



# THE ROYAL BANK OF CANADA

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ONCE upon a time representation of a country abroad was a cloak-and-dagger business, with disguised diplomats performing secret missions. Or it was an occasion for grand embassies, such as the Queen of Sheba brought to Solomon. In Elizabethan days, which were not so long ago, a delegate went to Russia "bravely dressed for the occasion . . . and carried a letter from Queen Elizabeth 'the paper whereof did smell most fragrantly of camphor and ambergris, and the ink of perfect musk.'

Today's couriers from Canada fly with overnight bags, her diplomats live modestly in the countries to which they are assigned, and her trade emissaries pound a foreign beat carrying catalogues of Canada's products and a fountain pen.

As every schoolboy knows, diplomacy is largely a matter of getting together: the object of this Letter is to tell with whom Canada's representatives get together, and why. Not so long ago we were somewhat standoffish in international affairs. Without an axe to grind, remote from the great centres of world affairs, we were very happy in our disinterestedness and felt a bit above the lesser nations which were always getting embroiled with one another over things which we, we thought, would settle in five minutes. Our only direct official international contacts were with the Empire and the United States of America, both friendly and paternal in their dealing with the young Dominion.

During the past quarter century we have been groping for guiding factors in the new world order brought about by scientific advance and changing situations. Canada has become aware of the varied problems faced by other countries, and is seeking to find a practical place in global affairs suited to her temperament, possessions and ability.

Choosing men to represent the country abroad is a different problem from that posed at close of the first world war. They must know Canada, and

not just its politics. They need to know about its natural resources and what is being done to make them available through trade; its transportation system which carries the goods to those who wish to use them; its financial system, which handles the medium of exchange; its labour force, its capability and its capacity. They need to know the views of the provinces as well as the opinion of the Dominion; the ideas of people as well as of administrators. They should be able to talk of our social services, arts and crafts.

The essential relation between Canadian interests and the well-being of foreign countries was brought out by the experience of war. Never before did people realize the complexity of human affairs. Events do not stop at frontiers, even frontiers which face upon oceans. Words which used to pass slowly by sailing vessel, giving time for second thoughts and cooling of enthusiasms, now fly by air instantaneously. Canada is compelled by the logic of events to gaze beyond her shores and think and act in terms of world geography, a geography made up of physical, social, economic, political and cultural features just as surely as our schoolday geography was made up of mountains, rivers, lakes and deserts.

Canada is populated by people who represent more than 30 nationalities, and though recently given Canadian citizenship our people have a cosmopolitan outlook quite different from the insular viewpoint of, say, people in central Europe.

Economically, Canada is more part of the world than in any other sense, because she is anything but self-sufficient in resources, industry and markets. War, rumour of war, and international political disturbances close the avenues of approach, social and economic, between peoples, and this Canada cannot stand. Having no "weight" to throw about, Canada naturally seeks the solution of international difficulties by arbitration and co-operation. Her

foreign representatives speak with soft voices, in tune with the spirit of people who desire peace in which to work out their life plans. Open diplomacy, the union of nations for their own good, international conferences, fact-finding agencies and arbitration boards would, in Canada's come-let-us-reason-together mind, give economic stability never to be had by approaching questions with an either-or mind, static or destructive.

Culturally, Canada is far advanced. Her people have realized many of their ambitions for better lives. Her standard of living is among the world's highest, giving opportunity and leisure for enjoyment of many good things. Her people do not crave to be regarded as a great nation, but as enlightened people they refuse to be relegated to a position inferior to that which should be theirs by right of service, practical goodwill, and potential, if not actual, contributions to the world through science and philosophy.

It is with these thoughts in mind that she sends her deputies to other lands. They are not just the spokesmen for government, but the representatives of all the people. We have reached a stage in the history of foreign affairs wherein public opinion must be reckoned a major influence. The narrow channels of communication between country and country have been widened by inexorable events. Foreign policy used to be something remote, only to be read and talked about. Since that time hundreds of thousands of our people have met millions of other people, and foreign policy is something to be participated in, something of personal interest to every Canadian.

