Mr. Motley to Earl of Clarendon.

LEGATION OF THE UNITED STATES,
London, June 2, 1870.

MY LORD: I have had the honor to receive your letter of the 27th ultimo, accompanied by copies of papers relative to the case of the Japanese converts to Christianity. The documents which your lordship has thus been so obliging as to send, will be at once communicated to my government.

JOHN LOTHROP MOTLEY.

No. 292.

Mr. Fish to Mr. De Long.

No. 22.] WASHINGTON, *June* 18, 1870.

SIR: Referring to the instructions of the 18th of April, No. 16, in relation to the persecution of native Christians in Japan, I inclose, for your information, a copy of a dispatch which, on the 18th of April, was addressed to John Lothrop Motley, esq., and of his reply of the 2d instant, inclosing a copy of his correspondence with the Earl of Clarendon upon the subject.

From this correspondence it appears that the views of the London and Paris cabinets seem to correspond with those expressed in the Department's No. 16, which renders it unnecessary for me to give further instructions than those contained in that communication.

HAMILTON FISH.

MEXICO.

No. 293.

Mr. Nelson to Mr. Fish.

No. 312.] LEGATION OF THE UNITED STATES,
Mexico, November 4, 1870. (Received November 25.)

SIR: I have the honor to inclose an able speech by Mr. Romero, the secretary of the treasury, to the Mexican Congress, in the sessions of the 28th and 29th ultimo, in opposition to the maintenance and extension of the Free Zone, ("A.") The debate will probably continue for some time, and Mr. Romero reserves the right to be heard again at its close.

I also send a synopsis of a speech in favor of the Free Zone, by the Deputy Don Ramon Guzman, delivered in the session of the 27th ultimo, ("B.") This orator is perhaps the most strenuous defender of that measure, and, as will be seen by his speech, bases his argument, in a great degree, upon the well-known opposition of the Government of the United States. He also intimates that the American Government attempted to influence himself and another deputy to report against the Free Zone, when serving upon a committee of consultation a year or two since.

THOMAS H. NELSON.

A.

Speech of the secretary of the treasury, Mr. Romero, in the Mexican Congress, October 28 and 29 1870, against the Free Zone, translated from the Diario Official of October 31, 1870.

The executive is to-day again placed in a position of embarrassment, being compelled to express an opinion in opposition to the interests which have been acquired in a zone of the republic, and which have been represented to this assembly as identified with the honor and the prosperity of the nation, with the patriotism and the most sacred rights of the citizen. It is in fulfillment of a duty toward the nation, which the executive believes to be superior to every other consideration, that I now come to make known, in all loyalty, its opinion upon the delicate subject of the Free Zone.

The importance of this question and the grave interests at stake impel me to begin by begging the chamber to be good enough to lend me an undivided attention during the exposition, which I will endeavor to make as brief as possible.

At the outset, I must state that I have seen, with regret, as well in the session of yesterday as in that of to-day, that the supporters of the Free Zone have seen fit to bring into the discussion the desires or the convenience of a foreign nation in reference to this subject. It seems to me unworthy of this hall, and almost indecorous for Congress, that in treating a question essentially Mexican there should be presented, as a consideration which ought to have a decisive influence on its judgment, such desires or such convenience of a foreign nation, especially when these reasons, which so much affect the notorious patriotism and lively susceptibility of Congress, with the object of preventing a maturer consideration, and causing it to decide this question rather with the heart than with the head.

At the time of the discussion of the Free Zone last year, when the bases of the tariff were approved, it was insinuated, with more or less directness, as it has been more sparingly during the present debate, that the executive opinion against the Free Zone emanated from a fear of the neighboring nation, which had expressed a wish to have that zone abolished, or from an excessive condescension toward that nation. Those who believe this, know neither the character of the present incumbent of the executive chair nor the tendencies of the human heart. To proceed in this manner it would be necessary that the executive should renounce the fulfillment of his most sacred duties, and abdicate every sentiment of patriotism, and even every sentiment of personal dignity. To sacrifice the interests of a nation, the welfare and prosperity of a portion of its inhabitants, the decorum and the dignity of the republic, to an excess of fear or of servility, it would be necessary to have lost not merely every patriotic sentiment but even the dignity of freemen. The chief of the nation who was not intimidated when the whole colossal power of France sought to subjugate the republic, is not the man who could be intimidated because a friendly neighboring nation makes to him a courteous and amicable suggestion. If the executive should carry the fear or the servility which is imputed to him so far as to sacrifice the interests of the nation to a foreign interest, as surely as he would be contemned within the republic, he would be despised by the very nation in whose behalf he had made such a sacrifice. The practical knowledge which I have of the United States, from having had the fortune to reside there eight years, makes me certain that any Mexican functionary who, through servile deference toward that nation, should sacrifice the legitimate interests of his own country, would meet in that society only with scorn and contempt. There is, perhaps, no nation which better knows how to appreciate patriotism and the fulfillment of duty than the United States. With this conviction, can any one believe, in good faith, that ignoble or unpatriotic sentiments have guided the executive in determining his opinion against the Free Zone? I refrain from enlarging upon these considerations, because, as I have already said, it seems to me inappropriate and improper to mingle with the discussion of this subject the interests of a foreign nation. I believe that this question ought to be decided in view of the interests of our own country, and from this stand-point I propose to examine it, begging the chamber to pardon me for having touched upon considerations of another character, to which I have been forced by the allusions which the orators who have advocated the Free Zone have thought proper to make.

The question of the Free Zone is very complicated and ought to be considered under its various aspects. Upon laying out a new dividing line between Mexico and the United States, in accordance with the treaty of February 2, 1848, one fact became unavoidably evident, which had before been unknown, owing to the fact that the two nations were separated by immense deserts. This fact was that the United States enjoyed peace, security, guarantees for persons and property, low tariffs, and commercial privileges; while in Mexico, through a long chain of misfortunes known to all, almost all these advantages were unknown, or were enjoyed in a much smaller degree than in the United States. It was a natural consequence of these difficulties of condition that all this welfare and prosperity on one side should be converted into misery and decadence on the other, aggravated by the presence at a very short distance, of the ad-

vantages enjoyed beyond the Rio Bravo, (Grande.) Upon a philosophical and impartial examination of the causes and the remedies of this state of affairs, without any desire to prejudice the mind of the chamber by exciting its patriotism, it is apparent that there was in all this two things substantially different, though closely connected—the social or political situation, and the mercantile situation. The causes of the difference in the social or political situation were, on the one hand, uncompromising obedience to law, a system of government calculated to secure and develop the interests of the majority, and other causes of no less importance, and, on the other hand, the results of absolute systems of government, whose object was the welfare of the few to the detriment of the many, the lack of peace, of security, and of respect of law, and other circumstances of equal importance. This inequality of condition could not, consequently, be remedied either by the establishment of the zone or by any other artificial measure. Its remedy would require, on our part, peace, respect for law, security, a system of government favorable to the interests of the majority, and the other conditions which prevail in the neighboring state. Fortunately we have now entered upon this path, and if, as is to be hoped, we do not encounter in it any insuperable obstacle, we shall, in time, succeed in rendering the condition of the two banks of the Rio Bravo identical in political and social well-being, but it is very evident that this result cannot be obtained by means of the Free Zone.

The prevailing mercantile condition on the two banks of the Rio Bravo prior to the year 1858, when the decree creating the Free Zone was issued, was also different, being undoubtedly more favorable for the left than for the right bank. The principal causes of this difference were three: 1st, on the American shore the privilege of ports of deposit was enjoyed, which was wanting to the Mexican side; 2d, the tariffs were much lower in the United States than with us; and 3d, the national productions of the United States, and foreign goods after paying import duty, enjoyed the fullest liberty of transit and sale throughout all the territory of the United States, while in Mexico both native and foreign goods were subjected to all the burdens and inconveniences of excises and of a severely restrictive system.

By virtue of the privilege of ports of deposit the merchants of the left bank of the Rio Bravo could import merchandise, store it in bond until they found purchasers, sell it on condition that the buyers should pay the duties, and enjoy all the other privileges afforded by extensions of time and by ports of deposit. On the Mexican shore there were none of these privileges. The Mexican merchant had to pay, on importing his merchandise, the entire duties of the tariff, much higher than those paid on the other side, and this alone constituted a great inequality and gave a great superiority to the residents on the left bank of the river.

