or accession of eight countries, including Norway and Great Britan. It may be revised at the request of two contracting parties and on the Council's decision. The main object of the Convention is to secure the adoption by the greatest possible number of countries of certain rules intended to prevent the destruction of a source of wealth available to all. The Convention applies to all the waters of the world, including both the high seas and territorial waters. This does not imply any restriction of the sovereign rights of States within the territorial waters, for which they may enact any provision they consider useful. Each contracting party will take the appropriate measures to ensure the application of the provisions of the Convention and the punishment of infractions by its nationals and by vessels flying its flag.

Financial Problems

The financial collapse which treatened to follow the economic crash and cause a breakdown of currencies could not be regarded with equanimity by the Second Committee. It hastened to consider the remedial action which the circumstances required.

The crisis, it was suggested in a remarkable speech by Sir Arthur Salter, was due to a gap in the balance of payments between creditor and debtor countries which was not being bridged by continuous credits. Debtor countries were in danger of being unable to meet their obligations in any of the possible ways—in goods and services, in gold, or out of the proceeds of new loans or investments.

The gap in the balance of payments was estimated at some two thousand millions of dollars and ascribed to four causes acting jointly. Firstly, much of the international debt represented no corresponding productive investment yielding an annual return. A part represented damage done and expenditure incurred in a past war; a substantial further part represented money recklessly devoted to unproductive work.

Secondly, the fall in world prices had increased the real burden of the debt. The prices of the main products of most of the debtor countries—agricultural products and raw materials—had fallen further and faster than the general level of prices.

Thirdly, the flow of investment from creditor to debtor countries had been abruptly arrested in the autumn of 1929 when the speculative boom suddenly collapsed and the investor switched from excessive rashness to extreme prudence. Debtors had thus been forced to part with their gold and to borrow on short term. Both of these expedients had since been exhausted.

Fourthly, the disequilibrium in the balance of payments, instead of being corrected by the gold standard, was only registered by it in the form of a maldistribution of gold. This maldistribution had resulted in one-third of the world's monetary gold being in a form that prevented it from having its normal effect on prices.

After reviewing the causes of the disequilibrium in the international balance of payments, the Committee considered the possibilities of remedying it. Not much could be done, it was observed, by further movements of gold, since all the gold in the debtor territories amounted to some 2,500 millions of dollars, the amount required to bridge the gap in a single year, and the great bulk of this gold was legally affected as the cover of national currencies.

What remained? Debtor countries could, to some degree, improve their foreign trade balances, but this could be done in time only by drastic reduction of their imports. This reduction would mean a still further lowering of the standard of life in debtor nations, a further fall in world prices and progressive stagnation of international trade.