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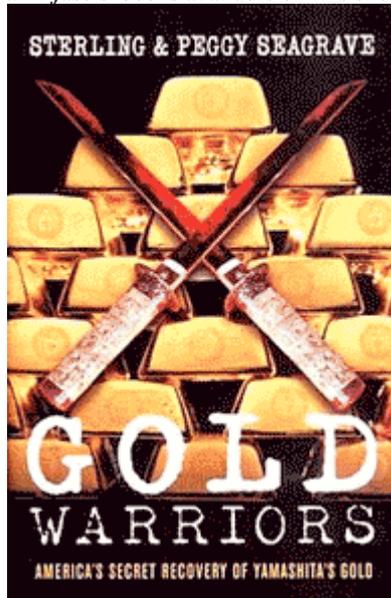
The legal persecution of Norbert Schlei and the connection of the M-Fund (the “57’s”) with Harmon Wilfred’s Mitsubishi Bond, Oliver North, the covert financing of the Iran Contra Arms deal and the Bush family.

FTR #501 Norbert Schlei and the Strange Case of the “57’s”

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Recorded March 6, 2005

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Introduction: Illustrating just how brutal and unjust “the system” can be, this program documents the legal persecution of Norbert Schlei. An accomplished attorney and former assistant attorney general under President Kennedy, Schlei attempted to redeem some “57’s” on behalf of some of his Asian legal clients. The “57’s” were highly unusual Japanese government bonds issued against the M-Fund, a vast political slush fund created out of Japanese loot from World War II.

These bonds were only selectively redeemable—someone who was not part of “the in-crowd” of Japanese power politics could not redeem their bonds and faced severe legal retribution should they try. After an elderly, disabled widow was framed for attempting to redeem a “57,” Schlei was targeted for economic and professional destruction for looking too closely into the origin of the “57’s” and the M-Fund.

A stunning array of governmental and private assets were mobilized against Schlei and his conviction was obtained only through collaboration between the US judicial establishment, US intelligence agencies and Japanese governmental officials. Extraordinary legal maneuvering, including a blatant case of witness tampering marked the course of his prosecution. Eventually, Schlei was able to clear his name, but not before he was bankrupted and professionally destroyed. He suffered a major heart attack in 2002 and died a year later.

Schlei's case contrasts markedly with that of a "57" that was successfully redeemed by former Secretary of State Alexander Haig. Haig redeemed a "57" on behalf of the Paraguayan government and did so with the assistance of former President George H.W. Bush, who gave Haig an important letter of introduction.

Program Highlights Include: Review of the history of the genesis of the [M-Fund](#) in the immediate aftermath of World War II; a description of the origin of the "57's" (issued to cover the lack of liquidity in the original M-Fund); review of the contributions of Japanese war criminal Yoshio Kodama to the M-Fund; review of Kodama's connections to the CIA; a detailed presentation of the extraordinary resources devoted by the US government to the persecution of Schlei and Barbara Jean Bravender Ah Loo; indications that the persecution of Schlei was part of a Japanese effort to curtail "Japan-bashing" in the United States; an account of some of the suspicious deaths of Japanese political figures who had become involved with some of the machinations surrounding the M-Fund.

1. The "57's" are special Japanese government bonds, issued selectively to both opponents and allies of the ruling Liberal Democratic Party. Allies were able to redeem them; opponents were not. This gambit was implemented in order to cover the debt incurred by the corrupt LDP infrastructure, and its manipulation of the M-Fund—generated from "Golden Lily," illegally confiscated wealth from World War II. The origin of the M-Fund is discussed at length and detail at the end of this description.

. . . . Rather than cover this exposure by dipping into the M-Fund, or into his own 'private Bank of Japan', Tanaka and his clever associates at the Ministry of Finance came up with an ingenious dodge. They would roll over the original Japanese government bonds by exchanging them for new financial instruments called Certificates of Redemption. These were not the Ministry's usual bonds but a form of debt instrument or IOU specially designed, printed and issued by the Ministry of Finance in the fifty-seventh year of Hirohito's reign, so they often are called '57's' to distinguish them from regular government bonds. We will use that label in this book. . . .

Gold Warriors—America's Secret Recovery of Yamashita's Gold; by Sterling Seagrave and Peggy Seagrave; Verso [HC]; Copyright 2003 by Sterling Seagrave and Peggy Seagrave; ISBN 1-85984-542-8; p. 127.)

2. "Bondholders who already were owed outstanding interest would be given specially designed and printed cashier's checks from the Dai-Ichi Kangyo Bank, serving as the Ministry's conduit for interest payments. Because many of the bond-holders were considered politically untrustworthy, they were given no choice in the matter, and simply were told by the Ministry that the exchange of bonds for '57's' and cashier's checks would take place. While this might seem unusual in Europe or

America, intimidation has been developed to such a high art in Japan that to defy the exchange would mean social ostracism or even assisted suicide.”

(Idem.)

