

S E C R E TP.M.M.(48) 6COPY NO. 678TH OCTOBER, 1948MEETING OF PRIME MINISTERSJAPANESE PROBLEMSMemorandum by the United Kingdom GovernmentI The Peace Treaty

It remains the view of His Majesty's Government in the United Kingdom that an early Peace Treaty is desirable, but it is unlikely that there will be any response from the United States before the new Administration has taken office after the Presidential election. There would appear to be no advantage in pressing the Americans on the Peace Treaty issue for the time being.

II Level of Industry

2. The important question of establishing the level of Japanese economic life, which has been under discussion for over two years in the Far Eastern Commission without result, was the subject of an exchange of views during the summer between His Majesty's Government in the United Kingdom and other Commonwealth Governments.
3. The draft policy decision now before the Far Eastern Commission is supported by a substantial majority of the eleven members of the Commission and is, in general, on lines favoured by all the Commonwealth Governments who are represented on the Commission.
4. Unfortunately, there seems very little prospect of the Commission reaching agreement. Of the veto Powers, neither the Soviet Union nor the United States have come out in favour of the paper and the indications are that neither will support it as it stands.
5. United States policy has not yet been clearly defined and it seems probable that inter-Departmental differences of opinion in Washington still remain unresolved. It is probable, however, that the United States Government, in their desire that Japan should have a viable economy within a short term of years and that the cost of Japan to the American taxpayer should be reduced, may advocate building up the Japanese economy to a much higher level than that which either they or other Powers have hitherto considered necessary or desirable. They are also anxious that economic conditions in Japan should not remain at a level which would play into the hands of extremist agitators.
6. There is no indication that the United States Government would wish to allow Japan to develop primary war industries again; on the other hand, they seem disposed not to restrict secondary war-supporting industries. In a recent aide memoire, the State Department informed the United Kingdom Ambassador in Washington that the Government of the United States could not agree with the contention of the United Kingdom Government that the building by the Japanese for export of merchant ships exceeding certain limits of size and speed constituted a security threat.