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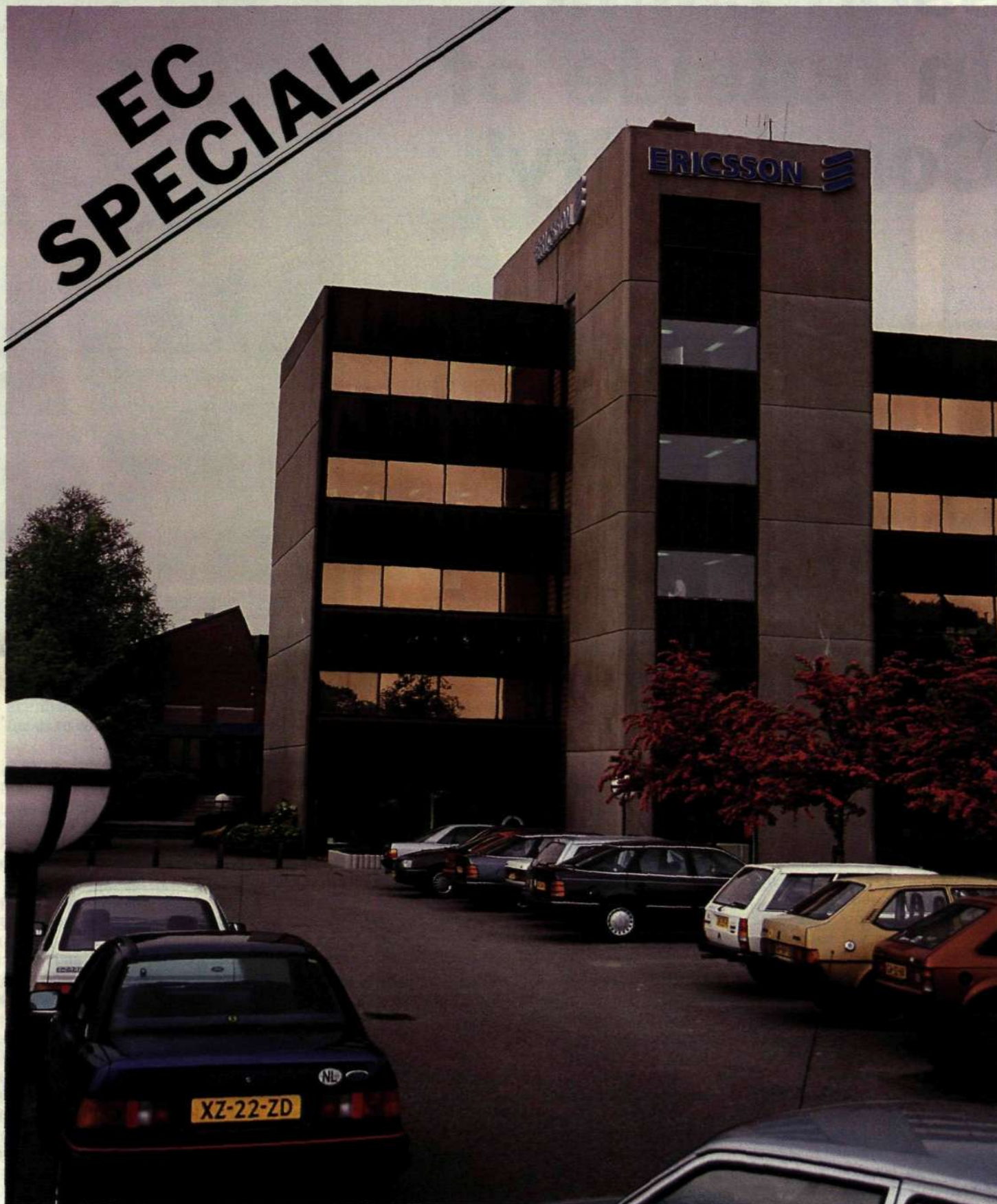
M A N A G E M E N T

EC SPECIAL

PUBLICATION FOR ERICSSON MANAGERS WORLDWIDE

1990

EC
SPECIAL



Ericsson Telecommunicatie in Rijen, Holland, is an example of Ericsson's presence in the EC. The company is represented in the 12 member countries, where more than 20,000 of its employees are working.

Read their views on the EC issue. From top to bottom, Ivo Dubois, Björn Svedberg, Magnus Lemmel and Ulf Dinkelspiel.

Ericsson and the EC

The debate on Sweden and the EC has sprung up again. How should Sweden deal with the EC issue? Is an EFTA-EC accord enough to maintain the strength of Swedish competitiveness or is full Swedish membership a necessity?

For the Ericsson group, the EC issue is certainly of major significance. Regardless of whether Sweden becomes a member or not, Ericsson nevertheless will continue to have extensive presence in the EC, as it has had for decades now. In other words, the company is, as such, already a "member" of the

Community. That position will be reinforced even more through new investments in Europe.

A current example is the new research center that Ericsson is building in Aachen, West Germany. Five-hundred specialists will be working there with development of European telecommunications technology of the future.

This publication portrays Ericsson's involvement in the EC. It also presents some well-informed views on Sweden's and Ericsson's role in the Europe of the future.

'Sweden and Ericsson cannot remain outside of the Community'

Sweden must come very, very near to the EC so that Ericsson can be assured of no discrimination against it in the EC markets, says Chairman of the Board Björn Svedberg. He also notes that "it will not surprise me if Sweden, at some later point, must move toward becoming a member."

Ericsson has earned a reputation among foreign analysts who say that "the company was politically European long before 1992 became a by-

word." How did that come about?

That's a long story and we must look back to the beginning of the century. When Sweden became too small for the company at the beginning of the 1900s, the large European markets, to a great extent, were barred by strong national telecommunications companies, often in close cooperation with tele administrations. We, like many other Swedish manufacturers, went instead to Latin America and Southeast Asia and built strong market positions there. As late as when I took over in 1977, as much as one-third of our turnover was in Latin America.

But later, in the 1900s, we continued to pursue Europe and succeeded in penetrating certain markets, among them Italy, Holland, Spain, the Nordic countries, naturally, and France, where, however, we were out again in 1976 when the government nationalized large sections of the telecommunications industry.

But the major push came first in the 1980s. What was the background to this?

At the beginning of the 1980s, we saw very clearly that the U.S. and Europe would be the two dominant market areas for modern telecommunications technology, aware of the economic strength of these markets. Not least in working with information systems, we understood how revolutionary new technology and customer needs should evolve. And demand, in the first place, was to be found in the countries where the so-called information society was on the way, that is,

nations with more advanced clients like companies and with large traffic needs, for example, computers.

After a lot of marketing strategy, breakthroughs came bit by bit, such as in England and France. Today, we have 40 percent of our turnover in the EC and 25 percent of our employees. The breakthrough in the U.S. in the last half year is a parallel with the same background.

The 1980s have been a significantly better decade for the telecommunications branch in Europe than what was thought at the beginning of the decade. How do you see the 1990s shaping up?

If we overcome the large crises that affect the economy, it looks promising. In all certainty, we can expect a general cooling in the global economy in the coming years, but I don't think that it will be particularly damaging. Later, we have two major forces that should provide good growth. In the first half of the '90s, we have the ISDN services. That will provide increased traffic in tele networks, which will have to be expanded with switches, transmission equipment and terminals. The same applies to broadband networks, which will increase demand for us during the second half of the '90s. More information will be relayed, more capacity and equipment will be needed. Add to this mobile telephony, which, with its follow-up development of totally personal communications in the form of the personal telephone, is in the making. We must also reckon with the demand effects of restructuring on the customer side. Demonopolization and deregulation have only just begun. During the '90s, the new and old operators will successively find their new roles. Many players in the market will increase the market. The '90s will be a very hectic and inter-

esting period for us, points out Björn Svedberg.

