

Simone Bilderbeek of the Netherlands Committee for the IUCN wrote a section of the IUCN's report "Biodiversity and the Commission on Sustainable Development: The Implications of a Supreme Document." She states:

"Article 3 of the Convention forms a crucial principle of international environmental law. It states, *without exemptory clause*, that 'States have . . . the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other states or of areas beyond the limits of national jurisdiction.' *This legally binding responsibility* has important consequences for the production and consumption of internationally shared biological resources like straddling and migratory fish stocks. Its key consequences, however, are in the field of environmental pollution. *As pollution will always cause some damage (the principle does not specify the amount of damage) to biodiversity, the Convention formally prohibits all forms of production which cause transboundary pollution*" (emphasis added).

Bilderbeek, one of the individuals involved in drafting the protocols of the treaty, is thus stating that the principle of "transboundary pollution" will be used to wage war against livestock and against the chemical industry. The treaty will also target other industries such as coal, oil, gas, and electric utilities.

The treaty does not specify the amount of discharge that is considered "pollution." One ounce of oil leaking from a refinery in Louisiana could find its way to the Gulf of Mexico, and thus violate the treaty. That would trigger actions by the world monitoring body set up by the treaty. This supranational agency can apply legally binding penalties against the United States until that refinery is shut down.

The electrical industry will be a major target of the treaty, according to Bilderbeek. She writes: "At the current state of scientific monitoring it is impossible to estimate the exact causality between the greenhouse gas emissions of one state and the impact of climate change upon biodiversity in another state. Science is progressing rapidly, though, and *once the first data on this causality relation are available, the Biodiversity Convention will become a strong legal argument to reduce greenhouse gases*. Friends of the Earth Netherlands has estimated that a reduction of 60% in greenhouse gas emissions will be necessary if the Netherlands wants to avoid serious transboundary harm to the biodiversity of other countries."

A 60% reduction in greenhouse gases is one of the most draconian proposals made by the environmentalists to shut down modern industries. This is more draconian than any of the proposals made under the Climate Treaty. But while the energy industry is mobilized to fight the Climate Treaty, they have not noticed that the Biodiversity Treaty will be the instrument that will destroy them. As Bilderbeek states in her essay, "*The Convention on Biological Diversity is a legally binding and thus supreme instrument.*"

## Derivatives losses are piling up fast

by John Hoefle

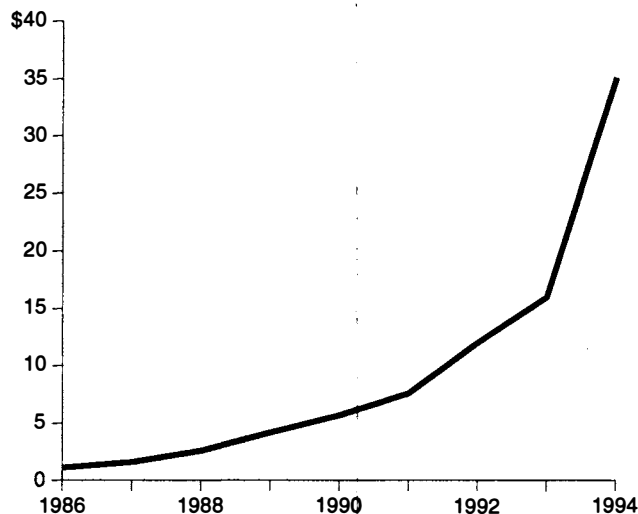
The losses from the derivatives bubble are piling up fast, exposing as a total fraud the claims by bankers and their alleged regulators that financial derivatives serve to make the world a safer and more prosperous place by hedging against risk. Far from it, the derivatives market itself is the biggest, riskiest speculative bubble in the world today.

Like a rapidly growing malignant tumor, the derivatives bubble grows at the expense of its host—in this case, the world economy—shrinking its host and reducing the ability of the host to support the tumor.

The derivatives bubble is essentially a giant pyramid scheme. **Figure 1** shows this principle at work. At the end of 1986, the notional principal value of all derivatives outstanding in the world was just over \$1 trillion, according to the Bank for International Settlements. By mid-1994, that figure had grown more than 30-fold, to just over \$35 trillion, according to *Swaps Monitor*.

