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The Looting of Asia

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- *Gold Warriors: America's Secret Recovery of Yamashita's Gold* by Sterling Seagrave and Peggy Seagrave, Verso, 332 pp, £17.00, September 2003, ISBN 1 85984 542 8

It may be pointless to try to establish which World War Two Axis aggressor, Germany or Japan, was the more brutal to the peoples it victimised. The Germans killed six million Jews and 20 million Russians; the Japanese slaughtered as many as 30 million Filipinos, Malays, Vietnamese, Cambodians, Indonesians and Burmese, at least 23 million of them ethnic Chinese. Both nations looted the countries they conquered on a monumental scale, though Japan plundered more, over a longer period, than the Nazis. Both conquerors enslaved millions and exploited them as forced labourers – and, in the case of the Japanese, as prostitutes for front-line troops. If you were a Nazi prisoner of war from Britain, America, Australia, New Zealand or Canada (but not Russia) you faced a 4 per cent chance of not surviving the war; the death rate for Allied POWs held by the Japanese was nearly 30 per cent.

The real differences between the two nations, however, developed in the years and decades after 1945. Survivors and relatives of victims of the Holocaust have worked for almost six decades to win compensation from German corporations for slave labour and to regain possession of works of art stolen from their homes and offices. Litigation continues against Swiss banks that hid much of the Nazi loot. As recently as July 2001, the Austrian Government began to disburse some \$300 million out of an endowment of almost \$500 million to more than 100,000 former slave labourers. The German Government has long recognised that, in order to re-establish relations of mutual respect with the countries it pillaged, serious gestures towards restitution are necessary. It has so far paid more than \$45 billion in compensation and reparations. Japan, on the other hand, has given its victims a mere \$3 billion, while giving its own nationals around \$400 billion in compensation for war losses.

One reason for these differences is that victims of the Nazis have been politically influential in the US and Britain, forcing their Governments to put pressure on Germany, whereas Japan's victims live in countries that for most of the postwar period were torn by revolution, anticolonial movements and civil wars. This has begun to change with the rise of Sino-American activists. The success of Iris Chang's *The Rape of Nanking* (1997), a book the Japanese establishment did everything in its power to impugn, heralded the emergence of this group.

More significant, however, are differences in US Government policies towards the two countries. From the moment of Germany's defeat, the United States was active in apprehending war criminals, denazifying German society, and collecting and protecting archives of the Nazi regime, all of which have by now been declassified. By contrast, from the moment of Japan's defeat, the US Government sought to exonerate the Emperor and his relatives from any responsibility for the war. By 1948, it was seeking to restore the wartime ruling class to positions of power (Japan's wartime minister of munitions, Nobusuke Kishi, for example, was

prime minister from 1957 to 1960). The US keeps many of its archives concerned with postwar Japan highly classified, in violation of its own laws.

Most important, John Foster Dulles, President Truman's special envoy to Japan charged with ending the occupation, wrote the peace treaty of 1951 in such a way that most former POWs and civilian victims of Japan are prevented from obtaining any form of compensation from either the Japanese Government or private Japanese corporations who profited from their slave labour. He did so in perfect secrecy and forced the other Allies to accept his draft (except for China and Russia, which did not sign). Article 14(b) of the treaty, signed at San Francisco on 8 September 1951, specifies: 'Except as otherwise provided in the present Treaty, the Allied Powers waive all reparations claims of the Allied Powers, other claims of the Allied Powers and their nationals arising out of any actions taken by Japan and its nationals in the course of the prosecution of the war, and claims of the Allied Powers for direct military costs of occupation.' As recently as 25 September 2001, three former American Ambassadors to Japan – Thomas Foley, a former Speaker of the House of Representatives, Michael Armacost, the president of the Brookings Institution, and Walter Mondale, Carter's Vice-President – wrote a joint letter to the *Washington Post* denouncing Congress for its willingness even to think about helping former American slave labourers get around the treaty.

Why do these attitudes protecting and excusing Japan persist? Why has the US pursued such divergent policies towards postwar Germany and Japan? Why was the peace treaty written in the way it was? Many reasons have been offered over the years, including that Japan was too poor to pay, that these policies were necessary to keep postwar Japan from 'going Communist', and that the Emperor and Japanese people had been misled into war by a cabal of insane militarists, all of whom the occupation had eliminated from positions of responsibility. The explanation offered in the Seagraves' book is considerably more sinister. It concerns what the United States did with Japan's loot once it discovered how much of it there was, the form it took, and how little influence its original owners had.

