

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 resolution¹ to the House on February 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."²

¹ Fifty-third Congress, 3d 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."

² Fifty-third Congress, 3d 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

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 11th 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, Texas, 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 20th, and approved by the Senate on February 25th; 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, 1895.¹

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 opinion 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

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*.

¹ 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 the 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.

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 foreign 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, Veracruz, 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 1st, 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 18th, 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.

"Hon. William D. Bynum, Indianapolis, Indiana:

"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 of Ways and Means

¹ Fifty-fourth Congress, 2d 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.

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 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."

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

"COMMITTEE OF WAYS AND MEANS,
"HOUSE OF REPRESENTATIVES,
"WASHINGTON, D. C., March 27, 1895.

"Mr. M. Romero, Washington, D. C.:

"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."

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 10th and 14th, 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.

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,

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 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.

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 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 Executive Documents Nos. 109 and 130, 1st Session, Fiftieth Congress."

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 Matamoros 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, Texas, including the Mayor and other public men—a city which had been the hot-bed 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, Texas, 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 subserviency 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 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 three to twelve square kilometres, where foreign goods are stored or deposited without any customs requirements excepting for statistical purposes.¹ In Hamburg this free district or territory contains

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 kilometres.
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 kilometres.
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.

OETLING GEBRUDER.

HAMBURG, March 20, 1897.

twelve square kilometres, 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 kilometres, for instance, in Matamoros, 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.