This is a development that the EC Commission foresees. The Commission is striving for an EC policy in the telecommunications area. What effect will this have on Ericsson in the '90s?

The Commission's basic aim is to open up the markets for competition and to remove the barriers and commercial hindrances. That's good for us. We have the competitive strength and we want to penetrate more EC markets. We are already seeing that the EC's aim of a single internal market is creating demand.

But there is an element of discrimination in EC telecommunications politics - they are proposing, among other things, that a bid should guarantee that at least 50 percent of equipment should be manufactured in the EC. How great is the risk that this could mean discrimination against Ericsson, for example?

The new rules are also intended to strengthen EC industry, but I do not think that it will result in a "Fortress Europe" and, despite everything, I feel the risks are quite small. Neither are we in favor of having our headquarters outside, and neither do our large American competitors. There are also significant forces that militate for free global trade. But it is obvious - should there be a severe economic depression, protectionism can flare up very easily. The EC consists of a group of nations and in difficult times they will need to protect domestic industry.

What can Ericsson do to ensure entry into EC markets?

We must see to it that we are solidly anchored in the EC with production and plants, good market shares, research and development and other important company functions. But we should never



Even in the future Ericsson will be a Sweden-based company. 'We will not 'flee' to the EC for the simple reason that we are already well-established there,' says Chairman of the Board Björn Svedberg. 'On the other hand, it is very important for us to continue to invest in the EC'.

lose sight of the fact that we shall always have a large part of technological development in Sweden with many Swedish engineers and technicians. That's why it is vitally important that Sweden and Ericsson not be discriminated against. We must be able to work freely across borders in the EC, travel without hindrance, pursue markets, ship equipment etc. in a manner that does not diminish our competitive strength.

Do you think Sweden's and EFTA's negotiations with the EC can guarantee that? Surely, that can only be achieved through a free trade agreement.

As far as I can interpret the state of the negotiations, the political realities have only just gotten moving. I can understand the manner in which the government is dealing with the EC issue just now and its objective is similar to ours, that is no discrimination against Swedish companies in the EC. But the question is can one fully achieve this goal in that way.

What is Ericsson's view? And what are your personal views?

It goes without saying that Sweden must come very, very near to the EC for us to benefit from the evolution of the EC markets in the '90s. I will venture to say that I have certain doubts that we can acquire all that we seek in parity without becoming a member. I would not be surprised if at some later point Sweden has to move toward becoming a full member.

In recent times, Swedish companies' investments have reached such a scope that some people are talking about "flight to the EC." Is Ericsson also going to shift more of its production and investments to EC countries?



'We must be able to work freely across EC borders in a manner that does not diminish our competitive strength.'

No. We will not "flee" to the EC for the simple reason that we are already well established there. On the other hand, it is very important that we continue to invest in the EC and act as an EC company in the markets where we are established. Our Italian company is Italian and shall act as good and loyal local "citizens." That also means that they follow EC laws and regulations. It is a major advantage that we, in practice, also are EC citizens through our many affiliates. The framing of the question is important, since there is often an artificial contradiction between Swedish companies' commitments and their investments in the EC or overseas. The lifeline of the entire Ericsson group - and, as such, the Swedish sections too - is built on the premise that we are in the EC, among other places, and that we can expand there as much as we choose to. We can survive only as long as we can satisfy our customers! And these there are to a wide extent in the EC.

It is equally important that we be part of the restructuring of the EC markets during the '90s. This means increased competition and with it even larger volumes so that we can sustain investments in research and development. Volume quest is very evident in all of European industry just now and it hints at constant rationalization and concentration on larger and fewer factories that specialize in longer series of different components and products.

We must participate in this development, and there again we could be discriminated against with different trade and competition hindrances for people, capital, goods and services. These are the EC's four freedoms and I am convinced that sooner or later the Community will achieve them in a free and open internal market. We simply cannot remain outside of these four freedoms, both for reasons of economics and humanity.



Italy

Total number of employees: 9,500
R&D: 1,060
Manufacturing: 2,350
Number of plants: 6
Net sales: MSEK 5,255

Subsidiaries

SETEMER S.p.a.: Holding company.

FATME S.p.a.: Development, manufacture and sales of telecommunications equipment; manufacture and sales of private business communications equipment.

SIELTE S.p.a.: Network engineering and construction.

TEL-CA-Telecomunicazioni Calabrese S.p.a.: Regional Network engineering and construction.

EL.TE. Siciliana S.p.a.: Regional Network engineering and construction.

Nuova Telet Elettronica e Telecomunicazioni S.p.a.: Regional Network engineering and construction.

Celte S.p.a.: Regional Network engineering and construction.

Ericsson-Sielte International S.p.a.: Network engineering and construction in export markets.

FIAR (Fabbrica Italiana Apparecchiature Radioelettriche) S.p.a.: Development, manufacture and sales of defense electronics, artificial intelligence systems and industrial robotics.

SIAP S.p.a.: Development, manufacture and sales of air traffic control equipment.

Inelco S.p.a.: Development, manufacture and sales of alarm and security equipment.

Sielte Padana - Elettronica e Telecomunicazioni S.p.a.: Installation company.

Centro Elaborazioni e studi Informatici S.p.a.: Software company.

Ericsson Components S.r.l.: Sales of electronic components.

Unical S.p.a.: Telecommunications.

Swedish companies can have foreign owners

Volvo, SAS and Ericsson in hand with foreign owners? Yes. Should someone want to buy up a company, soon the Swedish government can no longer protect it. Until now, the Swedish law on acquisitions could prevent buying up with its clause on "vital national interests." But if Sweden wants to be part of an EES agreement that will open the EC market to us, then the EC rules on competition must apply. So says the EC Commission's official responsible for competition, Sir Leon Brittan, on his latest visit to Stockholm. These rules stipulate that all companies shall be treated equally regardless of nationality.

Which way will Sweden

The government and the Social Democrats are without perspective in the Europe issue and are now trying a new Indian rope trick: membership without membership in the EC. But this is an impossibility. Instead, Sweden risks being a border state. So says the leader of the Moderate Party, Carl Bildt, who sees membership in the EC as the best route for Sweden's participation in the integration of Europe.

You have long criticized the government's Europe politics. What is it that you are so unhappy about?

We Moderates have criticized the Social Democrats' Europe politics for many years. The Socialist government already made a decisive blunder at the beginning of the '70s when they did not dare to seek membership, although Sweden had an open application going back to 1967. Olof Palme dismissed the application for membership then by saying that it was incompatible with neutrality. In point of fact, it was a decision of internal politics. He was under pressure from the Social Democrats' district congresses to say no.

But still the free trade agreement is going quite well. Or is it?

Yes, it is. But thanks to the fact that the EC's own development has gone differently. The Community expanded with new member states. Breadth, rather than depth, became the overriding theme, and then there was the impending economic crisis in Europe during the '70s.

What do you think accounts for that?

I think the Social Democrats are without perspective in Europe politics; they are short-sighted. They do not dare to take on power and they have no feelers out. The reason, in great part, is that the Social Democrats over 20 years have prioritized the Third World in its international commitment while European contacts were low on the ladder. Now, they are giving Europe priority, but it has taken time. Added to this, there is still a sort of superiority myth in the party, a feeling that there is no need to listen or learn so much from the EC countries.

And you Moderates, what Europe politics do you have?

We are a Europe party in Swedish politics and have been so ever since the begin-

'If Sweden does not seek full membership, we will be second-class citizens in the EC'

ning of the 1960s. We have a clear and definitive line that is for membership.