Almost as soon as the war was over, American forces began to discover stupendous caches of Japanese war treasure. General MacArthur, in charge of the occupation, reported finding 'great hoards of gold, silver, precious stones, foreign postage stamps, engraving plates and . . . currency not legal in Japan'. His officials arrested the underworld boss Yoshio Kodama, who had worked in China during the war, selling opium and supervising the collection and shipment to Japan of industrial metals such as tungsten, titanium and platinum. Japan was by far the largest opium producer in Asia throughout the first half of the 20th century, initially in its colony of Korea and then in Manchuria, which it seized in 1931. Kodama supplied heroin and liquor to occupied China in return for gold coins, jewellery and objets d'art, which the Japanese melted down into ingots.

Kodama returned to Japan after the surrender immensely rich. Before going to prison he transferred part of his booty to the conservative politicians Ichiro Hatoyama and Ichiro Kono, who used the proceeds to finance the newly created Liberal Party, precursor of the party that has ruled Japan almost uninterrupted since 1949. When Kodama was released from prison, also in 1949, he went to work for the CIA and later became the chief agent in Japan for the Lockheed Aircraft Company, bribing and blackmailing politicians to buy the Lockheed F-104 fighter and the L-1011 airbus. With his stolen wealth, underworld ties and history as a supporter of militarism, Kodama became one of the godfathers of pro-American single-party rule in Japan.

He was not alone in his war-profiteering. One of the Seagraves' more controversial contentions is that the looting of Asia took place under the supervision of the Imperial household. This contradicts the American fiction that the Emperor was a pacifist and a mere figurehead observer of the war. The Seagraves convincingly argue that after Japan's full-scale invasion of China on 7 July 1937, Emperor Hirohito appointed one of his brothers, Prince Chichibu, to head a secret organisation called *kin no yuri* ('Golden Lily') whose function was to ensure that contraband was properly accounted for and not diverted by military officers or other insiders, such as Kodama, for their own enrichment. Putting an Imperial prince in charge was a guarantee that everyone, even the most senior commanders, would follow orders and that the Emperor personally would become immensely rich.

The Emperor also posted Prince Tsuneyoshi Takeda, a first cousin, to the staff of the Kwantung Army in Manchuria and later as his personal liaison officer to the Saigon headquarters of General Count Hisaichi Terauchi, to supervise looting and ensure that the proceeds were shipped to Japan in areas under Terauchi's control. Although assigned to Saigon, Takeda worked almost exclusively in the Philippines as second in command to Chichibu. Hirohito named Prince Yasuhiko Asaka, his uncle, to be deputy commander of the Central China Area Army, in which capacity he commanded the final assault on Nanking, the Chinese capital, between 2 December and 6 December 1937, and allegedly gave the order to 'kill all captives'. The Japanese removed some 6000 tonnes of gold from Chiang Kai-shek's treasury and the homes and offices of the leaders of Nationalist China. All three princes were graduates of the military academy and all three survived the war; Chichibu died in 1953 of tuberculosis but the other two lived to a very ripe old age.

With the Japanese capture in the winter and spring of 1941-42 of all of South-East Asia, including the Philippines and Indonesia, the work of Golden Lily increased many times over. In addition to the monetary assets of the Dutch, British, French and Americans in their respective colonies, Golden Lily operatives absconded with as much of the wealth of the overseas Chinese populations as they could find, tore gilt from Buddhist temples, stole solid gold Buddhas from Burma, sold opium to the local populations and collected gemstones from anyone who had any. The gold was melted down into ingots at a big Japanese-run smelter in Ipoh, Malaya and marked with its degree of purity and weight. Chichibu and his staff inventoried all this plunder and put it aboard boats, usually disguised as hospital ships, bound for Japan. There was no overland route to Korea, the closest point on the mainland to Japan, until very briefly in late 1944.

A lot of gold and gems were lost as a result of American submarine warfare; and by early 1943, it was no longer possible for the Japanese to break through the Allied blockade of the main islands except by submarine. Chichibu therefore shifted his headquarters from Singapore to Manila and ordered all the shipments to head for Philippine ports. He and his staff reasoned that the war would end with a negotiated settlement, and they believed (or imagined) that the Americans could be persuaded to transfer the Philippines to Japan in return for an end to the war. From 1942, Chichibu supervised the building of 175 'Imperial' storage sites to hide the treasure until after the war was over. Slave labourers and POWs dug tunnels and caves and then were invariably buried alive, often along with Japanese officers and soldiers, when the sites were sealed to keep their locations secret. Each cache was booby-trapped, and the few extant Golden Lily maps are elaborately encoded to hide exact location, depth, air vents (if any) and types of booby trap (e.g. large aerial bombs, sand traps, poison gases). In Manila itself, Golden Lily constructed treasure caverns in the dungeon of the old Spanish Fort Santiago, within the former American military headquarters (Fort McKinley, now Fort

Bonifacio), and under the cathedral, all places the Japanese rightly assumed the Americans would not bomb. As the war came to an end, Chichibu and Takeda escaped back to Japan by submarine.

