

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, FRANK B. EARNEST.

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

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, Texas.

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,

thirteen miles wide, and not some forty-three 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 Matamoros 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 centres 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 twelve and one half miles wide, along the northern border of Mexico. Into the ports of this 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, Texas, 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, Texas, 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, Arizona, 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 bar-room. 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 five million 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 two cents a pound on wheat and four 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 basis. Do you know that we have absolutely no treaties of any sort in force with Mexico to-day except an extradition treaty—an extremely faulty one—dated away 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."

Supplement to the Free Zone.—At the end of this book I will append a Supplement to the Free Zone paper, containing recent official information received from the Mexican Government since this paper went to press, on the extent of the foreign trade in the Free Zone, and a brief review of the action taken on the same subject by the Fifty-fifth Congress of the United States, resulting in the repeal by the House of Representatives of the Joint Resolution of March 1, 1895, and causing the production of important official documents.

LABOR AND WAGES IN MEXICO.