Now, membership will not be possible for a few years yet. The EC itself does not want to accept new members before 1993. The opposition here at home has also approved the government's line of negotiations. What do you think are the possibilities of acceptable solutions for Sweden?

The government will not achieve its goal of a complete agreement this year. It also blew the opportunity for a customs union. There was a possibility of having this as a base for negotiations but EFTA dallied too long in discussions last winter and the agreement fell through in March. Why is a customs union so important?

There is a significant quality difference between a customs union and an expanded free trade area, which is what it comes down to now. Without a customs union one cannot remove all the border hindrances. With a customs union, we can also obtain legal and institutional solutions other than what we have at present. We now run the risk of being completely outside of EC institutions and their decisions. Quite simply, a customs union would have brought us closer within the EC's legal and institutional system.

In other words, you do not think that Sweden and the other EFTA members will have particularly major influence?

No. We will be at the mercy of decisions in which we played no part and with which we do not agree. That's the difference between being a member and not being a member; and the EC will never digress from that principle. The decision-making process that is now in effect virtually makes us second-class citizens in the EC. We very easily forget that nine out of ten in Western Europe are EC citizens. The tenth is in EFTA. Do you think that the nine are prepared to hand over decision-making to the tenth, who says that he does not want to be with them?

This does not prevent the EC from exerting itself for an agreement that seems plausible. But in practice it is a question of whether we can be part of the decisions that have already been made. We have an influence shortfall in the European integration process.

If we were to have a liberal-conservative government shortly, would things change then?

Today, no government can change what has already been done. We must accept what the EC can provide us in the coming years. But I cannot and will not see an EES agreement as other than a way station, a half-way measure. Hopefully, it will be a meaningful step; but it is impossible as a definitive solution to Sweden's relationship with the EC. That's why it is imperative to begin planning the next step. I think the major and crucial Europe debate on membership will begin soon.

Belgium

Number of employees: 205
Net sales: MSEK 417

Subsidiaries

Ericsson Business Communications NV/SA: Sales of private business communications equipment, mobile telephones and pocket paging equipment.

NV Nira Communication Systems: Sales of pocket paging equipment.



Lowest bid gets the business

Swedish companies should be able to avoid the Damocles' sword that EC dumping regulations impose. Today, EC companies can charge their competitors with dumping, if they sell at prices EC companies cannot maintain, because of lower productivity, for example.

On several occasions this effective brake on all pricing competition has hit Swedish companies which had to choose between paying penalties or settling

for prices determined by the EC. Should the EC market extend also to EFTA, this would mean better conditions for Swedish companies. They would no longer be discriminated on this point and they could sell for how cheap they wish.

But there is a price to be paid. In exchange, the Commission gets the right—precisely as with EC companies now—to carry out raids, searches and seizures when it looks for evidence of illegal cartels.

choose in the EC issue?

Sweden's and EFTA's negotiations with the EC are some of the most important dealings in which Sweden has been involved, says Foreign Trade Minister Anita Gradin, who is responsible in the government for European integration. Sweden will be able to enjoy all of the EC's four freedoms, free movement for goods, services, capital and people, with few exceptions, she says.

How important are the negotiations now in progress between Sweden/EFTA and the EC?

They are some of the most important negotiations that involve Sweden in recent times. We are striving for a large economic area of cooperation in Europe, called EES (European Economic Space), consisting of 18 countries. The objective is that integration work in West Europe should lead to the same advantages and benefits for citizens, institutions and companies in Sweden as it does in EC member countries. Together with the EC and other EFTA countries, we would like to have a free market where goods, services, capital and people can move freely over borders and where we Swedes will not be discriminated against in relation to EC citizens and EC companies in the Community.

Is that really possible? The EC has been in existence for 30 years and has built up its own extensive legislation.

The government has commissioned a broad analysis of and comparison between EC laws and regulations and those of Sweden. Already, it reveals a large common origin in many cases and that we, with a few small changes, can qualify further. But there is no question that we will have to seek exceptions and varying provisions in several areas, for example, protection in health and the environment, so that we can maintain our high standards. We must also negotiate special solutions for movement of people. In addition, agricultural and fishing policies are no more than peripheral in the negotiations.

Sweden is currently chairman in EFTA for the first half of the year. Thus, you have responsibility for initiating and carrying through negotiations. How will they go?

In effect, they are already on the way. Since almost a year now, we have had cooperation groups between EFTA and EC where members have drawn up proposals and contents for coming negotiations. I think these groups, which cover the four freedoms, legal and institutional issues, as well as subjects like research and education, will have continued responsibility for detailed negotiations. The special "high-level steering committee" may perhaps be replaced by a "high-level negotiating committee." These groups are proceeding with their soundings while we wait for the EC Commission to present a proposal for a formal negotiating mandate within the EC ministerial council.

When will the real negotiations begin?

We are already in negotiations. The actual sessions will begin during this half of the year.

When will they be completed?

We are hoping that the majority of them and the most important ones will be completed by next winter. Natural-

'The EES agreement will give both Swedes and other Europeans greater welfare.'

ly, there is a lot of detail work that follows. But the goal is that the agreement, or agreements, could be in effect by the end of 1992-93, parallel with the realization of the EC's internal market.

Why isn't Sweden seeking membership? Is it possible to be neutral within the EC—look at Ireland!

The government has made it clear that membership is not part of the current negotiations. We ourselves determine Swedish neutrality. It has existed for almost a century and a half and has been unchanged during historic upheavals in Europe far greater than what European integration involves, including two world wars. The neutral nations play a constructive role in the political evolution process that Europe is going through with, among other things, the changes in the East Bloc states.

If tensions in Europe and the world are relaxed to such a point that war is unthinkable, can we shed neutrality and join the EC?

That depends on what Europe looks like. What has happened so far is too little to affect security policies. If in the future we have a Europe that is not bound to alliances, there will be an opening for discussions on our neutrality policies.

Can you briefly describe what the effects will be for Sweden if and when we achieve an EES agreement?

Above all there are two. The first is that we will prevent new walls from being erected between countries that hinder free movement for goods, services, capital and people. That's an important aspect. The risk for protectionism and other barriers is always there. The second is the hope that the four freedoms and cooperation in research and education will give us better competitiveness and higher growth through a more effective job distribution in Europe. In brief, better welfare for both Swedes and other Europeans. Thanks to higher growth and closer European cooperation, we can also combat, for example, the environmental problems, which now know no geographic boundaries. We will be able to ensure our freedom, well-being and democracy by making war something unthinkable among the peoples of Europe.

West Germany

Number of employees: 190
Net sales: MSEK 206

Subsidiaries

Ericsson Business Communications GMBH: Sales of private business communications equipment.

DPSA GmbH: Marketing support of products manufactured by Ericsson Paging Systems BV, the Netherlands.

Ericsson Components GmbH: Sales of electronic components.

Ericsson Telecom GmbH:

Affiliate office: Nira Deutschland, Zweigniederlassung der Nira International. Sales of pocket paging equipment.

Ericsson Paging Systems, Zweigniederlassung Deutschland: Sales of pocket paging equipment.



21 rules in effect

EC officials have wrangled and battled with reluctant member states to come up with 60 percent of its white book program—that is the 289 rules that must be common before one can talk about a common market. As soon as the ministers leave Brussels and head home, however, they seem to forget that the rules must be incorporated into the national legislation also. Today, about half of the 158 concluded regulations should be in force in all 12 member states. Overall, only 21 are in effect. Italy distinguishes itself as the country that readily votes yes to everything but that is the worst at following the regulations.

'The young are the support troops of the EC advocates'

The "back-packing" generation will be the Industriforbundet's (Federation of Swedish Industries) support troops regarding opinions, when at some point in the 1990s Sweden chooses to seek membership in the EC. For membership is what industry wants in the long run, says Magnus Lemmel, president of the Industriforbundet and former head of marketing with the corporate division at Ericsson.