3. Struggles over the M-Fund have apparently cost the lives of a number of the participants.

Already the M-Fund appeared to have led to the death of Kishi's brother, Prime Minister Sato. Many Japanese believe Sato was poisoned in 1975 at the height of a contest with Tanaka for control of the M-Fund. A number of others associated with Sato in M-Fund financing of Fuji Steel also died mysteriously in the early 1970's. A major scandal over Sato's death was avoided when Tanaka paid Sato's 300-billion from the M-Fund. In 1984, Harvey Fukuda, Kodama's publisher and business partner, who knew where all the skeletons were hidden, died of 'heart failure' while in the hospital being dried out and treated for cirrhosis of the liver. He had expressed fear of being poisoned, and members of his family did not believe his death was from natural causes. In Japan, if you are afraid of being murdered, it is considered good advice to avoid hospitals, where the job can be done unobtrusively. The next assisted suicide was Prime Minister Takeshita's personal assistant Aoki Ihei, who knew too much about the '57's'. According to *The Wall Street Journal*, Aoki 'slashed his wrists, legs, and neck and, when that failed, hanged himself with a necktie from a curtain rod.'

(Idem.)

4. The physical makeup of the "57's" was an important element in the scam.

Physically, the '57's' were unlike anything previously issued by the government of Japan. They were not offered to the public at large, nor were they to be traded on the international bond-market like normal government bonds, so only the holders actually saw them. The magic of this scheme is that by their very difference it was possible for the Ministry of Finance later to declare all '57's' to be forgeries. Only certain ones were then selectively and very secretly renegotiated at a discount. Those who paid for their original government bonds, and then were forced to exchange them for '57's', were thus swindled twice. Washington has backed Tokyo's assertion that the '57's' are counterfeit. But, as we will see, there is evidence both are lying. Because they were jointly involved in setting up the M-Fund with Golden Lily war loot, they both have reason to deny its existence.

(Ibid.; pp. 127-128.)

5. The strange case of the "57's" illustrates "the system" at its most cynical and brutal. Before focusing on Norbert Schlei, the government crushed an elderly, invalided widow, Barbara Jean Bravender Ah Loo:

Until Washington turned the full force of its ire on Schlei in 1992, the target of the U.S. Government sting was an elderly invalid named Barbara Jean Bravender Ah Loo, living in Los Angeles on Social Security benefits of less than \$1,000 a month. A U.S. citizen of Caucasian origin, she had married a Hawaiian Chinese businessman named Ah Loo and spent long periods with him in Hong Kong, running a company called Transfield Investments. In 1987, Transfield was

approached by Japanese clients, including Takahishi [Toshio, a former Japanese student leader], looking for help in redeeming their '57's'. Initial efforts by Transfield failed when the Bank of Japan took the position that all '57's' were fraudulent. During this period, Mrs. Ah Loo met Craig Ivester, a bounty hunter employed by Bancorp International as a finder of commodity transactions. They discussed the '57's' and Ivester sent a photocopy of one to Union Banque Suisse, which replied automatically that it was fraudulent, without bothering to examine the original.

(Ibid.; p. 132.)

6. Again, note the lengths to which the authorities went in persecuting an innocent, aging, widowed invalid!

Aging and seriously ill, Mrs. Ah Loo then returned by herself to Los Angeles, and was living in a single room borrowed from a terminally-ill friend, in a house facing foreclosure, when she again encountered the bounty hunter. At this point, Craig Ivester was making his living as a U.S. Customs Service informer, looking for targets. Reminded of their previous discussions of the '57's' in Hong Kong, Ivester decided to persuade Mrs. Ah Loo to offer some '57's' for sale inside the United States, which he knew was illegal, earning him a finder's fee from the Customs Service.

(Idem.)

7. "Sick as she was, Mrs. Ah Loo still had gumption. She told Ivester she would never negotiate a '57' in the United States. Ivester approached the Customs Service, and offered to help entrap Mrs. Ah Loo by baiting her with the offer of a very large commission."

(Idem.)

8. Your tax dollars at work:

According to Schlei's investigators, the sting operation was mounted by U.S. Secret Service agent Jack Fox, and Customs Service agents Michael Sankey and Michael Noonan, acting on the tip from Ivester. Their plan was to offer Mrs. Ah Loo a big commission to coax her into obtaining a '57' to sell in America, and then to arrest her for 'intent', or merely contemplating a crime. Because she was so reluctant, Fox got credentials showing he was a vice president of First National Bank of Chicago. Sankey would pretend to be a rich businessman. They rented a room in Reno that they wired, and asked her to come for a meeting. If they could get her to cross a state line, it could be construed as a federal offense, rather than a state offense. Mrs. Ah Loo could not come because she could not afford the airline ticket. The Secret Service sent her a free round trip ticket, the first concrete step in their entrapment. When she got to Reno, Mrs. Ah Loo said she was sorry, but she could not obtain any '57's'. Anyway, she said, the Japanese government claimed they were fraudulent, and 'People have gone to jail for selling these bonds. . .'

(Ibid.; pp. 132-133.)

9. “Fox, Sankey and Noonan persisted, browbeating Mrs. Ah Loo until finally she said she would try again to get a ‘57’, but only if they could arrange a proper and legitimate transaction through a leading American securities firm—a firm that would make sure all laws were observed so nobody got in trouble. Secret Service agent Fox promised to bring Smith Barney into the deal. He faxed Mrs. Ah Loo a letter purporting to be from A. George Saks, Executive Vice President and General Council of Smith Barney, offering to purchase three ‘57’s’.”

(Ibid.; p. 133.)

10. It would be difficult to imagine anything more cynical than the enormous resources committed to destroying Mrs. Ah Loo.

