

# Strengthening Ties. Building On Similarities.



Sri Lanka and the Netherlands have strong ties, which may be due to our historical legacy or because of the similarities between the two countries. Sri Lanka, an emerging economy, is no longer a country that requires development assistance but is more of a partner in trade and investment. The mission headed by Simon Smits, Vice Minister for Foreign Trade in the Netherlands, visited Sri Lanka because the government of Netherlands had identified this fact and the opportunities for both countries were immense. The focus of the mission was on Health and Water, where the Netherlands could contribute through the Dutch Good Growth Fund to trade and investment so that the companies in both countries would benefit. Louis Piët, Ambassador of the Netherlands to Sri Lanka, Len de Jong, President and CEO of Enraf-Nonius and Marco Schouten, Director Business Development and Innovation of Vitens Evides joined Vice Minister Smits in discussing the benefits of strengthening ties and building on similarities.

By Udeshi Amarasinghe

Photography Mahesh Bandara and Indika De Silva

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**Sri Lanka and the Netherlands have a very strong historical relationship, where the influence of the Dutch is very much apparent in our landscape and society. If you can elaborate on that relationship between the Netherlands and Sri Lanka?**

**Smits:** This is my first visit to Sri Lanka. However, Sri Lanka has a large Dutch cultural heritage as a result of the Dutch presence here in the 17th and 18th Centuries. History is very much apparent in the coastal areas of Sri Lanka. We have visited the Port and there is much interest from the Dutch construction companies to contribute to this development. We will build on and strengthen the relationship between the two countries.

**Piét:** Heritage can be found in many places. There is the material heritage you can find in Fort and Dutch Hospital in Colombo, the Dutch Fort in Galle and other forts around the country. However, there is a lot of intangible heritage such as the Sinhala language where many Dutch words are used, legal system of Dutch Roman law, then street names and to a certain extent the Dutch Burgher community in Sri Lanka, who have been part of this society since the VOC (Dutch East India Company). This creates a bond between the two countries, which is very difficult to disrupt, but easy to build on.

**As the first high profile visit of a Dutch Minister to Sri Lanka in recent times, can you elaborate on the purpose of your visit?**

**Smits:** This is a familiarisation mission. Only a few companies are travelling with me and they are at the top of their league in water, health, agriculture and horticulture. In the Netherlands, the government came up with a new industrial policy a few years ago, where we asked businesses to identify their competitive edge globally. We put the businesses in the driving seat and asked them to identify what they are good at and then we will support them by bringing in new ideas, research and development and other areas that they require assistance. Through this process-very logically-nine sectors were identified, which included life sciences and health, water quality, quantity, flood protection, drinking water and other areas, agriculture, horticulture, renewable energy and high-end technology and design. All

these sectors are supported by the Government of Netherlands. This cooperation is not only between businesses and the government, but also involves scientific institutions and universities. There is a triangle of cooperation there. This triangle is supported by two pillars-innovation and international outlook.

Similar to Sri Lanka, the Netherlands is not a big country. We have a population of 17 million, slightly less than Sri Lanka. We have a small domestic market, which means that we have to look beyond, so that our companies can flourish as well as to ensure their survival.

### **Why is the Netherlands looking at Sri Lanka right now?**

**Smits:** Traditionally, Dutch companies especially SME companies have looked at a comfort zone of 500-600km around Amsterdam, which would be easily accessible by road or train. However, there are two aspects, which are very important; globalisation and an increasing value and production chain, spread across worldwide. Furthermore, the Euro Zone is not performing well and it will not show tremendous growth in the coming years. As such, it is important for our companies to look at other markets. That is not only focusing on the BRICs (Brazil, Russia, India and China), but also on countries such as Sri Lanka, which are similar in many ways-for instance in size, land mass, population and geographical location. Sri Lanka has an ambition to be the hub of South East Asia. We have the same ambition and are to a certain extent already a hub in Western Europe. These are similarities that we can build on, work together and learn from each other. We are not here to say we have done everything perfectly, because we have done many mistakes in the past. By sharing information, we can prevent Sri Lanka from making the same mistakes.