Industry has, with some resignation, accepted the government's line of integration work in Europe. Does this mean that you have abandoned the desire for membership?

Absolutely not, and let me explain further. We must be realistic. In the short perspective, up to January 1, 1993, when the EC's internal market comes into being, there are in general no assumptions as yet for discussing membership with the EC. The Community does not wish to have any new members during this period. That's why we accept the government's goal just now of trying to get an EES agreement which is as extensive as possible.

As for the longer perspective, we must make an analysis of what it is possible to achieve through the EES agreement. We have concluded that this is not enough. We must as soon as possible after 1992 submit an application for membership.

In other words, industry, in principle, favors membership?

Yes. Our conviction is that at some time between 1995 and the year 2000 negotiations on membership should take place.

How did you come to the conclusion that membership is necessary?

We think that the EES agreement really brings us a little bit on the way, but not all the way to non-discrimination against Swedes and Swedish companies in Europe. We must have parity with

our competitors in the EC if Swedish well-being is to be maintained and developed. A number of areas are not even included in the current negotiations. For example, we will continue to have customs inspection at borders and regulations on point of origin. Agricultural trade is not included and that raises a question of regional politics. It is also abundantly clear that there will be no customs union.

Is a customs union really important for Swedish integration?

No. It is obvious that EC countries will protect their independent decisions. We will not be a part of their decision-making process. We can be immensely influential in the preparations toward decisions, and that's not bad at all. But we cannot sit with them when they make decisions. Then there is always the risk that we in EFTA can have difficulties in being united. This can lead to development at a different pace, where the EC develops more rapidly than EFTA. Thus, the span between formulating conclusions in Europe threatens to grow, as well as the risks for discrimination.

And I would like to present a more philosophical reason, which is essential. In Sweden, a highly developed industrial nation, with a highly developed democracy that very strongly permeates the entire spectrum of society, should we really not be there as equals taking part in the decisions as Europe determines its future? For me, that is unthinkable.

You have been a diplomat for a long time—do you



To a large extent, the EC issue is a generational one. Magnus Lemmel, head of the Federation of Swedish Industries, says. The young are living in

see the politics of neutrality as an obstacle to membership?

There is a measure of presumption when we speak about the limiting effects of neutrality politics in this context. The question of neutrality will be less significant as developments in East Europe rapidly unfold. Instead, I think the question of sovereignty will come to the fore.

What do you mean?

Well, the question is — who decides about Swedish development? Are we prepared to give up our right to self-determination to determine a larger part of Europe's future, or will we, at all cost, retain our right to determine our own relations?

The question is a difficult one since, paradoxically enough, a very far-reaching right to self-determination means that we lose in sovereignty! Is it better to determine part of much or much of relatively little? This is not easy to bring out in debate, but it is a sovereignty debate that we'll



an international world and are used to heavy international influence. "The back-packing generations will be our support troops," he says, certainly have.

Do you think that Swedes are prepared to forgo the right to self-determination in order to participate in determining the larger policies in Europe?

It is pretty clear that Swedish opinion has become more friendly toward the EC. I think that the attitude today is level with what we can obtain through an EES agreement and I feel that we will have an overall Europe-friendlier opinion. This is very much a generation issue. The older generation, with memories and experiences of war, feel less of an international togetherness. But the younger ones have attended language courses abroad and, to a large extent, live in an international world and are accustomed to wide international influence. They know languages, they have traveled and they know solidarity across frontiers. It shows in opinion polls that they are more positive toward the EC. The back-packing generation will be our support troops.



'Industry has definitely not abandoned the notion of membership in the EC,' says Magnus Lemmel. 'But it is not realistic to aim for membership before January 1, 1993.'



Spain

Total number of employees:	3,200
R&D:	190
Manufacturing:	1,370
Number of plants:	1
Net sales:	MSEK 3,828

Subsidiaries

Ericsson S.A.: Holding Company.
Industrias de Telecomunicación S.A. (IN-TELSA): Development, manufacture and sales of telecommunications equipment and private business communications equipment sales of pocket paging equipment and mobiles telephones.
Sistemas Avanzados de Telecomunicaciones S.A. (SATESA): Sales and installation of weather information systems.
Terminales y Equipos Moviles S.A. (TEM-SA): Sales of mobile communications equipment.
Fibroco S.A.: Manufacture of cables.
Ingeniería de Telecomunicaciones e Instalaciones S.A. (REDINCO): Network engineering.
Redes, Ingeniería y Construcción S.A. (REDINCO): Network engineering and construction.



United Kingdom

Total number of employees:	1,820
R&D:	170
Manufacturing:	580
Number of plants:	1 (+ 1 licencs)
Net sales:	MSEK 3,520

Subsidiaries

Swedish Ericsson Company Ltd: Holding company.
Ericsson Telecommunications Ltd: Manufacture and sales of telecommunications equipment; sales of private communication equipment and pocket paging equipment.
Ericsson Network Engineering Ltd: Sales and installation of telecommunications and data communications networks.
Ericsson Ltd: Manufacture of communications equipment.

Licensee

Racal Carlton Ltd: Manufacture and sales of radio base stations.

Affiliate office

Ericsson Components UK: Sales of electronic components.

A whole new world opens up for telecommunications in 1992

The EC's telecommunications market is on the brink of major changes. In the next few years, huge sections of national regulations and monopolies will be dismantled. EC members have now taken or will be taking decisions that will eventually open tele markets to free competition and that will fulfill the desire for a single border-free internal market during 1992.

N

ational regulations and public monopolies in telecommunications markets have cost EC citizens huge amounts. Certain calculations speak of costs in the range of over 30 billion kronor.

The costs for "non-Europe," as EC enthusiasts like to express it, are enormous. By that is meant the increased costs and deterioration that citizens and companies in the EC will be saddled with as a result of calls for open competition, national regulations and monopolies, different standards and preference for the domestic company.

A few years ago, a now noted investigation into these effects, the so-called Cecchini report (pronounced CHECK-ini) was published. It was drawn up by leading economists and other experts within the EC.

The result was alarming. In a few summary words, the investigation revealed that the costs for "Non-Europe" at least went up several percentage points in the annual GNP increase, which the EC countries bypassed since the Community consists of a number of different, separate national markets.

Telecommunications markets are typical for "Non-Europe" and is one of many examples highlighted by the Cecchini report. The investigation looked into costs for an entire 25 percent of the total tele market in 1986, the year that the study was done.

The largest cost is the restrictive trade policy, that is the telecom authorities in the various countries did not allow totally free competition but instead favored domestic suppliers. After that, came the costs for different designed national standards and then a restrictive policy on certification, that is the approval of technical design of products.

The Community's tele market today is made up of national enclaves where national authorities (PTTs) sit like weaving spiders in a web of protectionist dealings, all held together by national regulations and public monopolies. There are exceptions, for example Britain and some other countries which are eventually liberalizing their markets.

The national tele authorities have a dual role. They lay down the rules for the market while at the same time they are the major player in the market,

The internal market can mean savings of between 25 and 30 billion kronor in telecommunications.

with shares upward of 80 percent of purchases of equipment in many countries.

They use their strength to directly support the home company, which leads to artificially high prices. At the beginning of the 1980s, telecommunications equipment was 80-100 percent more expensive in the EC than in the U.S. Moreover, there are much larger and unjustified price differences among EC countries, as the accompanying table shows.

Furthermore, the tele authorities impede technical and marketing development by being the guardians of the industry. They have responsibility for product control and certification, which sometimes leads to totally different systems in neighboring countries.

