

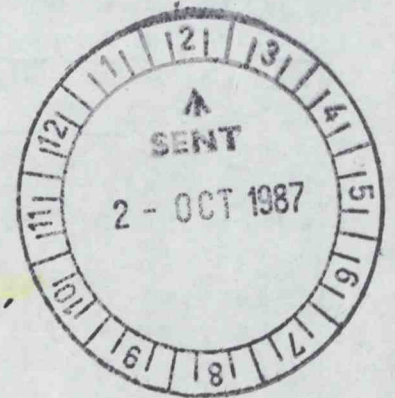
UNCLASSIFIED

140172  
MDADAN 4391

*ms*

UNCLASSIFIED  
FM MOSCOW  
TO DESKBY 021400Z FCO  
TELNO 1337  
OF 021100Z OCTOBER 87  
INFO PRIORITY WASHINGTON, UKMIS NEW YORK

**ADVANCE COPY**



GORBACHEV'S SPEECH IN MURMANSK: INTERNAL

1. GORBACHEV LEFT MOSCOW ON 30 SEPTEMBER FOR A 3-DAY VISIT TO MURMANSK AND THE KOLA PENINSULA. ON 1 OCTOBER HE GAVE A MAJOR SPEECH ON INTERNAL, ESPECIALLY ECONOMIC, AND EXTERNAL ISSUES.

DETAIL

VISIT TO MURMANSK

2. ON HIS FIRST DAY GORBACHEV VISITED THE SEVERONIKEL MINING COMBINE IN MONCHEGORSK, WHERE HE MET WORKERS AND GAVE A BRIEF SPEECH ON THE TASKS AHEAD FOR MINING IN THE REGION. GORBACHEV SPENT 1 OCTOBER IN MURMANSK, VISITING WORKERS IN A FISH FACTORY, ON BOARD AN ICE-BREAKER AND MEETING LOCAL PEOPLE. THAT EVENING HE GAVE AN ADDRESS AT A CEREMONY, MAKING MURMANSK A HERO-CITY IN RECOGNITION OF THE EFFORTS AND SACRIFICES OF THE CITY DURING WORLD WAR II. HE HAD PRAISE FOR THE ALLIED ROLE IN THE NORTHERN CONVOYS 'WE HAVE NOT FORGOTTEN, AND WILL NEVER FORGET THAT ALLIED CONVOYS ... CAME HERE, BREAKING THROUGH HITLERITE BLOCKADE ... THE BRAVERY OF SOVIET, ENGLISH AND AMERICAN SOLDIERS ... WAS AND REMAINS A BRIGHT SYMBOL OF COOPERATION BETWEEN OUR PEOPLE IN THE PERIOD OF WORLD WAR II'.

GORBACHEV'S SPEECH

RESTRUCTURING

3. GORBACHEV SAID THAT ALTHOUGH THERE HAS ALREADY BEEN SOME CHANGES FOR THE BETTER IN CERTAIN AREAS OF THE ECONOMY (AGRICULTURE) OTHERS - MACHINE BUILDING, CHEMICAL INDUSTRY, LIGHT INDUSTRY - STILL LAGGED BEHIND. 'CHANGES ARE TAKING PLACE BUT THE TURNING POINT HAS NOT BEEN REACHED ... THE RADICAL ALTERATION WHICH IS REQUIRED WILL TAKE LONGER THAN TWO OR THREE YEARS .. WE ARE TALKING ABOUT RECONSTRUCTING THE WHOLE BUILDING, NOT JUST



SWEEPING OUR THE CORNERS AND PAINTING THE WALLS ... THE MAIN TASKS STILL LIE AHEAD'.

4. THROUGHOUT HIS SPEECH, GORBACHEV CONSTANTLY STRESSED THAT THE BASIC LEGISLATIVE GROUND RULES OF PERESTROIKA HAD BEEN PASSED AND NOW PROGRESS DEPENDED ON EVERYONE'S HARD WORK SEMICOLON 'DONT WAIT FOR ANY MORE EDICTS FROM THE TOP. YOU ARE FAMILIAR WITH THE POLITICAL AIMS, THE RELEVANT LEGAL DOCUMENTS HAVE BEEN ADOPTED, NOW WE MUST ACT, AND EXTEND INITIATIVE FROM BELOW'. INITIATIVE AND VIGOUR WERE THE KEY. 'THOSE WHO ARE MERELY MARKING TIME IN THE TRENCHES' SHOULD NOT HESITATE TO COME FORTH AND ASSUME THE OFFENSIVE AGAINST SHORTCOMINGS, NEGLECTED QUESTIONS, BACKWARDNESS'. THERE SHOULD BE A REAL ALLIANCE OF LEADING CADRES, PARTY ORGANISATIONS AND WORK COLLECTIVES. 'THIS WILL BE A DECISIVE FORCE. TECHNOLOGY IS ALL VERY WELL BUT IF THERE IS NO ALLIANCE OF THIS KIND, NOTHING WILL HAPPEN. THE PEOPLE ARE THE MAIN PROTAGONISTS'.