It cannot be said too often that Canada has singular qualities for the role to which time and progress have led her. Geographical position, wide trade interests, commonwealth connection, and neighbourly fraternity with the United States all combine with an unique racial composition to give her the enterprise modified by caniness, the daring qualified by good sense, and the independence plus co-operation which add up to unusual and great opportunities for good. She has won recognition among the nations as a country of good sense and abounding energy. She is not a buffer state, but one consciously following a plan which tries to bring into harmony the aims of other states and her own, to the benefit of both.

One evidence that Canadians are aware of the changed conditions is given by their support of the United Nations Society. There are 23 branches in Canada with more than 5,000 members, incorporated as a non-partisan body to develop an educated, alert public opinion in support of every form of international co-operation. Under the national president, Dr. James S. Thomson of Saskatoon, the society is carrying out a seven-point program of organization, information and study, particulars of which may be obtained from the secretary, Eric W. Morse, 124 Wellington Street, Ottawa.

To give effect to the nation's needs and the people's desires, Canada has an efficiently-organized and well-manned Department of External Affairs functioning under a Minister responsible to Parliament. This

parliamentary control of foreign affairs may lead to slowness compared with the speed in decision and actions shown by dictatorial countries, but it is a factor necessary under democratic government. Through it, the voting citizen feels his part in the widest affairs of his country's interest; he shoulders his share of the obligations, and he participates in the honour which follows a wise foreign policy wisely carried out.

Main duties of the department are: supervision of relations between Canada and other countries; protection of Canadian interests abroad; gathering and weighing information regarding developments likely to affect Canada's international relations; negotiation of treaties and agreements; and the representation of Canada in foreign countries and at international councils.

The latest report of the Department of External Affairs records the following Canadian representatives abroad: high commissioners 7; ambassadors 11; ministers 5; heads of missions 2; consuls general 3. There are high commissioners' offices in Australia, India, Ireland, Newfoundland, New Zealand, South Africa and the United Kingdom; embassies in Argentina, Belgium, Brazil, Chile, China, France, Greece, Mexico, Peru, Union of Soviet Socialist Republics and the United States of America; legations in Cuba, The Netherlands, Norway, Denmark and Luxembourg; consulates general in New York, Lisbon and Caracas; there is a Canadian military mission in Berlin and a civilian liaison mission in Japan.

Most communications between one nation and another, whether by word of mouth or in correspondence, are expressed in urbane language, and all governments are invariably polite in their intercourse with other nations. This language of diplomacy stands alone among languages. It is couched in formal and redundant phrases, but the words, like bids in contract bridge, have conventional meanings which may be quite at variance with what they say. Individuals in democracies pride themselves upon being outspoken and calling a spade a spade. It is just as well, then, that we have diplomats who are able, by the use of a few sensitive gradations, a few omissions of traditional compliments, or an eager dwelling upon amity and peaceful relations, to convey to other governments precisely what the man-in-the-street feels, without using a single word that would give excuse for a fight, or make it impossible to reach a friendly agreement.

The art of negotiation is founded on sound business principles of moderation, fair-dealing, reasonableness, credit, compromise, and a distrust of sensational extremes. Since these are virtues which are part of Canada's cultural development, it might be expected that Canada's representatives abroad would make good negotiators. Our approach to even the thorniest problem is to say to the other side: "Let us sit down and take counsel together, and, if we differ from one another, understand why it is that we differ, and just what the points at issue are." Doing that, in the words of President Woodrow Wilson to the A. F. of L.

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in 1916, "We will presently find that we are not so far apart after all, that the points on which we differ are few and the points on which we agree are many, and that if we only have the patience and the candor and the desire to get together, we will get together."

