

into the second period of its expansion a new situation will arise where inter-regional relationships are likely to show two contradictory features. First, they will have competitive aspects. All areas depend more or less directly on water resources for their future industrial growth. However, the region's potential of cheap power, although still abundant, is limited in quantity so that the additional amounts appropriated by one area will affect the character, and perhaps will limit, the further economic expansion of the others. Thus, conflicting interests are likely to develop amongst the various areas because they will be obliged to share the same scarce commodity. Second, inter-regional relations will also have complementary features. Only part of the power potential of the Columbia River System can be developed through a series of dams using the available at-site head because there is a great difference between summer and winter flows. The optimum development of the Basin will necessitate the construction of upstream storage facilities to provide downstream power and to keep costs low. Thus, joint action by upstream and downstream areas will in many cases be required to develop the power potential of the region economically.

This complex set of relationships is further complicated by the physical possibility of diverting flood waters from the Kootenay River into the Columbia through Canal Flats and from the Columbia River into the Fraser River System. Canada's right to make these diversions is guaranteed under the Boundary Waters Treaty of 1909.

## Article II

Article II of this Treaty deals with this problem in the following terms: "Each of the High Contracting Parties reserves to itself or to the several State Governments on the one side and the Dominion or Provincial Governments on the other as the case may be, subject to any treaty provisions now existing with respect thereto, the exclusive jurisdiction and control over the use and diversion, whether temporary or permanent, of all waters on its own side of the line which in their natural channels would flow across the boundary or into boundary waters". The article goes on to give to any parties on the other side of the boundary who may be injured as a result of a diversion the same rights to claim damages as if the injury had been sustained in the country making the diversion. The right to object to diversions resulting in material injury to navigation interests is embodied in the Treaty . . .

After discussing the historical background of Article II of the Treaty of 1909, Mr. Lesage went on to say:

Thus, our right to divert flood waters from the Kootenay and Columbia rivers is clearly established as a result of the position taken by the United States in 1909. Now that, in the main area of contention, Canada represents the upstream interests, we cannot be criticized for wanting to assert a right which was more or less imposed upon us in conditions that were then against our national interests.

However, the fact that those diversions are physically feasible and that we have the right to make them does not of itself necessarily mean that they will be initiated. Economic considerations will have to be taken into account in reaching a decision. That is why an investigation is now being made on the feasibility of the Kootenay and Columbia diversion projects. Results of these surveys are expected within a year.

We want to obtain precise data on the benefits to be derived from these diversions and on their cost, including, of course, the possible damages to downstream interests. Once we know the quantity and the cost of power which could thus be made available, it will be useful to compare those data with the cost of