*“If We Look At The Hubs That Sri Lanka Wants To Develop And Translate Those To The Dutch Situation, You Will Find Many Similarities. The Netherlands Is The Gateway To Western Europe And Sri Lanka Wants To Be The Gateway To Asia.”*

One of the top sectors that is not represented in this mission is the transport and logistics sector. The Netherlands is quite big in transport and logistics, because we are the hub for many goods and services in Western Europe. If you look at the geographical location of Sri Lanka, there are many opportunities that the country can make use of. For instance, Sri Lanka is very well placed in the sub continent when one looks at the main routes that goods are transported in. This provides a wide range of possibilities, particularly in sea transport and also in air transport and as such, there is a greater distribution. This is another area that we can look into

together.

**Pi  t:** If we look at the hubs that Sri Lanka wants to develop and translate those to the Dutch situation, you will find many similarities. The Netherlands is the gateway to Western Europe and Sri Lanka wants to be the gateway to Asia. Sri Lanka wants to be a hub of commerce, this is something the Netherlands has done for centuries. Then if we look at the energy hub, we are the energy hub for Europe. We have natural gas, and we have a process called the 'roundabout' as the natural gas is fed in and fed out. With all these similarities, we can learn and support each other.

Sri Lanka is also focusing on becoming the knowledge hub for the region. The Netherlands has always been an international country. Dutch Universities are rapidly becoming more international. Sixty percent of our university courses are taught in English rather than in Dutch. In numbers it is more than 2,000 different courses that are taught in English. We are trying to attract more international students and Sri Lankan students are most welcome. Then, our research sector works mainly in English. We have courses focusing on water related subjects ranging from hydraulic engineering to anything to do with water. And then for agriculture, the agricultural university in Wageningen receives thousands of foreign students and many of them are Sri Lankan. There is actually an alumni association in Sri Lanka with 600 members.

**If we look at the current economic relationship between the two countries, what more can be done?**

**Smits:** The current trade balance between the two countries is about 200 million euros, which in itself may seem like a modest amount, if not for the fact that it is growing by ten percent every year. That is significant, but there are not many trade relations that grow with a double digit percentage. What is important at the moment is building on the new industrial policy where the Government of Netherlands has decided to assist SMEs financially, so that Dutch companies as well as companies in emerging markets like Sri Lanka will benefit. We will make available a fund, the Dutch Good Growth Fund of 700 million euros, which is open for Sri Lanka and Sri Lankan companies, and will provide facilities such as export credit, and financing for setting up your own venture, specifically but not exclusively focused on SME development. There is a great possibility to increase trade and bilateral investment by utilising this fund.

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**The focus of this mission is on health and water, can you explain as to what is expected from each sector?**

**de Jong:** I am the President and CEO of Enraf Nonius. I am also an advisor to the Dutch Government, a member of the top sector of Life Sciences and Health and responsible for the international agenda. In Holland, not only do we have a very strong infrastructure in health care and cure, but also in innovation as well. There are many opportunities in health institutes and companies where the two countries can work together. This will be of benefit for Sri Lanka and also for the Netherlands. We are seeing in Sri Lanka a greater prevalence of Western diseases such as obesity and diabetes. This is something we can fight together.

We are currently building the district hospitals of Hambantota and Nuwara Eliya. We are in discussion with the Ministry of Health on further plans for the development of medical facilities. In Hambantota, we are building a 800 bed hospital with nine storeys and it will be a general hospital providing medical services in a broad way. It is being built with the view of the future of Hambantota, as it will be a growing city. The hospital is rather big for the present population in Hambantota, but looking at the future it will serve a larger population that is going to live there.

In Nuwara Eliya, the project is more of a replacement of the existing hospital. We are currently breaking down parts of the old hospital and rebuilding. This will continue where in the end there will be a completely new 600 bed hospital.

In these projects we are making use of Sri Lankan companies, such as architects, engineers and construction companies to perform the work. In terms of importing the equipment, we are specifying the type of equipment required with the Ministry of Health. We will import the equipment and install and again we will work together with companies in Sri Lanka, which will include training to do the maintenance of these equipment in the future.

