINT RESOLUTION to repeal the joint resolution in reference to the Free Zone.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the joint resolution entitled "Joint resolution in reference to the Free Zone along the northern frontier of Mexico and adjacent to the United States," approved March 1, 1895, be, and the same is hereby, repealed.

the United States, destined to the Free Zone in Mexico. As I am not aware that my Government has made any declaration concerning this matter, you will confer a favor on me if you will kindly inform me what was your foundation for this statement.

Apologizing for the trouble I am giving you, I remain,

Very faithfully, yours,

M. ROMERO.

Hon. WILLIAM D. BYNUM,
Indianapolis, Ind.

In due time I received from Mr. Bynum the following answer:

COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES,
Washington, D. C., March 27, 1895.

MY DEAR SIR: YOURS of the 6th instant addressed to me at Indianapolis was returned—hence the delay in answering. The report upon the bill for abolition of the shipment of goods in bond through the United States into the Free Zone of Mexico was written very hastily in the closing hours of the session. The statement therein that the Government of Mexico had no objections to the measure was based upon representations made to the committee by parties who appeared before it in advocacy of the passage. It was not based upon anything purporting to come from any official or representative of the Mexican Government.

Very respectfully,

W. D. BYNUM.

Mr. M. ROMERO, *Washington, D. C.*

Reaction in favor of the Free Zone.—There are some symptoms of reaction against the hostility of the Free Zone developed in the United States, and I will mention here briefly in what they consist. I have already referred to the resolution introduced by Senator Morgan in the Senate of the United States, asking the Secretary of the Treasury for information as to whether and to what extent the Free Zone in Mexico encouraged smuggling into this country, and to Secretary Fairchild's answer, which showed how insignificant was the foreign trade through the Free Zone. At the same time, on February 16, 1888, Senator Morgan introduced another resolution calling on the Secretary of State for "all correspondence with the Government of Mexico or its diplomatic representatives respecting the laws and regulations of that Republic relating to customs duties and their collection in the belt of border country extending along the frontier of the United States from the mouth of the Rio Grande to the Pacific Ocean, known as the Free Zone of Mexico.

This last resolution was intended to bring out my two official communications to the Secretary of State, of February 10 and 14, 1888, respectively, which were sent to the Senate with the President's Message of March 16, 1888,¹ and which I append to this paper.

There are also signs of a reaction in Congress on this subject, as is shown by the fact already stated that Mr. Seth Cobb introduced a resolution to repeal the joint resolution of March 1, 1895; which shows that Members of Congress are becoming satisfied of the injurious results to the interests of their own country brought about by said joint resolution.

Notwithstanding the preponderance of opinion against the Free Zone, to which I have just alluded, the facts in the case are so plain that it will hardly be possible to misrepresent and agitate it much longer. When some of the public men of this country took the pains to study the scope and purpose of the Free Zone, they at first

¹[In the Senate of the United States, February 16, 1888. Congressional Record, Vol. XIX, Part II, p. 1261.]

THE MEXICAN FREE ZONE.

Mr. MORGAN. I submit the following resolution:

"Resolved, That the Secretary of State is directed to send to the Senate copies of all correspondence with the Government of Mexico, or its diplomatic representatives, not heretofore published, respecting the laws and regulations of that Republic relating to customs duties and their collection in the belt of border country extending with our frontier from the mouth of the Rio Grande to the Pacific Ocean, known as the Free Zone of Mexico."

Mr. EDMUNDS. I suggest to the Senator from Alabama that the ordinary course has been, and I think it ought to be, in calling for diplomatic correspondence that the request should be addressed to the President with the usual clause, "If not, in his opinion, incompatible with the public interest."

Mr. MORGAN. I had been informed that the minister from Mexico had made a voluntary communication to the Secretary of State setting forth what the laws and regulations were.

Mr. EDMUNDS. I dare say that may be true as a matter of fact, but, officially, we do not know it. I think we had better preserve the usual form.

Mr. MORGAN. That was the reason why I put the resolution in the form I did, knowing that there was no secret about the matter. I am quite willing to change it

expressed opinions in regard to that institution which were greatly at variance with those I have quoted, but after the question had been discussed it is pleasant to find that the false impression that prevailed in the United States regarding the Free Zone is being materially changed.

Mr. Warner P. Sutton, an able consular officer of the United States, who represented his country for fifteen years as consul on the frontier, serving for five years as consul and ten years as consul-general in Mexico—the first eleven at Matamoras and the remainder of the time at New Laredo—holds that the Free Zone in Mexico is advantageous, rather than in any way detrimental to the commercial and revenue interests of the United States, and he expressed those views in an interview which was published by the New York Evening Post of May 19, 1894. I attach so much importance to Mr. Sutton's views that I append his interview to this paper.

As I have already stated, Mr. Crain, a Member of Congress from Texas, delivered a speech in the House of Representatives on February 27, 1895, in which he plainly demonstrated that the Free Zone in Mexico is in no way prejudicial to the interests of the United States; and to the letters addressed to him on February 25, 1895, by the collector of customs at Laredo, which express exactly the same views, and on January 27, 1895, by the leading citizens of Brownsville, Tex., including the mayor and other public men—a city which had been the hotbed of the opposition to the Free Zone—asserting that the Free Zone was advantageous to the commercial interests of the United States.

The feeling on the frontier of the United States in so far as the Free Zone is concerned is at present quite different from what it was thirty years ago. Brownsville, Rio Grande City, and Nogales have no railroad outlet to the North, and in these places few opponents of the Zone as an institution can now be found. The American opposition to the Zone is to be found in the cities of Laredo, Eagle Pass, and El Paso, as it is claimed there that the trade of the American merchants in European goods, such as silks and other luxuries, is ruined by the proximity of the Free Zone and the towns across the river. Nuevo Laredo, opposite Laredo; Piedras Negras, opposite Eagle Pass; and El Paso del Norte, opposite El Paso, Tex., are built up at the expense of those on the American side. Another class which has opposed the Free Zone is a limited number of real estate owners in the border towns of the United States, who imagine that if they could ruin their rivals on the other side of the river they would enjoy a perpetual boom of prosperity.

United States opposition to the Free Zone has been in the way of its abolition.—I think it is proper on this occasion to state that the misunderstanding which has prevailed here with regard to the object and tendencies of the Free Zone, and the manner in which that misunderstanding has been expressed by Federal and State officials, has really served as a powerful argument to the Mexican defenders of the Free Zone to keep up that institution, as they accuse their opponents of subservience to this country, attributing to them a design to sacrifice the interests of Mexico to the demands of the United States. It may not be out of place for me to quote here certain views regarding this aspect of the question which I expressed as secretary of the treasury of Mexico, in my annual report submitted to the Federal Congress, under date of September 16, 1870, and which are the following:

"The friendly representations made by the United States Government to that of the Republic in relation to the injury accruing to the United States from the Free Zone are also worthy of being taken into consideration by Congress, not that it may seek to please the neighboring nation in a spirit of servility, at the expense of the rights and interests of the Republic, which it is under obligations to care for and uphold above everything else (which spirit would be unworthy of our national representatives), but as a neighborly act, and in order to have a right to be heard and treated with consideration in case that in the process of time some difficulty may arise

so as to direct the resolution to the President, "If not incompatible with the public interest."

