

the mission. The expenses entailed in the opening of several new offices and the continuing rise in the cost of supplies and equipment since the preparation of the Estimates had resulted in the need for the utmost economy for at least the balance of the current fiscal year. Even with the Supplementary Estimates no further funds would be available until the end of March 1948.

## II. *Tentative Policy for the Purchase of New Premises*

2. Mr. Matthews reported that the Minister had approved a proposal that in present circumstances expenditures should normally not be incurred for the purchase of premises abroad if United States funds were required. Considerable discussion took place on a suggestion that, in countries where applicable, military relief credits might be used for the purpose of purchasing premises. Mr. R.B. Bryce of the Department of Finance was invited to the meeting to give the views of his Department on this proposal. Mr. Matthews explained to Mr. Bryce that the Minister had agreed in principle to the general policy that where possible the Canadian Government should purchase rather than rent mission premises, but in view of the shortage of United States dollars it would be necessary, for the present, to confine the purchase of premises to countries in the sterling area. It had been suggested that we might approach those countries where we had military relief credits to ascertain if they would agree to the application of these credits to the purchase of premises for the Canadian Government. At the same time it might be desirable to consider if repayments owing to Canada under commercial loan agreements might not be accelerated by applying them for the same purpose.

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4. In conclusion Mr. Bryce said that in view of the recommendations of the Marshall Plan, Canada had a good case for taking property in settlement or partial settlement of these claims. He thought therefore that it would be reasonable for the Department of External Affairs to make a general proposal that the Canadian Government accept where desirable, property for diplomatic missions in foreign countries in settlement or partial settlement of such claims. Mr. Pearson said that if the Department presented a concrete proposal along these lines to the Department of Finance, he hoped it would receive sympathetic consideration. Mr. Bryce suggested that in the present circumstances the general proposition should be brought up in the near future. General Vanier believed that the sooner the military relief credits were used the better. He felt that with the current inflationary trend these credits would deteriorate in value.

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6. It was agreed that within the British Commonwealth, arrangements for the purchase of property could be on a straight financial basis since there was no special reason to restrict expenditures on the grounds of exchange.

7. In discussing the possibility of building official residences abroad, Mr. Matthews pointed out that this would require adequate supervision which at the present time the Department could not provide for more than one or at the most two projects a year. Another complicating factor was mentioned by Mr. Robertson who said that the present dollar position and the desperate shortage of housing in most countries made it unlikely that building equipment would be released for any large