

PROLOGUE

BURIED ALIVE

In the closing months of World War II in the Philippines, while General Yamashita Tomoyuki fought a delaying action in the rugged mountains of Luzon, several of Japan's highest-ranking imperial princes were preparing for the future. They were busy hiding tons of looted gold bullion and other stolen treasure in nearby caves and tunnels, to be recovered later. This was the property of twelve Asian countries, accumulated over thousands of years. Expert teams accompanying Japan's armed forces had systematically emptied treasuries, banks, factories, private homes, pawn shops, art galleries, and stripped ordinary people, while Japan's top gangsters looted Asia's underworld and black economy. In this, the Japanese were far more thorough than the Nazis. It was as if a giant vacuum cleaner passed across East and Southeast Asia. Much of the plunder reached Japan overland through Korea. The rest, moving by sea, got no farther than the Philippines as the U.S. submarine blockade became complete in early 1943. Hiding the treasure there was crucial, so that if Japan lost the war militarily, it would not lose financially. In whatever settlement concluded the war, Japan always expected to keep the Philippines. Overseen by the princes, 175 'imperial' treasure vaults were constructed throughout the islands. Early in June 1945, when U.S. tanks were less than twenty miles from Bambang, the 175 chief engineers of those vaults were given a farewell party 220 feet underground in a complex known as Tunnel-8, stacked wall-to-wall with row after row of gold bars. As the evening progressed, they drank great quantities of sake, sang patriotic songs and shouted Banzai ('long life') over and over. At midnight, General Yamashita and the princes slipped out, and dynamite charges were set off in the access tunnels, entombing the engineers. They were buried alive. Those who did not kill themselves ritually would gradually suffocate, surrounded by gold bars. The vaults would remain secret. In subsequent days, the princes escaped to Japan by submarine, and three months later General Yamashita surrendered to American troops.

For half a century, this grisly live burial remained unknown. The hidden treasure was brushed off as 'the legend of Yamashita's Gold'. But an eyewitness to the

entombment has taken us to Tunnel-8 and given us his personal account. During the war, Ben Valmores was the young Filipino valet of an exceptional Japanese prince, who was in charge of building, inventorying and sealing all imperial treasure sites in the Philippines. Highly educated and sometimes sentimental, the prince spared Ben's life at the last moment and led him out of Tunnel-8, just before the dynamite was detonated. Ben, in poor health in his mid-seventies when we interviewed him, told us over many months what he saw and experienced in the company of his prince, from 1943 to 1945. He provided us with essential clues that eventually enabled us to identify his prince, and most of the other princes involved.

Japan's looting of Asia was overseen by Emperor Hirohito's charming and cultivated brother, Prince Chichibu. His organization was code-named *kin no yuri* (Golden Lily), the title of one of the emperor's poems. Lesser princes headed different branches of Golden Lily across the conquered territories. Japanese sources now have confirmed that Ben's wartime master was Prince Takeda Tsuneyoshi, first cousin of Emperor Hirohito and a grandson of Emperor Meiji. To corroborate this, in 1998 we gave Ben a 'blind test' with obscure 1930s photographs of many princes; photos that we obtained from the British Library Oriental Collection. These were photos of the princes in army uniform, as they looked on the eve of Pearl Harbor. Although we removed the names from each photo, and mingled photographs of ordinary soldiers, Ben instantly identified Prince Takeda, Hirohito's two brothers Prince Chichibu and Prince Mikasa, and the elder Prince Asaka who had commanded Japanese armies at the Rape of Nanking. Ben said he had spent time with each of them, bringing them food, tea and cigarettes while they inventoried and closed treasure sites. Ben Valmores was a rural rice farmer who never left the Philippines, and never went beyond grade school, so his instant correct identification of the princes was persuasive. When he came upon our photo of Prince Takeda, Ben froze, then began crooning the Japanese folk song *Sakura, Sakura* ('Cherry Blossoms'), which he said Takeda often sang to himself.

