

Ronald Reagan Presidential Library Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Roberts, John G.: Files
Folder Title: JGR/BMW Correspondence
(4 of 4)
Box: 6

To see more digitized collections visit:
<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:
<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>



From the desk of

K. E. MALMBORG

Mr. John Roberts

Office of White
House Counsel

Room 112 Old
Exec. Office Bldg.



United States Department of State

Washington, D.C. 20520

*White House
Copy*

JUN - 4 1985

Mr. Robert H. Hunter
Assistant General Counsel
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Hunter:

This is in response to your letter of April 18, relating to discounts offered by foreign car makers to persons holding diplomatic passports. We recently furnished the enclosed letter to the Office of Government Ethics which identifies the regulations applicable to issuance of diplomatic passports, and the code of conduct regulations applicable to the employees of the foreign affairs agencies.

The final point in your letter concerns possible disposition for profit of foreign cars acquired at a discount. We do not have information on that specific point, but we do have regulations for the foreign affairs agencies (enclosed) restricting excess profits from the disposition of personal property which benefitted from duty-free import status (e.g. a diplomat). We are considering strengthening this policy to preclude excess profits on the disposition abroad of personal property imported into a foreign country or purchased therein under tax or duty free privilege arising from official status.

At present, there is no generally applicable law or regulation to prevent or limit the profits which may be made on resale of personal property, however acquired.

Sincerely,

Michael G. Kozak
Designated Agency Ethics Official

Enclosure:

As stated



W. Encl. 1
United States Department of State

Washington, D.C. 20520

April 15, 1985

Mr. David Martin
Office of Government Ethics
Office of Personnel Management
Washington, D. C. 20415

Dear Mr. Martin:

In response to your letter of April 5, the State Department regulations on issuance and use of diplomatic passports by our own employees and others are found at 22 CFR Part 51; in particular, sections 51.3(c), 51.4(d), 51.9, 51.70, 51.71, 51.72, 51.73. You will see that the primary purpose of a passport, whether diplomatic or otherwise, is to facilitate international travel, and no attempt has been made to regulate uses which may be made of such passports within foreign countries by law, practice, or usage of such countries.

Of course, our code of conduct for our own employees (22 CFR Part 10) would regulate use of diplomatic passports in the same way as official titles, special privileges and immunities, or other aspects of official status are regulated to avoid conflict of interest or appearance of conflict of interest. The sections which are especially relevant are: sections 10.735-101, 10.735-201, 10.735-202, 10.735-205, 10.735-206(a) and (b), and 10.735-215.

You will note that when a diplomatic passport is issued to an employee of another agency it is the conflict of interest regulations of that agency which become operative, not ours.

Sincerely,

Michael G. Kozak
Deputy Legal Adviser

225 Abuse of Privileges and Immunities

225.1 Evasion of Personal Obligations

A diplomatic or consular officer, or other representative of the United States, shall not take advantage of the protection afforded by reason of the officer's official position nor should the officer evade the settlement of just obligations.

225.2 Property Held in Personal Capacity

If a diplomatic officer holds real or personal property in a foreign country, in a personal as distinguished from an official capacity, such property not necessary or incident to the officer's official assignment may be subject to the local laws.

226 Reporting on Litigation

Each post shall inform the Department of any litigation in a local court in which a U. S. citizen employee may become involved in employee's private capacity. The post's report should be in the form prescribed in section 284.3 for reporting suits against the United States, but should not be marked for the attention of the Justice Department. The post's initial report shall include full particulars regarding the accreditation of the employee to the foreign government for purposes of privileges and immunities.

Employees of the Foreign Service are responsible for reporting to their posts of assignment litigation in foreign courts in which they may become involved. Employees shall avoid taking actions which may imply an unauthorized waiver of immunity in violation of section 221.5.

See section 284.2 for suits against an employee in employee's official capacity.

5.3 Importation of Personal Property for Resale at a Profit

Personal property imported to host countries by U.S. citizen employees under diplomatic privileges and immunities must be for their bona fide personal use. In instances where there is reason to believe that that would not be the intended purpose of the importation, the Chief of Mission or designee will investigate the importation or the request therefore if the importation has not yet been authorized.