The PRESIDENT PRO TEMPORE. The modification of the resolution will be read.

The Chief Clerk read as follows:

"Resolved, That the President, if not incompatible with the public interest, is requested to send to the Senate copies of all correspondence with the Government of Mexico," etc.

Mr. EDMUNDS. It should be, "If, in his opinion, not incompatible with the public interest."

The PRESIDENT PRO TEMPORE. The resolution as proposed to be modified will be read.

The Chief Clerk read as follows:

"Resolved, That the President, if, in his opinion, not incompatible with the public interest, is requested to send to the Senate copies of all correspondence with the Government of Mexico," etc.

The resolution, as modified, was agreed to.

The replies to these resolutions are printed, respectively, as Senate Ex. Docs. Nos. 109 and 130, first session Fiftieth Congress.

on our northern frontier of such a nature as to possess, regarding Mexico, the character which the Free Zone possesses as regards our neighboring nation; in order, moreover, that Mexico may acquire a new title to be heard and considered in a cordial and friendly, as well as just and equitable, manner when she may have occasion to offer remonstrances with a view to the protection of her interests. A nation's dignity is not so well upheld by refusing to consider the moderate and amicable remonstrances of a neighboring nation as it is by hearing and considering such remonstrances, and then acting according to the requirements of justice."

The Free Zone and the Hanseatic cities.—The Free Zone question had a precedent in the Hanseatic cities of Germany, which it is proper to consider as showing that the Free Zone was not a Mexican invention and what may be its probable outcome. The Hanseatic cities, especially Hamburg and Bremen, had practically the same thing as the Free Zone, and it is perhaps well to compare the situation which existed in these Hanseatic cities of Germany with that of the Free Zone in Mexico. The Hanseatic cities were, from a customs and financial point of view, treated as a foreign country, and all goods, whether of foreign or of domestic manufacture, had to pay full duties upon entering Prussia.

After the war between France and Germany, Prince Bismarck considered it necessary that the rich populations of Hamburg and Bremen, consisting of over half a million of people, should contribute to the national expenses in revenue, and was persistent in that the mentioned cities should abandon their privileges. The Hanseatic cities did not take the initiative step for a customs union with the remaining part of Germany, and the people at large were opposed to any change; but the manufacturers of Hamburg, who could not ship goods into the remaining part of Germany without paying duties, had for several years been advocating such a union with the other part of the Empire. Prince Bismarck contended that the privileges enjoyed by the Hanseatic cities, from a national and financial point of view, were a drawback to the interests at large of Germany, as it was very difficult to prevent smuggling from the free territory into the territory paying duties, and thus the Imperial Government was deprived of a good deal of revenue.

Finally Prince Bismarck's views prevailed; the desired change was accomplished; but when the Hanseatic cities were brought into the customs union there existed very little sympathy for the new state of affairs. However, time has shown that the people are now fully satisfied with the existing conditions, and if to-day a movement should be inaugurated to go back to the old system, it is extremely doubtful if a majority could be found in favor of the old conditions.

Since the formation of this customs union with Prussia, manufacturing, both for export and domestic consumption, has increased enormously in the Hanseatic cities, a good deal of the manufacturing being done in the bonded warehouse or free district, where everything enters free and there is no interference by the Government.

The prices of some articles in the Hanseatic cities, of course, increased when they had to pay duties, but the increased manufacturing created a demand for labor and consequent increase of wages, so that the people were thus fully compensated for the increase in the prices of some articles on account of their having to pay duties.

In the German cities of this union there are certain districts containing from 3 to 12 square kilometers, where foreign goods are stored or deposited without any customs requirements excepting for statistical purposes.¹ In Hamburg this free district

¹ Messrs. Ketlesen & Degetau, of El Paso del Norte, Mexico, having asked, on February 24, 1897, Messrs. Oetling Gebruder, of Hamburg, several questions about the free city of Hamburg, they received the following answer, which shows how the Free Zone could be adjusted in Mexico:

(1) The free territory of the city of Hamburg, before it became included in the custom-house union with Prussia, comprised an area of 413.71 square kilometers.

(2) When leaving the free territory, all merchandise, including agricultural products, had to pay import duties in conformity with the Prussian tariff.

(3) From the time that Hamburg formed part of the custom-house union with Prussia, there was a great improvement noticeable in the State of Hamburg, and all its industries greatly increased.

(4) The prices of the necessaries of life did not increase, as a general rule, as they were controlled by the prices ruling in the principal markets of Europe.

(5) The area of the present jurisdiction granted to bonded warehouses, where articles may be kept without paying duties, is 10.44 square kilometers.

(6) A portion of these warehouses belongs to the Government, and a portion to private individuals.

(7) The Government does not interfere in any way with any merchandise entered at the free warehouse.

(8) Duties in conformity with the tariff have to be paid on all articles taken from the bonded warehouse for home consumption in Germany. No duties have to be paid on any articles taken out to be exported.

or territory contains 12 square kilometers, and while Hamburg, before entering the customs union with Germany, was the fifth most important port of the world, it has since then become one among the first in importance.

This may be the way to solve the problem in Mexico; that is, the Government might designate a certain territory, say, two or three square kilometers, for instance, in Matamoras, Laredo, Piedras Negras, El Paso del Norte, and Nogales, where merchants would be allowed to store their goods without duties, and then, upon their withdrawing the same for home consumption, pay full duties; and if they should be exported, to be free of any expense for duties. This would give the frontier towns an opportunity to develop a large trade in commerce, and even sell to parties in the United States.

Conclusion.—I sincerely hope that the foregoing remarks will in some measure contribute to dispel the false impressions prevailing in the United States in regard to the Mexican Free Zone, and that in consequence, when the agitation on the subject shall have completely disappeared, it will be easier to adjust this matter in such a manner as will be honorable and satisfactory to all concerned.

M. ROMERO.

WASHINGTON, December, 31, 1897.

APPENDIX TO THE MEXICAN FREE ZONE.

[President's message of March 16, 1888, on the Free Zone. Senate, Fiftieth Congress, first session Ex. Doc. No. 130. Message from the President of the United States, transmitting a letter of the Secretary of State in response to Senate resolution of February 16, 1888, relative to the Mexican Zona Libre. March 19, 1888, read and referred to the Committee on Printing; March 27, 1888, ordered to be printed.]

To the Senate of the United States:

I herewith transmit, in compliance with the resolution of the Senate of the 16th ultimo, a report from the Secretary of State, accompanied by certain correspondence in regard to the Mexican Zona Libre.

GROVER CLEVELAND.

EXECUTIVE MANSION,
Washington, March 16, 1888.