The discovery of Prince Takeda's identity provided us with a piece missing from a much larger puzzle. While we were writing a biography of Japan's imperial family, *The Yamato Dynasty*, we were told that in October 1945, American intelligence agents learned the location of some Japanese treasure vaults in the Philippines, and secretly recovered billions of dollars worth of gold, platinum, cultural artifacts, and loose gems. This information, if true, revealed the existence of an extraordinary state secret that the U.S. Government had kept hidden for over half a century. So serious were the implications that we decided they merited separate investigation. Here is some of what we have learned:

On September 2, 1945, after receiving official notice of Japan's surrender, General Yamashita and his staff emerged from their mountain stronghold in the Kiangnan Pocket and presented their swords to a group of U.S. Army officers led by Military Police Major A.S. 'Jack' Kenworthy, who took them to New Bilibid Prison outside Manila. Because of gruesome atrocities committed earlier by Admiral Iwabuchi Kanji's sailors and marines in the city of Manila (after Yamashita had ordered them to leave the city unharmed), the general was charged with war crimes. During his trial there was no mention of war loot. But there was a hidden agenda.

Because it was not possible to torture General Yamashita physically without this becoming evident to his defense attorneys, members of his staff were tortured instead. His driver, Major Kojima Kashii, was given special attention. Since Yamashita had arrived from Manchuria in October 1944 to take over the defense of the Philippines, Kojima had driven him everywhere. In charge of Kojima's torture was a Filipino-American intelligence officer named Severino Garcia Diaz Santa Romana, a man of many names and personalities, whose friends called him 'Santy'. He wanted Major Kojima to reveal each place to which he had taken Yamashita, where bullion and other treasure were hidden.

Supervising Santy, we learned, was Captain Edward G. Lansdale, later one of America's best-known Cold Warriors. In September 1945, Lansdale was 37 years old and utterly insignificant, only an advertising agency copywriter who had spent the war in San Francisco writing propaganda for the OSS. In September 1945, chance entered Lansdale's life in a big way when President Truman ordered the OSS to close down. To preserve America's intelligence assets, and his own personal network, OSS chief General William Donovan moved personnel to other government or military posts. Captain Lansdale was one of fifty office staff given a chance to transfer to U.S. Army G-2 in the Philippines. There, Lansdale heard about Santy torturing General Yamashita's driver, and joined the torture sessions as an observer and participant.

Early that October, Major Kojima broke down and led Lansdale and Santy to more than a dozen Golden Lily treasure vaults in the mountains north of Manila, including two that were easily opened.

What lay inside astounded everyone.

While Santy and his teams set to opening the rest of these vaults, Captain Lansdale flew to Tokyo to brief General MacArthur, then on to Washington to brief President Truman. After discussions with his cabinet, Truman decided to proceed with the recovery, but to keep it a state secret.

The treasure – gold, platinum, and barrels of loose gems – was combined with Axis loot recovered in Europe to create a worldwide covert political action fund to fight communism. This 'black gold' gave the Truman Administration access to virtually limitless unvouchered funds for covert operations. It also provided an asset base that was used by Washington to reinforce the treasuries of its allies, to bribe political leaders, and to manipulate elections in foreign countries. In the late 1940s, this agenda was seen as entirely justified, because the Soviet Union was aggressively supporting communist and socialist movements all over the world, putting the survival of the capitalist world in peril.

Most readers will be as surprised as we were by this information. Some may be deeply troubled by Truman's strategic decision, which others may heartily endorse. It is not within the scope of this book to examine that decision, or to explore whether it was right or wrong. It might have been a wise decision at the time, which had tragic consequences in the longer term. Ours is only a preliminary report, and in what follows we try to remain politically neutral. The only purpose of this book is to lift the veil of secrecy, and to bring forward and examine the unforeseen consequences, which are many, and troubling.

It was not Truman's decision alone. The idea for a global political action fund based on war loot actually originated during the Roosevelt administration, with Secretary of War Henry L. Stimson. During the war, Stimson had a braintrust thinking hard about Axis plunder and how it should be handled when peace came. As the tide turned against the Axis, it was only a matter of time before treasure began to be recovered. Much of this war prize was in the form of gold looted by the Nazis from conquered countries and civilian victims. To eliminate any trace of original ownership, the Nazis had melted it down, and recast it as ingots hallmarked with the swastika and black eagle of the Reichsbank. There were other reasons why the gold was difficult to trace. Many of the original owners had died, and pre-war governments had ceased to exist. Eastern Europe was falling under the control of the Soviet Union, so returning gold looted there was out of the question.

