

Introduction

Sri Lanka possesses an abundance of natural resources that enrich and sustain the lives of its people. Forest resources are one such resource. The forestry sector in Sri Lanka is comprised of natural forests, forest plantations, home gardens, other non-forest tree resources, wood and wood-based industries, non-wood forest products, and bio-energy sources (Weerawardena 2003). It is a sector which has tremendous growth potential for providing economic contributions to the country.

The wood-based manufacturing sector in Sri Lanka depends almost entirely on the local wood supply for raw materials. The sector is diverse, consisting of a variety of industries including saw milling, furniture, construction, parquet flooring, wood-based panel products, and carvings. Of the estimated 9,000 furniture and other wood product manufacturing facilities in Sri Lanka, only about 2 percent target export markets. In 2006, the sector had approximately 28,000 employees. Most mills are concentrated in the suburbs of Colombo, the Capitol (Sri Lanka EDB 2006).

The particleboard, fiberboard, and paper industries depend on imports to satisfy national demand. In 2001, domestic resources contributed about 61 percent of the national requirement of approximately 0.031 million tons of fiber for making paper with the balance supplied by imports (FAO 2002). There are two government-owned paper mills in the country; one has been reopened recently while the other is operating below its production capacity.

The main reason for fiber and paper product imports is inadequate technology in the mills to utilize domestic fiber resources. Many pine forest plantations were established with the expectation of utilizing them as fiber resources; however, the necessary technology to process pine fibers was found to be too expensive and the quality of the plantation wood was low.

Despite these drawbacks, both wood and paper industrial production in the country have shown a gradual increase over the past decade with the majority of production consumed domestically.

Wood product exports

Most wood product manufacturers in Sri Lanka serve domestic markets while very few target export markets. Wood product manufacturing companies are small-scale enterprises characterized by limited production capacity, significant waste, and outdated production technology. Another drawback that limits respondent company growth is inadequate production experience and lack of skilled labor.

Wood product exporting, however, is an emerging sector in Sri Lanka. Private sector investment and involvement is the primary reason for this expansion (Weerawardena 2003). Natural resource-based products, including wood products, are subject to royalties, duties, and cesses (a local levy on commodities or products for special purposes). In order to encourage foreign investment and exports, Sri Lanka has been adopting flexible taxes and policies. Although export policies have some inconsistencies, export products are exempted from duties or subjected to concessionary duty rates while start-up subsidies have been made available for new exporters (Sri Lanka Customs 2007, WTO 2004).

In addition, export promotional schemes have been introduced to help Sri Lanka's industries and overall economy become more export oriented (Sri Lanka Customs 2007). The Export Development Board even assists Sri Lankan exporters in finding foreign markets. In order to derive maximum benefits from these emerging global markets and opportunities, it is important to identify the current trade and development barriers that exist in Sri Lanka from the wood product exporters' perspective.

The study

According to the Export Development Board of Sri Lanka (2006), there were 60 wood product exporters in the country in 2006. An attempt was made to conduct face-to-face interviews with representatives from all of these companies in late 2007/early 2008. Of these 60 companies, 26 agreed to share information resulting in a response rate of 43.3 percent.

The objectives of the study were to discern:

1. The status of wood product exporting;
2. The perceived barriers for wood product exporting; and
3. Exporter perceptions toward forest certification.

On average, the companies interviewed had annual gross sales less than US\$ 5 million in 2007 with the majority (all but one respondent) exporting between 1 and 25 containers of wood products per year. Fifty percent of respondents had between 26 and 50 employees. A majority (60%) of respondents were relative newcomers to exporting, with 5 years or less in serving export markets. Only 8 percent of the companies had more than 20 years of experience in the export sector.

None of the respondents were entirely dependent on exports. They provide products primarily to the domestic market while a small percentage of their production is exported to international markets. Specifically, on