THE PRESIDENT:

The undersigned, Secretary of State, to whom was referred a resolution adopted by the Senate of the United States on the 16th ultimo, requesting the President, "if in his opinion not incompatible with the public interest, to send to the Senate copies of all correspondence with the Government of Mexico, or its diplomatic representatives, not heretofore published, respecting the laws and regulations of that Republic in its belt of border country extending with our frontier from the mouth of the Rio Grande to the Pacific Ocean, known as the Free Zone of Mexico," has the honor to submit to the President, with a view to its communication to the Senate in response to that resolution, copies of certain unpublished correspondence on file in the Department of State which cover the inquiry of that body.

A copy of the important tariff laws and customs regulations of Mexico, which went into effect July 1, 1887, and which include many special provisions relative to importation, bonding, consumption, and travel in the Zona Libre, is also transmitted as essential to a knowledge of its workings.

Two of the inclosures,¹ with the note of the Mexican minister at this capital, dated February 10, 1888, on the subject of the Zona Libre from a historical view, are unavoidably communicated in the original Spanish.

Respectfully submitted.

T. F. BAYARD.

DEPARTMENT OF STATE, Washington, March 16, 1888.

List of accompaniments.

1. Mr. Frelinghuysen to Mr. Morgan, No. 552, April 25, 1884, with inclosures.
Messrs. Coke and Lanham, April 17, 1884, with petition of citizens of Texas.
2. Mr. Romero to Mr. Frelinghuysen, May 5, 1884, with inclosure, being a law of Mexico issued March 25, 1884, instituting the Zona Libre.
3. Mr. Frelinghuysen to Mr. Morgan, No. 575, May 20, 1884, with inclosures.
 - (1) Mr. Lanham to Mr. Frelinghuysen, May 1, 1884.
 - (2) Mr. Morehead to Mr. Lanham, April 24, 1894.

¹ While this document was passing through the press an opportunity was found to translate these inclosures, and they therefore appear translated into the English language.

4. Mr. Romero to Mr. Bayard, June 12, 1885.
5. Mr. Romero to Mr. Bayard, January 4, 1886, with inclosure, being reports of the secretary of the treasury to the Mexican Congress.
6. Mr. Sutton to Mr. Porter (extract), No. 408, May 25, 1887, with inclosure, being the tariff laws of Mexico which went into operation July 1, 1887.
7. Mr. Romero to Mr. Bayard, February 10, 1888, with inclosures.
 - (1) Decree establishing the Zona Libre.
 - (2) Circular to frontier custom-houses.
 - (3) To custom-house at Matamoras.
 - (4) Circular to custom-houses.
8. Mr. Romero to Mr. Bayard, February 14, 1888.

No. 7.—*Mr. Romero to Mr. Bayard.*

[Translation.]

LEGATION OF MEXICO,
Washington, February 10, 1888.

MR. SECRETARY: I have observed both in the correspondence of the representatives of the United States in Mexico, which has been published by their Government, and in statements made by prominent persons in this country, expressions and opinions respecting the Free Zone which exists in the portion of Mexico bordering on the United States which I consider wholly unfounded. It has consequently seemed proper to me, from a due regard to the good understanding and harmony between our two countries, to offer some explanations whereby I trust that the erroneous impressions that now prevail on this subject will be rectified.

I think I do not hazard much in saying that both in official circles in the United States and outside of those circles it is believed that the Free Zone was established in Mexico as an act of antagonism, if not of hostility, to the United States, and mainly, if not solely, for the purpose of encouraging smuggling, to the prejudice of the fiscal interest of this country. It will not be difficult to show how unfounded these opinions are.

When in pursuance of the treaty of February 2, 1848, the Rio Grande from El Paso del Norte to the point where it flows into the sea was accepted as the boundary line between Mexico and the United States, and when American settlements began to be made on the left bank of that river, two peoples were brought into contact with each other whose economical and commercial conditions offered a striking contrast. In the United States no taxes were levied upon internal trade, and it was not otherwise restricted; the import duties on foreign goods were at that time relatively low, and the country was just entering upon an unexampled career of progress, while in Mexico, which had inherited the Spanish system of taxation, taxes were levied which largely increased the cost of domestic goods. The collection of these taxes rendered internal custom-houses necessary, and the restrictions placed upon trade were numberless; import duties on foreign goods were so high as to be prohibitory; in addition to this, the importation of various kinds of goods was prohibited, among them some of prime necessity, such as provisions.

The result of this state of things was that while in Brownsville, and other towns on the left bank of the Rio Grande, domestic articles of daily use, such as provisions, clothing, etc., were sold at a comparatively low price, in the Mexican towns on the right bank they cost twice and even four times as much, and that foreign goods also were much cheaper on the one than on the other side of the river.

This difference of circumstances necessarily brought about one of these two results: It either caused the inhabitants of the Mexican towns to emigrate to those of the United States in order to enjoy the advantages which were to be had in that country, or it induced them to purchase the goods which they needed in the United States and then to smuggle them over to the Mexican side.

In 1849, that is to say, in the year following that in which the new boundary line was adopted, the situation on the Mexican frontier became so disquieting that the Federal Congress was obliged to pass a law, on the 14th of April, which may be considered as the first step toward the establishment of the Free Zone. This law authorized, for a term of three years, the importation through the frontier custom-houses of the State of Tamaulipas of such provisions as were for the use of the people of the frontier, which goods, up to that time, had been prohibited by the existing tariff or had been subject to very heavy duties.

This law did not meet the exigencies of the situation, and in 1858 the Free Zone was established by the governor of Tamaulipas as an absolute necessity of the State.

On the 5th of February, 1857, the constitution was adopted which is now in force in Mexico, and which went into operation on the 16th of September following. On

the 1st of September, Don Ignacio Comonfort, the constitutional President, was inaugurated and, unfortunately, a pronunciamiento was issued by him on the 17th of the same month against the constitution; he also dissolved the Federal Congress which was then in session. For this reason several Mexican States, especially such as were at a distance from the center, reassumed their sovereignty, and their legislatures granted extraordinary powers to the governors in order to enable those officers to protect their institutions.

In virtue of these powers the governor of the State of Tamaulipas issued, on the 17th of March, 1858, a decree which was designed to afford a remedy for the hardships that were then suffered by the frontier population of that State. This decree established what has since that time been known as the "Free Zone," in which foreign goods intended for the use of the frontier towns of the State, and of the ranches in their jurisdiction, or for trade between those towns, were to be exempt from all Federal duties, but not from municipal or State taxes, an unlimited right of bonding being, moreover, granted to those towns. Thus it was that foreign goods imported there could remain stored indefinitely without paying any duties to the Federal treasury. The said goods paid no import duties, except when they were removed from those towns to be shipped to the interior of Mexico.

Nothing could furnish a better explanation of the true object of the decree issued by the Governor of Tamaulipas, if there were room for any well-founded doubt with regard to it, than the grounds on which he based his action, which were as follows:

"Whereas the towns on our northern frontier are in a state of actual decadence owing to the want of laws to protect their trade; and whereas, being situated in close proximity to a commercial nation which enjoys free trade, they need similar advantages in order to avoid losing their population, which is constantly emigrating to the neighboring country; now, therefore, desiring to arrest this serious evil by means of franchises which have so long been demanded by the frontier trade."

