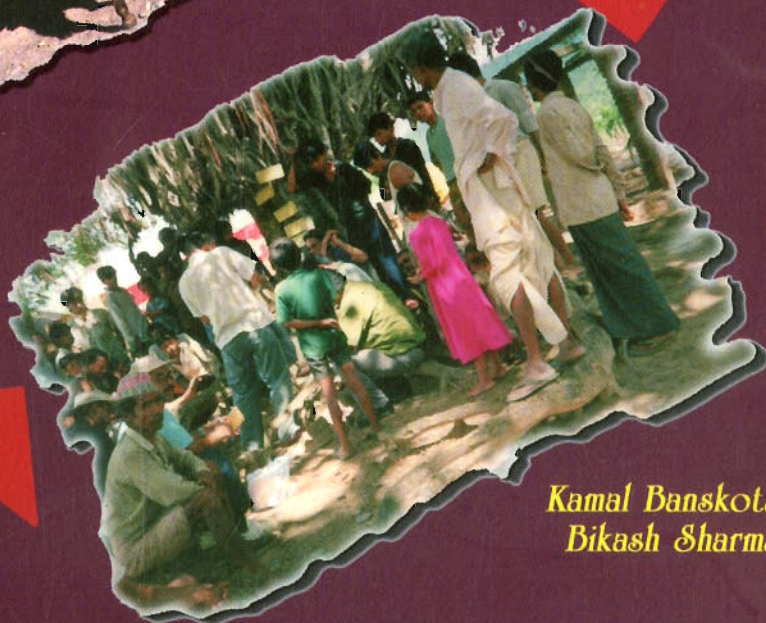


Traded Resource Flows from Highland to Lowland

Understanding Economic Linkages



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Bikash Sharma*

Traded Resource Flows from Highland to Lowland Understanding Economic Linkages

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Preface

The relative underdevelopment of mountain areas is caused, to a significant extent, by a lack of adequate investment and the absence of infrastructure to harness potentials and ensure reinvestment back into the mountains of resources generated by selective extraction of mountain niches (e.g., timber, hydropower, tourism, etc) used by downstream economies. The uncompensated or very partially compensated resource and product flows from the highlands to the lowlands are another key feature of economic links between the two. The consequent mismatch in the flow of funds to the highlands, resulting in insufficient investment in mountain areas, is another related issue. Policy-makers and planners rarely give attention to these problems. Instead mountain areas and communities are often treated as liabilities by the mainstream, and they become beneficiaries of welfare measures and subsidies rather than actors in their own development.

The trends alluded to above are likely to be accentuated during the rapid process of globalisation and liberalisation. Accordingly, market-driven processes (with little sensitivity to environmental and social concerns) may accentuate the uncompensated over-extraction of mountain resources. The same process, by marginalising the public sector and thereby reducing welfare activities, might also reduce resource flows to the highlands.

In the light of these emerging scenarios, it is necessary to look at the problems of highland - lowland economic links and promote equitable terms of trade between the highlands and lowlands. If mountain resources and products traded to the lowlands were to be priced realistically, the subsequent resources available for mountain areas might far exceed the funds currently provided to these areas on a 'charity or welfare' basis.

However, in order to convince policy-makers about the above issues, the first requirement is to undertake quantitative documentation of the issues involved. To facilitate this, ICIMOD's policy-programme project initiated work on this theme. The present study is focussed on Nepal. Addressing the above issues is part of the work undertaken by ICIMOD. As the study shows, lack of relevant data is a serious problem. Despite data limitations, the study is able to provide methodological leads and evidence about the nature of highland - lowland economic links in the case of Nepal. Hopefully, this will facilitate more intensive work in this field.

N.S. Jodha
Policy Analyst

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Abstract

Historically, highland-lowland linkages have been limited, although still important, for specific mountain areas. With increasing development activities in mountain areas, there are new opportunities for improving linkages with the lowlands. However, lack of meaningful investment and absence and/or inadequacy of infrastructure in the mountains prevent the establishment of economic linkages likely to bring about progressive change and profitable use and reinvestment in mountain resources. Such a trend is bound to accentuate over-extraction without proper compensation to the mountain people. The authors argue that realistic pricing and better infrastructure and marketing would boost investment in mountain areas. The study provides methodological leads about the nature of highland-lowland economic links in Nepal.

Prepared for ICIMOD's policy programme project, the study also addresses concerns of the Centre's programme on 'Poverty Reduction and Sustainable Livelihoods for Mountain Households.

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