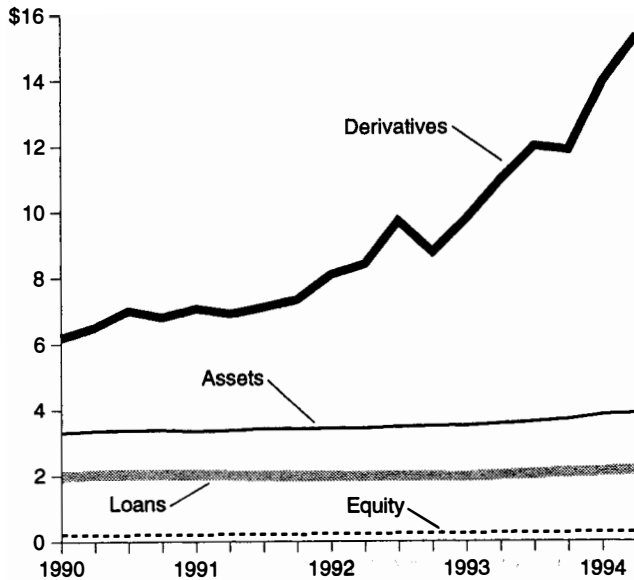
Note that these figures represent just the total derivatives contracts outstanding at year's end. As such, they significantly understate the size of the derivatives market, in which at least \$1 trillion of derivatives are traded every business day,

FIGURE 1  
**Growth of the world derivatives cancer**  
(market value, in trillions \$)



Sources: Bank for International Settlements, *Fortune*, *Swaps Monitor*.

**FIGURE 2**  
**Derivatives dominate U.S. banking system**  
(trillions \$)



Source: FDIC.

on average, for an annual turnover of between \$250 trillion and \$300 trillion a year at minimum, and perhaps twice that.

The U.S. banking system has been taken over by this cancer. Figure 2 shows the growth in derivatives in the U.S. banking system as a whole since the first quarter of 1990, compared to the growth in assets, loans and equity capital. Any sane person can tell at a glance that something is seriously wrong.

Let's take a closer look at the U.S. banking system, courtesy of the Federal Deposit Insurance Corp. and its *Quarterly Banking Profiles*. Over the past four-and-one-half years, the aggregate assets of the U.S. banking system have grown by 18%, and loans have grown just 8%. Total stockholders' equity capital, the net worth of the banks after subtracting liabilities from assets, rose 44%, more than two times the rate of asset growth (see Table 1). (This equity figure is fraudulent, reflecting a deliberate understatement of bad loans by the banks, combined with fictitious income from derivatives trading, under-the-table federal subsidies, and interest-rate gouging courtesy of the Federal Reserve, as *EIR* has repeatedly reported.) Over the same period, the amount of derivatives held by U.S. banks has increased 147%. Derivatives have increased \$9,130 billion during that period, compared to a \$582 billion growth in assets, a \$163 billion growth in loans, and a \$93 billion growth in equity.

The enormity of derivatives holdings, compared to the banks' claimed record levels of profits and equity, shows starkly the dangers facing the banking system. A loss equivalent to just 2% of its derivatives portfolio, would be sufficient to wipe out the claimed capital of the entire U.S. banking system, revealing the system to be bankrupt.

**TABLE 1**  
**Derivatives compared to other assets**

Year/quarter	Assets (trillions \$)	Equity (trillions \$)	Loans (trillions \$)	Derivatives	Derivatives/ assets	Derivatives/ equity	Derivatives/ loans
1990/1	3,311	212	2,005	6,193	187%	2,924%	309%
2	3,361	216	2,031	6,515	194%	3,013%	321%
3	3,381	218	2,053	7,007	207%	3,211%	341%
4	3,389	219	2,054	6,806	201%	3,106%	331%
1991/1	3,351	223	2,034	7,067	211%	3,165%	347%
2	3,377	227	2,020	6,912	205%	3,047%	342%
3	3,433	231	2,006	7,110	207%	3,085%	354%
4	3,430	232	1,997	7,339	214%	3,166%	368%
1992/1	3,435	239	1,980	8,090	235%	3,381%	409%
2	3,438	248	1,977	8,415	245%	3,386%	426%
3	3,481	257	1,981	9,715	279%	3,776%	490%
4	3,506	264	1,978	8,765	250%	3,324%	443%
1993/1	3,514	274	1,968	9,769	278%	3,570%	496%
2	3,569	282	2,013	10,949	307%	3,888%	544%
3	3,631	289	2,043	11,986	330%	4,153%	587%
4	3,706	297	2,097	11,873	320%	4,000%	566%
1994/1	3,843	301	2,110	13,917	362%	4,627%	660%
2	3,893	305	2,168	15,322	394%	5,024%	707%
<b>Growth</b>	<b>582</b>	<b>93</b>	<b>163</b>	<b>9,130</b>			
<b>Percent growth</b>	<b>18%</b>	<b>44%</b>	<b>8%</b>	<b>147%</b>			