The difference in the tariff on imported goods on both sides of the river also gave a great advantage to the left bank. At that time the Mexican tariffs were those of 1845 and 1853, the highest that have ever prevailed in the republic, averaging from 30 to 40 per cent., while the American tariff barely averaged 15 per cent. The same articles of national produce, such as flour, milk, &c., cost a half or two-thirds less on the left bank than on the right, because in the former case it was free from all imposts, while in the latter it had to bear all the exactions of the excise. If the merchandise was of foreign production the difference in favor of the left bank was a third or a fourth part. It was natural, then, that the residents on the right bank of the river should have to supply themselves, even with articles of the first necessity, from the left bank. The extract from the recommendation made by Señor Esparza, which was just read, merely states a notorious and undeniable fact.

It is necessary to dwell upon the advantage which the settlers on the left bank had over those of the right, in virtue of the freedom of interior traffic which all the inhabitants of the United States then enjoyed, while those of our country were subjected to the innumerable exactions of the excise.

In virtue of this difference in circumstances it was natural and necessary that the mercantile condition of the Mexican shore should be far inferior to that of our neighbors. The law which established the Free Zone was intended to equalize these circumstances by conceding to the residents on our side equal privileges to those which their neighbors enjoyed; but although this was the spirit the letter went much further, since, instead of establishing ports of deposit at the frontier settlements, it decreed an exemption from the federal imposts to all the merchandise consumed in them, and freedom of transit between them, although restricted by the obligation to obtain documents from the custom-houses for that purpose.

It is necessary to notice the great difference which exists between the situation of the frontier at the time of the establishment of the Free Zone and the situation it would now be in if that zone had not been established. As has just been stated, there were in 1858 three very important circumstances which rendered the mercantile situation of the right bank of the Bravo inferior to that of the left bank. Of these circumstances one has entirely disappeared, another partially, and the third would still exist if it were not for the Free Zone. That which has entirely disappeared is the higher duties collected on the Mexican side of the river. The annual estimate of the

United States Government until the year 1860, and before the war with the South, was about forty-five millions of dollars per annum, and that amount was obtained from the duties on imports.

To enable the custom-houses to yield that sum it was enough to collect on foreign merchandise about 15 per cent. *ad valorem*. At the commencement of the southern war, in 1861, the estimate was considerably raised, and to carry on the war they had to contract a debt, the annual interest on which is more than a hundred millions of dollars. In the years following the war the annual estimate was from three hundred and fifty to four hundred millions, and of this sum the half was produced by customs duties, and the other half by a series of imposts called "internal revenue."

It is easily understood that in order to enable the customs, which in 1858 yielded 45 millions, to produce 175 millions in 1867, it was necessary to more than double the tariff. Instead of the 15 per cent. of 1858, it amounted from 1862 to 40 or 50 per cent. As our tariff is never higher than 25 to 30 per cent., there was a difference in our favor of from 15 to 20 per cent., instead of a similar difference against us up to 1858. Consequently foreign merchandise, after paying the regular duties on either side of the river, would now be worth from 15 to 20 per cent. less on the right than on the left bank. The inequality against us has, then, completely ceased and given place to an inequality in our favor.

The second cause of inferiority of condition on our side of the river, and which has partially disappeared, is the excise. Although the constitution wisely provided in its 124th article, that from and after the 1st of June, 1858, excises and interior custom-houses throughout the republic shall be abolished, this provision has not, unfortunately, been lawfully complied with, and although laudable efforts have been made in many states to obey this precept, this important improvement has failed to be realized in some of them. Nevertheless, the abolition of the excise in the states adjoining the frontier of Tamaulipas produces in favor of border commerce the same result as if it had been abolished throughout the republic.

There would not remain, then, any further cause of inequality in the mercantile condition of the two banks of the Bravo than that which results from the existence of ports of deposit on the left bank, and their absence on the right bank. This cause has been considerably diminished by virtue of the American Executive having recently closed most of the custom-houses along the river in front of Tamaulipas.

But even if this were not so, and supposing this cause of inequality to be still in existence in all its force, the most that could be desired by the right bank of the river, in order not to consider itself in an inferior position, would be the establishment of ports of deposit upon that bank. As the idea of the executive in opposing the Free Zone is not at all the desire that the inhabitants of our frontier should be in a worse condition than that of their neighbors, but, quite the contrary, to favor them as far as possible, and make their condition equal or superior to that of those neighbors, he would be willing, notwithstanding the opposition he has manifested to the establishment of ports of deposit in all the custom-houses of the republic, to favor a grant to the frontier settlements of privileges similar to those of ports of deposit, by which means all occasion for any inequality between the two banks of the Bravo, in respect to commerce, would necessarily cease.

It is seen then that the Free Zone cannot equalize the social or political condition of the two banks of the river which separates us from the United States, and that in consequence of the changes since the year 1861, and of those which will follow certain privileges which may be conceded to the frontier settlements, their mercantile situation would be equalized and even improved.

If in spite of such measures in consequence of greater security and better guarantees for the stability of the government, which are enjoyed on the other side of the Bravo, some of our countrymen should emigrate thither, it is not in our power to prevent it, and I think that we ought not to trouble ourselves very much on account of persons who so far condemn their own nationality as to renounce it, even after their mercantile condition has been rendered superior to that of their neighbors.

When this subject was discussed a year ago, the orators who defended the Free Zone made great efforts to demonstrate that it does not constitute a privilege. Although at first sight it might be thought that this is a mere question of words, it is not so in fact, and as the constitution prohibits the granting of any privilege, it is incontestible that the Free Zone being, as it is, a privilege, is prohibited by our fundamental code.

There are those now who insist upon trying to demonstrate that the Free Zone is not a privilege. This is almost an insult to common sense, and one of the orators who has lately defended the Free Zone did not fail to recognize it as such. We have also just seen that the orator who, a year ago, endeavored to prove that the Free Zone is not a privilege, considered and called it such a short time ago. If the fact that a portion of the inhabitants of the republic may consume foreign merchandise without paying duties to the federal treasury, while all the other inhabitants, rich or poor, who consume them, have to pay duties, is not a privilege, we must agree that this word has no meaning.

After these general considerations upon the condition of the frontier, and upon the objects and tendencies of the Free Zone, I think it proper to make a rapid examination of the decree of March 17, 1858, which established it; for this decree, which is declared by the article of the tariff bills we are now discussing to be in full force, would hereafter have the same effect as if it had been passed by the Congress of the Union, and its many inconveniences could not be remedied except by another act of Congress. The introduction to this decree shows that its object was to establish an equality in the mercantile condition of the two banks of the Rio Bravo, even though its effects might be to establish a real superiority in favor of the right bank. The preamble is as follows:

"Considering that the settlements upon the northern frontier are in a state of real decline through the lack of laws to protect their commerce; that being situated in front of a mercantile nation which enjoys freedom in commerce, they need equal advantages in order not to lose their inhabitants."

It is evident, then, that the object was to give the frontier settlements advantages equal to those enjoyed by the American towns. This desire was legitimate, and the Mexican frontier settlements may be thought to have a right to such advantages; but all that goes beyond this would be to obtain privileges which were not absolutely necessary for the well-being of those settlements, and which were a real burden to the rest of the nation.

An incident which clearly shows the tendencies of the decree by which the Free Zone was established, and which, in my opinion, would be sufficient to deter Congress from blindly adopting this decree, is to be found in its first article, and I think it my duty to call to it the attention of Congress.

By all which it says in favor of the Free Zone, and in the considerations which are found in the preamble of the decree, it would appear that the exemptions conceded by it to the frontier settlements were considered as having a vital importance, and that the interests of the treasury and every other consideration should be sacrificed to this object. This being the case, and when the federal treasury was deprived of the duties which belonged to it on the merchandise consumed in these settlements, it would have been excedingly natural to renounce also the duties collected by the state, which has an interest far greater than the federation in the welfare and prosperity of that region. Was this, perchance, a provision of the decree establishing the Free Zone? Those who now listen to the defenders of that institution would suppose so; but that is not what the decree provides. Its first article is as follows:

"ARTICLE I. Foreign merchandise intended for the consumption of the city of Matamoras, and the other towns upon the bank of the Rio Bravo, Reinosa, Camargo, Mier, Guerrero, and Monterey Laredo, and the reciprocal commerce of these towns, shall be free from all imposts, except the municipal and those collected to defray the expenses of the state."