Stimson's special assistants on this topic were his deputies John J. McCloy and Robert Lovett, and consultant Robert B. Anderson, all clever men with outstanding careers in public service and banking. McCloy later became head of the World Bank, Lovett secretary of Defense, Anderson secretary of the Treasury. Their solution was to set up what is informally called the Black Eagle Trust. The idea was first discussed with America's allies in secret during July 1944, when forty-four nations met at Bretton Woods, New Hampshire, to plan the postwar world economy. (This was confirmed, in documents we obtained, by a number of high-level sources, including a CIA officer based in Manila, and former CIA Deputy Director Ray Cline, who knew of Santy's recoveries in 1945. As recently as the 1990s, Cline continued to be involved in attempts to control Japanese war-gold still in the vaults of Citibank.)

After briefing President Truman and others in Washington, including McCloy, Lovett, and Stimson, Captain Lansdale returned to Tokyo in November 1945 with Robert B. Anderson. General MacArthur then accompanied Anderson and Lansdale on a covert flight to Manila, where they set out for a tour of the vaults Santy already had opened. In them, we were told, Anderson and MacArthur strolled down "row after row of gold bars stacked two meters tall". From what they saw, it was evident that over a period of years Japan had looted many billions of dollars in treasure from all over Asia. What was seen by Anderson and MacArthur was only the gold that had *not* reached Japan. Far from being bankrupted by the war, Japan had been greatly enriched.

According to Ray Cline and others, between 1945 and 1947 the gold bullion recovered by Santy and Lansdale was discreetly moved by ship to 176 accounts at banks in 42 countries. Secrecy was vital. If the recovery of a huge mass of stolen gold became known, thousands of people would come forward to claim it, many of them fraudulently, and governments would be bogged down resolving ownership. Truman also was told that the very existence of so much black gold, if it became public knowledge, would cause the fixed price of \$35 an ounce to collapse. So many countries had linked their currencies to the U.S. dollar, and the dollar linked to gold, that currency values throughout the world would plummet, causing financial disaster. This argument may have been greatly exaggerated by those who stood to benefit from the Black Eagle strategy, but nobody could be certain what the conse-

quences would be. If the gold was kept secret, prices could be kept at \$35 an ounce, the dollar would remain strong, and currencies pegged to gold would be stable. Meanwhile, the black gold would serve as a reserve asset, bolstering the prime banks of Allied countries, strengthening the governments of those nations. As a safeguard, the bullion placed in those banks was carefully controlled; strict limits were placed on the use that could be made of the gold (a process called earmarking). This enabled Washington to bring pressure, from time to time, on those governments, central banks and prime banks. Put simply, so long as a country and its leaders cooperated, and remained allied to the United States in the Cold War, derivatives of the sleeping bullion could be used for patronage through political slush funds.

Documents do show that between 1945 and 1947 very large quantities of gold and platinum were deposited in the world's biggest banks, including Union Banque Suisse and other Swiss banks, which became major repositories of the Black Eagle Trust. Swiss banks played a pivotal role because Switzerland had remained neutral during the war and its banks had not been looted, damaged, or depleted. Documents signed by senior Swiss banking officials show that very large loans backed by this asset base were then extended to the British government, the Egyptian government, the Chinese Nationalist regime, and other governments struggling to recover from the war.

What went wrong in the longer term is that the cloak of national security created a situation ripe for abuse. What protects national secrets also protects government officials and their collaborators in the private sector. In later chapters we see numerous documented instances when these underground funds surfaced as huge bribes, or were used to buy elections in Italy, Greece, Japan, and elsewhere. Beneficial trusts were set up in behalf of influential people throughout the world. Gold bearer certificates were given as inducements. In the hands of clever men, the possibilities were endless.

Over a period of decades, some of the world's biggest banks became addicted to playing with the black gold in their vaults. Now they will do whatever is necessary to keep the gold, even if it means defrauding account holders or their heirs, as happened with Holocaust gold in Swiss banks.