For the sting to work, it had to happen in a jurisdiction where there was a Smith Barney office, and a compliant judge. They decided to lure Mrs. Ah Loo to Tampa, Florida, where Smith Barney had an office, and where the U.S. attorney expected Federal district court judge Elizabeth Kovachevich to be cooperative, allowing him to go for the jugular.

(Idem.)

11. “Eventually, Mrs. Ah Loo heard about Roger Hill, a broker who had some of Takahashi’s ‘57’s’ in his possession, hoping to find a potential buyer. But on the eve of the trip to Tampa, Mrs. Ah Loo suffered a heart attack, and asked her son—Bruce Hansberry—to go with Roger Hill in her place, to conclude the deal at Smith Barney. When they arrived in Tampa, on January 18, 1992, they were arrested.”

(Idem.)

12. “Because she was not present, they had to rope in Mrs. Ah Loo by getting her on the telephone to discuss the fictitious closing, so she could be arrested in Los Angeles. This was done, and when she was taken into custody. On the pretext that her earlier residence in Hong Kong meant she might try to flee the country, she was put in prison to await trial, and ultimately was convicted of conspiracy, wire fraud, money-laundering and securities fraud. Bewildered, Mrs. Ah Loo began to lose her mind, and was moved to a prison psychiatric ward. There, she was found to have cancer of the throat, and died.”

(Idem.)

13. “By January 1992, sixteen offices of the Secret Service were said to be involved in the Ah Loo sting. Mrs. Ah Loo was too insignificant to justify such an expenditure of taxpayers’ money, so the vigilantes looked for someone else to lynch. One possibility was Takahashi, to whom the ‘57’s’ belonged, but when they broke into his Los Angeles apartment, it was empty and he was out of the country in hiding. Trophy hunting has become a feature of the American criminal justice system. Takahashi was not famous, so he was not a proper trophy for an ambitious U.S. attorney.”

(Idem.)

14. Because Schlei was investigating some of the secrets of World War II Japanese Loot, he was targeted for the sting.

Norbert Schlei, on the other hand, was sticking his nose into Deep Black secrets, and alarming Tokyo. His high profile made him a perfect target. One year earlier, Schlei had written a memo about the M-Fund. It was not meant for general circulation but a copy was passed to U.S. Government officials, who became alarmed and angry. If they could snare Schlei, all branches of the U.S. Government would cooperate to stop his digging into the M-Fund, and the LDP leadership in Tokyo would be indebted.

(Ibid.; pp. 133-134.)

15. “How to snare him was the problem. Schlei had never tried to negotiate a ‘57’ in America, only in Japan, on behalf of clients legally entitled to have an attorney make inquiries. Furthermore, Schlei had never accepted a penny from these clients. But Takahashi was so impatient to sell one of his ‘57’s’ that he had taken several of them back from Schlei and, without telling him, turned them over to Roger Hill to market. It was quite a stretch to argue that Schlei had anything to do with the independent marketing of the ‘57’s’ by Roger Hill. The government could try to get Schlei indicted as a party to the conspiracy of Ah Loo, Hansberry, and Hill, because he happened to be Takahashi’s attorney and was admittedly trying to negotiate other ‘57’s’ in Japan. It would be absurd to assert that Schlei was involved in the Tampa transaction, but that could be covered by a little sleight of hand, misdirecting the jury so it did not notice. Finally, since Schlei freely acknowledged that the Japanese government regarded the ‘57’s’ as counterfeit, it could be argued that he was admittedly marketing certificates he knew to be false. This dodged the crucial point, which Schlei stated again and again, that he was convinced the Japanese government was lying to avoid payment.” (Ibid.; p. 134.)

16. “In sum, the case against Schlei would depend on a trophy-hunting prosecutor, a compliant judge, a misdirected jury, a coordinated effort by Washington to block all Schlei’s efforts at discovery, denial by the court of leave for Schlei to take depositions in Japan, intimidation of defense witnesses, and ‘expert’ prosecution witnesses brought in from Japan’s Ministry of Finance and Dai-Ichi Bank, who seemed to have been coached to be evasive and to give false testimony.”

(Idem.)

17. A measure of the extreme nature of the case against Schlei is the fact that he wasn’t even aware of the case in connection with which he was to be indicted!

. . . . Astonished to be named a party to the Ah Loo deal, of which he was not even aware, Schlei found himself the subject of Grand Jury proceedings in Tampa and was indicted. Immediately, clients holding ‘57’s’ scattered to avoid being drawn in, or—if cornered—became so frightened that they offered to testify against Schlei in return for immunity from prosecution. . .

(Idem.)

18. "In court, the prosecution 'proved' the certificates were fakes by bringing in two minor officials of Japan's Ministry of Finance and Dai-Ichi Bank, who had a vested interest in sticking to this story. Schlei's defense countered, 'Corrupt Japanese officials were now falsely claiming that these financial instruments were not genuine.' However, Professor Lausier insisted they were genuine (as quoted earlier): 'The documents . . . are so precisely in agreement in innumerable respects with the official published records of the government of Japan . . . that, in my opinion, it is quite impossible for them, or the Certificates that resulted from them, to have been the work of any counterfeiter.'"

(Idem.)

19. Various agencies of the United States government, including the CIA, collaborated to block Schlei's defense from being able to prove the truth.

