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THE PRIME MINISTER

20 July 1988

*Dear Michael*

Thank you for your letter of 30 June about the interpretation of Article 58 of the Treaty of Rome regarding the treatment of subsidiaries of non-EC companies located in the EC and alleged discrimination by the US Government against subsidiaries of non-US companies.

While it is sometimes helpful to try to understand the intentions underlying certain pieces of legislation, the wording in this case is explicit. Our advice is that the legal interpretation of Article 58 can only be that a company with either its registered office or its central administration or its principal place of business in a Member State shall be treated on equal terms as an EC company. One must assume that the drafters of the Article, for reasons best known to themselves, did have in mind three alternative criteria for treating a company as an EC company rather than creating cumulative conditions.

As I explained in my letter of 22 June, we are concerned about the need to open up US and Japanese public purchasing markets, but it is still too early to take a view on whether insisting on strict reciprocity would be in our best interests. I know that US "Buy America" policies have posed problems for UK companies and I hope that the current negotiations on a revised GATT Government Procurement Code will lead to improvements in this area.

*Yours sincerely*  
*Margaret*

Sir Michael Butler, K.C.M.G.

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