If the investigation determines that the property was imported or intended to be imported under diplomatic privileges and immunities primarily for the purpose of resale at a profit, the Chief of Mission will take one or more of the following actions:

- (1) As appropriate, deny the request to import the property or deny the sale;
- (2) Require the employee to repay the U.S. Government the original cost of shipping the property to post;
- (3) deny use of Embassy facilities for conversion or transfer of funds;
- (4) request host government not to authorize transfer of title or registration of POV;
- (5) require property to be re-exported at employee's expense;
- (6) take such other action as may be appropriate, including recommending disciplinary action against the employee.

See also 3 FAM 620, Section 10.735-206(b)(4), Employee Responsibilities and Conduct, and 6 FAM 165.7 for treatment of this subject.

THE WHITE HOUSE

WASHINGTON

June 27, 1985

Dear Mr. Wilson:

Thank you for your letter to the President concerning the purchase of foreign automobiles by certain members of an advance team at a discount available to holders of diplomatic passports.

Regulations promulgated by the Department of State do not prohibit the acceptance of discounts available to holders of diplomatic passports. The offering of such discounts by foreign automobile manufacturers is a long-standing practice in several countries.

The acceptance of such discounts is not illegal, but the practice had never been reviewed by the White House and the White House had never given guidance on it to members of the staff. After review, we decided to prohibit members of the White House staff from accepting such discounts in the future, unless they are out of the country for 30 days or more. This office has alerted members of the staff to this new policy, and has also suggested to other departments and agencies that they review their policies on this question.

With respect to your comments on the particular make of automobile chosen by the individuals in question, I can only state that such decisions are matters of personal consumer preference which it would be inappropriate for the Government to regulate.

I hope the foregoing information responds to your concerns. Thank you for sharing your views with us.

Sincerely,



John G. Roberts
Associate Counsel to the President

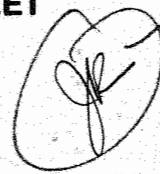
Mr. Franklin B. Wilson
President, Wilson's
145 West Third Street
Williamsport, PA 17701

JV

ID # 324951 CU

TAD0416

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) 1 / 1


dinner

Name of Correspondent: Franklin Wilson☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: BMW's

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CULTHALL		ORIGINATOR	85106121 WS			1 / 1
		Referral Note:				
CULT 18		R	85106125 WS		S	85107105
		Referral Note:				
			1 / 1			1 / 1
		Referral Note:				
			1 / 1			1 / 1
		Referral Note:				
			1 / 1			1 / 1
		Referral Note:				

ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet
to be used as Enclosure

I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

J. Building

WILSON'S

Williamsport, PA.

• Susquehanna Valley Mall, PA.

• State College, PA.

145 West Third Street
Williamsport, PA 17701
Telephone: (717) 326-2001

June 12, 1985

324951

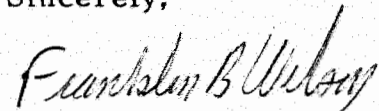
THE WHITE HOUSE
PENNSYLVANIA AVENUE
WASHINGTON, DC 20000

Dear Mr. President,

With the Trade Deficit as bad as it is, I find it inconceivable that White House Chief of Staff Michael Deaver and 8 other U.S. Officials arranged to buy 9 BMW'S while in Germany on U.S. Business. Mr. Deaver should be terminated from his position, as this represents an intollerable disservice to all tax payers.

This may also suggest why Mr. Deaver and his staff chose to go to Bitburg as they were too busy buying BMW'S to represent the U.S. citizens properly.

Sincerely,



Franklin B. Wilson
President

P.S. I feel bumping the people in the lower income bracket from 11% to 15% is horrendous. How is this suppose to help the economy?

cc Michael Deaver/Chief of Staff, Senator Arlen Specter, Senator John Heinz, Representative George Gekas.