A very common example is the case of businessmen traveling by car from West Germany, through Belgium, to Britain. In order to use his mobile phone, he must install three different systems. Fax machines have entirely different demands in France than, say, Denmark, and so on.

A manufacturer, like Ericsson, that wishes to have an office switch approved for sale and instal-

lation, has to reckon with administrative delays of six months to a year, as well as fees upward of a million kronor in certain EC countries. In the U.S., it goes through in less than 10 weeks and costs nothing!

The Cecchini report gives an indication of what the internal market of 1992 can mean for profits in EC countries. One looks particularly at the tele markets and the various product segments like switching systems, transmission and terminal equipment.

One sees two scenarios: One where liberalization applies to only 40 percent, and the other where it is total, that is entirely free competition. In addition, the study looked into the effects of standardization, where the same technical specifications would apply to the entire EC market.

The result was striking. EC citizens and companies could reckon with benefits in the order of 25-35 billion kronor in lower costs for tele equipment. One can say the gains consists of two parts. One is "static," that is it follows directly from the lifting of barriers in the form of lower prices for equipment. The other is "dynamic," which first comes in the long run after restructuring of the equipment industry when the internal market is in place with long and effective series in the manufacture of equipment.



Here at EC headquarters in Brussels, work is being done on opening up the telecommunications market to free competition. Within just a few years we will see how a greater part of the EC states' national regulations and monopolies will be removed.

Telecom plays an important role in the Community

At the beginning of December last year, a breakthrough in the EC's bid to liberalize telecommunications markets finally came. The entire wide market for services will be opened up to free competition. A harmonization of technical standards is also on the way, and in markets for terminal equipment there are finished proposals and it is now a matter of waiting.

Telecommunications markets have a special standing in the EC countries' bid for an internal market during 1992.

It is not only a feeling that the EC countries are losing ground to the Americans and Japanese in this area of the future that prompts this pressure. Telecommunications can also be seen as a symbol for the real elements of the task that bringing about an internal market involves - that is binding together countries and cultures, bringing people closer in contact with each other and facilitating dialogue over borders and far distances.

This special mission was clearly outlined in the so-called "green book," which the EC Commission issued in 1987 and which drew up the guidelines for the coming liberalization of telecommunications markets in the Community.

It stated, among other things, that:

- Tele administrations (PTTs) to some extent will continue to have exclusive responsibility for infrastructure in the form of base networks and certain base services like "ordinary" telephone calls, but in general free competition will apply to all market sectors.

- All services, except base services, could be offered on free markets in competition among many different companies.
- The same applies to the market for terminal equipment, which will be opened to free competition.

- The principle shall be that tele tariffs will follow development costs.

- Standards for technology and service and type approvals will be harmonized so that they are similar throughout the EC.

- The PTTs' various roles of guardian and regulator will be separated from its role as market player and operating company.

- A special European Telecommunications Standards Institute will be set up, that is an institute for standards development.

The green book serves as a headstart for intensive work within the EC Commission, the EC countries' policy-making and implementing body. It has chosen to present the liberalization proposals in three so-called framework directives. The directive is the Commission's proposal for law, which is then approved by EC ministers after consultations with, among others, the European Parliament. It is also normal for the national parliament to formulate proposals for law.

The thinking is that the framework directive will later be filled out with a list of other directives on the special details of liberalization.

Unfortunately, if one may say so, the

Commission opted for a particular legal route for its first framework directive, that of the full liberalization of the terminals market in 1988.

The proposal was presented in a form which meant that the Commission did not have to go through the major consultative processes with the European Parliament nor a number of other institutions.

Member states were very upset and have now brought the Commission to the EC court. The matter is still resting there pending a hearing and in the meantime liberalization is being held up.

Whatever the case, the proposal involves opening the entire market to free competition for telephones, office switches, terminals and data transmission, modem, faxes, personal computers and other equipment that could be hooked up to a tele network. The directive also assures access and connection to a tele network for users.

Later in 1988, there were two other framework directives, one on the liberalization of the services market and one on the Open Network Provision, a proposal for the harmonization of tariffs, technical standards and requirements for access to tele networks.

Many expected a clash similar to that for the terminals market. But surprisingly EC telecommunications ministers succeeded at the beginning of December last year in reaching a compromise with the Commission which actually gave the go-ahead for a service directive and also in principle a proposal for harmonization but with certain changes and delays.

The market for most forms of tele services will eventually be opened to free competition in the next year. In principle, all obstacles to competition will be removed, except certain base services which member states want to retain for their PTTs.

In addition, services like electronic banking and electronic mail will be freed up by the end of 1990, while private companies will have the opportunity to offer data communications after a transition period that ends at the beginning of 1993. That is a worthwhile step, since the service market is reckoned to be worth some 500 billion kronor annually.

At the same time, work is also being done on common standards for technology and service as well as for tariffs that follow actual costs. The same applies to requirements for linking to networks and contract conditions.

With these moves, the EC telecommunications market has taken a major step toward its goal for free competition and the harmonization of products. The proposal for a free market in terminal equipment will be approved sooner or later, EC observers believe, after the usual internal battles and compromises.

However, the most meaningful step is still being awaited - the proposal on free and competition-exposed purchasing. EC telecommunications ministers have in many instances discussed the subject, without result. The issue remains hanging, with the even bigger problem of liberalization of public purchasing above all, something that the Commission is working on. If the goal of a full-fledged internal market is to be achieved by the end of 1992, then surely a proposal has to come forward during 1990.



'It's not a question of all or nothing'

Common decision-making bodies, common courts and an overseeing EFTA organ – these are some of the outlines for solutions to the many difficult negotiating issues that the chief Swedish negotiator, Ulf Dinkelspiel, is now studying. He is optimistic that EFTA and the EC can come a long way toward achieving a large economic and social area of cooperation in Europe.



E

FTA and the EC has now got, as they say, the political green light to start negotiations for an EES agreement. One of the key issues in the

negotiations involves seeing that Sweden and the other EFTA members have full and equal determining rights with EC countries. How will it go?

Already today there are some different outlines to solutions. Some of them we in EFTA are interested in, others interest the EC Commission more, that is the policy-making and implementing body that is responsible for negotiations with us. We are discussing these outlines in the current negotiations.

Can they guarantee that we will be given full parity in the decision-making process?

The question of determination rights is beginning to have a ring of magic about it. It is not a question of all or nothing, and it has never been. I think our determination rights and our influence ranks quite high on a scale of zero to 100. At the same time it is very clear that we cannot sit in the EC council of ministers and decide. No country that is not a member can do so.

This is a question that will certainly arouse opinions – with thoughts like “shall we surrender our own rights to determination, and what are we going to get instead?” How far can we really come on the scale of zero to 100?

It is impossible to say, and that will be one of the most difficult issues in the negotiations. One outline put forward by the Commission, and one that perhaps could offer a route to advancing, is that we should have two closely linked decision-making processes on both the EC and EFTA sides. The process will function by osmosis, as the Commission put it. Osmosis is a chemical term which means roughly that liquid seeps through a

thin filter. One should also bear in mind that the decision “proceeds forward” through steady contacts and consultations in order to arrive at a common conclusion.

That seems burdensome. How would it work in practice?

I do not want to say that this would be the end result of the negotiations, but only give an explanation – and we will eventually reach the point where the decision is prepared in very close cooperation with experts and other officials in a common working group between the EC and EFTA. Then the issues will move further up to a

political level during continuously close consultations. And at the end of the process the EFTA countries and the EC must arrive at a decision in some common body. How this so-called osmosis will be formalized and eventually which institutions it needs are open questions. But the goal is absolutely clear, both from our side and from the EC's. We will arrive at a unanimous decision and that must, in my opinion, come from some form of final common decision-making procedure, with a common decision-making body at the top. We must not forget that it is always in the EC's interest that the proposal for decision can suit all 18 countries.