* * * * *

The decree of the governor of Tamaulipas of March 17, 1858, was submitted to the legislature of the State and also to the Federal Congress for their approval, and it was approved by the latter body July 30, 1861.

This brief statement will, I think, be sufficient to show that the establishment of the Free Zone was a step taken in fulfillment of the duty of self-preservation, so to speak, and that it was by no means a measure adopted in a spirit of unfriendliness, much less of hostility toward the United States, as has been believed in this country.

The second impression which prevails here with regard to the Free Zone is equally unfounded.

The events connected with the foreign intervention did not permit the effects of the Free Zone to be felt in Mexico until the Republic returned to its normal condition, as it did when peace was restored.

In the report made by the Secretary of the Treasury to the Congress of the United States September 16, 1869, that officer stated that one of the causes of the then depleted condition of the Mexican treasury was the large contraband trade that was carried on through the Free Zone enjoyed by the frontier towns of Tamaulipas. The Secretary remarked at the same time that the custom-houses of those towns were scarcely able to meet their expenses, which showed that that region had not prospered, notwithstanding the franchises granted to it by the Free Zone, and that the said Zone was not the proper remedy for the evil which it was intended to cure.

It is true that the privilege granted by the Free Zone to the inhabitants of the northern portion of Tamaulipas to import foreign goods without paying import duties, to store them in their own houses, and to keep them in bond for an unlimited time was, and has been, a powerful incentive to smuggling, with a view to repressing which recourse has been had in Mexico to a costly and complicated system of inspection. Protection to smuggling was not, however, the object had in view by the creators of the Free Zone, nor has it been possible for smuggling to be carried on to the prejudice of the United States to the same extent to which this has been done to the prejudice of Mexico.

Inasmuch as the duties levied by the Mexican tariff are much higher than those of the United States, it is evident that the most lucrative contraband trade is that which is carried on to the detriment of the Mexican treasury. That trade is, at the same time, carried on with less difficulty, because the Mexican frontier is very sparsely populated, in consequence of which the difficulty of guarding it is greatly increased, while the frontier of the United States is more thickly settled and better defended against smuggling.

It does not seem to me conceivable that, in order to encourage smuggling, to the detriment of the United States Treasury, which might be counted as one, smuggling could be encouraged to the detriment of the Mexican treasury, which might be counted as ten [i. e., in order to injure the United States the Mexicans would not be willing to injure themselves ten times as much]; and if the smuggling which is

carried on through the Free Zone were a sufficient reason for the abolition of the latter, the interest of Mexico in this matter would long since have settled this question.

There is another consideration to which I think proper to call your attention before concluding this note, and which, in my judgment, may be regarded as an advantage to the United States accruing from the Free Zone. As I have already stated, the Mexican system of legislation concerning customs and excise duties has generally been restrictive and even prohibitory, both by reason of the high import duties established in my country and of the existence of interior custom-houses; also on account of State and municipal taxes, which necessitate vigilance and restrictions that can not do otherwise than hamper business transactions. I have frequently seen complaints on this account in official documents of this Government, and I confess that some of them have appeared to me to be not without foundation, although we are the party that suffers most from those restrictions.

If the Free Zone in Mexico has inconveniences for this country much less serious than those which it has for Mexico, it has, in my judgment, one advantage which has hitherto remained unnoticed. That advantage is that goods from the United States may be imported into Mexican territory duty free and be warehoused in the region of the Zone for an unlimited time. No greater privileges to the commerce of a nation can be asked for. If these privileges, which are confined to a limited zone, were extended to the whole country, I do not think that the United States would consider the free admission of their productions into Mexico as being prejudicial to their interests.

As I have already remarked, the opinions of Mexican statesmen with regard to the Free Zone have been divided, some having thought that it should be abolished, because it grants to one section of the country privileges which are not authorized by the constitution, and others having maintained that, under the circumstances, it was an imperative necessity, and that its abolition would be equivalent to the destruction of the frontier. The latter opinion finally prevailed in the councils of the Mexican Government, and, in accordance therewith, the Free Zone was extended to the States of Coahuila, Chihuahua, Sonora, and the Territory of Lower California, for a distance of 20 kilometers from the boundary line; and thus, so far from any encouragement being afforded to those who favored the abolition of the Free Zone, the opposite system triumphed completely.

The Free Zone was subjected to regulations, or rather it was confirmed and amplified, by another decree of the governor of Tamaulipas, bearing date of October 29, 1860, and the Federal Government did not subject it to regulations until June 17, 1878. Chapter XII of the tariff of January 24, 1885, subjected the Free Zone to regulations in a restrictive way. Such, however, was the pressure exerted by the frontier towns and by their representatives in the Congress of the Union that, by a decree dated June 19, 1885, the limitations established in that chapter were suspended and more liberal regulations were again adopted in the tariff of March 1, 1887, which is still in force.

I think it proper for me to state in this connection that when I was obliged to study this question thoroughly, owing to the fact of my filling the office of the secretary of the treasury of the United States of Mexico, I formed an opinion which was decidedly adverse to the Free Zone, which opinion I expressed in official documents, and recommended its abolition to Congress; so that instead of having been an advocate of the Zone I have probably been its most earnest opponent. The reasons which led me to this conclusion were of a constitutional character, and although I was aware that the situation of the frontier towns of Mexico required the adoption of suitable remedies, I always exerted myself to have measures adopted of such a nature that they could be extended to the whole country, they thereby being divested of their odiousness as privileges.

There can be no doubt as to the right of the Government of Mexico to establish rules relative to domestic and foreign trade in the country, and the misunderstanding which has prevailed here with regard to the object and tendencies of the Free Zone, and the manner in which that misunderstanding has been expressed by certain Federal and State officers, has really served as an argument to the advocates of the Free Zone, who attribute to their opponents a design in advocating its abolition to sacrifice the interests of Mexico to satisfy the demands of the United States.

It may not be out of place for me to quote here certain views that were expressed by the secretary of the treasury of Mexico in the report submitted by him to the Congress of the Union under date of September 16, 1870. They are as follows:

"3679. The friendly representations made by the United States Government to that of the Republic in relation to the injury accruing to the United States from the Free Zone are also worthy of being taken into consideration by the Congress, not that it may seek to please the neighboring nation in a spirit of servility at the expense of the rights and interests of the Republic, which it is under obligations to care for and uphold above everything else (which spirit would be unworthy of our

national representatives), but as a neighborly act, and in order to have a right to be heard and treated with consideration in case that in process of time some difficulty arise on our northern frontier of such a nature as to possess, as regards Mexico, the character which the Free Zone possesses as regards our neighboring nation; in order, moreover, that Mexico may acquire a new title to be heard and considered in a cordial and friendly as well as just and equitable manner when she may have occasion to offer remonstrances with a view to the protection of her interests.

“A nation's dignity is not so well upheld by refusing to consider the moderate and amicable remonstrances of a neighboring nation as it is by hearing and considering such remonstrances and then acting according to the requirements of justice.”