In retrospect, recovering Golden Lily treasure vaults and setting up the Black Eagle Trust were the easy parts, done for patriotic reasons and a noble cause. Making intelligent use of so much underground money during the Cold War was not so easy, when national security made peer review impossible. Who is to supervise clandestine funds, except those who benefit by using them?

There were other abuses as well. To hide the existence of this treasure, and to secure America's position against the tide of communism sweeping across Asia in the late 1940s, Washington told a number of major diplomatic lies. Especially lies about Japan, which had stolen most of the gold.

Japan's ruling elite were traditional hard-core conservatives, greatly alarmed by communism. America wanted Japan to be its anti-communist bastion in Asia, so the source of Tokyo's hidden wealth must never be acknowledged. The most ardent anti-communists in Tokyo happened to be indicted war criminals. So while America introduced democratic reforms and a new constitution, it put Japan back

under the control of men who were devoutly undemocratic, and kept them in power with huge infusions of black money.

Washington insisted, starting in 1945, that Japan never stole anything, and was flat broke and bankrupt when the war ended. Here was the beginning of many great distortions, which would become terrible secrets.

Because the treasure amassed by Golden Lily and recovered by Washington had to be kept secret, citizens of Japan and America were grossly deceived. The 1951 peace treaty with Japan was skewed by these deceptions, so thousands of POWs and civilians (who were forced to perform slave labor for Japanese corporations) received no compensation for their suffering. To shield Japan from demands for war reparations, John Foster Dulles met privately with three Japanese to work out the treaty terms in secret. One of the three, Miyazawa Kiichi, later served as Japan's prime minister and repeatedly as its minister of finance. According to Article 14 of the treaty, "It is recognized that Japan should pay reparations to the Allied Powers for the damage and suffering caused by it during the war. Nevertheless it is also recognized that the resources of Japan are not presently sufficient."

To reinforce the claim that Japan was broke, Article 14 stated, "the Allied Powers waive all reparations claims of the Allied Powers and their nationals arising out of any actions taken by Japan". (Our italics.) By signing the treaty, Allied countries concurred that Japan's plunder had vanished down a rabbit hole, and all Japan's victims were out of luck.

In return for going along with the treaty, we document that Washington sent secret shipments of black gold recovered by Santa Romana, to beef up the Allies' exhausted central banks.

Because the Black Eagle Trust and the political action funds it spawned remained off the books, some of these slush funds fell into the wrong hands, where they remain to this day, bigger than ever. According to reliable sources in Washington and Tokyo, in 1960 Vice President Nixon gave one of the biggest of these funds, the M-Fund, to the leaders of Japan's Liberal Democratic Party in return for their promise of kickbacks to Nixon's campaign for the American presidency. This in itself is deeply disturbing. But the M-Fund, then worth \$35-billion and now said to be worth upwards of \$500-billion, has been controlled ever since by LDP kingmakers who use it to buy elections, to keep Japan a one-party dictatorship, and to block any meaningful reforms. Similar abuses with other secret funds are to be found all over the world. Secrecy is power. Power corrupts. Secret power corrupts secretly.

As Japan expert Chalmers Johnson nicely put it, "The Cold War is over. Whatever the United States may have believed was necessary to prosecute the Cold War, the Cold War itself can no longer be used to justify ignorance about its costs and unintended consequences. The issue today is not whether Japan might veer toward socialism or neutralism but why the government that evolved from its long period of dependence on the United States is so corrupt, inept, and weak."

Where did all this treasure come from? Until now, Japan's looting of Asia has been brushed off as a few random acts of theft and violence committed by drunken

soldiers. This is disinformation.

Looting as an extension of war is nothing new. In 1860 British and French armies on a punitive expedition to North China got drunk, ran wild and looted the magnificent Summer Palace outside Peking, smashing, breaking, or burning everything they could not carry, and finished by torching all but one of the palaces and pavilions. Unable to believe the gold they found was real, these uneducated soldiers threw most of it away, or traded it for alcohol. (The commander of this joint force was Lord Elgin, whose father had removed most of the sculpture from the Parthenon in Athens.) In 1900, Western armies again marched into Peking, this time to lift the so-called Boxer Siege of the Legations, then went on a drunken rampage looting and smashing treasures inside the Forbidden City.