Therefore it is important that the cooperation be backed by political leadership in a formalized manner.

Much in both the negotiations and the future EES depends on how much the EFTA countries can hold together. Do you really think that it is possible for us to unite as well as the EC?

That I can say. The EFTA countries have surprised the EC by being able to arrive at a common position on point after point in a number of extremely difficult issues. To think that there is so much skepticism! Who would have thought only a year ago that we could come so far? Hardly we ourselves. There is a very clear awareness within EFTA that unity and unanimity are imperative if we must be able to influence the EC as much as possible. I think that this awareness will soon be heightened even if naturally there are differences of opinions and different stands on different issues. It would be strange if it were otherwise. But I must point out that in any case they are no greater than within the EC. EFTA is indeed more homogeneous than the Community.

An important question is also how the agreement will be supervised and how disputes can be resolved. Do you have any models there also?

Yes, we do. Supervision and the resolution of disputes are not an easy matter. The EC Commission has such means. But it is clear that we in EFTA cannot subject ourselves to the Commission. We have discussed arbitration, different kinds of panels and also some sort of common court. We cannot subject ourselves to the EC court in Luxembourg either, without having a seat or representation there. But we are studying the model further. We can see some form of EC court

in the form of an expanded Luxembourg court in which EFTA participates. Problems can arise as far as what is an EC issue and what is an EFTA issue. But it is an interesting concept.

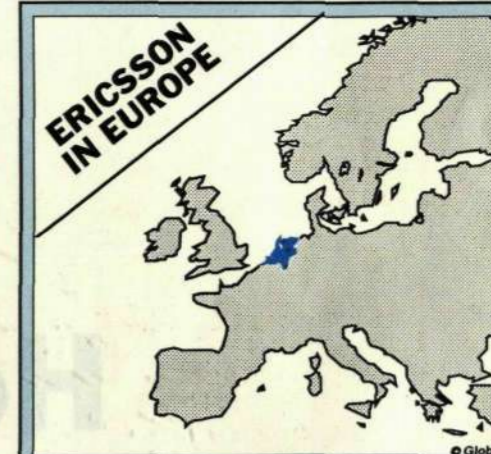
How can the disputes be resolved in practice? Let's say that Ericsson feels discriminated against in, for example, a purchase in West Germany?

Today, the telecommunications sector is an exception in the bidding system. But the EC is also planning to open the public purchasing market and therein lies – as we foresee in an EES – a solution in that Ericsson can turn to a German court or to the EC Commission to complain. Should the company not be satisfied with the verdict, it can take the case to the EES court. But all of this is still unclear today. Another question we must deal with is what recourse does an EC company have that feels it is discriminated against in EFTA. Here, one can see it as a national case or an EFTA case, or some sort of panel. What we would also like to do is to set up a bridge between such a body and its counterpart in the EC so that they function on the same principles and guarantee companies equality in both the EC and EFTA. One might even see them as having judicial resources. A declaration from this body could lead to a company getting restoration. This is one of several ideas that we are exploring.

Finally, is a customs union still an ongoing issue?

The question of a customs union is still an ongoing one, even if the Commission soon decrees a considerably strong free trade area. One should not dramatize the difference between a customs union and a free trade area. There are customs unions at different levels and in varying degrees, as there are for free trade areas. It is quite clear that a full customs union is not in the cards. It has never been, since a common agricultural policy is not part of the discussions. Moreover, border controls will remain. But one can advance the free trade area quite a lot by seeing to it that it contains common competition rules, public purchasing and customs harmonization in a number of areas.

Besides, a customs union is a limited element in the negotiations. We are going beyond the goods area; we are striving for a common working ground that also involves services, capital, the movement of people, research, education, social welfare – a number of different areas of society. Sometimes, they tend to get lost in the debate.



The Netherlands

Total number of employees: 1,590
R&D: 170
Manufacturing: 730
Number of plants: 2
Net sales: MSEK 1,559

Subsidiaries

Ericsson Telecommunicatie BV: Development, manufacture and sales of telecommunications equipment, private business communications equipment and mobile telephones.
Ericsson Paging Systems BV: Manufacture and worldwide marketing of pocket paging equipment.
NIRA Nederland BV: Sales of pocket paging equipment.
Ericsson Holding International BV: Holding Company.
Ericsson Holding Company Netherlands BV: Holding Company.
Ericsson Real Estate Netherlands BV: Holding Company.



France

Total number of employees: 1,400
R&D: 250
Manufacturing: 500
Associated plant: 1
Net sales: MSEK 417

Subsidiaries

Ericsson Composants S.A.: Sales of electronic components.
Nira S.A.: Sales of pocket paging equipment.

Associates

MET S.A. (Matra Ericsson Telecommunications): Development, manufacture and sales of public telecommunications equipment.

The same currency all over EC – possible in the year 2000

If you travel through the 12 EC countries with a thousand kronor in your pocket – just stopping off in every country and changing it into the local currency – you will have some 200 to 300 kronor left, even if you did not buy anything on the way home. That's how President Mitterrand of France describes the disadvantages of having different currencies in the

EC. There is a good chance that the pound, lira, D-mark and the franc would disappear by the year 2000 and be replaced with a common currency, the ECU. The proposal is currently being discussed by the 12 finance ministers. A key factor in this thinking is that Europe could be independent of the unexpected rise and fall of the dollar.

Japan – a threat or a challenge to EC auto manufacturers

How much competition can the European auto manufacturers cope with? This has been hot debate subject in the EC ever since the Commission began to consider opening up the doors freely to Japan auto imports. Today, Japanese cars are restricted in four countries (France, Italy, Spain and Portugal) to less than 5 percent of the market.

Free competition forces companies to shape up, say the Britons and West Germans. It's the only way in which the European auto industry can be internationally competitive. As a compromise the EC is discussing a limit for Japanese cars of 15 percent over seven years. In free Sweden, every third automobile buyer chooses Japanese.

"EFTA can go far in its bid for collaborat with EC"

EC thinking can thus be popular among 'ordinary people'

It should be noted that for citizens, too, the EC is something positive, says the EC Commission in Brussels, which is concerned about losing the support of the common people for its far-reaching Europe project. Hence the EC flag – blue with 12 gold stars (the Council of Europe's initially). The EC has its own national anthem – Beethoven's "Ode to Joy"

symphony (also the Council of Europe's initially).
Moreover, the Community has begun to issue press releases about the Olympics on how many gold and silver medals the "EC" took home. Nevertheless, the proposal that all 12 EC nations should group together at the opening of the games, did not come off.

Generous politics will keep Eastern Europe outside the EC

East Europe is getting billions in aid from the EC to build up their economies. In addition, a special "form of association" will be tailor-made for Eastern countries where regular advice on everything possible will be offered: trade, financing, research, the environment, tourism and foreign policy.

The Community is offering all of this

in order to maintain stability in Europe but still without taking in several members. On the one hand, the Eastern nations could make it difficult for the EC to develop a political union. And on the other, it would cost the EC 100 billion kronor a year to help the East as generously as it helps its own sparsely developed regions today.

How EC laws affect Ericsson

Sweden's EC negotiators must pull it off. Ericsson, in so many ways, is dependent on the opening up of the EC markets in the coming years. Some aspects of the EC are good, others smack of discrimination. That's why it is crucial that Sweden's EC accord provide for competition along equal lines.

W

Without doubt, Ericsson is one of the Swedish multinationals that is most dependent on the rapid evolution process within the EC along with the realization of the internal market in 1992.

With more than 40 percent of its sales and close to 30 percent of its employees within the Community, it is absolutely necessary for the company to have the same opportunities for competing and functioning in the EC markets as the domestic companies.