As a supplement to this note I have the honor to inclose a pamphlet containing the following documents:

(1) Text of the decree of the governor of Tamaulipas, dated March 17, 1858, establishing the Free Zone.

(2) A law passed by the Federal Congress of Mexico, dated July 30, 1861, confirming the above decree.

(3) Regulations concerning the Free Zone, promulgated by the governor of Tamaulipas October 29, 1860.

(4) The first regulations concerning the aforesaid Zone, promulgated by the Federal Government July 17, 1878.

Fuller details on this subject will be found in the speeches delivered by the secretary of the treasury in the Mexican Congress on the 28th and 29th of October, and on the 4th and 5th of November, 1870, which are contained in the “verbal reports of the secretary of the treasury to the Congress of the Union during the first period of the second year of its sessions,” printed in the City of Mexico in 1870, a copy of which I sent to you as an inclosure to my note of January 4, 1886.

Be pleased to accept, Mr. Secretary, the assurances of my most distinguished consideration.

M. ROMERO.

Hon. THOMAS F. BAYARD.

No. 8.—*Mr. Romero to Mr. Bayard.*

LEGATION OF MEXICO,
Washington, February 14, 1888.

MR. SECRETARY: In the note which I addressed to you on the 10th instant relative to the Free Zone established in Mexico I omitted to state two facts which I think proper to mention here with a view to throwing additional light upon this matter and to dispelling certain prejudices which prevail in this country with regard to it, and which might affect the friendly relations between Mexico and the United States.

The first of these facts is that the Free Zone was not really an invention of the Mexican authorities of the State of Tamaulipas, but an imitation on a larger scale of similar measures which had been adopted more than five years previously by the United States Government for the benefit of that portion of its territory which bordered on Mexico.

The law of the United States Congress of August 30, 1852, authorized the transportation to Mexico of goods sent in bond by certain routes specified in that law, and by all such others as the Secretary of the Treasury might see fit to authorize. This rendered it possible to send large quantities of goods to the frontier towns of the United States without paying duties and to keep them there in bond until a favorable opportunity offered for their exportation to Mexico.

As everything may be abused, the goods that were stored in the frontier towns of the United States were smuggled into Mexico. The United States Congress, when it passed that law, of course did not intend to encourage smuggling to the detriment of Mexico, although such was, practically, its result; just as the governor of Tamaulipas at first, and the Mexican Congress afterwards, did not intend, in establishing the Free Zone, to facilitate smuggling to the detriment of the United States.

There was no such privilege within the territory of Mexico. All foreign goods, of whatever kind they might be, were subjected to the payment of duty when they were imported.

This difference of circumstances led the public men of Tamaulipas to believe that in order to place both sides of the frontier on the same footing in respect to commercial privileges they needed to establish privileges similar to those which existed in the United States, although those which they did establish by the decree of March 17, 1858, were much more extensive than those which existed on the left bank of the Rio Grande.

The second fact which I desire to mention is a coincidence which is one of the causes that have induced the inhabitants of the Mexican frontier to attribute to the

Free Zone more beneficial results than it has really produced, which circumstance has, perhaps, led to its maintenance and extension.

The situation of the Mexican frontier up to the beginning of the civil war in the United States was, as I have already remarked, one of poverty and even of misery, and formed a striking contrast to the other side of the Rio Grande. That war broke out almost simultaneously with the establishment of the Free Zone. The situation of the Mexican frontier thereupon changed very much, and welfare and prosperity crossed from the left to the right bank of the Rio Grande during that war and for some time afterwards, owing to the general prostration which prevailed in the South. Superficial observers attributed that prosperity not to its true cause, which, in my opinion, was the aforesaid war, but to the Free Zone, and feeling convinced that it had been productive of extraordinary results, they naturally considered it as a panacea for all evils and its extension as an imperative necessity for the country.

I hope that these brief explanations will serve to rectify some of the errors and prejudices which prevail in this country in reference to this matter.

Be pleased to accept, etc.,

M. ROMERO.

Mr. Crain's speech in the House of Representatives.

[Congressional Record, Vol. XXVII, No. 65, Fifty-third Congress, third session, Washington, Wednesday, February 27, 1895.]

HOUSE OF REPRESENTATIVES,
Wednesday, February 27, 1895.

The House met at 11 o'clock a. m. Prayer by the chaplain, Rev. E. B. Bagby. The Journal of the proceedings of yesterday was read and approved.

MEXICAN FREE ZONE.

The Speaker also laid before the House the amendments of the Senate to the joint resolution (H. Res. 277) in reference to the Free Zone along the northern frontier of Mexico and adjacent to the United States.

Mr. COCKRELL. I move to concur in the Senate amendment.

Mr. CRAIN. Would it be in order to move to refer this matter to a committee?

The SPEAKER. It would.

Mr. CRAIN. I move its reference to the Committee on Ways and Means.

The SPEAKER. The amendment of the Senate will be read.

The Clerk read as follows:

"Strike out, after the word 'exists,' in line 8, the following words: 'At any point between the western boundary of the city of Laredo, in the State of Texas, and the Pacific Ocean.'"

The SPEAKER. The motion to refer will first be submitted to the House.

The question was taken, and on a division (demanded by Mr. Crain) there were—
ayes, 7; noes, 43.

Mr. CRAIN. No quorum.

The SPEAKER. The point of order being made that no quorum has voted, the Chair will appoint tellers.

Mr. Crain and Mr. Cockrell were appointed tellers.

Before the announcement of the result of the division

Mr. CRAIN said: Mr. Speaker, I withdraw the point of no quorum, with the understanding that I am to have time to explain my position in reference to this matter.

The SPEAKER. The point of no quorum is withdrawn. The noes have it and the motion to refer is lost.

The question now recurs on the motion to concur in the Senate amendment.

Mr. CABANISS. I would ask that this amendment be again reported.

The amendment was again read.

Mr. CRAIN. Mr. Speaker—

The SPEAKER. The Chair recognizes the gentleman from Texas [Mr. Cockrell] in charge of the resolution.

Mr. COCKRELL. I yield to my colleague thirty minutes.

Mr. CRAIN. Mr. Speaker, the history of this resolution is a very peculiar one. Originally, without the amendment proposed by the Senate, it was an agreed settlement of all of the differences between my colleague from Texas and myself upon the subject of the disestablishment of the Free Zone by the coercion of a neighboring Government on the part of the Congress of the United States. The amended resolution of the House was agreed to by my colleague [Mr. Cockrell], my colleague [Mr. Paschal], and myself, and was adopted unanimously, I believe, by the Commit-

tee on Ways and Means of the House. The House passed it by unanimous consent, and it was passed in the Senate without objection, and was signed by the Speaker of the House and by the President of the Senate, and would doubtless to-day be the law of the land but for the fact that Washington's birthday intervened, and the resolution, as thus signed, failed to reach the hands of the President.

The resolution as amended was recalled by the Senate without objection, and an amendment inserted by that body providing that the coercive measure suggested in the resolution should apply to the entire boundary between the Republic of Mexico and the Republic of the United States. I have no objection to the gentlemen who represent other portions of the Rio Grande having their wishes carried out in that regard, but I do protest in the name of the constituency I have the honor to represent against the imposition of a coercive measure like this upon their neighbors on the other side of the Rio Grande.