It is to be noted that the language of the decree scrupulously avoids to give to the suppressed imposts their proper name, which would be *those* belonging to the federal treasury. True, the decree says that *all imposts* are suppressed, but in the same paragraph those which are not federal, *i. e.*, the municipal and state duties are excepted.

Either the concessions of these exemptions is a vital question of *to be or not to be*, to which every interest of whatever kind shall be subordinated, and in this case it is inexplicable that the State of Tamaulipas, which suppressed the duties belonging to the federation, did not also abolish those of the state, leaving in force only those of a municipal character; or this interest is not so vital as has been represented, and in this case there is no occasion to sacrifice to it the pecuniary interests of the federation without any proportional sacrifice of the similar interests of the state.

If, in fact, it is a necessity for the well-being of those settlements that they should enjoy an absolute exemption from duties, it would be illogical to grant this respecting the federal duties alone, and not respecting those of the state; if an absolute exemption is not indispensable, then the natural and convenient course would be, that any reduction should be borne *pro rata* by the federal and state treasuries. And can a decree which contains these monstrosities be gravely proposed for the sanction of Congress without the discussion and examination of each one of these features?

Another inconvenience of the decree of the Free Zone is found in the first part of article 4, as follows:

"ARTICLE IV. Effects which are dispatched from towns where custom-houses exist, intended for free consumption, shall take out passes in the same manner as is customary with the interior traffic of the republic."

As may be seen, this article proposes to give rules for the transit of merchandise destined for free consumption, and the only one which is laid down could not be more ambiguous or exposed to greater inconveniences. It is provided that merchandise shall take out the *customary* passes for the internal commerce of the republic. What are these customary passes? Are they such as were *then* in force in Tamaulipas, or such as have been established since? In the latter case the federation would become subjected, in a matter of so much importance as that of the internal traffic of the republic, to

the will of the legislature of one of the states. The convenience of either giving fixed rules on the subject, or of designating especially the laws which are to be considered in force, cannot be questioned.

Another grave inconvenience of the decree of March 17, 1858, is that it does not fix with precision the extent of the Free Zone, since, though in the first article it seems to limit it to the settlements on the shore of the Rio Bravo, in the latter part of article 4 the dimensions of the Zone are enlarged indefinitely. It concludes thus:

"Effects destined for the consumption of the *ranchos* (hamlets) within the jurisdiction of these towns, shall enjoy the benefit of exemption from duties when they do not exceed the value of thirty dollars, and are provided with the requisite passes, without which they will be confiscated."

It is evident here that certain jurisdictions are spoken of, but not geographically bounded, and may perchance be held to include the whole State of Tamaulipas. It is also to be seen that the benefit of an exemption from duties is conceded by this article not only to the goods consumed in the towns along the right bank of the Bravo, but also to the *ranchos*, with an undetermined jurisdiction, although with the limitation that their value shall not exceed thirty dollars. It is easily to be understood that this limitation would be a nullity, and would only serve to countenance fraud.

Another indication that it was the intention of the author of the Free Zone decree to include in it the whole State of Tamaulipas, or, at least, all the northern district of that state, is that in speaking of the payment of duties upon goods which are sent inland for consumption in places not included in the Free Zone, he invariably uses the phrase *to send into the interior of this republic*, without foreseeing the case of the goods being sent inland to other points of the State of Tamaulipas.

The advocates of the Free Zone not only deny that contraband trade is encouraged by it, but even assert that the Zone is the best, if not the only, preventive of such traffic.

All the reasons which have been, or may be, alleged in defense of this theory are, in my opinion, unfounded, and are satisfactorily refuted by article 8 of the decree of March 17, 1858. The author of this decree, who saw practically the decadence of the frontier towns, its causes and the means of remedy, and who found a method which, in the opinion of the advocates of the Zone, was highly ingenious and worthy to be maintained and extended, is doubtless a better authority on this point than the present defenders of the Zone.

Very well, the author of the said decree believed that the establishment of the Zone would foment contraband trade to such a degree that he thought it necessary to consign in an article of his decree an especial recommendation to the inhabitants of the frontier that, in his own words, the benefit conferred upon them should not be converted *into a shameful contraband trade.*

The eighth article of the decree is literally as follows:

"ARTICLE VIII. As the exemption granted by this decree ought not to prejudice the national revenues, the inhabitants of the frontier are under an obligation to prevent, by all means within their power, this benefit which is granted to them from *becoming a shameful contraband trade*, and consequently every inhabitant of the frontier ought spontaneously to become a common sentinel and enemy of everything contraband; if this is not done, the government will be placed under the stern necessity to take away this exemption by revoking the present decree."

Besides this opinion, which has much weight with me, the facts are in favor of its correctness. As the executive desired to proceed with all possible accuracy in the important question of the tariff, it circulated to all the custom-houses of the sea-coast, asking an opinion thereon, the tariff which was presented to the chamber more than a year since by its own committee. In this way it obtained a mass of information which it used in drawing up the observations which it made upon the projected tariff which the chamber afterward provisionally approved. The opinion of the customs authorities of Tampico is found in a communication dated November 21, 1869, in which the collector of that port, an officer of great experience, when speaking of the causes which facilitated contraband trade, said of the Free Zone the following, which I will take the liberty to read to Congress:

"The possibility of this clandestine trade is proved by the abundance of cloths of many kinds in the principal cities of the interior, as San Luis Potosi and Zacatecas, in which the articles are sold much cheaper than in this port. Lately a merchant arrived at San Luis Potosi from Matamoras with more than three hundred packs of cloths, and sold calico at five dollars per piece; and if the great distance between Matamoras and San Luis be taken into consideration, it will easily be perceived that these goods have paid no duties when they can be sold at so low a price, after the heavy expenses of transportation. This evil probably results from the port being established at Matamoras, while it may be avoided by fixing it at Bagdad.

"It may also result from the Free Zone, which is enjoyed by all the northern frontier, a privilege which was granted in consequence of the special circumstances which existed in that section at the time it was granted, and which do not now exist, and under cover of that Zone an immense injury is inflicted upon the national revenues. From

Ciudad Victoria, the capital of this state, and from other places in Nuevo Leon and San Luis, such as Matehudla and Linaves, which formerly were supplied from this port, they now buy all their merchandise at Matamoras in spite of their greater distance from that port than from Tampico, because they invariably get their goods cheaper than their value here; consequently the Free Zone may be considered as a convenient safeguard for contraband trade.

"The Free Zone being, therefore, a system which causes such detriment to the other ports within the republic, especially to those which, like Tampico, are situated in the Gulf, since they suffer a ruinous competition in the interior towns upon the same latitude, it is necessary to find some resource which may promptly repress this evil which weighs so heavily upon commerce in general, and upon the national revenues, defrauding them of their just dues, while a few speculators speedily enrich themselves at the general expense, a real monopoly, which, as such, is prohibited by our constitution, and condemned by all the principles of distributive justice.

"This resource can be no other than that of obliging all the ports of the republic, without exception, to abide by the general tariff, for the law ought to be the same for all, especially in regard to contributions and dues, since upon their equalization and strict observance depend the receipts of the national treasury."

In the opinion of the orators who defend the Free Zone, as I have already mentioned, it not only does not favor contraband trade, but is its principal and almost its only remedy. Let us examine their reasons for this opinion. Before the establishment of the Zone, say they, foreign goods were brought into Mexico by the numerous fords of the Rio Bravo, and were not destined, as they have been since the existence of the Zone, to the frontier settlements. As it is much easier to watch over five localities than over a line of a hundred leagues in extent, they judge that the Zone has operated against contraband trade. They say also that, by reason of the said Zone, the goods which are dispatched from the frontier settlements, either for the consumption of another locality within the Zone or for the interior of the republic, have to be furnished with passes, and that these precautions are more than sufficient to repress smuggling.