. . . . To demonstrate collusion between Tokyo and Washington, the defense attempted to locate any reports or documents showing covert payments by the U.S. Government to the government of Japan or any political party in Japan, from 1945 to the present. As we have seen, this has been confirmed by a number of sources including former CIA officials and U.S. diplomats. But, fighting for his life, Schlei needed all the documentary evidence available. As a former assistant attorney general of the United States, he was certain he would find these documents. . . .

(Ibid.; pp. 134-135.)

20. "It was Schlei's legal right to make such discoveries, but federal agencies flatly refused to comply. News stories about the M-Fund and '57's' obliged the court to order the CIA, the Secret Service, National Archives, and State Department to conduct a search of their databases. Given the intense secrecy surrounding the Black Eagle Trust, the 1951 Peace Treaty, the M-Fund, and the disappearance of millions of documents concerning Japan, it would have been a great surprise if anything turned up. The jury was told that 'search of the records of the CIA, the Secret Service, and the National Archives did not disclose any relevant or material documents or information that substantiated . . . that the CIA gave money to employees or officials of the Japanese government, or any political party in Japan'. The court record says, 'The government searched hundreds of files of CIA paper records dating back to 1948 for any documents that might indicate that payments were made by the CIA to either the Japanese government, the Liberal Democratic Party, or individual party members. They also conducted computer searches for Marquat Fund. . . [and] the search . . . did not discover any relevant or material documents or information.'"

(Ibid.; p. 135.)

21. "The jury was not told that Acting CIA Director Admiral William O. Studeman had informed The New York Times in March 1995, that CIA was not about to divulge information on the subject of payola to foreign governments and politicians. Studeman said the Agency had an obligation to 'keep faith' with politicians who 'received legally authorized covert support from the United States.' This statement actually confirms that such payments were made, and merely refuses to give details.

Japanese politicians bribed with huge sums of money had to be protected, which was more important than justice in American courts. Schlei told the court, 'I figured that if the Iran Contra case people like Ollie North and Admiral Poindexter and Mr. MacFarlane could be doing things and lying about, then maybe people in the Japanese Government could be lying about some things, too.'"

(Idem.)

22. In order to bolster its case, the government sanctioned witness tampering by the prosecution:

. . . . Judge Kovachevich refused Schlei the right to take depositions in Japan, and brushed aside Schlei's protests that a key defense witness had been intimidated by the U.S. attorney. His attorneys alleged that the prosecution tampered with the witness, S.M. Han who had an immunity agreement with U.S. attorney Mark Krum. Han swore that Krum told him if he testified for the defense, his immunity agreement would be nullified. Han also said Krum told him he had 'better not give him any basis to withdraw the immunity because he would not hesitate to do so'. Witness tampering is one of the most serious crimes in the U.S. judicial system and is grounds for disbarment. Judge Kovachevich denied a motion for a new trial based on the charge of witness tampering, and even refused to hold an evidentiary hearing to determine whether Han's allegations were true. . . .

(Idem.)

23. "After six years of persecution, Schlei was convicted on one felony count of securities fraud, and one misdemeanor. Before the trial began, he had assets in the neighborhood of \$10-million. During his trial, he was unable to practice law, and had enormous legal costs. He was professionally and financially ruined, left virtually bankrupt. He estimated that the U.S. Government spent over \$45-million of taxpayers' money on the sting and the lawsuit."

(Ibid.; pp. 135-136.)

24. Finally, Schlei was able to clear his name:

Schlei appealed, and in September 1997, the Eleventh Circuit Court of Appeals reversed and vacated the conviction on the felony count and the misdemeanor, remanding the misdemeanor to the district court for a hearing on Schlei's motion for a new trial, based on government intimidation of witnesses. The three appeals court judges paid special attention to the way Kovachevich had handled the witness-tampering issue. In their decision they wrote that the transactions leading to the Schlei indictment were 'unusual, if not bizarre'. They found Kovachevich's handling of the witness tampering 'enigmatic'. They said, ' We cannot determine whether Schlei was deprived of his right to due process. . . because the [Kovachevich] court did not conduct an evidentiary hearing. . . .Where defendants present evidence to the district court that the government intimidated a defense witness *a trial court must grant a hearing to determine whether the allegations of intimidation are true.*' (Our italics.)

(Ibid.; p. 136.)

25. “So a case that was contrived to start with and dragged on for six years, resulting in Schlei’s complete ruin, was overturned. Still insisting on his innocence, Schlei asked for a retrial, but the government knew he was broke. Nearly 70, and in no position to fight indefinitely to clear his name, he finally agreed not to press his charges of witness tampering, leaving the minor misdemeanor charge unresolved. In Washington to this day he is slandered. An eminent libel lawyer, who should know better, recently insisted that Schlei’s evidence was ‘untrustworthy’ because he was a ‘convicted felon’. Others declared Schlei’s unresolved misdemeanor conviction amounted to ‘moral turpitude’.”

(Idem.)

26. Although he was eventually exonerated, Schlei was destroyed financially and professionally—finally suffering a debilitating heart attack in the spring of 2002. He died a year later.

It took further wrangling with the California bar to have this smear removed from the official record. In January 2001, the *California Bar Journal* announced that Schlei was once again ‘an attorney in good standing’. But the harm had been done. In the Spring of 2002, while jogging on a California beach, Schlei suffered a major heart attack, collapsed and hit his head. A homeless man nearby called for help, but Schlei remained in a coma for many months. The last time we saw Schlei, he told us, ‘I now know how and why the jury convicted me. Until I figured that out, I was a very troubled man.’