5. GORBACHEV WAS FIRM IN HIS DEFENCE OF THE SYSTEM OF STATE QUALITY CONTROL (GOSPRIEMKA). 'IT WORKS IN A WAY THAT MAKES EVERYBODY SWEAT SEMICOLON WORKERS, DESIGNERS, ENGINEERS AND ECONOMIC EXECUTIVES. THIS IS THE WAY THE STATE QUALITY CONTROL SYSTEM SHOULD (UNDERLINED) OPERATE IF WE ARE TO HAVE THE TECHNOLOGY AND COMMODITIES WE WANT. IF THAT IS NOT DONE WHY DO WE NEED MONEY? WHAT IS THERE TO BUY WITH IT? ... WHY THEN DO WE GO TO OUR WORK PLACES EVERY MORNING? ... WE OUGHT TO STUDY THE EXPERIENCE OF INTRODUCING STATE QUALITY CONTROL AND THE OPERATIONS OF OUR ENTERPRISES IN THESE CONDITIONS ... SO AS NOT TO FIND OURSELVES IN A DIFFICULT SITUATION WHEN, ON 1 JANUARY 1988, 60% OF OUR ECONOMY WILL BE TRANSFERRED TO PRINCIPLES OF COST ACCOUNTING, SELF-FINANCING AND SELF-REPAYMENT.'

6. GORBACHEV WAS ADAMANT THAT THERE COULD BE NO GOING BACK ON ANY PART OF THE REFORM PROGRAMME. 'WE CANNOT RETREAT FROM ANYTHING THAT WE HAVE STARTED. WE STARTED A WAR ON DRUNKENNESS. WE CANNOT RETREAT ALTHOUGH MANY ARE DISPLEASED ... BUT THE MAJORITY OF PEOPLE ARE STILL FOR SOBRIETY. IF WE WAVER, THE FRONT OF OUR RESTRUCTURING WILL COLLAPSE.'

7. HE WAS ALSO AT PAINS TO POINT OUT THAT REFORM OF THE ECONOMY WAS NOT AN END IN ITSELF BUT WAS AIMED AT IMPROVING PEOPLE'S WELL-BEING AND STANDARD OF LIVING AND THAT MUCH DEPENDED OF THE INDIVIDUAL. 'WORK UNDER COST ACCOUNTING WILL BE REWARDED AND ENCOURAGED APPROPRIATELY ... IN SIMPLE TERMS COST ACCOUNTING



BOILS DOWN TO ONE THING: ENCOURAGEMENT FOR GOOD PERFORMANCE AND AN APPROPRIATE VALUATION OF A SHODDY ONE ... COST ACCOUNTING MAKES INCOMES OF WORKING PEOPLE AND THEIR STATUS AND WELL-BEING DEPENDENT ON THE FINAL RESULTS.'

8. ALTHOUGH THE WAY FORWARD WAS NOT EASY, IT WAS THE RIGHT WAY 'THE EXPERIENCE WHICH WE HAVE ACCUMULATED IN THE PAST TWO YEARS OR SO IN USING THE NEW METHODS OF MANAGEMENT ... CONVINCES US THAT WE ARE ON THE CORRECT PATH, THAT DESPITE THE INITIAL DIFFICULTIES THIS IS A VERY PROMISING ENDEAVOUR ... NOT EVERYTHING WILL HAPPEN AT ONCE. PROBABLY THERE WILL BE MISCALCULATIONS AND SOME MISTAKES ARE POSSIBLE. BUT WE MUST TREAT ALL THIS CALMLY, DEMOCRATICALLY, OPENLY WITHOUT PANIC AND DEMAGOGUERY, SERIOUSLY. EVERYTHING THAT IS PLANNED IS DIRECTED AT ACCELERATING THE COUNTRY'S SOCIO-ECONOMIC DEVELOPMENT, AT IMPROVING THE LIFE OF WORKING PEOPLE.'