Things which, when we read them in the newspapers, seem enchanted events are, to the diplomats, everyday happenings in their lives, handled in a matter-of-fact way. It is not wise to judge a foreign representative by what one sees reported of dinners and levees. His life is not made up of banquets: in fact, it can be said usually that when the diplomat has one foot under a banquet table the other is in, or on the edge of, hot water.

His is a strange life. He sees the other side of the moon, as Alexander Smith said of actors in his Dreamthorp Essays. While we ordinary people are amused or irritated by the trivialities which play upon the surface of international conferences, the diplomat sees the lines of worry and pain from which the trifling is but an escape. We hear the resounding phrases that set the inkwells rattling on the round table: he sees the same orator five minutes later going back mentally over his speech and worrying about whether he had said too much or not enough, whether he said it with the right emphasis and shading of meaning, and whether the politicians and people back home will think he did nobly or made a botch of it.

Diplomats are not the sort of people who try to do things that will make interesting reading in their autobiographies. By-and-large, there is no more dull reading. It is traditional that memoirs of retired diplomatists should be filled, not with the inside story of events, but with reports of dear Lady So-and-So and how good the fishing was. This, unfortunately, gives the reading public an altogether false picture, one in which the diplomat seems quite unaware of what he was supposed to be doing in his post.

The truth is far different. Canada's diplomat abroad must know what of significance is happening everywhere in the world. He must have tact, direction and force. He needs a knowledge of the sciences. He must be as expert as a dentist in interpreting mumblings. He needs to be a watchful waiter, a liner-up of friendships, an averter of enmities. He applies his wealth of knowledge about his country to boosting it. He must keep his home government supplied with information about business, political and social affairs in the country to which he is accredited.

What has been said so far would apply to all kinds of foreign representatives, whether on the diplomatic or commercial side. There are, however, certain well-defined boundaries of various services, as well as different kinds and degrees of diplomacy.

The diplomat of first rank is the ambassador. He is the personal representative of his state, sent to negotiate with a foreign government and to watch over the interests of his nation abroad. Next are

ministers plenipotentiary and envoys extraordinary, who are accredited to the head of a state but do not represent the person and dignity of the head of their own state. Forming the third grade are ministers, whose duties differ only in proportion from those of grades above and below them. A chargé d'affaires has the same duties as a minister, but ranks in fourth place, being accredited from one office of foreign affairs to another.

Canada's foreign representation started through immigration, and the first form was that of the emigration agent in overseas countries and the United States. Then came extra-diplomatic officials, and the appointment of a high commissioner to London in 1880. The late war gave the greatest impetus to foreign representation. Our position changed from that of a small ally providing supplementary help to that of a vital base of supplies and aid in the bleak months which were climaxed by Dunkirk. During those months we appointed high commissioners to Australia, New Zealand, South Africa and Ireland. In 1941 we sent a high commissioner to Newfoundland and opened legations in Brazil and Argentina. In 1942 ministers went to Russia, China and Chile. In 1944 we were represented in Peru and Mexico, and in 1945 in Cuba. During these years arrangements were made for diplomatic relations with the governments-in-exile.

Mentioned first in this list of war-time expansion are the other Dominions. High commissioners are charged with the transaction of many kinds of business on behalf of the government, attendance at conferences and at meeting of commonwealth and international committees, and representation of the Canadian government in consultation and negotiation with the government of the country to which they are accredited. Naturally, London is the chief centre of Canada's interest abroad, and the high commissioner there has an increasingly busy task. Many international conferences must be attended and reported; there is a constant demand for information about Canada; the reading room, stocked with Canadian newspapers and magazines, and the reference library, are heavily patronized. Nearly 50,000 persons called at Canada House in the course of last year.

Among foreign countries, Canada's most important diplomatic link is with the United States, where a temporary war mission established in 1918 was followed by the appointment in 1926 of a Canadian minister and the establishment of a Canadian legation. Ambassadorial rank was created in 1943.

Chances of misunderstandings between nations may be lessened by interchange of information about their people. Canada, in common with the other democracies, is eager to present a complete and undistorted picture of herself. It would be fatal to rely upon anything but a full and fair exposition and explanation of the policy and cultural life of the country, and if the information is to be effective for good it must be read, therefore it must be presented interestingly, and with broad appeal.