(Idem.)

27. “Other events unfolding in January 1992 may have led directly to Schlei’s persecution. He was not the only target of M-Fund stings. Also arrested was James P. Sena, a 17-year veteran of the U.S. Secret Service, the agency that also investigates counterfeiting for the Treasury Department. Sena had examined M-Fund financial instruments in America and Japan, where he became convinced of the legitimacy of the ‘57’s’. He decided to sell some himself. He and Ian Yorkshire of Great Britain and Francis Cheung of Hong Kong were all arrested for attempting to market ‘57’s’ with a total face value of \$50-billion. Abruptly, and for no apparent reason, in November 1995, the case against them was suddenly dismissed ‘with prejudice’, meaning the charges cannot be re-filed. Nevertheless, prosecutors refused to return the ‘57’s’ they had confiscated as evidence, calling them ‘contraband’. If counterfeit, why were they contraband? We were told by a Wall Street source that Treasury is eager to get its hands on ‘57’s’ and other supposedly counterfeit derivatives, to negotiate them secretly.”

(Idem.)

CORRECTION: JAMES P. SENA HAS NEVER BEEN ARRESTED.

28. Contrasting sharply with the treatment accorded Norbert Schlei was the successful negotiation of a “57” by Alexander Haig. Haig (an intimate of the MacArthur group in the military) negotiated the “57” on behalf of the Paraguayan government. Pivotal to the success of this operation is the fact that Haig had a letter of recommendation written by then President George H.W. Bush.

Another prominent American who reportedly became involved in negotiating '57's' during the same period was the former Secretary of State, General Alexander Haig. Unlike Schlei, Haig was not arrested or persecuted, demonstrating how selective Washington has been in choosing its sting targets.

(Ibid.; p. 137.)

29. "According to a detailed account we have from someone present at all the meetings, Haig was asked to intercede in behalf of Paraguay. The government of Paraguay had bought a single '57' with a face value of \$500-million from First Hanover Securities in New York City on November 20, 1991, at the very moment the sting of Mrs. Ah Loo was going down. The same day, Paraguay asked MIC Debt Readjustment Company to arrange for the Japanese government to redeem this '57'—not for cash but for credit against 40-billion Yen in foreign aid that Paraguay owed Tokyo. This represented 80 percent of the face value of the '57', and Tokyo could keep the other 20 percent as a discount. (MIC is an organization backed by the Israeli government, which negotiates adjustments of national debt for governments in Eastern Europe and South America.) If successful, MIC was to be given oil exploration and development rights on Paraguayan territory. After considering former Secretary of State Henry Kissinger and former Ambassador Mike Mansfield, MIC chose Haig as their negotiator."

(Idem.)

30. "He was a good choice. Haig knew Japan because in 1947, fresh out of West Point, he had served as an aide to General MacArthur in Tokyo until the general's recall in 1951. As a MacArthur aide, working in a tight circle with men like Whitney and Willoughby, Haig doubtless heard a lot about black operations and secret funds set up in Tokyo during the occupation. While in Japan, Haig married the daughter of General Alonzo Patrick Fox, MacArthur's deputy chief of staff. Haig later served President Nixon on the national security staff, was White House chief of staff for both Nixon and Ford, and Secretary of State for President Reagan."

(Idem.)

31. "At a strategy meeting in Miami, attended by our source, MIC and the Paraguayans asked Haig to negotiate personally with former Japanese prime minister Takeshita, a key man in the M-Fund and one of the LDP kingmakers. After being embarrassed by bribery scandals, including the Recruit scandal involving M-Fund kickbacks and war loot, Takeshita had been forced to resign as prime minister two years earlier, in 1989, but he remained powerful. Haig agreed to meet with Takeshita in Tokyo in January 1992. He reportedly told the Miami roundtable that the '57' should be negotiated 'underground' as quickly as possible."

(Idem.)

32. "To learn more about the background of the '57's' our source said Haig had discussions in Washington with the FBI and CIA, much as Schlei had done. One CIA official explained that Japan had a number of secret funds, including what he called

'the MacArthur Fund', apparently referring to the Sanwa Bank joint account in the names of MacArthur and Hirohito, which Japanese call the Showa Fund, referring to the reign title of Hirohito. He also explained how the Japanese call the Showa Fund, referring to the reign title of Hirohito. He also explained how the Japanese government bonds had evolved into the '57's'. Our source said Haig also paid a visit to the White House, to tell President Bush of his forthcoming meeting with Takeshita to negotiate the '57' for Paraguay. Explaining the give-and-take involved, he asked Bush for his support. To ease the way, our source said, Bush gave Haig a personal letter to Takeshita."

(Idem.)

33. "President Bush was on his way to Japan himself that January. He was in Tokyo a few days before Haig, a visit made famous when Bush vomited all over Prime Minister Miyazawa."

(Ibid.; p. 138.)

34. "On January 13, 1992, Haig was informed that two weeks later he was to be guest of honor at a lunch in Tokyo's Imperial Hotel with the LDP Diet committee, after which he and Takeshita were to have a private talk in an adjoining room. MIC said Takeshita would probably start by saying all '57's' were counterfeit. Haig had to be prepared for this, and ready to say two or three things that would jolt Takeshita. He asked MIC to choose the three most impressive supporting documents to show Takeshita. One of these was an insurance policy issued by Yasuda Fire Insurance Company in Tokyo to cover transporting the certificate from the Ministry of Finance. This alone established the authenticity of the '57'. MIC briefed Haig in detail about the significance of these supporting documents, and reviewed the differences between '57's' and ordinary Japanese government bonds."

