

not be entitled to be treated differently from nationals in the application of laws made necessary by economic conditions; while Great Britain does not consider that this matter is properly comprised within the question of responsibility of the State for damage caused *within its territory*. The phrase "repudiation of debts" is indefinite. This should imply that the action of the legislative organ is not due to inability to meet payment, but to a willful intention not to execute a contract entered into by the State. In so far as acts of the legislative organ are concerned, there would be no possibility of local means of redress. It may be that the responsibility of the State will be involved in such cases. However, the fact as to whether or not an international claim is legitimate, can only be determined by a careful consideration of each particular case. Switzerland maintains that the repudiation of a debt is a distinct impairment of acquired rights.

The impairment of the obligation of contracts between the State and private individuals by executive action, has been set forth in the Bases of Discussion of the Preparatory Committee in the following two points: first, acts that are inconsistent with the terms of concessions granted to foreigners or the provisions of contracts made with them, or acts that might constitute an obstacle to the execution of such contracts or concessions; and, second, repudiation of debts. The replies of most of the governments affirm the responsibility of the State. The Government of Great Britain remarked, however, that the entire question resolves itself into the non-performance of a contract made by the State with a private individual. If the matter is to be considered in this light, there would not be sufficient material to codify one single rule of international law. The mere fact that the terms of a contract entered into with a private individual have not been complied with, does not, by and of itself, constitute a violation of international principles: it must be shown that it is coupled with other circumstances that will also make the case appear as a failure of one State to observe its duties towards another.

(c) It is a generally recognized principle, therefore, both in theory and in certain instances of international practice, that the contractual relations between the State and private individuals are of the incumbency of the local laws. The operation of contracts is subject to provisions of the laws of the State, which protect the rights of the contracting parties. Consequently, it is quite possible that a breach on the part of the State of its contractual obligations with private individuals, may have been sanctioned by the government officials bearing in mind that the injured party could claim the reparation provided by local laws. According to the official procedure adopted by the Government of the United States, unless the breach of a contract also constitutes a tort, it is not considered as a case of improper international conduct. However, besides the usual types of contract, and covenants cover-