In many ways, the history of the Department of External Affairs – as it was called until 1995 – is the history of Canada's growth from Dominion status to full nationhood. For over 40 years after Confederation in 1867, Canada's treaty negotiations and boundary disputes were handled by Britain. In 1909, Prime Minister Sir Wilfrid Laurier took the first tentative steps toward greater autonomy in foreign relations by establishing the Department of External Affairs. Operating out of rooms above a barbershop on Bank Street, the new Department consisted of one Under-Secretary of State and four clerks. It functioned largely as an archive, liaison office with the British Colonial Office, and passport office for Canadians travelling abroad. In 1914 it moved to new quarters in the East Block on Parliament Hill, closer to the heart of government, where it remained for nearly 60 years. By 1964 the Department had outgrown its East Block premises, and so planning began for the building now known affectionately as "Mike's Place."

In the mid-1920s, the Department began its transformation into a full-fledged foreign office under the guidance of Prime Minister William Lyon Mackenzie King and his hard-working Under-Secretary of State for External Affairs, Oscar Douglas Skelton. As Canada gained greater autonomy, the need grew for diplomatic representation abroad. O. D. Skelton established a highly professional foreign service and, between 1925 and 1929, opened Canadian posts in Geneva, Washington, Paris and Tokyo. His influence over the young Department was lasting and unparalleled. His memory is honoured in the lobby that bears his name.