The overseas representative looks homeward for a steady supply of creative material. To meet this need there has been established the Information Division of the Department of External Affairs, which works in co-operation with the Canadian Information Service, the Canadian Broadcasting Corporation and the National Film Board.

On the other hand, it is important to distribute in Canada the information collected in other countries. It is essential, if Canadian industry is to develop well and with best possible speed, that our business men should have a clear idea of conditions prevailing elsewhere. Trade is largely based on friendship, which does not exist without understanding.

Right from the birth of Canada as a Dominion, there has been a search for foreign markets to absorb the products of farms and factories. It has become a truism by repeated emphasis that Canada's dependence upon external markets is pressing. Today more than ever there is sought a world environment in which trade will flourish on as free a basis as can be provided by public confidence. That other nations are of like mind with Canada is evidenced by international collaboration as at Bretton Woods, the International Trade Organization and other conferences. It is generally recognized that progressive industrialization and increasing incomes abroad help Canada's export trade, and this is why (besides for humanitarian reasons) Canada has been willing to advance large sums of money to help in re-establishing European countries.

Canada's Department of Trade and Commerce, in existence since 1892, was recently reorganized to cope with new situations and needs. We now have as fine technique and services for traders as any country, based upon the everyday practices and needs of persons engaged in export and import.

From the point of view of this Letter, the principal factors in developing trade are the trade commissioners, Canada's commercial representatives abroad. Since 1895, when the first full-time commercial agent was appointed, the service has expanded until now it covers the world. There are 90 trade commissioners and assistants in 40 offices in 34 countries.

Trade commissioners promote Canada's commerce by obtaining and forwarding inquiries for Canadian goods to Ottawa and to Canadian exporters; by reporting upon import requirements in their territories, the types of goods wanted, competition to be met, methods of packing and shipping, tariffs and trade regulations. They prepare periodic reports on trade, business and financial conditions, markets for particular commodities, and related subjects. The Department of Trade and Commerce weekly magazine "Foreign Trade", for which the subscription is \$1 a year in Canada, and \$3.50 for delivery outside Canada, gives much of this information.

Illustrations supplied by the Department of Trade and Commerce for this Letter make clearer than any description just how useful trade commissioners can be.

"The Canadian trade commissioner at Cairo intervened in the selection and appointment of a firm in Istanbul, Turkey, as representative of a number of Canadian firms. Orders for agricultural machinery (\$1,279,000) and steels (\$69,000) were definitely placed and letters of credit established, and it is anticipated that as soon as exchange can be allocated very considerable further orders will be placed.

"A newly-established firm in Newfoundland was assisted by the trade commissioner in obtaining supplies of work shirts and overalls from Canada, and after a visit to Canada an order to the value of \$15,000 was placed with Canadian firms.

"An enquiry was received by the office of the Canadian trade commissioner in London from the Crown Agents for the Colonies for a number of locomotives for the Nigerian railways. Assistance was provided to both Montreal and London offices of the Canadian contact and the Crown Agents in finalizing the details of the transaction.

"Considerable assistance was given by the office of the Canadian trade commissioner in London to a Canadian distributor of books and magazines, and it is estimated that orders placed in the United Kingdom for the first four months of 1946 amounted to \$200,000."

Although the corps of Canadian trade commissioners is constantly expanding in an effort to make this country and its products more widely known, it is desirable that commercial relations initially established by them between exporters and importers should be cemented by direct personal associations. The basis of trading policy is the enterprise of private business rather than government aid, direction or regulation. The exporter, in short, needs to back up the trade efforts of commissioners by giving prompt attention to correspondence, becoming familiar with foreign markets, considering with sympathy the peculiarities of other countries and their businesses, and delivering reliable goods efficiently.