I can not understand, Mr. Speaker, how Democrats who are theoretically and who are assumed to be practically free traders can favor a measure which has for its ultimate effect, as stated in the body of it, the coercion of a sister republic into the disestablishment of free trade and the establishment in lieu thereof of a protective-tariff system. I can readily understand how logically and consistently our Republican brethren can support such a proposition, but I fail to understand how gentlemen claiming to be Democrats and who are willing to put wool upon the free list, and sugar upon the free list, and iron upon the free list, and other raw materials upon the free list, can support a measure which declares to the Mexican Government that it must discontinue free trade along our frontier and substitute in place of it a protective-tariff system.

The Mexican Free Zone includes a strip of territory varying in width from three to twelve or thirteen miles. In that territory all goods coming from any country in the world, whether from Japan, China, or the United States, are entered by the payment of one-tenth of the regular Mexican tariff rate. After those goods leave that zone they are compelled by each municipality, by each State, and by the Federal Government through whose territory they pass to pay the regular tariff rate imposed.

Now, Mexican wool comes into Texas free. Why? Because we have established a Zona Libre, not 3 miles in extent, but coextensive with the limits of the United States, because we have made wool free. I say to this House, Mr. Speaker, that by the adoption of this resolution we affect not the people of Mexico alone, not those who are charged with being smugglers, but foreign governments, whose importers have the advantage of the bonded system and also every mode of transportation of foreign goods in bond across the territory of the United States intended for consumption in the Republic of Mexico.

The opposition to the proposition as agreed upon and unanimously passed by this House, which opposition was raised in the Senate, was not based upon any political or economical ground, but upon the pretext that the carrying trade of all these goods in bond would enter Mexico by one railroad, the Mexican National, or by the International and Great Northern, and would be taken away from the Southern Pacific, the Texas Pacific, and other roads running into and through the territory represented by my colleagues who favor this resolution.

It is an injustice to foreign Governments. Why? Because the subjects of these Governments who are manufacturers, who are producers, are prohibited from carrying their goods in bond across the territory of the United States into the Republic of Mexico. Gentlemen in the other Chamber of this legislative body have said, "We are Americans; we do not intend to be compelled by Germany or by France to remove the differential tax on sugar, when they seek to compel us to do it by retaliation by refusing importations of American breadstuffs, American beef, or American meat products of any kind, character, or description." And yet we propose by this resolution to say to Mexico, "Until you abolish the Free Zone you shall not have the privilege of the bonded system across our country." Will any gentleman arise now—and I pause for a reply—and give any sound, truthful reason for this proposition? Nobody suggests a reason.

It is said that the Mexican Government wants this Free Zone disestablished. It is within their own province. It is within their own territorial jurisdiction, and if they desire to have it abolished, why does not the Mexican Congress, acting with the Mexican President, abolish it? Is it possible that in order to accomplish this result they appeal to the American Congress? We might as well say that until Great Britain does away with comparative free trade we will keep up our high protective-tariff system. We repel the idea of coercion on the part of European Governments, and yet we attempt to establish a similar policy by our legislative enactment.

Only 12 per cent of the entire importations into Mexico remain in the Free Zone. It has been said that it is a hiding place, a nesting place for smugglers. Mr. Speaker, I have in my possession a letter from the collector of customs at Laredo, which is an answer to this base, calumnious charge against my constituents. I do not stand

here to speak for others. If colleagues of mine say that their constituents are smugglers, I do not attempt to dispute the suggestion, for I have no knowledge on the subject; but as to my own constituents, I do repel the insinuation, or the charge, in whatever form made or whencesoever it comes, with all the power of language I can command.

I ask, Mr. Speaker, that the Clerk of the House read this communication.

The SPEAKER. The Clerk will read.

The Clerk read as follows:

CUSTOM-HOUSE, COLLECTOR'S OFFICE,
Laredo, Tex., February 23, 1895.

MY DEAR SIR: I am just in receipt of the marked copy of the Washington Post of the 12th instant, sent me by you, containing an extract from the report of Civil Service Commissioner Lyman on his recent tour of inspection along the Mexican frontier. With the greater part of the conclusions reached by Commissioner Lyman I very heartily agree, but I am unable to see what benefit will accrue to the United States from the abolition of the Free Zone. It is true that petty smuggling is constantly carried on between the towns in the Free Zone just across the river and those on this bank. This petty smuggling is annoying, and it is almost impossible to prevent it. The purchases of foreign goods in Nuevo Laredo, for instance, made by persons from this side, are usually small in quantity and value. I think that in most cases the petty smuggling of this character is done by ladies who conceal about their persons a few pairs of silk hose or kid gloves, small quantities of lace, and, in some instances, silk dress patterns. As the majority of the people here, however, do not indulge in silk goods of any character, these purchases are not extensive. On the other hand, the people who live across the river buy very largely on this side, their purchases consisting of groceries, prints, hardware, and articles of like character.

One gentleman who lives in Nuevo Laredo told me yesterday that his monthly bills on this side of the river amounted to \$60. Numbers of families living in Nuevo Laredo buy practically all of their groceries from merchants on this side of the river. The commission merchants here tell me that they have in the Free Zone one of their best markets. Flour, bacon, and many other American products are sold in Nuevo Laredo and the territory above and below that point. In fact, the balance of trade is very largely in our favor. I can not assent to the proposition that the existence of the Free Zone has injured very largely to the benefit of the Mexican border towns, and that business is "dead and unprofitable" in the American towns opposite them. This is not true of Laredo. This place has been steadily growing in importance as a business point for the past several years. Our merchants have been doing a large and profitable business, and all of them are prosperous.

During the long period of depression that has prevailed everywhere we have not had a single failure among our business men. There is not a single storehouse on this side of the river that is unoccupied. There are numbers of vacant houses in Nuevo Laredo, across the river, and they have only two general dealers whose business is of any importance. On the Mexican side of the river the towns of Guerrero, Mier, Camargo, and Matamoros, all in the Free Zone, are dead towns. Guerrero was formerly a fine little city of about 6,000 population and with a thriving trade. I visited it some two months ago, and found it a "deserted village" of about 800 people. Its storehouses are closed and its trade is dead. I learn that this is true in a large measure of the other towns named.

If the proposition now before Congress to withdraw from the Mexican merchants the privilege of transporting goods in bond across our territory becomes a law, it will divert from our American railroads a large part of the freight traffic now enjoyed by them and will send it permanently to the Mexican ports of Tampico and Veracruz. Should it be enacted and the result be the abolition of the Free Zone, what benefit will the United States derive? I can think of none. Those of our people who understand this matter are obliged to you for your amendment excepting our territory from the operation of this law. I inclose a note from Special Inspector Izard on this subject, and a letter recently published by Mr. Shafter, of Eagle Pass.

Yours, very truly,

Hon. W. H. CRAIN, *Washington, D. C.*

FRANK B. EARNEST.