What Japan did between 1895 and 1945 was qualitatively different. This was not drunken looting and smashing. The Japanese were serious, sober, and deliberate, giving special attention to the theft of valuable books and manuscripts that would have been ignored by common thieves or footsoldiers. They devoted special attention to looting the Asian underworld – triads, sects, racketeers. Japan also flooded China with narcotics, giving gangsters drugs in exchange for gold, which brought treasure out of every hiding place. On a personal level, extortion was used to terrorize wealthy individuals, including tycoons, clan elders, bankers and businessmen.

Among the most valuable articles taken back to Japan were artworks and historic artifacts. It is a matter of record that to this day only a tiny bit of this patrimony has been returned to the countries or individuals from whom it was stolen. Some major artifacts, including solid gold Buddhas, have been seen recently in underground hiding places in the Philippines. But most of the art and artifacts are still in private vaults in Japan, or in the imperial collections in Tokyo. Why was Japan allowed to keep it?

Officially, we are told that Japan's wartime elite – the imperial family, the *zaibatsu*, the *yakuza*, and the 'good' bureaucrats – ended the war as impoverished victims of a handful of 'bad' military zealots. As readers will see, this is not true. Many of Japan's elite, including Emperor Hirohito, ended the war far richer than when it began, and some made billions just before and after the surrender.

We are told that Japan was badly damaged and barely able to feed itself at war's end. In fact, surprisingly few factories and mansions were destroyed or even seriously damaged, and there was little damage to infrastructure. Most of the damage that has been so widely publicized was to the matchbox homes of millions of ordinary Japanese, whose suffering did not count in the view of their own overlords.

Obsessed by the urgent need to make Japan a bulwark against communism, Washington excused its wartime leaders, imperial family and financial elite, from any responsibility for the destruction and destitution of twelve Asian countries. Only a handful of Japan's wartime leaders were executed as scapegoats. Several were coerced or framed into taking the blame for the rest of the leadership. At the end of the postwar occupation, all Japan's indicted war criminals were set free, including gangsters and godfathers who had directed the world's largest drug trafficking system across East Asia during the 1930s and 1940s. Washington saw to it that

Japan's government was put back in the hands of the same men who had started the war. This was equivalent to reinstating the Nazi party in postwar Berlin. There was little protest in Japan, because all opposition was silenced by a campaign of witch-hunting far more severe than the McCarthy witch-hunts in America. As we demonstrate, the rebirth of Japan's far right was financed with war loot, and corporate profits wrung out of Asia during the war by Japan's *zaibatsu*.

It is an inescapable fact that from the beginning of the U.S. occupation, General MacArthur, President Truman, John Foster Dulles, and a handful of others, knew all about the plunder, and the continuing extraordinary wealth of the Japanese elite. In an official report on the occupation prepared by MacArthur's headquarters and published in 1950, there is a startling admission: "One of the spectacular tasks of the occupation dealt with collecting and putting under guard the great hoards of gold, silver, precious stones, foreign postage stamps, engraving plates, and all currency not legal in Japan. Even though the bulk of this wealth was collected and placed under United States military custody by Japanese officials, undeclared caches of these treasures were known to exist." MacArthur's staff knew, for example, of \$2-billion in gold bullion that had been sunk in Tokyo Bay, later recovered.

Another great fortune discovered by U.S. intelligence services in 1946 was \$13-billion in war loot amassed by underworld godfather Kodama Yoshio who, as a 'rear admiral' in the Imperial Navy working with Golden Lily in China and Southeast Asia, was in charge of plundering the Asian underworld and racketeers. He was also in charge of Japan's wartime drug trade throughout Asia. After the war, to get out of Sugamo Prison and avoid prosecution for war crimes, Kodama gave \$100-million to the CIA, which was added to the M-Fund's coffers. Kodama then personally financed the creation of the two political parties that merged into Japan's ruling Liberal Democratic Party (LDP), strongly backed to this day by Washington.

Hard evidence of Santy's secret recovery of Japanese war-gold comes from straightforward legal actions in America. Such simple things as the probating of his will, the verification of his tax records in the state of New York at Albany, and legal evidence of his fortune deposited in the United States, Switzerland, Hong Kong and elsewhere, provide hard evidence that the world is awash with clandestine bank accounts growing out of Golden Lily.