These reasons may convince their own authors, but, in my judgment, they have no force whatever, and my opinion, in this respect, is confirmed by experience. The provision in the decree establishing the Free Zone that merchandise imported into the frontier settlements be brought by way of the authorized fords and the points designated by, for foreign traffic, cannot carry with it its own fulfillment. It existed long before the Free Zone, and then, as now, it was violated by unscrupulous speculators. In fact, all our tariffs have ordained that the importation of foreign goods be made only at properly authorized points, and have considered all importations through other routes as frauds, which should be punished by severe penalties. This regulation, then, is the same as that of the same decree, and was more efficacious since its violation was visited with severe punishments, but neither then nor now has it ever been properly enforced. And for what reason? Because the promulgation of a law does not suffice to carry it into execution, but it is absolutely necessary to employ other means to that end. In the absence of such means along our extended frontier, it is clear that the mere publication, either of the tariff law or of the decree concerning the Zone, will not suffice to prevent importations by unauthorized routes.

But we are told that no merchant could be tempted to import his goods through unauthorized routes, under peril of confiscation, when he is permitted to import them into the settlements without payment of federal duties, and can either keep them in deposit as long as he chooses, or consume them duty free within the Zone. It is true that when the merchandise is intended for consumption within the Zone, there can be no object in importing them through unauthorized routes, and then no contraband trade is intended; but it is not the same when the goods are intended for illicit traffic. One of two things, then, necessarily happens—either the smuggler counts upon the connivance of the customs authorities, and in this case imports them through the authorized points, having no temptation to do otherwise, or he does not count upon that connivance, and then he does not import them by the authorized points, because it does not suit him to do so. And what is to prevent him from importing through unauthorized points? Merely a legal text, which is equally inoperative, whether contained in the law concerning the Zone or in any other. It may be seen then, that if, as the defenders of the Zone assure us, during its existence we ought only to keep watch over five localities on the frontier, by this means fraudulent importations are encouraged, as they no longer suffer peril of any vigilance at the unauthorized routes, through which they may operate with entire impunity.

Another of the reasons alleged to prove that the Zone is a remedy for contraband traffic is, that the goods which are dispatched from the frontier settlements, whether for consumption within the territory of the Zone or without it, are obliged to carry passes and present return passes, in proof of having paid the proper duties. In this case I have to repeat exactly what I said in the previous one, that is, that these precautions and restrictions against fraud existed also before the establishment of the Free Zone, and are as inefficacious now as formerly. In fact, before the decree concern-

ing the Zone, it was the rule that foreign goods imported into the ports of the republic could not be sent into the interior without being accompanied by the proper passes, with the obligation to present the return passes within a certain period. The legislation upon the subject was much more complete than the few provisions respecting it in the decree concerning the Zone, and nevertheless, at that time as well as now, these provisions were insufficient to prevent fraud.

It is evident, then, that the two principal reasons which the advocates of the Free Zone present, as conclusive to demonstrate that the Zone is the most efficacious remedy against fraud, are really puerile.

We have been interrogated several times as to how frauds can be committed in the Free Zone, and the reply is very simple. Either the smuggler succeeds in coming to an understanding with the customs officers, in order to commit a fraud, or he does not. In the first place, everything is done without the Zone being able to prevent it. In the second case, the smuggler has two courses to follow; the first being to import his goods through some uninhabited route, by which he may carry them to the interior of the republic. As in the states adjacent to Tamaulipas no excises exist, no documents are required, and the smuggler can introduce his goods with absolute impunity. All the danger consists in the possibility of meeting with the customs guards, and, at present, with the sections of the counter-guard on the northern frontier. If he succeeds in escaping the vigilance of these employés, which is very easy in so considerable an extent of territory watched over by a very small number of persons, the fraud is consummated. This, nevertheless, is the least probable expedient, and it is also the most perilous.

The second course consists in importing the merchandise through some of the authorized routes, and then send it with the proper passes for some point within the Zone. When there, false witnesses can be found to swear that the goods have been consumed, in which case a return pass is issued, to be presented at the original custom-house to cancel the pending bond. The goods can then be sent clandestinely into the interior. The same thing can be done by the merchant in the very place of importation, by adducing false proofs that his merchandise has been consumed in the same place.

It is then evident that all known methods of contraband traffic which existed before the Zone are still in existence, and have been increased by new ones before unknown.

I am far from believing that the author of the decree concerning the Free Zone, and the advocates of that institution, propose to foment contraband trade by its means. On the contrary, I take pleasure in recognizing that the deputy of the northern district of Tamaulipas, who is, therefore, the most directly interested in the maintenance of the Free Zone, has given proof that he does not desire to encourage smuggling, by working earnestly for the law which established the counter-guards on the northern frontier, and by lending the executive his aid, in order that this institution may yield the good results which are expected from it.

Returning to the decree of March 17, 1858, I ought to state that the defenders of the Zone think that all its inconveniences are remedied by the 53d article of the tariff bill, because it designates exactly the places which are to enjoy the privilege of the Zone, and that, consequently, this article repeals the conflicting provisions of that decree, and explains those of doubtful interpretation. This reasoning would be valid if the chapter of the tariff bill relating to the Free Zone had no other article than the 53d, but the precise language of the 54th article destroys all this reasoning. This article is as follows:

"ARTICLE 54. In order to enjoy this exemption, the decree issued by the government of Tamaulipas on March 17, 1858, and ratified by the general Congress on July 30, 1861, shall be obeyed in its main scope, *except in the penal portion.* In that respect the provisions of chapter 18 shall be respected."

It is then clear that, although it is first said that the provisions of the decree shall be obeyed *in its main scope*, this limitation is explained by the declaration that it shall hold good in all except the penal portion, which is certainly that of least importance. Besides, as all the provisions of the decree relating to the Free Zone are included in its *main scope*, they all remain in force except the penal portion, which is expressly revoked.

We have a plain proof of this fact. The decree of the second Congress of the Union, dated July 30, 1861, which ratified the Free Zone, is conceived in almost the same terms as the 53d article of the tariff bill; that is, the settlements which are to enjoy the benefit of the Free Zone are mentioned, and reference is made to the decree of March 17, 1858. It has been understood since then that the decree is in force in all its parts, and this has also been the practice.

Besides this, the approbation of these two articles of the tariff bill would amount to a change in the prudent conduct which the Congress of the Union has observed of never giving its approval to legislative measures which have once been in force without discussion of each of their articles.

The terms of article 53 imply, moreover, an important and transcendent constitu

tional question. By it certain places are designated in which the importation of foreign goods is free. These places are now open to foreign commerce. While they so continue there can be no difficulty in making importations through them; but if circumstances should ever demand that one or more of these points be closed to foreign commerce, a grave difficulty would arise. The fact of their being named in the tariff throws them open to foreign commerce by legislative enactment. If it should become expedient, and even necessary, to close them to such commerce, as has already been proposed, the executive would be placed under a painful alternative, either to refuse to exercise a prerogative granted him by the constitution, in order not to violate a law of Congress, thus seriously affecting, in the supposed case, the public interests; or, should he act upon the belief that Congress cannot deprive him of this faculty except by previously modifying the constitution through all the prerequisites established for so doing, he might then be impelled to abrogate a legislative enactment. In this case, in addition to the inconvenience which would result from the executive's abrogating or modifying the laws, he might be accused before the national grand jury in the midst of perils of another character.

If we were to credit the statements of the advocates of the Free Zone, it would be necessary to recognize that upon this institution depend, not merely the well-being and prosperity of the frontier settlements, but their very existence, that of the state of Tamaulipas, and of the entire nation. Unfortunately for the friends of the Free Zone, this proposition is untenable. Congress has just heard a deputy, not from the interior, but from the very state of Tamaulipas, who has raised his voice against the Free Zone, not merely in the abstract, but as a question of life or death for the south of Tamaulipas. The representative for the southern district of that state has so stated, not solely upon his own word, but reading communications from merchants at Tampico, which assert that the continuance of the Free Zone would be the complete ruin of that port. This statement is neither unfounded nor incorrect. The custom-house of Tampico, which for many years was the second one of the republic, its revenue being inferior only to that of Vera Cruz, is now in such a state of decadence that, on account of the Free Zone, it has become a custom-house of the third or fourth order, and cannot even pay the expenses of the military force which receives its payment through it.