Mr. CRAIN. Now, Mr. Speaker, I should like to have an editorial read from the Lower Rio Grande, a paper which is published at Brownsville, Tex.

The Clerk read as follows:

"THE ZONA LIBRE.

"On the 24th instant we published a resolution to be presented to the Texas legislature, which has since passed that body, and which calls upon our Members of Congress to urge upon Mexico to abolish the Mexican Zona Libre, or Free Zone, and in case of a refusal, then for the United States to close its bonded warehouses against all goods entering Mexico through any of our ports.

"We have been at a loss to understand how or why such a ruinous measure could

ever be proposed and why or how it could pass the Texas legislature, and, astonishing to relate, we are told that it was not opposed by our immediate representatives even; and such a mass of absolute misstatements is permitted to be sent as a basis for future Congressional legislation.

"Apropos of this resolution we have been shown a pamphlet written by Mr. C. R. Morehead, president State National Bank, El Paso, Tex., which is possibly the basis of the resolution passed by the Texas legislature, which is a statement against the Free Zone, urging its abolishment. Were Mr. Morehead a citizen of the interior of Mexico, or a European manufacturer, there might be some reason to justify his statements, but as an American a more suicidal effort was never made. The opening of his pamphlet is as follows:

"Along the Rio Grande River, the divide between the territory of the United States and that of Mexico, are many causes which result in an ill-feeling between the border inhabitants which is daily growing in intensity and magnitude. These causes and the consequent estrangement are the growth of many years, and have a tendency to result in a complete alienation.

"This immediate section, having once formed a portion of the dominion of Mexico, and having gained its independence by the sword, is naturally antagonized by that Government, and to such an extent that forbearance almost ceases to be a virtue.

"The conditions which cause the intensity of feeling are mainly the result of long years of Mexican legislation which has operated against the commercial interests of the entire border. This legislation was first conceived on March 17, 1858, when the governor of the State of Tamaulipas, Mexico, issued a decree establishing what is known as the Zona Libre, or Free Zone, along the northern boundary of his States.

"Here is a broad statement which is not justified by a single condition of existing affairs. Never in the history of this frontier was there less cause for 'ill-feeling' than there is to-day, and there is no more ill-feeling commercially and socially than there is between New York and Brooklyn; hence the 'consequent estrangement' is no more or less than genuine *fol-de-rol*. No more amicable condition is possible to exist than is existing to-day. The above statement, though, is the groundwork for a bombastic appeal for the abolition of the Zona Libre.

"The statements of Mr. Morehead are too many to have their absurdities exposed in a newspaper article, but as his basis is all wrong the superstructure must necessarily be false and visionary, as a few statements of facts will show.

"The Zona Libre is a belt of land along the Mexican side of the Rio Grande, 13 miles wide, and not some 43 miles wide, as stated by Mr. Morehead, into which foreign goods can be imported almost free of duty. Under the operation of actual conditions that belt is the great mart in all Mexico for goods of American manufacture, and when such goods are taken into Mexico the sending of them into the interior of Mexico has to take place under the immediate care of officers of the revenue service of Mexico. In this Free Zone American manufactures have successfully competed for the trade to the exclusion of foreign goods. To close the Zona Libre, or Free Zone, is simply to kill off this large trade in American fabrics. Why? Because the Mexican tariff would exclude American fabrics, and nothing but the lower priced foreign goods could enter and pay duties in competition with the fabrics of Mexico. American goods would be upon the American border to be smuggled into Mexico, but while the Zona Libre lasts Mexico is in no danger of such frauds being perpetrated upon her revenues, as was the actual condition before the Zona was established.

"To close the bonded system of the United States against Mexico would be to force all of the commerce that now travels over American railroads and American ships to enter Mexico in foreign bottoms at the port of Tampico and at the mouth of the Rio Grande by rail, to be carried to the very same places where it is now taken over American lines. The feeling, therefore, which would deprive Mexico of the bonded accommodation is one of hatred to Mexico and one of destruction to American industries and trade.

"Mexico is to-day in no wise dependent upon facilities in the United States to carry on her trade and commerce with foreign countries, as she formerly was, and this changed condition many seem not to understand. The resolution passed by the Texas legislature and the Morehead pamphlet, if carried into effect, would positively kill every American interest along the Rio Grande and destroy the great and growing trade now existing between the two countries. More hatred, malice, and folly, from an American standpoint, could not be imagined than those two dangerous papers contain."

MR. CRAIN. Mr. Speaker, I further ask leave to read from a communication sent to me from some leading citizens of Brownsville in reference to this subject:

BROWNSVILLE, TEX., *January 27, 1895.*

The arguments favoring the abolition of the Zona Libre do not apply here. The importations into the Zona Libre from Brownsville, Rio Grande City, and Roma are chiefly breadstuffs, agricultural implements, and other goods of American production; hence there is no smuggling back from Mexico to the United States of foreign

goods. This is abundantly shown by the character of the seizures made by our customs officers, which seldom embrace anything but articles of Mexican origin, and this no change or modification in the Zona Libre would affect. But our whole transportation system depends on our continuing to supply Matamoras and the adjacent territory with the class of goods they now purchase from us.

If the inhabitants of that section are compelled to pay Mexican import duties on their flour, lard, soap, sugar, beans, cotton goods, clothing, plows, harness, hardware, agricultural implements, and machinery, all of which American manufactures they now buy from us, they will use similar articles of Mexican origin and production, although of inferior quality and higher first cost, because they can get those native articles without the payment of import duties. The result is, we lose our market for a large and constantly increasing quantity of our own products, and in losing this market we so decrease the volume of our trade that we would cease to have direct communication by steamer and otherwise with the great centers of American production, our own local wants not being sufficient to justify the continuance of the steamer line to supply them alone.

You will thus see the matter is of vital importance to us. We therefore ask you to exert all your influence, official, legislative, and personal, to aid us.

There is another phase of the question. The threat to suspend the operation of our bonded system on the northern frontier of Mexico unless that country shall abolish the Zona Libre is a very serious one. Suppose (and the supposition is fully warranted) Mexico declines to be coerced? Then the American railroads running to the Mexican frontier lose the carrying of the best paying and most valuable portion of their traffic, as the transportation of all goods of European origin would be forced into vessels direct to Mexican ports, and not only our railroads but our coastwise carrying companies would suffer severely, and in order to fully load those vessels for Mexican ports direct the Mexican merchant would be compelled to purchase in Europe many goods he now procures from the United States.

In point of fact, the suspension of our bonded system to the northern frontier of Mexico would benefit only European producers, merchants, and carriers, and would work a corresponding injury to those interests of our own country.

We are, very respectfully,

THOMAS CARSON.
JAMES B. WELLS.
JOHN I. KLEIBER.
WM. J. RUSSELL.
G. M. RAPHAEL.
WILLIAM KELLY.

The SPEAKER. The time of the gentleman has expired.

Mr. CRAIN. Inasmuch as five minutes of my time has been interrupted by the receiving of a message from the Senate, I will ask an extension of five minutes.

The SPEAKER. The Chair hears no objection.