(Idem.)

35. "Shortly before the meeting in Tokyo on the 27th, Haig was told that Takeshita had been acutely embarrassed by a recent series of major scandals, so what the LDP leader hoped to get from Haig was a promise to stop Japan-Bashing in America. If Takeshita could come out of their meeting with such an assurance, he might survive the scandals and resume power."

(Idem.)

36. "When the two men sat down privately at 2:40 p.m., our source said Takeshita opened as predicted, asking Haig to get U.S. companies and politicians to stop Japan-Bashing. Haig replied positively, handing Takeshita the personal letter from President Bush. Takeshita then said that any agreement on settling Paraguay's debt to Japan would have to include Japanese participation in developing oilfields in that country. With that on the table, Haig explained that one of the main reasons for his visit to Tokyo was to get Takeshita's assurance that Paraguay's '57' would be credited against its foreign aid debt. He showed Takeshita the '57' that Paraguay had purchased from Hanover."

(Idem.)

37. "Takeshita glanced at the document and said, 'Mr. Haig, this paper is a forgery printed in Hong Kong.' 'Then,' Haig said, 'please take a look at these documents.' He handed Takeshita the Yasuda insurance cover document, and the two others. Reading each document in turn, 'Takeshita's face turned pale and his voice faint.' 'Mr. Haig,' he said, 'it seems to include a very delicate problem for the settlement.' 'Yes,' said Haig. 'I agree. It's delicate.' I cannot give you an immediate reply . . ."

(Idem.)

38. "The meeting ended, and minutes later, Haig reported all this to the MIC group in his suite. He said it was only when he saw Takeshita recoil in shock at sight of the insurance cover that he realized how serious was the secrecy surrounding the '57's'. Our source said Haig turned angrily to the Paraguayans and said, 'You're making me blackmail him!' Then he grinned and said, 'That first missile hit the target!' He warned the Paraguayans and Israelis to be very careful about their personal safety while they were in Japan, because Takeshita was not happy, and he would certainly alert Japan's secret service."

(Idem.)

39. "Next day, our source said Takeshita's personal secretary came to see Haig. Insisting on talking in the hallway where they could not be monitored, he said: 'Mr. Haig, the certificate and documents are not formal. So our government cannot repurchase it.' Haig squinted at him and said, 'So we can make it public?' Takeshita's secretary turned pale. He said he would speak again to Takeshita. The second missile also hit home. The following morning Takeshita's secretary came again. 'As for the problem of the certificate, many inquiries are coming to Our Ministry of Finance locally and overseas, and the administration is greatly perplexed.' He paused. 'We are ready to take certain measures on the certificate in question. You must treat this negotiation as strictly confidential. If a similar demand is made by another government, our administration would suffer because we are not prepared for it financially.'"

(Ibid.; p. 139.)

40. "In short, Haig had succeeded, and the deal went down. But how could Haig negotiate a '57' in Miami, Washington, and Tokyo, with discussions at the FBI, CIA and with President Bush in the White House, without being arrested and prosecuted like Norbert Schlei? Federal agents always insisted it was illegal to negotiate one inside America, or even to contemplate it."

(Idem.)

41. Haig's successful negotiation of the Paraguayan "57" may have been part of a quid pro quo involving the persecution of Norbert Schlei. Schlei may have been neutralized as part of a deal by the Japanese in order to abate "Japan-Bashing."

If all '57's' are counterfeit, why did Haig succeed? If Haig's '57' was genuine, did he still do something illegal? Does the legitimacy of a Japanese debt instrument depend on your connections to the current occupant of the White House? Norbert

Schlei was drawn into the sting soon after Haig's Tokyo negotiation concluded. One of Takeshita's conditions about ending Japan-Bashing may have been that Schlei, who was asking so many embarrassing questions, must be silenced and removed from the field of play. If so, Haig certainly would have reported this to President Bush, which could explain why Schlei was then dragged into the Ah Loo case.

(Idem.)

42. "There is a lesson here for investors. Financial instruments growing out of the Black Eagle Trust continue to float around the global market, like magnet mines left over from World War II that can blow up and sink any institution or individual that comes in contact with them. If some certificates are counterfeit while others are legitimate, investors and their attorneys have a right to inquire, without fear of arrest or intimidation, whether the documents they hold are real or fake, and not to be brushed off with falsehoods. Especially when the issuing government has a history of evasiveness, and is strongly suspected of lying. When Washington demonstrates that it has a greater sense of responsibility to corrupt foreign politicians than it does to its own citizens, we may rightly ask whom it really is protecting. Washington's main concern has been to protect and preserve a system of secret financial collusion with Japan, which has worked to its satisfaction for over half a century. And to protect the careers and reputations of U.S. Government officials involved in that collusion. In the end, how many billions went to Japanese politicians is less important than how much went into to pockets of American officials. As power corrupts, secret power corrupts secretly."

(Idem.)