No discrimination against Swedish companies must be the battle cry of the Swedish negotiators. And that is not a favor to be asked for quietly. For the EC rules do apply only to sales but also to practically all of the company's activities, from the hiring of employees to research and development. How do the EC laws and the realization of the internal market affect Ericsson?

We begin with what could be the overriding issue, that of the purchasing rules in the telecommunications field. The EC Commission, the policy-making and implementing body, is in favor of free competition regarding the purchasing of tele equipment by public authorities. A practical example of discrimination is West Germany, where until now only German companies were invited to bid.

The Commission has presented a proposal which is clearly negative for Ericsson. It says that an EC bid takes precedence. This means that an offer from an EC company is seen in the same light as an offer from a non-EC company even if the former is 3% more costly!

The question is, naturally, shouldn't Ericsson, with its numerous companies and plants in the EC be able to supply equipment from these and, as such, be an "EC company"?

"Well," says Olle Wikström, one of the coordinators for EC matters at Ericsson's corporate marketing division. "The proposal stipulates that

we will be given EC approval only if 50% of the price corresponds to equipment and services produced in the Community."

"We feel we can meet that 50 percent ruling," he says, "but that is not for certain in all cases. And should the percentage figure be raised - as some think it will - then we can be excluded."

Here, too, there is a clear risk for discrimination. An EC buyer can in fact very easily give precedence to an EC company. But Ericsson must maintain a 3% lower price tag. To lend some perspective to the figures, 3% of Ericsson's EC sales of 15 billion kronor amounts to 450 million kronor.

Finally, perhaps, Ericsson's bid may not be in a position to compete since half of the contents may be produced outside of the EC.

But one must bear in mind that the EC Commission is also the main resister to limiting competition. In the proposal on purchasing rules there are also indications that the EC could give non-EC companies the same status as domestic companies only if EC companies are given access to competitors' home markets.

"EC rulings have hemmed and hawed without reaching a final agreement on law," says Wikström. "But we hope that Sweden and EFTA can reach an agreement with the EC and make it clear therein that we can really have full and free competition in the telecommunications field."

Another important area for Ericsson is the possibility to participate in EC research programs to the same extent as its EC competitors. The EC Commission is working with member states and companies in pursuing extensive research programs, including ones in the telecommunications field.

The most important is RACE and is aimed at obtaining very advanced telecommunications services for tele administrations and it points to a restructured and very competitive telecommunications industry in the EC. More than 30 projects

are in progress with more than 100 participating companies. For 1988-1991, costs have been put at about 4 billion kronor.

EFTA members have a chance now to participate in RACE directly, and not, as was the case earlier, through a subsidiary in the EC. This means that Ericsson is now participating in 10 different major projects, partly from Sweden and partly through subsidiaries in France, Italy, Spain and Ireland. The company will soon be involved in 3 additional projects.

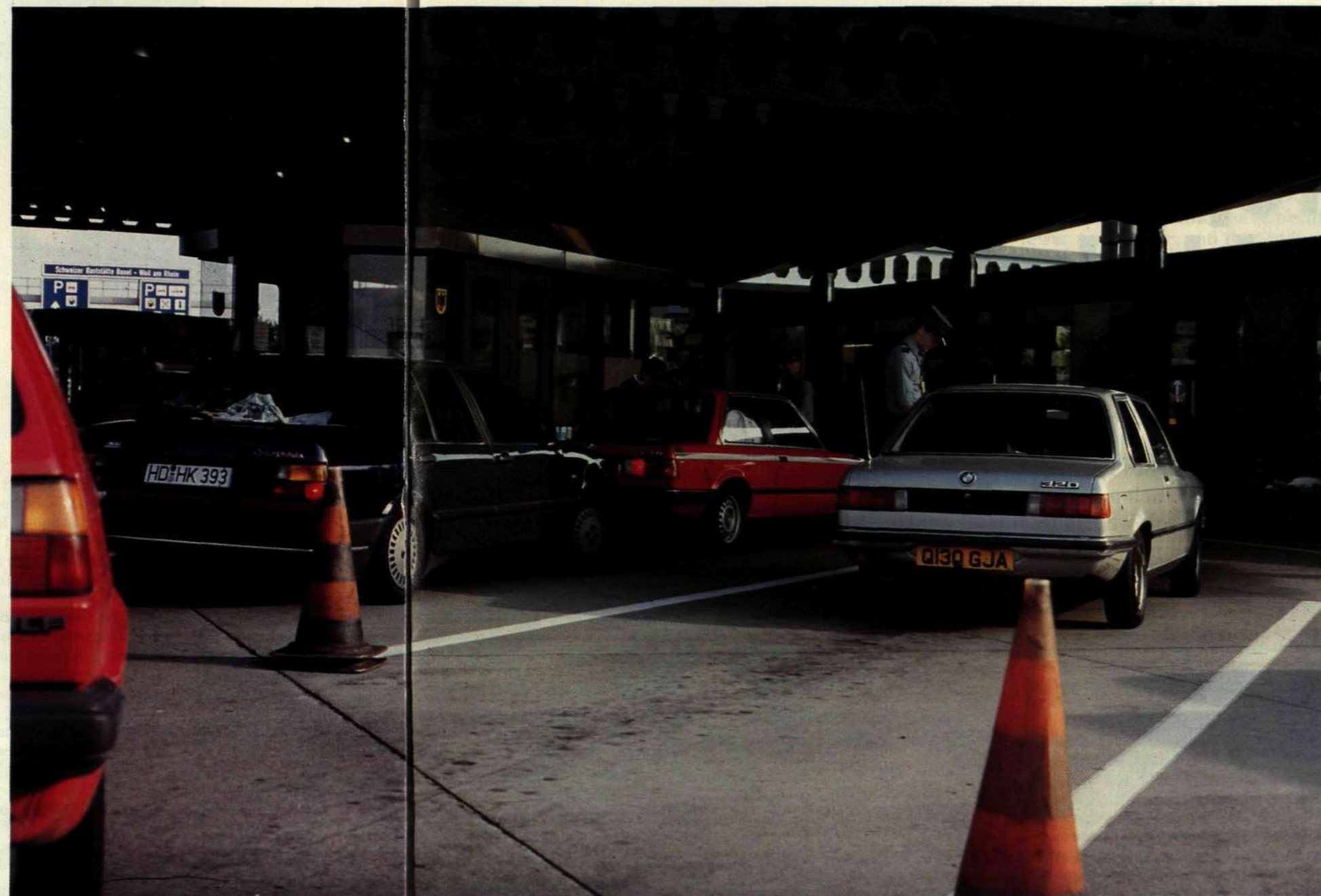
But even here there is built-in discrimination. As an EFTA company, Ericsson does not have access to research results in the same way that its EC competitors have, and it does not receive EC subsidies for the operations carried out in Sweden.

"We are trying in every way to influence Swedish and other authorities in the EC to change the rules," says Wikström. "Research and development is of central significance to Ericsson's future."

The broad standardization area also involves a number of risks for discrimination, even if it is more difficult to perpetrate. As an international company with operations on every continent Ericsson really deserves to be part of the worldwide standardization process.

However, there are indications that EC companies and EC governments would prefer to see developed special EC standards or even national standards so that in this way they could lock out competitors. The same applies to the so-called certification rules, that is type approval and acceptance, which favor the domestic company.

"But here we are in ETSI, the European standardization Institute and we monitor developments. The same applies to our and Sweden's participation in a number of other international organizations in the field. One can well say that today we have a leading position in the field with numerous Ericsson initiatives that laid the base for interna-



Open borders is a must for Ericsson. With 40 percent of its sales and 30 percent of its employees in the Community the group is dependent on getting parity to compete and act in the EC markets in the same way that the domestic markets do.

tional standards, for example in the area of mobile telephones," says Wikström.