As we shall see, when Santa Romana died in 1974, some of his biggest black gold accounts were quickly transferred to the name of Major General Edward G. Lansdale, the man who participated with Santy in the torture of Major Kojima thirty years earlier, in 1945. By 1974, Lansdale had been retired from the CIA for over a decade, raising puzzling questions that are only answered by recognizing the role of Lansdale and other former spooks and generals in America's new network of private military and intelligence firms.

There are many other famous names tied to this curious story. Long-time Citibank CEO John Reed was named in some of these lawsuits as a key figure in the movement of Santa Romana black gold. Among those instrumental in the lawsuits was San Francisco attorney Melvin Belli. Writing to the editor of *The Las Vegas*

Sun, Belli said, "I'm now convinced that some very important banks around the world did have deposits of money [for Santa Romana]." Belli's suit read in part: "Defendant John Reed, the Chairman and Chief Executive Officer of defendant Citibank, has spearheaded Citibank's conversion of the gold bullion which was owned by [Santa Romana]. ... Reed and Citibank have systematically sold and are selling said gold bullion to buyers and converting the sales proceeds to their own use."

Other lawsuits prove that Golden Lily war loot was indeed hidden in the Philippines. Rogelio Roxas, a Filipino locksmith, found a one-ton solid gold Buddha and thousands of small gold bars hidden in a tunnel behind a hospital in the mountain resort of Baguio, which had served as a headquarters for General Yamashita. The moment he heard what Roxas had found, President Marcos sent thugs to confiscate the Gold Buddha. When Roxas protested, he was arrested, tortured and ultimately poisoned. In 1996, a U.S. court in the state of Hawaii awarded his heirs a judgment of \$43-billion against the Marcos estate, the largest civil award in history.

Documents discovered in Malacanang Palace show that in 1968, President Marcos sent a team of army officers to Japan to make a deal for joint recoveries. According to a member of the team, they met with a prince, "a high-ranking Japanese officer... a cousin of Emperor Hirohito", who told them that Japan had hidden over \$100-billion worth of treasure in the Philippines and it would take "more than a century" to recover it all.

A related legal battle was that of former U.S. Deputy Attorney General Norbert Schlei, who had to fight for his survival after being stung by the U.S. Treasury Department for asking too many questions about Japan's secret M-Fund. While Schlei was indicted, prosecuted, bankrupted, and professionally ruined for trying to negotiate a financial certificate based on the M-Fund, former Secretary of State Alexander Haig - according to eyewitnesses - went to Japan and negotiated a similar certificate successfully, with the help of a personal letter from President George H.W. Bush. Why one man succeeded while the other was destroyed is a chilling story of financial collusion between Washington and Tokyo.

We have been deeply skeptical about the huge dollar values cited about Golden Lily. Officially, there are said to be only about 130,000 metric tons of processed gold in the world including bullion, coinage and jewellery. Official records maintain that Asia, with more than 75 per cent of the world's population, holds less than 5 per cent of the total world supply of gold, a statistic that is ridiculous on the face of it. But in the West at least, the law of gold is drummed into us like the law of gravity. In fact, nobody really knows how much gold there is. We do not know how much was looted by Spain from the New World, because once it reached Europe most of it was passed on to the great European banking families, the Fuggers and Welsers, who had financed the conquest of Mexico and Peru. Whatever the Fuggers and the Welsers did with that gold they kept very secret. We also have no way of knowing the actual wealth of families like the Krupps, Rothschilds, Oppenheims,

Warburgs, or Rockefellers, except that they have been very rich for a very long time and their wealth is dispersed in a multitude of clever ways. A trillion dollars sounds like a lot, but economists tell us that today there is some \$23-trillion in the hands of the well-heeled, much of it sleeping in offshore private accounts where banking secrecy and local laws keep these assets hidden from the tax-man, spouses, and clients. We know even less about the gold holdings of the great Asian and Middle Eastern dynastic families, trading networks, and underworld syndicates. Western tycoons may own banks and oil companies, and influence or control governments, but wealthy Asians never trusted governments or banks, preferring to keep their wealth in small gold or platinum bars, and gems. In China this absolute distrust goes back thousands of years. We can be sure that what was tucked under the rug in Asia over 2,000 years is far more than what has been deposited in U.S. and European banks since Western banking (and the gold market as we know it) came into existence barely three centuries ago. The U.S. Government refuses to disclose how much gold it holds, and the last public audit of Ft. Knox was in the early 1950s. In short, gold is one of the world's biggest secrets. There are good reasons for this.

