

the Schedule of Points of the Preparatory Committee. Of course, there is no doubt but that, from the legal point of view, all contracts made by the State are equally binding. Their fulfilment is usually guaranteed by the local statutes. The States agree on these principles. They all admit that unless proper courts and legal actions are established to enforce the rights of persons who have made contracts with the State, there would be an utter denial of justice; likewise, if the decisions of the courts constitute an evident and intolerable disregard of the law, it would amount to an exceptional injustice. The cases of national debt are precisely the ones wherein there are no means whatsoever for local redress, because they are covered by statutes which the local courts are compelled to enforce. They are typical cases that should be subject to international jurisdiction. There might be others covering rescission of franchises, or their unilateral amendment by virtue of local laws or administrative measures prompted by considerations of public policy, or matters of paramount national interest. These are primarily cases which come within the jurisdiction of the national courts, but which might eventually assume international import if no adequate redress has been obtained in the local means.

And what is the significance of submitting these cases to the jurisdiction of the Law of Nations? Its meaning is that in instances wherein the State, in the exercise of its governmental functions, has committed acts impairing the obligation of contracts with private individuals, and has thereby inflicted loss or damage, it is of the exclusive incumbency of the international community to determine whether such functions have been properly exercised, or whether there has been any error or impropriety in connection therewith. State sovereignty is not an inviolable majesty. Sovereignty is the competency of the State to govern the interests of the community. Its exercise should be guided by the duty to avoid damage to property, unless called for by moral grounds or by the best interests of the nation. In view of the equality of the States, it is only the community of States that can properly pass upon their individual conduct. The following conclusions may be drawn from these considerations: first, that contracts made by the States are subject to their local laws; secondly, that when such laws do not afford adequate remedy, or when, due to the nature of the contractual relation, there is no legal remedy available, the international community is competent to adjudicate upon the situation thereby created; thirdly, that in view of the present régime of the international community throughout the world, as evidenced by the organization of the League of Nations and of the Permanent Court of International Justice, as well as by the vast number of treaties on arbitration and conciliation that bind practically all the nations of the world, there is no legal possibility of reprisals on the part of States for violations against them, except in the case of very exceptional situations