But EC regulations impinge not only on Ericsson's sales and technical development. They affect every aspect of the company. Take only such a relatively limited area like information for shareholders. Since the company is listed on several EC stock exchanges that are now attempting to coordinate their information rules, Ericsson at some point will have to conform.

In the areas of ecology and job environment there is a lot going on just now, with a steady stream of new EC laws. In each country Ericsson must behave like a "good citizen" and follow the local rules.

The EC's plans for a free job market and education market can create competition problems. In theory, in any case, the EC companies will be able to seek out the best qualified throughout the entire Community's job market and its many universities. How will it be for Sweden? Are we going to be on the outside? And what it does it mean for competence and educational

EC rules affect practically all of the company's activities.

concern within Ericsson, which is so dependent on the best telecommunications technicians?

The same problem extends to tax and capital issues. Since the EC is aiming at similar and unified tax rules and an ever more harmonized economic policy, in the long run one can reckon with the tax situation and capital costs becoming similar for EC competitors. Should the situation in Sweden differ substantially from that of the EC, discrimination could arise again.

The disadvantages for Swedish companies can also be considerable if Sweden fails to achieve long-term harmonization with developments in the EC. It is very clear that the EC is trying, among other things, to equalize competition among different member companies. They want to compete without the handicap that different rules for different countries can impose. Only the very "cleverness" should be the deciding factor. It is also on this plane that Ericsson wants to and can compete.

Free entry for English sausages in Germany

"West Germans run a risk of protein deficiency." This heart-wrenching argument did not move the EC judges when the issue of British sausages came up in the EC court. In West Germany all sausages must have 100 percent meat and the country has for this reason forbidden all sausage imports above all from England, where sausages contain everything else but only a minimum of meat.

In order to institute special rules in the EC, it has to be proved that vital interests are threatened - and the judges did not believe that the health of West Germans was in danger. Danish mayonnaise and French beer are other goods that cannot be banned either.

EFTA as recourse for EC - is it enough?

"I am an optimist - after instructions," a Norwegian diplomat answered when asked how the EC/EFTA negotiations were going. Otherwise, the fact is that an agreement means writing some 10,000 pages of EC legal text into Swedish law books, enough to make many sigh heavily. Worse still is the dilemma of who should decide on the 18 countries' huge market, the EC plus EFTA. Naturally, it is unthinkable that the EC would allow six non-members to participate in and vote down reforms that it plans. Understandably, EFTA cannot be subject to a decision in which it had no hand in voting on. Now, the proposal is to submit EFTA to a top referral body. Can the Swedish parliament be happy with that?



Republic of Ireland

Total number of employees:	690
R&D:	190
Manufacturing:	200
Number of plants:	1
Net sales:	MSEK 211

Subsidiaries

LM Ericsson Ltd: Marketing and sales of telecommunications equipment.

LM Ericsson Holding Ltd: Holding Company.

Ericsson Business Communications Ltd: Sales of private business communications equipment and pocket paging equipment.

Ericsson Expertise Ltd: Training and education.

Ericsson Treasury Ireland Ltd: Holding and Finance company.

Joint Venture

Broadcom Research and Development Ltd: Joint venture with Telecom Eireann, for broadband research and development.



Denmark

Total number of employees:	499
R&D:	200
Net sales:	MSEK 417

Subsidiaries

LME Ericsson A/S: Sales of telecommunications equipment, private business communications equipment and pocket paging equipment.

Ericsson Radio Systems A/S: Sales of mobile telephones.

Common culture - impoverished?

EC critics says that the EC will lead to all cultures in Europe being one-track, thus making it a boring, gray entity. Until now, the EC has made only small incursions into cultural matters and that was to save Europeans from American mass culture. The EC has issued a directive on TV emissions across frontiers and has decreed that American programs can only be broadcast up to a maximum of 50 percent of allotted time. The U.S. has lodged a strong protest, but in vain. American film companies make their biggest profits from selling to television.

Such an international city

"Madame, so good that you came back," my mailman greeted me when I ran into him at the corner of my street. "The Post Office had begun to give up."

"I stopped with the papers since Saturday since you did not return," the paper deliverer said as I turned up for my daily dose of news.

In my section of Brussels people know one another and they take the time to greet, exchange the latest news and wish you a nice day.



I

n French eyes, the Belgians are immeasurably funny as the Norwegians are for Swedes. It is the Belgians' easy pace that prompts Frenchmen to tell Belgian stories. For those who are in a hurry to make

a purchase say that it can be difficult to make any headway with the Belgians. For those who have time to exchange a few words or perhaps are in need of advice, the Belgians are a treasure.

Centuries-long experience of having been ravaged by European war powers, which last tried to expand its territorial push, have made the Belgian a low-profile person who prefers to shun attention.

Quiet pleasures, like enjoying good food, drinking a glass of beer with the family or neighbors and living in a pleasant home with a garden, suffice for most of them.

Very rightly so, Belgium, and above all Brussels, is filled with restaurants serving really good food. At every corner there are family-friendly beer cafes (with a selection of the some 400 local brews) and every house or apartment in Brussels has access to a garden. On the other hand one has to go a long way to find a wild and swinging nightlife.

The city's inhabitants took Brussels' new-found fame as Europe's capital in stride. At its height, the city set up the flags in Christmas panels to highlight its new international character.

The Belgian capital has in only a few years increased the proportion of foreigners in its one million population to some 34 percent. This might have led to xenophobia in most other places – but not in Belgium. Here all strangers are welcomed

with friendly arms. Racism there is, but this is more against the other half of Belgium's population split between Walloons and the Flemish.

In the midst of all the EC people, the NATO officials, the international multinationals, lawyers, lobbyists and Zairean refugees life goes its calm way for the Brussels inhabitant between the food shops, his job, Saturday's market and Sunday's stroll in the park. He is not particularly conscious of the foreigners.

However, it has not escaped the residents that a wave of property speculators has swept over the capital – most of them from Sweden – which has pushed up housing costs and forced many city dwellers into the suburbs.

It has also not gone by them that the 10,000 EC employees in the city do not pay taxes in Belgium. A source of revenue that would be welcome in a country with the EC's largest deficit.

But this does not prevent the Belgian from being remarkably friendly. Just as remarkably friendly as he is when the new arrival has to deal with him in his capacity as a bureaucrat.

All foreigners in Brussels readily fall in love with the city and the pleasant mode of life here. All of them are also equally frustrated with the incredible bureaucracy. No one escapes the Napoleonic-inspired, impenetrable civil service set-up.

In my case, it began with my landlord insisting that I be registered in a commune before the lease contract could be signed. The commune, where the waiting time, with a bit of luck, could amount to three hours, first wanted to have me accredited by the Belgian Foreign Ministry. The ministry

could not help me if I was not associated with the press organization. And the organization insisted that I be registered in a commune before they would do anything. Locked in a Catch 22. Without a union card, no accreditation. Without accreditation, no registration. No registration, no union card.

While the Belgians uncritically have adopted the Napoleonic bureaucracy, they have also adopted the sense to bend the rules when a person cannot possibly comply with them as such.

The lady at the press organization gave me provisional membership. The one at the Foreign Ministry gave me provisional accreditation and the commune gave me provisional registration. Why couldn't the lady at the press organization accept me fully, or the ministry accredit me fully, or the commune register me fully.

When all we foreigners in Europe's capital have made it through all the registrations, telephone installations, TV subscriptions and electricity connections, and when we have learned to realize that a five-minute friendly conversation is a must regardless of how much of a hurry we are in, then we will all be happy in Brussels.

Ylva Nilsson

Ylva Nilsson is Dagens Industri's correspondent in Brussels.

