

By the Associated Press Edited by Brandon Loomis

News Digest

West Germany agrees to offer 1-to-1 ratio on merging marks

EAST BERLIN - West Germany agreed on Monday to give East Germans a bigger share of Western wealth as their struggling nation is merged with its rich neighbor.

In a surprising concession, West Germany said it would exchange each virtually worthless East German mark paid to workers and pensioners for one strong West German mark.

The 1-1 rate would apply to wages and pensions and to savings accounts of up to 4,000 marks (\$2,300), said Dieter Vogel, spokesman for West German Chancellor Helmut Kohl.

The East German government had demanded the 1-1 rate to protect workers from higher living costs in a unified Germany and the loss of huge subsidies that existed in the former socialist system.

East German political factions applauded the wage concession but criticized the limit on savings accounts.

Kohl made the proposal the day before he was to meet with East German Prime Minister Lothar de Maiziere in Bonn to discuss their differences over reunification.

It came amid reports that the number of East Germans fleeing their crumbling economy for West Germany is continuing at a rate of more than 4,000 a week.

Under the West German economic proposal, announced after Kohl met with his Cabinet, personal savings of more than 4,000 marks would be traded at a 2-1 rate.

East German private and corporate debts also would be converted at a 2-1 rate, Vogel said.

The West German government's proposal is an "important contribu-

tion" to ending the disagreements between the nations, East German government spokesman Mathias Gehler said.

But Wolfgang Ullman, vice president of Parliament, said: "If this is the final decision, there should be sharp protest because a large part of savings will not be considered here."

Both governments say they will

the West German mark and possibly cause high inflation and rising interest rates.

But Vogel said the government-run Bundesbank "has fully accepted that this is a decision made by the federal government."

"The Bundesbank has also accepted that the economically prettiest solution cannot always be taken," he said.

But prices on the Frankfurt Stock Exchange plunged 2.5 percent after the announcement, their steepest decline since January.

Social Democrat Oskar Lafontaine, Kohl's likely opponent, on Monday accused the chancellor of caving in to pressure from the East Germans.

But the left-leaning East German Social Democrats, who are allied with their Western namesakes, called the wage exchange "a step in the right direction."

The currency exchange is a key part of a broader proposal for unification being put together by the Kohl government. De Maiziere's government came up with its own proposals two weeks ago.

Both sides have embraced quick unification, but differ on how much burden each nation should carry.

Talks on the strategic future of a united Germany also are expected soon with the World II allies that divided Germany: the Soviet Union, the United States, France and Britain.

The new democratic government elected on March 18 has not been able to halt mass migration. The East German government news agency ADN said Monday that nearly 20,000 East Germans have migrated in April alone, giving a total of 167,093 since the beginning of the year.

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merge their economies completely on July 1 as a prelude to full unification, expected next year.

The East German mark is officially valued at 3-1 against the West mark but is worth almost nothing outside East Germany.

West Germany's central bank had proposed a 2-1 swap, saying a 1-1 exchange would dilute the value of

White House welcomes flexibility but leaves Lithuania options open

WASHINGTON - The White House on Monday welcomed what it called signs of flexibility from Moscow in its standoff with Lithuania, and said President Bush will meet with congressional leaders today to discuss the crisis.

The State Department said U.S.-Soviet trade talks are still scheduled to begin in Paris today.

Bush, answering reporters who asked if he might call off those talks in response to the Soviet economic crackdown, said: "I'll sure let you know when I make a decision."

Secretary of State James A. Baker III cautioned last week that economic relations "are being put to risk by Soviet actions in Lithuania."

In another sign of business as usual, a senior State Department official said Monday that Baker will meet May 5 in Bonn with the foreign ministers of the Soviet Union, Britain and France on security concerns raised by prospects of German unification.

In Moscow, the spokesman for Soviet President Mikhail Gorbachev said the Kremlin might negotiate with Lithuania if it freezes its March 11 declaration of independence for two years.

Arkady Maslennikov, Gorbachev's press secretary, said Soviet leaders were willing to talk to Lithuanian leaders if they will acknowledge they are still subject to the Soviet Constitution.

Lithuanian leaders have refused to do that, saying the republic was forcibly annexed by the Soviet Union in 1940.

Lithuania's 3.8 million people began their first full work week since Gorbachev cut off supplies of oil, natural gas and other raw materials to the republic. On Sunday, Lithuania halted exports to Soviet republics and foreign customers.

White House spokesman Marlin Fitzwater said Monday that the Bush administration was still consulting with allies on what course to take.

The statements from the Kremlin "do appear to show some flexibility. We are hopeful that that's the case," he said.

"It's impossible for us to know exactly what these statements ... mean, but if they are indicative of the two sides being able to get

together, that would be a welcome sign," Fitzwater said.

Bush, he said, would meet this morning with bipartisan leaders of Congress to "discuss the Lithuanian matter."

"I would not expect any announcements from us on any course of action before that point," Fitzwater said. "We don't want to give any indication to what actions we might take."

Fitzwater declined to comment on speculation that the United States might postpone planned trade and investment assistance to the Soviet Union.

However, he said, "I rule out no options." "The decision has not been made by the president yet. It depends upon analysis being conducted by the NSC (National Security Council) and the State Department at this time," Fitzwater said.

Meanwhile, a planned meeting Monday between Aleksandr Yakovlev, the Soviet Communist Party secretary, and Vice President Dan Quayle was postponed at the Soviets' request, the White House said. The Soviets gave no reason for postponing the meeting.

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 Managing Editor: Ryan Steeves
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