The point of our book is not to guess how much was stolen, how much was hidden, how much was secretly recovered, or how much is still waiting to be found. Because of all the lying and deception, the full details may never be known.

In this book, in its annotations, and in our two archival CDs containing over 900 megabytes of documents, photographs, maps and other images, we provide hard evidence that huge quantities of war-gold remain today in the coffers of international banks such as Citibank, Chase, Hongkong & Shanghai Banking Corporation (HSBC), Union Banque Suisse, and others. We provide photocopies of letters, contracts, waybills, state government tax records, insurance covers, and interviews with brokers who carried out Black Eagle deals.

We document how a secret trust was set up at Japan's Sanwa Bank, jointly held by General MacArthur and his old adversary Emperor Hirohito. This account, known as the Showa Trust after Hirohito's reign title, was so big that by 1982 it was paying nearly \$1-billion interest per year. We also have identified one of the three trustees of the Showa Trust. And we show how President Marcos discovered the existence of this account and used it to blackmail the government of Japan.

We include documents and color photos of major postwar gold recovery operations while they were under way, on land and sea. Santa Romana and Lansdale only recovered a portion of the treasure from 1945 to 1947. A decade passed before other significant recoveries occurred, as Japanese began coming back to the Philippines, alone or in groups, to reclaim parts of the hoard.

We were given exclusive access to an archive of some 60,000 documents, and hundreds of hours of audio and videotapes made or collected over 25 years by American mining expert and metallurgical chemist Robert Curtis, who actually recovered \$8-billion in gold bars for President Marcos from Teresa-2. After nearly being murdered by Marcos, and fleeing the Philippines, Curtis became absorbed by the historical importance of documenting the treasure. In the course of engineering five major Golden Lily recoveries for Marcos, Curtis was able to study many of

the sites personally, in and around the city of Manila, giving him an unrivaled understanding of the techniques employed by Golden Lily engineers.

During the months that Curtis worked with President Marcos, he photographed 172 of the 175 original treasure maps. We reproduce several of the maps on our CDs.

We also tell the epic saga of Japan's recovery of the *Op ten Noort*, a captured Dutch passenger liner used by Golden Lily to carry treasure safely to Japan under guise of being a hospital ship. After returning to Japan in 1945, she was scuttled by Japanese navy officers near the Maizuru Naval Base with tons of gold and platinum aboard. Her treasure was recovered in the early 1990s. The names of the Japanese recovery ships, and the Australian recovery ship and submersible, all are clearly visible in the photographs we reproduce, taken by one of the participants.

Included here are handwritten letters and diagrams showing how a group of senior U.S. Government officials and Pentagon generals hoped to use Golden Lily treasure to create a new private FBI and a military-industrial complex controlled by them, in partnership with the John Birch Society, the Moonies, and far-right tycoons. This is confirmed by tape recordings of a 1987 conference in Hong Kong that included retired U.S. Army General John Singlaub and General Robert Schweitzer of the National Security Council under President Reagan. As a measure of their common sense, we show readers how their group dug a hole 400 feet deep beneath a kitchen near Manila, in the misguided belief that the Japanese had dug a similar hole in 1942 to hide gold bullion. More than 300 feet of this hole was under water, so the generals and colonels brought in U.S. Navy deep-sea divers and decompression chambers to carry out the recovery. After many months of toil, and over \$1-million in costs, they found nothing and gave up.

We recount a number of equally bizarre misadventures that show why peer review and full disclosure are urgently needed. National security not only shields bureaucrats and hides corruption, it also hides folly.