It is seen, then, that this institution of the Free Zone is not even accepted by the citizens of the very state in whose favor it was established; that if it has caused prosperity in some points on the frontier, which, in my opinion, has been upon a very small scale, it has, in exchange, ruined others which formerly enjoyed prosperity, and causes grave damage not only to other places in the state of Tamaulipas, remote from the frontier, but also to the nation in general. The Congress of the Union, which does not represent a single locality, but the entire republic, has the right and the duty to combine in its laws local with national interests, subordinating when necessary the former to the latter.

The prosperity which the frontier has at some time enjoyed, and which is represented to us as exclusively the result of the Free Zone, is, in my opinion, rather due to the civil war in the United States, which for some time made the cotton trade one of great profit to the inhabitants of Matamoras and other frontier towns, in consequence of the blockade of the southern ports by the United States Government. The Free Zone was undoubtedly one of the causes of prosperity, but could never be sufficient of itself to cause the transformation on the frontier which we witnessed from 1862 to 1866.

If we were to believe the defenders of the Free Zone, we ought to believe that from the time of its establishment, far from the inhabitants of our side of the Rio Bravo emigrating to the other, as formerly, the emigration would have changed its course, and that we should now be absorbing the inhabitants from the left side of the river. Unfortunately this is not the case, in spite of the efforts made to convince us of it, in order to preëngage the opinion of the chamber in favor of the Free Zone. A deputy now present in Congress, and who had just passed through the State of Texas, told me yesterday that the current of emigration continues to flow, as formerly, from our territory to that of the United States, the Free Zone not being a sufficient inducement for those of our citizens who desired greater stability and security to remain in our territory. I make the statement because the honorable deputy, Don Enrique Mejia, to whom I allude, authorized me to do so, and he may correct the statement if he should think proper.

It follows, then, that there is much exaggeration in what we are told concerning the magic effects of the Free Zone in behalf of the frontier and of the whole nation. A single fact, which I will mention to conclude my observations upon this point, proves the inexactness of the prodigious effects attributed to the Free Zone. In Paso del Norte there is no Free Zone, since it now only includes the state of Tamaulipas. Opposite Paso del Norte is an American town called Franklin, as there are also towns opposite each of the settlements on the frontier of Tamaulipas. As the same causes now exist there which, before the establishment of the Free Zone, made the frontier of Tamaulipas a place of decadence and almost uninhabitable, the effects of these same causes at Paso del Norte ought to be identical. To judge by what we have heard in favor of the Free Zone, we should suppose that Paso del Norte is an insignificant ham-

let, which would only have, as inhabitants, a few true heroes who preferred their patriotic sentiments to their well-being and every other consideration, while Franklin should be a populous city, and in a state of growth and prosperity. Far from this being the case, Paso del Norte contains a population of from five to six thousand inhabitants, while in Franklin there are barely from five to six hundred, most of them being the forces of the line with which the Government of the United States guards its frontiers. This shows that the situation of the inhabitants of our territory is not so desperate as we are told, and that they do not so absolutely need the Free Zone in order to exist and prosper.

Another consideration has been presented by the defenders of the Free Zone, which I think has weight in the opposite scale. It consists of the menace that the frontier settlements would rebel against the authorities of the republic if Congress should deprive them of the Free Zone. Either I am very much mistaken, or the Congress of the Union will not be influenced in its decisions by threats of this kind, and much less when there is reason to believe that these threats proceed not from the mass of the people, but from the imperiled interests of a few speculators.

Hitherto I have treated only of the inconveniences of the ratification of the Free Zone as it now exists. These inconveniences would be very considerably increased if that Zone were to be extended, as the committee proposes, to other states, some of them not even upon the frontier. In fact, if the Free Zone produces the serious results already mentioned while it is confined to the territory of Tamaulipas, extensive in itself, but small in comparison with the proposed extension to Paso del Norte, these serious results will, in that case, become incalculable. It will then embrace two more frontier states, and one which is not such, and which, for that very reason, has no valid pretext for soliciting this privilege.

The existence of the Free Zone in Tamaulipas is an evil for many persons who have acquired interests there, which render its abolition difficult, even when such abolition is proved to be based upon just, convenient, and economical reasons. It is evident that in that case these persons cannot favor the extension of the Free Zone, which they know to be an evil, which, when once established, will create interests very difficult to remedy. It is short-sighted to raise up obstacles which may ultimately become serious, merely in order to pretend that the Free Zone is not a privilege.

If Congress should now approve, not merely the subsistence of the Free Zone in Tamaulipas, but its prolongation to three other states of the republic, it is to me very probable and almost certain that the evil results accruing therefrom sooner or later will make themselves generally felt, and it will be thought absolutely necessary to extirpate the evil by suppressing the Free Zone. How much more difficult will this be if the Zone is so enlarged as to foster the creation of interests which may become really formidable! If at present the interests created in a district of one of the states can even resort to threats, what would happen when this privilege shall be extended to three more states?

The idea of extending the Free Zone beyond its actual limits arose from the desire of doing away with the character of a *privilege* which is inherent to the Zone, by demonstrating that it may be conceded to any frontier territory. This object has not been attained by the committee's report; for either the frontier ought to enjoy this privilege, and in this case it is inconceivable that Sonora, Lower California, Chiapas, Tabasco, and Yucatan should be excluded, or it belongs not only to the frontier states, but also to those bordering on the frontier states, and then it cannot be understood why it should be granted to Nuevo Leon and denied to Durango, Sinaloa, Oaxaca, and Vera Cruz.

In view of the reasons which have been alleged in favor of the Free Zone, it would appear natural that only frontier settlements should call for this privilege. Nevertheless, we see that it is now proposed to grant it to Nuevo Leon, which has no frontier. I have carefully read the speech of the honorable deputy who recently advocated the right of Nuevo Leon to participate in the Free Zone, and I confess that my limited intelligence could find but one real reason which has any force in favor of this pretended right. This reason, if it may be so called, is that, although Nuevo Leon has no frontier, a part of its territory is very near the frontier, and that the state of Tamaulipas lies between it and the frontier. I think that this same reason might be alleged by several other states of the republic; San Luis might say that Tamaulipas lies between her and the frontier; Zacatecas, that Coahuila lies between her and the frontier; and the same argument might be repeated by Durango, Sinaloa, Oaxaca, and Vera Cruz. Evidently, if all these states had chanced to possess a portion of the frontier, they might all demand the privilege which is alleged to belong to the frontier; but in that case no others than the really frontier states have any right to enjoy such a privilege.

I intended to reply to various allusions made by some of the speakers who have defended the Free Zone, and correct some mistakes which, in my judgment, they have made; but having already occupied the attention of the chamber longer than I wished, and as I shall probably have to occupy it again, as I understand that the debate is to continue, I reserve further statements until its close, and refrain for the present from replying to those allusions, and from rectifying those errors.

In conclusion I will sum up as follows the ideas of the executive concerning the Free Zone:

1. The Free Zone, as it now exists, is a *privilege*, such as is prohibited by the constitution; one which injures a part of the very state of Tamaulipas and the entire nation.
2. It is the duty of the government of the union to endeavor to prevent the situation of the frontier settlements from becoming less favorable than that of their neighbors, and to that end ought to grant them all necessary exemptions.
3. The Free Zone is not absolutely indispensable to that end.
4. Even in case that Congress should ratify that Zone, it should provide such regulations that the interior commerce of the republic shall not remain at the mercy of the enactments of the legislature of a single state.
5. The extension of the Free Zone to other states, and especially to such as have no frontier, would occasion innumerable evils.

B.

Synopsis of the speech of the deputy Don Ramon Guzman in the Mexican Congress, in the session of October 27, 1870, in favor of the maintenance of the Free Zone.

The maintenance of the Free Zone may be considered under two aspects—as an economical question, and as a political question. I shall examine the former under three heads: first, what our frontier was before it became a free zone; second, what it now is, under the operation of its present exemptions; and third, what it will become, unfortunately, the law in question should be repealed.