It was remarked by R. G. Trotter in an article in the Canadian Historical Review of June 1945: "The maintenance of our national prosperity and security involves us, whether we like it or not, in a complicated international network." As has been shown, Canada has a home organization and representatives abroad to carry out the will of the people. The scope of their task is immense, because the world is undergoing changes which add a shifting character to a situation already complex enough.



## OPINIONS OF BRITISH BANKERS

Chairmen of the "Big Five" banking institutions touch upon nationalisation of industry, interest rates, and exports.

### ALL AGREE THAT ONLY WAY TO PROSPERITY IS BY PRODUCING GOODS

The following extracts give British bankers' opinions on important topics. The five largest British banks and their chairmen are: Barclays—Mr. Edwin Fisher (since deceased); Lloyds—Lord Balfour of Burleigh;

Midland—The Marquess of Linlithgow; National Provincial—Mr. Michael J. Cook; Westminster—The Hon. Rupert Evelyn Beckett.

### *Nationalisation of Industry*

Barclays "On the general question of nationalisation, the method of approach should be worthy of a subject of such vital importance. That it is in the interests of the Nation for any form of activity to be under the kind of control which will enable it to make the maximum contribution to the common good, is a view with which no reasonable person will disagree. Nor can it be doubted that the pursuit of nationalisation as an end in itself, without regard to other considerations, would be an invitation to disaster. It is, therefore, a matter to be approached from the strictly technical angle."

National Provincial "Politics apart, few would dispute the fact that the only practical justification of the nationalisation of a given industry is the creation of an organisation which will function more efficiently and to the greater public good than its pre-nationalisation constituent parts. Unfortunately this essential aspect is apt to be lost sight of . . ."

Westminster "The merits and demerits of nationalisation I shall not here discuss. But I do question the timeliness of so radical and far-reaching a change at this present juncture. Is this a time to dissolve old-established institutions and create new and untried ones 'under entirely new management'? Is all the responsible leadership, the accumulation of ripe experience and practice, to be lightly brushed aside and discarded, and replaced by an unfamiliar and untried bureaucracy?"

"The most ardent advocates of nationalisation assure us that it is a long-term process. Benefits cannot be expected to accrue except over the course of years. Our present-day problems are essentially short-term; we want tangible results in the shortest possible time. The wolf is not far from the door! We are far more concerned today with an extra ten million tons of coal in 1947 than in 1950; so if there is a choice between immediately stepping up production in any of our industries or waiting for more distant (and problematical) results under nationalisation, there is no doubt where the choice should lie."

### *Cheap Money*

Barclays "Low rates of interest have a special place in the scheme of things during the period of reconstruction. Cheapness, however, from the broad national standpoint is relative. Just as very high rates may have damaging consequences, so is it possible to force rates too low. It may well be that the limit has been reached beyond which a reduction would do more harm than good."

Lloyds "With a national debt of the present size a reasonably low interest rate is essential if the current burden is to be tolerable, and if the inflationary dangers of large budget deficits are to be avoided. At the same time, particularly when taxation on the modern scale is operating concurrently to reduce still further the return from savings, regard must be had to the effect on national habits of thrift. Individual saving has still a role to play as a source of capital for enterprise . . . on balance the reduction in rate has

gone as far as is consistent with the maintenance of that wholesome relation between spending and saving which, together with increased productivity, is vital to the restoration of our economic health."

National Provincial "Cheap money is not an unmixed blessing, although clearly attractive to a Treasury attempting to cope with approximately £24,000 million of debt. It carries in its train considerable hardship to those who live on the income from savings and the products of commendable thrift. It reacts unfavourably on life insurance and the benefits to be derived from pension funds. It discourages those with an incentive to save and encourages prodigality. It has the effect, in the investor's search for income, of inflating stock prices to figures which are often entirely out of proportion to asset values, and it creates paper

profits which are frequently as unjustified as they are unhealthy. It is, in fact, an additional tax levied upon a particular section of the community."