43. Next, the program reviews the formation of the Marquat or "M-Fund", used to manipulate and control the postwar Japanese political landscape. (The "57's" were derivatives of the M-Fund.) In particular, the M-Fund was used to shore up the Japanese oligarchs who had directed and profited from Japan's brutal war of aggression and to stabilize the postwar Japanese economy. What made the "57's" such a sensitive international issue concerns the dark history surrounding the fund. It is because of this dark history that Norbert Schlei was destroyed.

In this context of intense corruption and artful misrepresentation, it was inevitable that the political action funds America set up in Japan would be diverted. But the corruption, dishonesty, and moral turpitude cannot be blamed only on the Japanese. Americans were involved in diverting the funds, benefited from their abuse, and may still be benefiting today in a multitude of ways.

(Ibid.; p. 109.)

44. "Three underground funds were controlled by American officials during the occupation—the M-Fund, the Yotsuya Fund and the Keenan Fund. According to Takano Hajime, the M-Fund was named after General William Frederic Marquat, chief of SCAP's Economic and Scientific Section. In theory, Marquat headed America's program to punish and reform Japanese businesses that had gorged on war profiteering. In reality, Marquat's biggest public relations headache was how to help them

conceal these obscene profits, which by custom were shared with the imperial family. Historian John Dower explains that Marquat 'assumed responsibility for nothing less than supervising all developments in finance, economics, labor, and science, including the dissolution of zaibatsu holding companies and the promotion of economic deconcentration. Every major government financial and economic institution reported to his section, including the Ministry of Finance, the Ministry of Commerce and Industry, and the Bank of Japan.'"

(Idem.)

45. "Little has been written about Marquat, who usually is portrayed as an amiable nincompoop, unfit for the job. This hardly comes as a surprise. Like Willoughby and Whitney, Marquat was one of MacArthur's inner-circle 'The Bataan Boys,' whose chief quality was undying loyalty. John Gunther said Marquat 'pays little attention to the jargon of his present field; once he . . . turned to his first assistant during a heavy conference on economic affairs, saying 'What is marginal economy, anyway?'"

(Idem.)

46. "Marquat was supposed to dissolve the banks and conglomerates that financed Japan's war and profited from it. Despite purely cosmetic changes and the break-up and sale of several small conglomerates, the biggest war profiteers were let off without even a slap on the wrist. General Marquat was also in charge of closing down and punishing Japan's biological and chemical warfare service, Unit 731. Instead, the U.S. Government secretly absorbed Unit 731, moving most of its scientists, personnel, and documents to U.S. military research centers like Fort Dietrick in the Maryland countryside. All information about its activities, including biological warfare atrocities, and horrific experiments on fully conscious victims, was withheld by Washington from the American and Japanese public, and from the Tokyo War Crimes Tribunals. All Unit 731's records held by the U.S. Government are still top secret."

(Ibid.; p. 110.)

47. "So while he was supposed to be making Japan more democratic, Marquat was doing the opposite. The M-Fund was created to buy elections for Japanese politicians so far to the right that they were solidly anti-communist. Japan was the most highly industrialized country in Asia; Washington wanted it to be a capitalist bastion against communism, for its economy to thrive so there would be no need for labor unions, leftist organizers, or revolution. This was the view of American conservatives who thought President Roosevelt was a communist, and believed that Britain should have allied itself with Germany and Japan, and gone to war against the USSR. As a consequence of this thinking, plans to reform Japan were truncated or aborted. (One major exception was land reform, successfully completed before it could be halted.)"

(Idem.)

48. Shoring up Japan as an anti-communist bulwark was the overall goal of the application of the M-Fund. Again, in order to do this, the very fascists and oligarchs most responsible for Japan's war of aggression were returned to power and potential opponents and dissidents neutralized, often violently.

The first big application of the M-Fund was in the late 1940's when a Socialist government happened to win election in Japan—a development that astonished, panicked, and galvanized SCAP. Immediately, great sums were distributed by SCAP to discredit the Socialist cabinet, and to replace it with a regime more to Washington's liking. Later, when Tokyo considered establishing relations with the People's Republic of China, sums again were disbursed to get Japan back on the right track. When Yoshida Shigeru became prime minister, Washington relaxed because Yoshida was trusted, conservative, and personally very rich. During his period as prime minister, the M-Fund was called the Yoshida Fund. (In a conversation in 1987, White House national security advisor Richard Allen said: 'All my life I've heard of a thing called the Yoshida Fund—I think that's the same thing as the M-Fund.')

(Idem.)

49. One of the resources combined with the [M-Fund](#) was the enormous cache of war loot acquired by [Kodama Yoshio](#) (also known as Yoshio Kodama), a Japanese underworld kingpin who became a primary functionary in the Japanese Empire and the postwar Japanese power political stage. Kodama worked very closely with the CIA and became one of the early prime-movers within the Unification Church. (Note that the Unification Church has a close connection with George Bush Sr. and Jr.)

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.

(Ibid.; p. 8.)

50. Kodama was on excellent terms with Emperor Hirohito, who assisted with the acquisition of the \$13-billion fund Kodama eventually combined with the M-Fund. Kodama was the kingpin of the Japanese drug trade during, and after, World War II. The drug trade was one of the primary sources of Kodama's largesse. The information about Kodama is being reviewed here in order to present the listener/reader with some perspective on the deep politics underlying the M-Fund and the "57's". It is the deep politics that make disclosures concerning the M-Fund so sensitive.