Our population on the Rio Grande, at the conclusion of the treaty of Guadalupe Hidalgo, was about 30,000 souls, scattered through many villages and hamlets. The Americans, who always make correct calculations, immediately established in front of each of our settlements a military post and a custom-house, with bonded warehouses. They had no settlements in which to sell their merchandise, for this region was all a desert. They came and took up their stations at these posts in order to compete with our merchants for the trade of our frontier. Their system of bonded warehouses, with the exemptions from all duties enjoyed by their national manufactures, necessarily annihilated the commercial activity of the Mexican shore; caused its inhabitants to engage in smuggling, to the neglect of agriculture; and finally, when they had become impoverished through lack of work, led them to abandon their native soil in search of that subsistence which our fiscal system denied them. At that time the Mexican tariff was higher than that of the United States. The duties were collected then as now, at the moment of importation, and certain fords were designated for the passage of merchandise, outside of which it ran the risk of confiscation. The American bonded warehouses had no other object than to hold the goods destined to a contraband trade with Mexico. After three years of this unequal struggle, the Americans had gained over to their territory the majority of our population. Our landed property had lost its value; the commerce of Matamoras, our principal town, was reduced to two retail houses, and the few inhabitants of the Mexican bank had to become professional smugglers. From the authorities down to the humblest laborer—some of necessity, and others as a speculation—incessantly crossed the river, bringing back goods at 50 per cent. less than their cost on this side. Our custom-houses did not pay the salaries of their own officers, and they received their money from Mexico.

After three years' experience of these miseries, the government, in 1851, sent General Don Manuel Robles Pezuela to study the condition and the necessities of the frontier. From his luminous report sprang the idea of a Free Zone, which was sent the next year to the chamber on the part of the executive. Unfortunately the influence of foreign ministers in the high regions of power was then irresistible. A *friendly intervention* was decisive. Above all, the recollections of the American invasion were very fresh, and that proposal of the executive, through the lukewarmness of the cabinet, and for another reason which I must not name, had the misfortune to be rejected. But at a later day, in 1858, during the war of reform, and under the influence of General Garza, the decree of the Free Zone was issued.

The inhabitants of both shores immediately perceived that, in the competition between the fiscal systems of the two peoples, the advantage had changed to the right bank. The difference was very soon felt. The American warehouses began to be closed; European cargoes no longer landed on the left side of the river; our lands increased in value; the population augmented so rapidly that from 18,000, to which it was reduced in 1858, it reached 50,000 in five years. Later came the exceptional circumstances of the cotton trade during the confederate rebellion, which produced an artificial and transient increase of population, at one time amounting to 150,000, and the remnant of which still leaves us the 70,000 assigned by the census to the frontier of Tamaulipas.

The national treasury enjoyed a proportional increase of revenue; and after paying all expenses and covering numerous letters of credit, the custom-houses made considerable monthly remissions to the treasury department. Smuggling, which was so easy

when there was only the frontier to cross, now became more difficult through the system of passes and of inspectors upon the roads leading to the interior. And if the secretary of the treasury had subordinated the custom-houses of Laredo, Camargo, Linares, and other towns to that of Matamoras, and had exercised greater vigilance over the morality of his employés, the contraband traffic would have become insignificant. Since the establishment of the *contra-resguardo* (second line of inspection) this evil has largely decreased. The proof is that the custom-house orders, which were worth but a short time since only 20 to 30 per cent., have trebled in value within the two months which have elapsed since the establishment of the *contra-resguardo*.

The third point of my inquiry, as to what would take place if the Free Zone should unfortunately be abolished, may be briefly dismissed. The inhabitants of that region, who have given such proofs of their love for liberty, distinguishing themselves in the wars of independence and reform, would certainly oppose, with arms in their hands, a measure intended to deprive them of their liberty and their well-being. I am told that the government is strong enough to conquer them with two divisions of its army. In that case, this people, warlike by instinct and resolute in the maintenance of its rights, would cross in a body to the American shore, leaving the ashes of their homesteads as trophies to their oppressors.

The enemies of the Free Zone repeat that it is a *privilege* which is prohibited by our constitution. I consider that a *privilege* is that exceptional advantage which is granted to an individual, a corporation, or a locality, by which, under an equality of circumstances with others, an exclusive benefit is granted, to the detriment of the rest. But what port is there on the Gulf or on the Pacific which has in front of it, at a hundred paces off, a foreign port? Ought we not to remember that this colossal power, which has located eight custom-houses, with bonded warehouses, along a desert line of only eighty leagues, intends to build up its own settlements at our expense? Would not the derogation of the law which has created so many interests on our frontier favor the American interests, to the immense detriment of our own?

To vote against these interests is to attack the interests of the nation; and if my own reasoning lacks vigor, and my tongue the necessary eloquence to prove this, my esteemed companion, Mr. Velasco, will read the report of a committee of the American Senate, in which it recognizes the right of Mexico to adopt the financial laws which it may deem proper. It argues that the maintenance of the Free Zone is a serious detriment to their views for the future, and that fact speaks louder in its favor than anything my feeble voice can utter. I will add, however, that when the government did me the honor to appoint me, along with Mr. Castañeda, to draw up a tariff bill, which is very nearly the same as that before us, *suggestions were made to us, on the part of the United States Government, which I am not at liberty to reveal, tending to the suppression of the Free Zone, and, as may be seen, we energetically repelled them.*

I very much wonder, and I call the attention of the chamber to this subject, that the secretary of the treasury has not a single word of disapproval for the Leese contract for the colonization of Lower California, by which the colonists import, free of duty, goods of every kind, and are granted greater privileges than those enjoyed by our brothers of the northern frontier. Nevertheless, his excellency finds no difficulty in granting to strangers what he refuses to Mexicans. Is it because the former speak English, and the latter, the poor Spanish tongue?

I cannot understand how the interests of the United States should be upheld among us in opposition to those of Mexico. Do not think that I bear any ill-will toward that people which was our friend in the hour of misfortune. No, sir. I love it, I admire it, and wish it all prosperity; but not to the detriment of Mexico. I propose no aggression; but that, strong in our right, we do not accept a friendly intervention after having repulsed an armed intervention. I wish for a reciprocity of interests in our relations, and especially upon our northern frontier; and as we endured for twelve years while they maintained in front of us their ports of deposit, let them now endure the continuance of the Free Zone; and if the competition should be pursued, let us, in turn, endure their establishment of free ports. The real sovereignty of the people would be outraged were we to forget our duties. The United States are great and strong, but they are also just.

No. 294.

Mr. Nelson to Mr. Fish.

No. 314.] LEGATION OF THE UNITED STATES,
Mexico, November 10, 1870. (Received November 25.)

SIR: After a protracted debate, in which the Mexican government, through the secretary of the treasury, Mr. Romero, has made great

efforts for the abolition of the Free Zone, Congress, on the 5th instant, not only formally sanctioned that measure, but extended it over the frontiers of Coahuila and Chihuahua and to the northern district of Nuevo Leon. Notwithstanding the decisive vote by which this result was obtained, (85 to 37,) there is still hope that it may not become a law, as the President will undoubtedly use his constitutional prerogative of retaining the bill in his hands till near the close of the session, and then returning it with objections. Even should it become a law, Mr. Romero is confident that the great practical inconveniences of the measure will ere long become so apparent that it will be repealed after a very brief experiment of its workings.

I inclose a synopsis (A) of the latest speech upon this subject by Mr. Romero; also a synopsis (B) of a speech in its favor by the deputy Velasco, who represents the district in which the present Free Zone is situated.

THOMAS H. NELSON.

A.

Synopsis of the speech of Mr. Romero, secretary of the treasury, before the Mexican Congress, in the session of November 4, 1870, *in opposition to the maintenance and extension of the Free Zone.*

Mr. Romero began by quoting document in disproof of a charge made by Deputy Guzman, that the contraband trade upon the frontier might have been greatly diminished had the secretary of the treasury taken the proper steps to secure a vigilant administration on the part of the customs authorities. He then met another charge of the same deputy, to the effect that the executive had, of his own authority, conceded a reduction of duties to the frontier of Chihuahua, by the statement that that decree was issued when the national government was temporarily residing in that state, and was by virtue of the "extraordinary powers" which the President then possessed, but that upon the return of the government to the city of Mexico that measure was rescinded. In reply to another charge against the Government of the United States, Mr. Romero then spoke as follows:

"Another of the errors into which the same orator has fallen is that of stating that the Government of the United States solicited from the usurpers Miramon and Maximilian the abrogation of the Free Zone. In conformity with his plan of leading this chamber to believe that the opinion of the executive, in opposition to the Free Zone, is the result of its subserviency to the cabinet at Washington, he praises the conduct of those pretended governments by comparison with the present administration. I doubt whether the honorable deputy believes what he has told us, and, if he does, it only shows how easily he gives credence to the most unfounded and most improbable rumors, and how innocently he tries to make this chamber share his mistakes.

