

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, Arizona. 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 twelve per cent., or about \$813,890, is shipped into the Zone, and that only about three per cent. of this amount is re-entered for import to Mexico on the other side and pays the other eighty-two and a half 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 permit 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 16th 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 has been 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. Matamoros, once a flourishing town of about 40,000 inhabitants, has decreased to about 4000 inhabitants; Nuevo Laredo and Piedras Negras have about held their own, on account of the railroads, but Laredo and Eagle Pass, Texas, have increased much more in proportion. This same comparison may be made between Nogales, Mexico, and Nogales, Arizona Territory. 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 8000. In 1881, El Paso, Texas, 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, whiskey 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 two and a half 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 offence 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 towards 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

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 estab-

Mr. Samuel A. Belden, a citizen of the United States, residing at Brownsville, Texas, 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 lishing 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 '58 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 two 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 upwards of nine hundred miles, cannot 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, Brownville, Tex."

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 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 endorsing Mr. Belden's views, and asserting that the Free Zone seriously affected the growth and prosperity of that portion of the United States 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 un-

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."

challenged, 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 Matamoros 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 meagre 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."

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, Texas, 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, 1870,² in which he repeated the assertions of Mr. Belden, that the Free Zone had been established

¹ House of Representatives Journal, 2d Session, Fortieth Congress, p. 827.

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

² Mr. Downey's memorial is published as Senate Miscellaneous Document No. 19, Forty-first Congress, 2d Session, and being a lengthy paper and full of errors and misrepresentations, I will not insert it here.

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 farther 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 bill¹ to repeal all existing laws authorizing the

¹ Forty-first Congress, 2d 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, Sec. 1. 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

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. 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 one cent per pound on national, and two 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 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.

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 one cent per pound upon all cotton which had come free of duty to the Free Zone and was re-exported 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

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

" 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 re-export 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 re-exported shall pay as the only and entire duty the sum of one dollar per quintal or hundred-weight. 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.

" (Signed) SANTIAGO VIDAURRI.

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