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EAST GERMANY - WEST GERMANY: Mandatory Currency Exchange

The surprise East German announcement yesterday that Western visitors must exchange twice the foreign currency formerly required will severely strain relations between Bonn and East Berlin.

The advantageous exchange rate for West Berliners and the exemptions for pensioners and youths also were abolished. Some 7 million visits by West Germans and West Berliners to East Germany occur each year, but the new measures will reduce this travel and are not likely to increase the flow of hard currency to East Germany significantly. The East German action could, however, prompt West German economic retaliation.

The move reflects the East German leadership's distress over conditions in Poland and its desire to reduce personal contacts with West Germans, which it considers a potential source of subversion. Party leader Honecker signaled retrenchment in inner-German relations and demonstrated solidarity with the Soviets by delivering a harsh speech last Monday condemning the West Germans for "interference" in Poland and East Germany. The East Germans have had no humanitarian bargaining chips in recent dealings with Bonn, and Honecker will probably offer a reduction in the currency exchange at a future summit with Chancellor Schmidt.

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