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Hospital With Nine Storeys And It Will Be A General Hospital Providing Medical Services In A Broad Way.

**Schouten:** I am with Vitens Evides as Director, Business Development and Innovation. We are a drinking water company from the Netherlands. Our company is relatively big. We have a turnover of around one billion euro annually and we provide water to about eight million Hollanders. Since 2005, the company has decided to unlock our expertise, experience and resources to help utilities abroad. We are already working in 20 countries including Bangladesh, Vietnam and across Africa. We focus on providing assistance to reduce leakages, reduce costs and increase revenues, improve customer satisfaction and increase coverage. We provide very result based and result oriented interventions. The reason as to why I have joined this mission, is to explore whether such actions are possible in Sri Lanka. This is really a familiarisation mission for me.

There has been great progress in Sri Lanka. To build a partnership, we have to first get to know each other. That is the same in this instance as well. I have observed that the level of leakages are relatively high, 50 percent of the water that is being pumped from the ground is lost somewhere. Efficiency has to be improved and the fact that safe drinking water is priceless should be kept in mind. Therefore, all measures should be taken to minimise wastage.

**Pi  t:** There is another Dutch company, which is working on water supply contracts in terms of national water supply and drainage work in rural areas in Sri Lanka.

### **Investment in Sri Lanka?**

**de Jong:** We have a platform in the Netherlands for medical companies, which is a non profit foundation where we combine our knowledge together. This includes SMEs, bigger companies, knowledge institutes and NGOs who work together to bring solutions to medical problems in the country. In the same manner in Sri Lanka we will work together with the Ministry of Health or private companies to find solutions for the issues that may arise in this sector.

**Smits:** If we look at the Dutch companies that are already in Sri Lanka, there is a company that is very active in horticulture. They directly employ about 500 people locally and indirectly about 2,000 families. They are professionals in substrates such

as plant breeding based on coconut fibre. One of the reasons that we are here on this mission is that this company won a very prestigious prize-the Ambassadors' Award where the company was selected for being innovative and for putting into practice corporate social responsibility.

Horticulture is really something that offers great potential for Sri Lanka. Sri Lanka is a very fertile country with a favourable climate. There are many possibilities to move up in the value chain, in other words not just to export raw materials but also to do the processing so that you can get higher prices, generate more employment and local content. The Dutch companies are very conscious about the necessity of vocational training and employment as the local community is very much part and parcel of Dutch companies. What is also characteristic of Dutch companies is that they are not in for the quick win. There is always a case of mutual respect, long term commitment, and that is the basis for a stable relationship.

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The Netherlands Government has also formed a risk reduction team, where we provide advice free of charge on the request of the government of each country by a team of experts. For instance, if they want a plan to prevent salt intrusions, salination of ground water and address problems with flooding in vulnerable areas, this team can fly in at relatively short notice and provide advice on what should be done. Subsequently we can involve experts from both sides. This is something that has proven to be successful in other countries. I was in Punjab, Pakistan recently where they had issues with flooding and this team is with them now to provide the required assistance.

**Pi  t:** We are having discussions with the Ministry of Health and Ministry of Water Supply to discuss the opportunities, subsequent to which sector-wise plans will be made. The company of Mr de Jong is already involved in hospital building, but he is also supplying equipment particularly in physiotherapy. Then companies such as Philips is supplying MRI scanners and other high-tech equipment that you find in hospitals. Then another Dutch company is completely revamping the blood bank system in Sri Lanka. There are many projects that are already going on. Based on

these reports we feel there is much more to be done and to be discovered through the discussions we are going to have between the two sides.

**What is the significance of the Ambassadors' Award?**

**Pi  t:** It is a prize that is presented bi-annually on the recommendation of all the ambassadors around the world. They nominate one or more companies that they think fulfills the criteria of the prize. The candidates are processed by a committee in the Netherlands, which includes the Vice Minister, Rabobank and representative of the association of SME in the Netherlands. The committee does the pre-selection, another round of selection and the final selection. The Minister of Foreign Trade and Development Cooperation selects the winner from the top three.