THE WHITE HOUSE

WASHINGTON

June 27, 1985

Dear Mr. Swenson:

Thank you for your letter to the President concerning the purchase of foreign automobiles by certain members of an advance team at a discount available to holders of diplomatic passports.

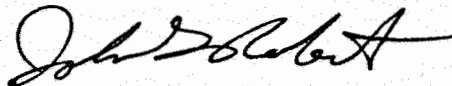
Regulations promulgated by the Department of State do not prohibit the acceptance of discounts available to holders of diplomatic passports. The offering of such discounts by foreign automobile manufacturers is a long-standing practice in several countries.

The acceptance of such discounts is not illegal, but the practice had never been reviewed by the White House and the White House had never given guidance on it to members of the staff. After review, we decided to prohibit members of the White House staff from accepting such discounts in the future, unless they are out of the country for 30 days or more. This office has alerted members of the staff to this new policy, and has also suggested to other departments and agencies that they review their policies on this question.

With respect to your comments on the particular make of automobile chosen by the individuals in question, I can only state that such decisions are matters of personal consumer preference which it would be inappropriate for the Government to regulate.

I hope the foregoing information responds to your concerns. Thank you for sharing your views with us.

Sincerely,



John G. Roberts
Associate Counsel to the President

Mr. Frank Swenson
218 Kimrod Lane
Matthews, NC 28105

ID # 325372 CU

TH004-16

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- ☐ O - OUTGOING
- ☐ H - INTERNAL
- ☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) 1 / 1

JR - done

Name of Correspondent: Frank Swenson

☐ MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: BmWs

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>CUTROLL</u>	ORIGINATOR	<u>85106125</u>		<u>1 / 1</u>
<u>CUAT 18</u>	Referral Note: <u>R</u>	<u>85106126</u>		<u>S 85107106</u>
	Referral Note:	<u>1 / 1</u>		<u>1 / 1</u>
	Referral Note:	<u>1 / 1</u>		<u>1 / 1</u>
	Referral Note:	<u>1 / 1</u>		<u>1 / 1</u>
	Referral Note:	<u>1 / 1</u>		<u>1 / 1</u>

ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet
to be used as Enclosure

I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered C - Completed
B - Non-Special Referral S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

Diplomat's Discount

This February, Presidential aide Michael Deaver and a crew of White House advance men were in West Germany, preparing for Ronald Reagan's trip to Europe next month. While in Munich, they bought six luxury cars from BMW at its so-called "diplomat's discount" of 15% to 25%. Their purchase made headlines, and some people considered it unethical if not illegal. It is neither.

The practice of granting discounts to persons holding diplomatic passports is nothing new. Last year, for example, Daimler-Benz gave 10% discounts to 146 diplomats purchasing its Mercedes models in Stuttgart, West Germany. Daimler-Benz recognizes as a U.S. diplomatic passport one whose identification number starts with an X. The carmaker also will honor a passport whose number starts with a Y if the bearer has a U.S. State Department letter saying he is abroad



Michael Deaver, back from Germany

on official business.

Last month, however, White House counsel Fred Fielding issued a memo barring future purchases of cars at a diplomatic discount by White House officials who are in a foreign country on government business for less than 30 days.

325372

5/9/85

DEAR PRESIDENT REAGAN,

I JUST HAD TO SEND THE ABOVE ARTICLE TO YOU BECAUSE IT UPSET ME VERY MUCH.

WITH OUR COUNTRY SUFFERING FROM IMPORTS BEING SO MUCH GREATER THAN EXPORTS IT REALLY BOTHERS ME TO SEE U.S. GOVERNMENT PEOPLE BUYING FOREIGN CARS. THEY SHOULD BE SETTING AN EXAMPLE.

I'M ABOUT TO BUY A NEW CAR & I CAN PROMISE YOU THAT IT WILL BE AN AMERICAN ONE.

YOU RECEIVED MY VOTE BOTH TIMES AND I'M STILL ROOTING FOR YOU. PLEASE KEEP UP THE GOOD WORK.

RESPECTFULLY YOURS,

Frank Swenson

218 KIMROD LANE

NORTH HAVEN, CT 06460