It has taken Holocaust victims nearly six decades to recover assets hidden by Swiss banks, to win compensation for slave labor at German corporations like Volkswagen, and to regain possession of art stolen from their homes and offices. Their success, along with the 50th anniversary of the surrender of Japan, encouraged other victims to come forth with valid demands for compensation. This led to unprecedented cooperation among the victims.

This last battle of the Pacific War was being waged in California state courts, where surviving POWs, slave laborers, comfort women, and civilian victims filed billion-dollar lawsuits to win compensation so mysteriously denied them after the war. In 1995, it was estimated that 700,000 victims of the Pacific War still had received no compensation. Their numbers are dwindling rapidly because of age and illness. Backing them is an extraordinary coalition of activists and law firms. Britain tried to sidestep this tide of legal discovery by making one-time pay-offs to victims, to shut them up.

Washington took a different approach by moving the California lawsuits to federal courts, where they were blocked by political pressure and intervention by gov-

ernment agencies. The Department of State and Department of Justice are using Article 14 of the 1951 peace treaty to prevent POWs and other victims from suing immensely rich Japanese corporations such as Mitsubishi, Mitsui and Sumitomo. At U.S. Senate hearings in June 2000, chairman Orrin Hatch of Utah challenged State and Justice attorneys about the legitimacy of their claim that the 1951 Peace Treaty canceled all rights of victims. "You mean our federal government can just say, 'To hell with you, Bataan Death Marchers, and you people who were mistreated, we're just going to waive all your rights...' Constitutionally, can our government take away the rights of individual citizens just because they put it in a treaty...? We're not asking the Japanese government to pay. We're asking the companies that did the acts to pay, some of these companies are multi-billion-dollar companies today."

Despite such impassioned appeals, on September 21, 2000, U.S. District Court Judge Vaughn Walker ruled against American POWs and other slave laborers. Walker dismissed their suits, saying it was dangerous to upset the diplomatic alliance that existed between America and Japan since the end of the war.

Three former U.S. ambassadors to Japan then published a letter in *The Washington Post* making the astounding assertion that these American ex-POWs and their attorneys were virtual terrorists.

The real issue is conflict of interest. During the Clinton Administration, U.S. Ambassador to Japan Thomas Foley was adamant in rejecting compensation for POWs and other slave laborers, insisting that "The peace treaty put aside all claims against Japan." His Deputy Chief of Mission, Christopher J. Lafleur, echoed this dogma at every opportunity.

It was a matter of some interest to victims that Foley's wife was a well-paid consultant to Sumitomo, one of Japan's biggest *zaibatsu* conglomerates, heavily involved in wartime slave labor and a target of the lawsuits. The moment Foley ended his tenure as ambassador and returned to America, he signed on as a paid advisor and lobbyist to another huge conglomerate - Mitsubishi - one of the biggest wartime users of slave labor.

Of greater significance, perhaps, is that Lafleur is married to the daughter of former prime minister and finance minister Miyazawa, one of the three Japanese who secretly negotiated the 1951 treaty with John Foster Dulles. (Miyazawa also is considered by Professor Lausier and others to be the financial overseer of the M-Fund.) Conflict of interest does not seem to be an obstacle in diplomatic appointments to Tokyo.

Today, there is enough evidence of financial collusion between Tokyo and Washington to merit Congressional hearings and a General Accounting Office investigation. After half a century of diplomatic lies, corruption, and cover-up, it is time to strip off the fig leaf of national security, which is an insidious form of tyranny. To Congress, to the American people, and to the principles of democracy itself, Washington owes a full and guileless accounting.

Just down the coast from Manila in Batangas Province is a dramatic treasure site that someday could be turned into a Golden Lily theme park. It has been the tar-

get of several Japanese recovery efforts in recent years. Overlooking the South China Sea, it is a big headland with so many tunnels and gun emplacements that it earned the nickname 'Guns of Navarone'. (We were asked not to identify the location precisely.) This underground complex was started by the Japanese in the early 1920s, as part of their long-term strategy for the conquest of the Philippines. It was filled with treasure in 1944. Three of its tunnels have since been opened by Japanese groups, who found trucks loaded with gold bars. They were so happy with what they found in these outer reaches of the tunnels that they went no farther. Deeper passages appear undisturbed. Where did all this treasure come from? It all began with Korea.