"The Government of the United States could never solicit from Miramon nor from Maximilian the suppression of the Free Zone, nor anything else, for the simple reason that it was never in relations with them. It is true that Mr. Forsyth, minister from the United States to Mexico in 1857, recognized Don Felix Zuloaga as president, but he did so without instructions, and soon after had to break off his relation with that so-called administration, before Don Miguel Miramon came to power. After this, the Government of the United States recognized the constitutional President of the Republic, then at Vera Cruz, and maintained relations with him until the close of the war of reform. The whole world knows, and it is wonderful that there should be any one here who does not know, that the Government of the United States never recognized either the intervention or the so-called empire, nor maintained relations of any kind with either the one or the other. Persons who are unacquainted with the rules which guide the conduct of the cabinet at Washington may assert that on one occasion or another it employed confidential agents; but this assertion will only prove their absolute ignorance of the established customs of that Government."

Mr. Romero then argues that the non-interference of the imperial government with the Free Zone is easily accounted for by the fact that it was never in possession of the frontier, and that its hold upon Matamoras was always very precarious. Besides, he would not, if he could, have suppressed the Free Zone at a time when such a measure would have driven the frontier settlers into the ranks of the liberals. Maximilian would, however, have abolished the Free Zone ten times over, had it been possible, if by that means he could have obtained the recognition of the United States.

Mr. Romero then impugns the speech of the deputy from the northern district of Tamaulipas, (Mr. Emilio Velasco,) who had charged him personally with ignorance and incompetence. However this might be, the secretary of the treasury had presented himself in that chamber to express not merely his own opinions but those of the executive, upon whom the same charges would therefore fall. "Those who know the President of the republic know that he studies for himself all public questions, forms his own opinions, and has sufficient force of character to maintain them whatever may be the opposing interests. In the question of the Free Zone, as well as that of ports of deposit, his interest has been so great that the persons who have visited him recently, when he was lying upon what was supposed to be his death-bed, can testify that he concerned himself with these two subjects much more than with his own existence.

"Both of the orators to whom I am replying have thought fit, in order to defend the Free Zone, to have recourse to documents published by a foreign government. They have called the attention of Congress to the report of a committee of the United States Senate upon the Free Zone, treating it as a decisive document, almost as an oracle, each word of which is full of wisdom upon the various phases of the question of the Free Zone. The honorable deputy who has just spoken (Mr. Velasco) said that the committee which drew up this report was especially appointed to study the question of the Free Zone. This is a great mistake. The committee referred to is called the Joint Committee on Retrenchment, being composed of members of the two houses, whose duty it is to seek the means of alleviating the financial burdens of the country. This report of the Senate Committee on Retrenchment was presented May 16, of the present year. The newspapers of the United States reproduced its principal contents, and we thus learned its chief points before we saw the document itself. It may be asserted without exaggeration that this document is one of those which have been written with least foundation; and yet it is cited by the defenders of the Free Zone as a conclusive argument in favor of their theories. The members of this committee thought proper to take the sworn testimony of four witnesses, who deposed not merely concerning the Free Zone and the frauds which it shelters, but gave utterance to notoriously false statements concerning the intentions of the Mexican government toward the cause of the American Union, concerning our supposed sympathy for the southern rebels, our hypocrisy toward both belligerents, and the imaginary assistance which we lent to the rebellion. I have marked several passages in those depositions, which I am sure would stir up the patriotism of Congress were I to read them, but to be brief I will only make a slight summary of them. One witness says that when he was at Monterey the President of the republic went to his house to visit him. Those who know the President's character can judge of the probability of this statement; and besides, the President remembers perfectly well that while he was in Monterey he did not visit anybody, native or foreign.

"Another witness relates a conversation held with the President, in the presence of eight or ten witnesses, in which he expressed the greatest sympathy with the southern rebels. As the result of this conversation he states that a decree was issued, through the state and war departments, permitting the selling of arms to the Southern States. All who have ever spoken even once with the President know his natural reserve, and those who are better acquainted with him know that he never expressed an opinion upon a public subject in the presence of persons not on terms of intimacy, much less before strangers. Any one who may search for a decree issued while the President was at Monterey, relative to the exportation of arms to the Southern States, will easily ascertain that none such exists.

"Another witness asserts that the President's sympathy for the southern rebels went so far as to send them arms and ammunition We all know that if the President had then had any arms at his disposal he would have made good use of them in defense of the national cause, and never in favor of a cause linked with that of the French intervention in Mexico. We all know that this intervention was projected and carried out at a time when the success of the southern insurrection was considered certain. Those Mexicans who were hostile to the intervention, and I think that the President of the republic may be considered as one of them, were then highly interested, if for no other reason than their own convenience, in the subjugation of that insurrection; and it is not probable that any one of them, much less the President, upon whom weighed such heavy responsibilities, would be disposed to contribute by word or deed to the triumph of the intervention. These statements, absurd as they are, were those upon which the report of the Senate Committee on Retrenchment was based. It may be understood, then, why it is so hostile to our country, so exaggerated and incorrect in regard to our actions.

"In honor of public opinion in the United States it is proper to state that it immediately perceived how lightly those Senators had acted in giving credence to the false and improbable testimony of these four witnesses. It is, nevertheless, the same document to which the two orators, who have most energetically defended the Free Zone, have referred as to a model of exactness in its opinions, and of accuracy in its statements. I also might find in it an arsenal of reasons to prove the impropriety of our main-

taining and extending the Free Zone; but I have preferred not to do so, because I think we have no need of appealing to foreign authorities in settling our own questions, and further reference to that document would only ascribe to it an importance which it does not, in itself, possess."

Mr. Romero then alludes to the argument derived from the wonderful prosperity of the Mexican bank of the Rio Grande since 1858, and the recent corresponding decadence of the American bank. He attributes both these events to the effects of the American civil war, to the temporary traffic in cotton upon the frontier, and the collapse of that traffic at the close of the war. He defends the United States Government from the charge of hostility towards that of Mexico on account of having established twenty military posts on the frontier, and having opened several ports of deposit, showing that such is the custom of the American Government respecting all their frontiers.

"The desire of some of the defenders of the Free Zone seems to be to convert our side of the river into the basis of a contraband traffic with the United States. The executive cannot follow them upon this path, and, without losing sight of any of the national interests committed to his charge, thinks it is his duty to lay before Congress all the dangers and inconveniences of the Free Zone."

B.

Synopsis of a speech of the deputy Don Emilio Velasco, in the Mexican Congress, October 29, 1870, in favor of the maintenance of the Free Zone.

Mr. Velasco begins by noting that when, in 1861, the question of the Free Zone was first discussed in Congress, it obtained 97 votes, while in the later discussion of 1869 it received 112 votes. He considers this fact as a happy augury for the result of the present debate.

In allusion to the fact that Mr. Obregon, the representative for the southern district of Tamaulipas, had delivered a speech in opposition to the Free Zone, which might imply that the interest of that state is not engaged in behalf of that measure, Mr. Velasco replies that he is himself a native of Tampico, where his family now reside, and that he has been the representative in Congress of the southern district of Tamaulipas, with which all his interests are identified, but that all smaller interests disappear in the presence of a great national question like the present.

The argument which has been most insisted upon against the Free Zone is that which alleges it to be a fruitful cause of contraband traffic. In order to give its due weight to this assertion, we must inquire, not whether such traffic now exists, but whether it has increased or diminished by the establishment of the Zone.

After the treaty of Guadalupe Hidalgo the Americans founded settlements along the Rio Grande, for the sole object of building up a contraband trade with Mexico. Their system of bonded warehouses, and the ease of procuring witnesses who should testify to the exportation of goods across the frontier, rendered it easy for them to defy the vigilance of our customs employés.