Another source of underground funds was Kodama, who was reported to have amassed some \$13-billion in war loot for his personal use. This included two truck-loads of diamonds, gold bars, platinum ingots, radium, copper, and other vital materials. In order to curry favor with MacArthur's men, Skukan Bunshun said at war's end 'Kodama had a good portion of

[his] valuables transported to the vault of the Imperial Family in the Imperial Palace.’ Despite his lifelong involvement in murder, kidnapping, drugs and extortion, Kodama is said to have been regarded by Emperor Hirohito as a true patriot, possibly because of the great sums he generated for Golden Lily. This may explain why Japan’s top gangster was permitted to hide some of his loot in palace vaults. But it goes deeper to include narcotics.

(Ibid.; p. 108.)

51. “In the spring of 1945, Kodama made a quick trip to Taiwan to see that its many heroin factories were dismantled for return to Japan, along with remaining stocks of heroin and morphine. On his return, Kodama was assigned to be a special advisor to the emperor’s uncle, Prince Higashikuni, who served as Japan’s prime minister briefly at the start of the U.S. occupation. According to Kodama’s own memoir, immediately after the surrender, Higashikuni had ‘two or three of us councilors arrange a meeting and secretly, unknown to his cabinet ministers, [Higashikuni] visited General MacArthur in Yokohama.’ Kodama provides no details of what transpired at this meeting, or whether he accompanied the prince.”

(Idem.)

52. Kodama worked very closely with the CIA.

Kodama then spent two years in Sugamo Prison as an indicted war criminal, but was magically released in mid-1948 when he made a deal with General Willoughby to give the CIA \$100-million (equal to \$1-billion in today’s values.) This payment bought Kodama his freedom from prison and from any prosecution for war crimes. The money was placed in one of the secret slush funds controlled by the CIA station at the U.S. Embassy. Subsequently, Kodama was put directly on the CIA payroll, where he remained for many years, until his death in 1984. Tad Szulc of *The New York Times* wrote, ‘Kodama had a working relationship with the CIA.’ Chalmers Johnson said Kodama was ‘probably the CIA’s chief asset in Japan.’

(Idem.)

53. “While literally an employee of the U.S. Government, Kodama continued to oversee Japan’s postwar drug trade. Heroin labs were moved back not only from Taiwan, but from North China, Manchuria and Korea. Chinese who had collaborated with Japan in drug processing and distribution, were given sanctuary and began operating from Japanese soil. Two of the three major players in Asian narcotics soon died: Nationalist China’s general Tai Li was assassinated in a 1946 plane crash; Shanghai godfather Tu Yueh-sheng died in Hong Kong of natural causes in 1951. Kodama was left Asia’s top druglord, while on the U.S. payroll. This could have been embarrassing, for Japan’s dominant role in narcotics was widely known and undisputed, but a Cold War hush descended over it like an Arctic whiteout. During the occupation, U.S. propaganda characterized Asia’s drug trade as exclusively the enterprise of leftists and communist agents. In truth it was dominated by Kodama in Japan, and by Generalissimo Chiang through the KMT opium armies based in the Golden Triangle, who were under the direct control of the Generalissimo’s son, Chiang Ching-kuo, the KMT chief of military intelligence at that time. (The two top KMT opium warlords in the Golden Triangle, General Tuan and General Li spoke to us openly of this.)”

(Ibid.; pp. 108-109.)

54. This description concludes with an excerpting of the obituary of Norbert Schlei. (Note that this obituary opened the original broadcast itself.) After examining the M-Fund and the sordid history of the “57’s”, we can achieve a greater understanding of the forces that destroyed him and why they did so.

Norbert A. Schlei, a key lawyer in the Kennedy and Johnson administrations who found legal underpinning for the 1962 blockade of Cuba, wrote landmark civil rights legislation and once waged a strong bid to replace an entrenched Republican California secretary of state, has died. He was 73. . . . Schlei, a personable Democratic campaigner, was only yards from Robert Kennedy at Los Angeles’ Ambassador Hotel when Kennedy was fatally shot on the night of the California primary in 1968. He largely bowed out of politics after serving as a delegate to the Democratic National Convention that year in Chicago. . .

(“Norbert Schlei, 73: Principal Author of the Civil Rights Act, Other Landmark Laws” by Myrna Oliver; *The Los Angeles Times*; 4/21/2003; p. B9.)

55. ” . . . Joan Schlei said Saturday that Schlei had been completely exonerated after federal prosecutors conceded that there was a ‘possibility the instruments are valid’ and that Schlei had been wrongly prosecuted. Schlei maintained all along that he had done nothing illegal, and that prosecutors who issued charges against the others after a sting operation had added him only because of his high profile in Democratic and government circles to ‘get in the papers’ and make the trial ‘newsworthy.’”

(Idem.)

56. “At issue were bonds the Japanese government claimed were counterfeit and created by a forger they imprisoned in 1983. Schlei countered that the securities were legitimate, that they had been issued in 1983. Schlei countered that the securities were legitimate, that they had been issued in 1983 by Japan’s minister of finance, Michio Watanabe, at the request of former Prime Minister Kakuei Tanaka after Tanaka left office in a bribery scandal. Schlei said he had never sold the securities and had simply tried to help about 30 clients purchase them with the understanding that the securities would be redeemable only if they could persuade a current Japanese government to honor them.”

(Idem.)