Soon after the liberation of the Philippines, American special agents began to discover a few of the hidden gold repositories. The key figure was a Filipino American born in Luzon in either 1901 or 1907 named Severino Garcia Diaz Santa Romana (and several other aliases), who in the mid-1940s worked for MacArthur's chief intelligence officer, General Willoughby. As a commando behind the lines in the Philippines he had once witnessed the unloading of heavy boxes from a Japanese ship, their being placed in a tunnel, and the entrance being dynamited shut. He had already suspected what was going on. After the war, Santa Romana was joined in Manila by Captain Edward Lansdale of the OSS, the CIA's predecessor. Lansdale later became one of America's most notorious Cold Warriors, manipulating governments and armies in the Philippines and French Indo-China. He retired as a major-general in the Air Force.

Together, Santa Romana and Lansdale tortured the driver of General Tomoyuki Yamashita, Japan's last commander in the Philippines, forcing him to divulge the places where he had driven Yamashita in the last months of the war. Using hand-picked troops from the US Army's Corps of Engineers, these two opened about a dozen Golden Lily sites in the high valleys north of Manila. They were astonished to find stacks of gold ingots higher than their heads and reported this to their superiors. Lansdale was sent to Tokyo to brief MacArthur and Willoughby, and they, in turn, ordered Lansdale to Washington to report to Truman's national security aide, Clark Clifford. As a result, Robert Anderson, on the staff of the Secretary of War, Henry Stimson, returned to Tokyo with Lansdale and, according to the Seagraves, then flew secretly with MacArthur to the Philippines, where they personally inspected several caverns. They concluded that what had been found in Luzon, combined with the caches the Occupation had uncovered in Japan, amounted to several billion dollars' worth of war booty.

Back in Washington, it was decided at the highest levels, presumably by Truman, to keep these discoveries secret and to funnel the money into various off-the-books slush funds to finance the clandestine activities of the CIA. One reason, it has been alleged, was to maintain the price of gold and the system of fixed currency exchange rates based on gold, which had been decided at Bretton Woods in 1944. Just like the South African diamond cartel, Washington's plotters feared what would happen if this much 'new' gold was suddenly injected into world markets. They also realised that exposure of the Imperial household's role in the looting of Asia would destroy their by now carefully constructed cover story of the Emperor as a peaceful marine biologist. Washington concluded that even though Japan, or at least the Emperor, had ample funds to pay compensation to Allied POWs, because of the other deceptions, the peace treaty would have to be written in such a way that Japan's wealth would remain secret. The treaty therefore gave up all claims for compensation on behalf of American POWs. To keep the Santa Romana-Lansdale recoveries secret, MacArthur also decided to get rid of Yamashita, who had accompanied Chichibu on many site closings. After a hastily put-together court martial for war crimes, Yamashita was hanged on 23 February 1946.

On orders from Washington, Lansdale supervised the recovery of several Golden Lily vaults, inventoried the bullion, and had it trucked to warehouses at the US Naval base at Subic Bay or the Air Force base at Clark Field. According to the Seagraves, two members of Stimson's staff, together with financial experts from the newly formed CIA, instructed Santa Romana in how to deposit the gold in 176 reliable banks in 42 different countries. These deposits were made in his own name or in one of his numerous aliases in order to keep the

identity of the true owners secret. Once the gold was in their vaults, the banks would issue certificates that are even more negotiable than money, being backed by gold itself. With this seemingly inexhaustible source of cash, the CIA set up slush funds to influence politics in Japan, Greece, Italy, Britain and many other places around the world. For example, money from what was called the 'M-Fund' (named after Major-General William Marquat of MacArthur's staff) was secretly employed to pay for Japan's initial rearmament after the outbreak of the Korean War, since the Japanese Diet itself refused to appropriate money for the purpose. The various uses to which these funds were put over the years, among them helping to finance the Nicaraguan counter-revolutionaries in their attacks on the elected government in Managua (the Iran-Contra scandal of the Reagan Presidency), would require another volume. Suffice it to say that virtually everyone known to have been involved with the secret CIA slush funds derived from Yamashita's gold has had their career ruined.

Santa Romana died in 1974, leaving several wills, including a final holographic testament, naming Tarciana Rodriguez, a Filipina who was the official treasurer of his various companies, and Luz Rambano, his common-law wife, as his main heirs. They set out to recover the gold since, after all, it was in his name in various banks and they had custody of all the account books, secret code names, amounts, records of interest paid, and other official documents proving its existence. Using the famous San Francisco attorney Melvin Belli as her representative, Rambano actually filed a suit against John Reed, then CEO of Citibank in New York and today president of the New York Stock Exchange, charging him with 'wrongful conversion': that is, selling \$20 billion of Santa Romana's gold and converting the proceeds to his own use. The Seagraves vividly describe the extraordinary meetings that took place between Rambano and Reed, with phalanxes of lawyers on both sides, in Citibank's boardroom in New York. Reed apparently ordered the gold moved to Cititrust in the Bahamas.