Official data, whose authority is unquestionable, prove how enormous was the contraband trade from the United States at that period. Mr. Belden, a citizen of Brownsville, in a communication to the American Secretary of the Treasury, testifies that before the law of the Zone there used to be from one to three millions of goods constantly in deposit at Brazos de Santiago and Brownsville; but that since then commerce has so far ceased that the custom-houses at those places are now a source of expense to the United States. All this merchandise was destined to Mexico, for these frontier towns had no commerce except with us. At the same time our custom-houses were not paying expenses, which fact signifies that those millions of dollars in merchandise were being constantly and fraudulently imported into our territory.

From a report recently preseuted to the American Senate by one of its committees, the following paragraph may be quoted in proof of the facts just stated: "It is impossible," says the report, "to prevent smuggling upon a line like that of the Rio Grande, when there are any inducements to it, and without doubt there was at this time (before the Zone) much smuggling from the American side of the river, to the detriment of the customs revenues and of the honest commerce of Mexico."

The Free Zone profoundly modified the mercantile situation of both shores, and interposed an obstacle to smuggling. The principle of the Zone is that goods do not pay duties at the time of their importation, but on their being dispatched to the interior of the republic. The object of smuggling is to avoid payment of duties, and, as there are none upon importations, all temptation has ceased. The advantage of the American system of bonded warehouses is thus neutralized, or rather a similar advantage is conferred upon all points of the frontier, so that foreign goods no longer seek those deposits, when they can, without expense, obtain storage in our own principal

towns, which is at once more convenient to the merchants and an important guarantee for the collection of the duties should they be sent into the interior.

"I have," says Mr. Velasco, "in vain endeavored to discover how the Free Zone can possibly be the cause of smuggling. In the discussion of last year the honorable secretary of the treasury, in reply to an inquiry of mine on this point, assured us that merchandise stored in any of our towns within the Free Zone may be extracted from the stores and sent in perfect liberty, without any interference from the custom-house, and without any kind of certificates, throughout the whole Zone. When the secretary used this language he undoubtedly had not studied the text of the law of the Free Zone. If he will consult the fourth article of the law of March 17, 1858, he will there find the regulations, which were carefully drawn up, expressly to apply to the case of attempted frauds in the transportation of goods to the interior, under pretext of carrying them to other points of the zone.

"The citizen secretary of the treasury affirms that the passes and other documents relating to the transportation of goods from one point of the Free Zone to another are useless, because they are the same that are issued from custom-houses in other ports of the republic, and that in all ports alike they give occasion to frauds. I must insist that this system of judging the frontier by the rest of the country necessarily leads to great errors, and the secretary has fallen into a very grave one on this subject. In other ports the duties are paid on importation, but in the settlements of the Free Zone they are paid on being sent into the interior. Consequently the passes in the former case do not prove the payment of duties, while the passes given in the ports of the Zone contain the account-current of the duties, and therefore prove their payment. The documents of the custom-houses on the frontier are not, then, useless nor inefficacious, as the citizen secretary of the treasury imagines. On the contrary, a contraband traffic on the frontier can now only be effected by means of military seditions, or by the connivance of the employés of the treasury.

"As an example of the relative advantages of the two systems in a case of sedition, take that of Matamoras and Tampico, which both revolted against the federal government in 1867. Duties at Matamoras are paid on being sent into the interior. The passes given at that port were not recognized as valid during the insurrection, and, as a consequence, no interior commerce was permitted until the restoration of order. On the contrary, at Tampico, although the port was declared closed, this did not prevent heavy importations; and as the duties are paid on landing, the treasury suffered immense losses, since these importations left no trace behind. The Zone will thus always be an obstacle to the mutinies or seditions which might otherwise be stirred up for the purpose of protecting smuggling. As the duties are to be paid elsewhere, it very little concerns the treasury when a frontier town declares itself in rebellion.

"The Zone also renders much more difficult the contraband trade, which rests on the connivance of the customs employés. Without the Zone, when the goods were deposited in American warehouses, the fraud could be planned and carried into effect in twenty-four hours. Entire cargoes could thus be passed across the river in the shortest space of time. Now, however, the difficulties are immensely greater in effecting frauds with the connivance of employés through the more complicated system of documents which must be provided."

Mr. Velasco proceeds to show that the recent revival of contraband traffic in some portions of the interior is owing to the suppression of the internal custom-houses, which rendered it sufficient to obtain the connivance of an officer of customs. The counter-inspectors are designed to correct this evil. If, then, there should at any custom-house of the frontier be committed any frauds upon the quantity and quality of the goods dispatched from the interior, it will be readily discovered by the counter-inspection.

Mr. Velasco proceeds to draw a picture of the low state of commerce along the Mexican bank of the Rio Grande in 1858, and to contrast it with its present prosperity, which he ascribes entirely to the Free Zone. At the same time he points out the reverse condition of things upon the American shore as a proof that the former well-being of those towns was entirely owing to their having a monopoly of the Mexican trade, which the Free Zone has but transferred to the other side of the river, where it ought to be.

In reply to the proposition of the secretary of the treasury, who was willing to concede ports of deposit in lieu of the Free Zone, Mr. Velasco argues that as the Americans already possess them, and are in a condition to derive greater advantages from them, through their superior industry and enterprise, this concession would be entirely insufficient to maintain a commercial equilibrium between the two sides of the river, and the left bank would rapidly recover its former preponderance. Consequently, in the name of the people whom he represents, who are the inhabitants of the present Free Zone, Mr. Velasco declares that if the Zone is to be abolished, his constituents would regard the offer of ports of deposit as an insult added to injury, and would prefer to suffer in silence rather than be the object of a compassion very similar to irony.

After replying to various minor inaccuracies of the secretary of the treasury, Mr.

Velasco proceeds to consider the Free Zone as a vital necessity for the frontier, and to show that it should be extended to the states of Coahuila and Chihuahua, as was the intention when the plan was first broached by the executive in 1852. He quotes at length from a message of the executive of that time to show that the Zone was considered to be but a just recompense to the people of the frontier for the privations and dangers which they constantly incur in behalf of the whole nation. He also shows the decadence of Paso del Norte and other northern towns through lack of this privilege.

In conclusion Mr. Velasco says that free consumption is an accomplished fact upon the frontier, for the reason that nature and the necessities of the people have so required, and any attempt to revoke this liberty might occasion the dismemberment of the republic.

NICARAGUA.

No. 295.

Mr. C. N. Riotté to Mr. Fish.

No. 33.] LEON, *March* 2, 1870. (Received April 11, 1870.)

SIR: I have the honor of laying before you inclosed copies, respectively translation of the following documents, viz:

1st. Inclosure A, letter from her Britannic Majesty's chargé d'affaires in Central America, Mr. E. Corbet, of January 25th last, in answer to my communication, of December 28th ultimo, on the case of Mr. and Mrs. M. Glenton.

2d. Inclosure B, note to the Nicaraguan government, of January 29th ultimo, on the action of the directors of the Panama Railroad Company against Captain T. A. Douglass.

3d. Inclosure C, reply thereto by the government, of February 5th, with translation.

4th. Inclosure D, letter of General A. T. A. Torbert, United States minister in San Salvador, of February 21st last, on the importance of establishing a naval station of the United States on Tigre Island, Bay of Fomeca.

5th. Inclosure E, my reply thereto, of February 26th last.

I will permit myself to submit a few remarks on the subject of these two last notes. As you perceive from my answer to General Torbert, I do fully agree with his view. I will not attempt to argue the strategical and topographical side of the question. To do full justice to that, my colleague is more competent authority than I; and besides, a mere glance at the map, showing that in the long-stretched and every day in importance growing western coast of America south of San Francisco, our country is destitute of even a good harbor of her own, let alone a naval establishment or place of refuge, if only for cases of accidents or disasters, will at once powerfully advocate General Torbert's plan. There is another consideration in its favor, namely, the fact that not one of these Spanish North American republics, little Costa Rica excepted, until now has been able to erect on their dangerous coasts a single light-house. The pecuniary considerations entering into the question, I must deem it out of my sphere. But there is an international and political consideration eminently sustaining the plan. It cannot be denied that these republics, however slowly, and impeded by their political convulsions, are growing in commercial importance at a par with the increasing commercial facilities between them and the marts of the