Mr. CRAIN. Mr. Speaker, I just wanted five minutes to explain the proposition submitted by the gentleman from Indiana [Mr. Bynum]. He has stated to the House that this will not affect the importation in the Free Zone of American goods. If gentlemen will examine the resolution, they will find that it is distinctly stated that until the Free Zone is abolished the bonded system of the United States shall be suspended as to Mexico. Now, if the Free Zone is abolished, then American goods going into Mexico have to pay the full rate of duty. That is all I have to say, Mr. Speaker.

The previous question was then ordered, and under the operation thereof the Senate amendment was concurred in.

On motion of Mr. Cockrell, a motion to reconsider the vote by which the Senate amendment was concurred in was laid on the table.

Mr. Sutton's opinion on the Free Zone.

[The New York Evening Post, May 19, 1894. The Free Zone. Agitation of Texas citizens for its abolition. What the Zone is; advantages which Mexicans have under existing conditions.]

WASHINGTON, May 19, 1894.

The agitation by citizens of Texas in favor of abolishing the Free Zone between this country and Mexico has got as far as a resolution of inquiry brought into the House by Representative Crain, calling for the correspondence between our Government and that of Mexico on the subject of the Zone. Warner P. Sutton, who for many years was a consul-general of the United States in Mexico, was asked by the Evening Post correspondent to-day for some account of the Free Zone.

"It is a narrow strip of territory," he answered, "nowhere more than 12½ miles wide, along the northern border of Mexico. Into the ports of the Zone goods may be imported on payment of only 10 per cent of the regular duty. The people on the Mexican side of the border can thus get French wines, liquors, silks, and laces and similar goods from other foreign countries cheaper than those on the American side. The merchants on the Mexican side have to pay only one-tenth of the Mexican duty on these goods, while those on our side pay the whole of our duty. As a consequence, there is a strong temptation for residents on the American side to buy these things on the Mexican side and run them over without paying duties. A substantial advantage is reaped in this way by the Mexican merchants.

"This advantage, however, is largely offset by the high taxes levied on the Mexican side. They have a stamp tax there which would make the internal-revenue provisions of the Wilson-Voorhees bill green with envy; and every time a dollar shows itself it is loaded with a new tax. If one or two houses go out of business, their tax is usually added on to the quota of those remaining, so that the Zona Libre benefits are largely eaten up by higher taxes.

"Aside from the class of European goods I have mentioned, we supply this frontier market with nearly everything sold there. Take it all around, we probably outsell the rest of the world three to one all along this border line of Mexico from the Pacific Ocean to the Gulf. As our goods are free on our side and pay 10 per cent of the high Mexican duty on the Mexican side, our merchants can and do compete with the Europeans in everything we produce. We almost hold our own against many European goods.

"These conditions must reflect themselves in the prosperity of the towns on the two sides of the border?

"They do. Matamoras, which was formerly the gate to Mexico, has now very little business; Brownsville, on our side of the river, has it all. Nuevo Laredo, Mexico, has less business every year, while Laredo, Tex., gains steadily. Most of the chief buyers of Nuevo Laredo come over and buy groceries, dry goods, furniture, etc., on the American side, and get them across on verbal permits or on the regular invoices of importers. The largest stocks are carried on the American side. There are two or three large stores on the Mexican side; but even with the Zona privilege the advantages, except on a few lines of European goods, are with our people. At Piedras Negras and Eagle Pass business is about equally divided; but this is because the railway shops are located on the Mexican side. At El Paso, Tex., and Juarez, Mexico, the American side has three times the trade of the Mexican side.

"In all these cases the Rio Grande is the boundary, is it not?

"Yes; but at Nogales, Ariz., and Sonora, Mexico, the boundary is an imaginary line, and you have to get your bearings by the hills and other landmarks from time to time to tell whether you are in Mexico or the United States. This gives rise to many oddities. One dramseller has the line running through his barroom. As the license laws are easier in Mexico he has his drinking bar on that side, and his customers cross the room into the United States to wipe off their perspiration.

"The idea of abolishing the Zona Libre is not new?

"By no means. It has been discussed for thirty-five years at least. During our civil war the free belt made Matamoras the third port in the world. As we have increased our production of goods which Mexico needs, the benefits of the Zone have diminished, until now it serves only to keep alive the towns on the Mexican side. The Mexicans, except along the border, think no more of it than we do. They would be very glad of some convenient way to get rid of it. But they know that if it were abolished summarily it would utterly kill out what little mercantile life now remains on their side. What ought to be done is to negotiate a treaty by which the products of each country, at least in small amounts, could cross the border without payment of duties on either side. If that were done, Mexico could afford to wipe out the Free Zone and dispense with European goods.

"How would the summary abolition of the Zone affect us?

"It would not do for us to urge its abolition without this local free interchange of products, because the Zone is now a large consumer of many of our goods. Wheat, flour, corn, bacon, lard, etc., are supplied by us exclusively, as well as many other necessities. So long as the inhabitants of the Zone can import these at 10 per cent of the regular duties they can eat them, but if the full duties were exacted they would be too expensive. For instance, some 5,000,000 pounds of our flour are imported every year at Matamoras, Nuevo Laredo, Piedras Negras, Juarez, and Nogales, exclusively for consumption in the Zone, for scarcely a barrel goes into the interior. The full duty is more than 2 cents a pound on wheat and 4 cents on wheat flour. Those who live in the Zone can pay 10 per cent of this duty and eat our flour; those farther back have to buy Mexican flour or eat corn meal.

"How would you advise going about the improvement of present conditions?

"What we have long needed in our relations with Mexico is to put political questions in the background and study and treat with Mexico on a friendly commercial



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basis. Do you know that we have absolutely no treaties Mexico to-day except an extradition treaty—an extreme back in 1861? It is high time to negotiate at least a commercial treaty. Mexico needs our products and has always been disposed to meet us half way. Too much protection buncombe by one party and too much free-trade theorizing by the other have prevented our doing five or ten million dollars' worth of commerce with Mexico every year, to the great benefit of both countries.

"We had the Grant-Romero treaty in 1883. I worked on that with General Grant, and hoped that even so small a step in the right direction would be followed by others. The House proceeded to pitch the treaty out of court, while some individuals added insult to injury by saying mean things about Mexico. We ought now to pass a general resolution reciting what should be done, intrust the plan to a non-partisan commission to work out, and, when they have made a report, enact the necessary legislation promptly, with such conditions that it will stay in force not less than ten years.

"Why not have complete free trade with Mexico as our next neighbor?

"It would be idle to talk about that for the present. Mexico is too poor even to consider such a suggestion. She could afford, however, and I believe would be willing, to try a system of limited reciprocity, with such local border interchange of national products as would enable her to abolish the Zona Libre. Both countries would reap the advantage of a cessation of smuggling, and Mexico would be enabled to do away with most of her interior customs guards and save a half million dollars or more in salaries every year. Along with such a system some articles could be made free in each country and a few others given lower duties. The subject is of great importance, and one to which I have given much study for fifteen years. I earnestly hope a change in present conditions will be inaugurated soon."