

is his assertion that there is a Constitutional provision in Mexico guaranteeing a jury in criminal trials, but that in practice it is unknown. Our Constitution has no such provision, and it is only in the Federal District, by an Act of Congress, that we have established the jury system, which is now in force, notwithstanding Mr. Smith's statements. It is a fact that Article VII. of our Constitution provided that all offences committed through the press should be tried by a jury, who should decide as to the facts, and, if the accused was convicted, another jury should apply the law and fix the penalty; but the practical result of this system was that no offence of that kind could ever be punished, because the jury always acquitted the accused, and our Constitution was amended on May 15, 1883, abrogating the jury system and submitting the offenders to the common courts, so that now offences committed through the press are tried and punished like crimes of any other character. It is not likely that Mr. Smith could have referred to this occurrence, but even in case he had, his information was incorrect.

THE MEXICAN FREE ZONE.

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 fifty per cent., surrounds her people with an almost impassable tariff wall. Against this background 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 towards 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 16th 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 afterward, 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 towards 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:

THE MEXICAN FREE ZONE.

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, twenty kilometres, or about twelve and a half miles in width, and extending from the Gulf of Mexico to the Pacific coast, a distance of 1833 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 custom lines. Goods passing the first line are assessed 18½ per cent. of the import duties, and when they pass the second, twenty kilometres 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, towards 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, Texas, for instance, on the north bank of the Rio Grande, commodities and the necessaries of life, such as provisions and clothing, were bought at a low price, while in Matamoros 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 4th 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, General 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 Matamoros, and using the extraordinary faculties with which I am invested by the decree of December 28th, 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 Matamoros 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.

"JOSE MARIA OLVERA, Chief Official."

"RAMON GUERRA.

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 $2\frac{1}{2}$ 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 $18\frac{1}{2}$ 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 $18\frac{1}{2}$ 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 $1\frac{1}{2}$ 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 $3\frac{1}{2}$ 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, towards 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, 1888 (*Senate Exec. Doc.*, No. 130, Fiftieth Congress, 1st 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, House of Representatives, Forty-fifth Congress, 2d 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.

¹ In the papers relating to Foreign Relations of the United States accompanying the President's Message to Congress of December 4, 1871 (pages 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.