"We have succeeded in limiting the annual interest and management charges on our National Debt to about double the pre-war sum, an achievement highly gratifying to the tax-

## Essential Exports

"Satisfactory as the progress has been in 1946, we have still a long way to go to raise exports to 75 per cent above their pre-war volume which it is estimated will be required to put us on a long-term working basis . . . There is the imperative need to increase those shipments which will yield us dollar currency and so reduce our day-to-day dependence upon the American and Canadian credits, now so rapidly diminishing."

"Too great stress cannot be laid on the vital character of the struggle for exports in which this country is now engaged. Our very existence is at stake just as it was in the physical battle against Hitlerism . . . It is essential that our exports should be directed as far as possible to the 'hard' currency countries. This is, however, easier said than done. It takes two to make a bargain."

"The development of our export trade affords us some encouragement. From the low point, three years ago, when the volume of exports was about a third of the 1938 volume we

## Hard Work and Initiative

"Hard work there must be, but it will accomplish more if it is guided and inspired by a lively and unfettered spirit of enterprise aimed at imparting the highest efficiency to production and marketing, and to the provision of services . . . It is essential that all controls which constitute a restraint upon enterprise should be kept under constant review, for, however careful their administration may be, they are bound to cause a certain amount of delay, friction and loss of efficiency . . ."

"Recovery of our pre-war standard of living, to say nothing of its enhancement, is clearly attainable only through vastly increased production; we can no longer count on a rapid reinforcement of our population by natural increase; on the contrary, our working force is an ageing one. The problem before us is therefore how to organize our available resources for maximum productivity, and the duty of every one of us is to give the greatest output of productive work of which he is individually capable."

"Banking has an assured place in the country's economic structure . . . and I see no reason to suppose that the process of adaptation to the ever-changing needs of the public in their financial affairs will provide less opportunity in the future than in the past for the quality of enterprise embodied in the personnel of our well-trying banking system."

payer. But this moderation of the tax burden has been made possible by the unrelenting pursuit of cheap money, which is arbitrary and often inequitable in its effects . . . Cheap money involves a fine balance of conflicting interests, and we appear to have arrived at a point where particularly sound judgment is called for."

have steadily gone ahead until now we are running at a level of about 20 per cent above that of 1938. Even in a sellers' market, this may be accounted a creditable performance. It is the outcome, of course, of concentrating the national effort on overseas trade, at the continued expense of a long-suffering home market. It has been assisted by the drafting of considerable numbers of workers into the export industries, until now there are 50 per cent more workers so engaged than in June, 1939 . . . Half our imports are coming from America and Canada and only 14 per cent of our exports are going there. The remainder of our exports brings us only 'soft currencies' which we cannot use except in bilateral trade. The American and Canadian loans are helping us out for the time being, but Sir Stafford Cripps has reminded us that the dollars are being rapidly spent, and once these are exhausted we shall have at our disposal only those which we can earn. So our problem is not only to produce goods for export, but to see that when produced they go to the right markets."

"The tendency is to regard profits as almost immoral and, all too frequently, a desire to work provokes derision and hostility. Greater latitude is needed to encourage initiative."

Above all, it must be made quite clear to the country that, with increased school-leaving age and decreased pensionable age — both admirable in themselves — the tree is being simultaneously root-pruned and lopped, or, if you prefer it, the candle is being burned at both ends. The intervening stratum, which represents what is left of the working population, has to support, not only itself, but both ends. It is surely merely a matter of mathematics that, under these circumstances, more work, not less work, is necessary from every individual."

"The heart of all our problems is production. With shortages of modern machinery and equipment, we must rely ultimately on manpower. Production means taking off our coats, disregarding the clock, forgetting the immediate rewards, and slogging at our jobs. It is the hard way to our salvation, but there is no other."

"If, starting with the coal industry, all workers in all walks of life — directorates, managements and rank-and-file — will re-dedicate themselves to their daily tasks, working not in self-interest alone but in the true team spirit, the sooner will a greater and brighter day dawn for Britain."