Growrite which is a subsidiary of a Dutch company, van der Knapp Groep is based in Wariyapola, Kurunegala. They basically collect coconut husks and chop them into small parts, wash them, dry them and press them to produce a substrate material. This is exported to Japan, the Netherlands and Europe for the purpose of growing plants and vegetables. This is a very big business. They collect about 30 percent of coconuts in Sri Lanka. It has a very strong local grouping with about 500 employees directly and indirectly about 2,000 families. They have their own schools and training centres where they teach English and computer skills. They realise that if their staff are not satisfied, their company will not flourish.

**Sri Lanka is a rapidly developing market. Can you tell us about the perception of Sri Lanka in the Netherlands?**

**Smits:** We have to be honest about this-in the past Sri Lanka was known for the internal strife and struggle. There was an outlook of a very troubled country and there was only a small amount of tourism from the Netherlands, mainly in the South. That of course has changed over time and the prospects are bright for tourism and businesses now.

The Government of Netherlands stopped the provision of aid in 2005 and made a strategic change from aid to trade, as we are convinced that trade and investment is the best way for development. And it is a good thing that Sri Lanka is not in the category for development assistance. There is a popular metaphor, which says if you want to develop you should give people tools-for instance a fishing rod for them

to fish-because that will give them a sustainable way of living. That is very much in the heart of this mission and the Dutch Growth Good Fund.

**Piét:** I have been in Sri Lanka as the Ambassador for three years, but I was in Sri Lanka in the early 1980s as well. It was my first assignment and that was the reason why I wanted to come back. I lived in nine different countries as a diplomat and there is no single country where you find such strong bonds between two countries. That may sound strange, because we are about 15,000km away from each other. But if you look at the amount of people that are regularly visiting Sri Lanka from the Netherlands, the amount of projects and NGOs that are run from Netherlands or cooperation between foundations in the two countries, it is amazing. I have a colleague in the Dutch Ministry of Foreign Affairs who has visited Sri Lanka more than 20 times, because she loves the country. There is some kind of magic across the sea that bonds the two countries together.

#### **What is the outcome that you expect from this visit?**

**Smits:** First of all we will expect more missions to come to Sri Lanka and hopefully Sri Lankan missions will come to the Netherlands to get better acquainted with each others possibilities. I also expect from the fund that was launched on July 1 that there will be more investments and economic activities coming through Sri Lanka by companies, specifically SME companies.

“The Bilateral Economic Ties In Trade And Investment Could And Should Be Strengthened And I Hope This First Mission Will Prove To Be An Important First Step.”

**de Jong:** For the life sciences and health sector, there is much to be done in Sri Lanka not only in the public sector, but also in the private sector. Holland is famous for its public-private cooperation. This could be very good for Sri Lanka to develop the health industry and also to setup local companies who can produce medical equipment.

**Schouten:** It is important to find out where the demand is and the articulation of what the Sri Lankans require us to do. Where can we provide the added value? Once we know the requirement, we will definitely come back again.

**Pi  t:** One of the major concerns of the country is the water quality. Sri Lanka is affected by the chronic kidney disease where many people are suffering. Another issue is the distribution of water, where some people are drowning in the southwest while at the same time in the northeast people do not have enough water. Their harvest is being spoilt and they are eating the paddy seeds, which are for planting in the next season. Distribution is an issue. Ground water is a problem, because sometimes it depletes very fast and the holes have to be drilled farther and farther every day. One company in the mission-Eijkelkamp-are in discussion with the Ministry of Irrigation and Water Resources to setup a monitoring system for groundwater quality and quantity, which can provide useful data for irrigation and water supply, industrial resources and also recharging of water.

King Parakramabahu said that not a single drop of water should flow to the ocean without being used by man. In reality, there is a large amount of water that flows to the ocean without ever being used by man. This company has a system for recharging water back into the ground and to be stored as ground water to be used again. These technologies can be of great use to Sri Lanka. We will hopefully make concrete steps for more cooperation in the future.

### **Final thought?**

**Smits:** I hope this will be a beginning of a new era in the bilateral relationship of both countries. The bilateral economic ties in trade and investment could and should be strengthened and I hope this first mission will prove to be an important first step.