Santa Romana and Lansdale by no means discovered all the Golden Lily sites. Over the years, a cottage industry developed of treasure hunters digging holes in obscure places in Luzon, often claiming they were looking for the remains of family or lovers. A regular feature of life in the village of Bambang, in the Cagayan Valley, Nueva Viscaya province – one of the places where Takeda was most active – is the appearance of elderly Japanese 'tourists' bearing not the usual bag of golf clubs but sophisticated metal detectors. This area of the Philippines is one where guerrillas of the New People's Army are active, and it has no major tourist attractions. Many local Filipinos have gone into business as professional 'pointers', telling gullible visitors, for a fee, where to search, before skipping town.

Twenty years after Santa Romana stopped searching in 1947, a secondary – and quite violent – hunt for gold began, carried out by Ferdinand Marcos. Marcos recovered at least \$14 billion in gold – \$6 billion from the sunken Japanese cruiser *Nachi* in Manila Bay, and \$8 billion from the tunnel known as 'Teresa 2', 38 miles south of Manila in Rizal province. During 2001, Philippine politics were rocked when the former solicitor-general Francisco Chavez alleged that Irene Marcos-Araneta, Marcos's youngest daughter, maintained an account worth \$13.2 billion in Switzerland. Its existence apparently came to light when she tried to move it from the Union Bank of Switzerland to Deutsche Bank in Düsseldorf. Marcos, who personally supervised the opening of at least six sites and routinely used his thugs to steal any treasure that local peasants happened to find, died in exile in Honolulu in 1989. In 1998, the Supreme Court of Hawaii affirmed a judgment against his estate for the astonishing sum of \$1.4 billion in favour of a Filipino who retrieved a solid gold Buddha and then had it stolen from him by Marcos, who also had him tortured for protesting.

The key to Marcos's discoveries was the services of one Robert Curtis, a Nevada chemist, metallurgist and mining engineer, whom Marcos hired to resmelt his gold, to bring it up to current international requirements for purity so that it could be marketed internationally. Curtis proved to be the only person who could decipher the few Golden Lily maps that survived, in the possession of Takeda's former valet, a Filipino youth from Bambang. The Seagraves describe very thoroughly Curtis's activities, including his narrow escape from death on the orders of Marcos's henchman General Ver, after he struck gold at Teresa 2.

The Seagraves' narrative is comprehensive, but they are not fully reliable as historians. They have a tendency to overreach, exaggerating the roles of Japanese gangsters and ex-military American bit-players when the bankers, politicians and CIA operatives are scary enough. They know the Philippines well, but are unreliable on Japan and do not read Japanese. The book is full of errors that could easily be corrected by a second-year student of the language – the ship they repeatedly call the *Huzi* is accurately romanised *Fuji*; the important Japan Sea port is Maizuru, not Maisaru; *tairiki* is not a Japanese word: they mean *tairiku ronin* (a 'Continental adventurer' or a 'China carpetbagger'); and their mysterious Lord Ichivara is an absurdity – no one was ever called 'Lord' in postwar Japan and Ichivara is an impossible name (it is surely Ishihara).

The authors seem to sense that they might have a credibility problem, and have therefore taken the unusual step of making available two CDs containing more than 900 megabytes of documents, maps and photographs assembled in the course of their research. The CDs can be ordered from their website (www.bowstring.net). These are invaluable, particularly in what they reveal of the US Government's vicious sting operation against a former American deputy Attorney General, Norbert Schlei. Schlei represented about sixty Japanese people on whom the Japanese Government had unloaded huge promissory notes in an attempt to hide the M-Fund after the former Prime Minister Kakuei Tanaka was convicted of bribery. The Government persisted in calling these notes forgeries (thus engaging in another form of illegal conversion) and Schlei's career was ruined. *Gold Warriors* is easily the best guide available to the scandal of 'Yamashita's gold', and the authors play fair with their readers by supplying them with massive amounts of their raw research materials.

The Seagraves end their 'authors' note' with these words: 'As a precaution, should anything odd happen, we have arranged for this book and all its documentation to be put up on the Internet at a number of sites. If we *are* murdered, readers will have no difficulty figuring out who "they" are.' Unfortunately, the list of potential killers from this book alone would include at least several thousand generals, spies, bankers, politicians, lawyers, treasure hunters and thieves from half a dozen countries. So I wish the Seagraves a long life. Meanwhile, a substantial portion of the treasure stolen by the Japanese from East Asian countries remains buried in the Philippines.

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