9. HE ATTEMPTED TO OFFER SOME REASSURANCE ON THE VEXED QUESTION OF PRICES. 'THE QUESTION OF PRICES IS NOW BEING DISCUSSED ... THIS IS AN IMPORTANT ELEMENT OF THE NEW ECONOMIC MECHANISM AND ITS IMPORTANCE TO SOLVING THE TASK OF SWITCHING TO NEW METHODS OF MANAGEMENT WITHOUT GETTING TO GRIPS WITH PRICES. THE DISCUSSION OF PRICES ... HAS GIVEN RISE TO CERTAIN APPREHENSIONS AMONG WORKING PEOPLE ... THIS IS UNDERSTOOD.' THE LEADERSHIP WAS NOT PLANNING TO SOLVE THE PROBLEMS OF THE ECONOMY BY LOWERING PEOPLE'S LIVING STANDARDS. THE ISSUE OF PRICES WOULD BE ADDRESSED 'WITH THE AIM OF ACCELERATING OUR ECONOMY'S DEVELOPMENT, INCREASING OUTPUT AND NATIONAL INCOME AND RAISING PEOPLE'S LIVING STANDARDS.' ANY CHANGES WOULD BE DISCUSSED OPENLY.

10. GORBACHEV EXPLAINED HIS VIEW THAT SUBSIDIES ON MANY ITEMS, PARTICULARLY FOOD STUFFS, WERE EXCESSIVE. MEAT AND MILK SUBSIDIES, FOR EXAMPLE, AMOUNTED TO 57 BILLION ROUBLES IN 1986. 'MANY PEOPLE DO NOT KNOW HOW THINGS STAND. THEY ARE NOT AWARE OF THE SITUATION ... THIS IS WHY NO ONE SAVES FOOD STUFFS, ON ONE IS CAREFUL WITH THEM. MOREOVER FAMILIES WITH LARGE INCOMES CONSUME MORE MEAT AND MILK AND TAKE ADVANTAGE OF THE SUBSIDIES TO A GREATER DEGREE. THESE ARE THE PROBLEMS WE ARE FACING'. MANY FOOD STUFFS WERE UNDERPRICED 'I SHOULD LIKE TO CITE A NUMBER OF FIGURES JUST TO SHOW THE PARADOXICAL SITUATION IN THIS COUNTRY IN COMPARISON WITH OTHER DEVELOPED COUNTRIES ... IF WE TAKE THE PRICE OF BREAD IN THE SOVIET UNION FOR ONE UNIT, ITS PRICE IN THE US WILL BE 5.5 TIMES HIGHER. THE FIGURE FOR BRITAIN



IS 3.6, FOR FRANCE 4.1, WEST GERMANY 4.9, HUNGARY 1.5. THE SITUATION IS THE SAME WITH MEAT, MILK AND SO ON ... BUT OUR METHOD IS NOT TO RESOLVE ECONOMIC PROBLEMS AT THE EXPENSE OF THE LIVING STANDARDS OF THE WORKING PEOPLE .. ALL THE ECONOMIC TASKS WILL BE FULFILLED THROUGH BETTER WORK BY ALL OF US.' IF WAS ALSO IMPORTANT TO SAVE LABOUR RESOURCES AND MONEY 'WE STILL ARE IMPERMISSIVELY WASTEFUL AND EXTRAVAGANT ... WHEN WE LEARN TO BE EFFICIENCY-MINDED IN THE WAY THINGS ARE DONE, THE ECONOMY WILL BENEFIT TREMENDOUSLY ... THE UPKEEP OF MANAGERIAL STAFF IS WHERE WE CAN SAVE A GREAT DEAL. AT PRESENT WE SPEND MORE THAN 40 BILLION ROUBLES A YEAR ON THIS WHILE OUR NATIONAL INCOME INCREASES BY 20 OR SO BILLION ROUBLES.'" GORBACHEV WAS HOWEVER AT PAINS TO EMPHASISE THAT PRUNING THE 18MN PEOPLE EMPLOYED IN MANAGEMENT WOULD TAKE PLACE 'IN A WELL-CONSIDERED MANNER ... WORK WILL BE FOUND FOR EVERYONE'.

11. 'WITH RADICAL ECONOMIC REFORM IN THE MAKING, OUR SOCIETY IS ENTERING THE DECISIVE PHASE OF PERESTROIKA ... WE IN THE POLITBURO CONSIDER THAT A CRITICAL STAGE HAS EMERGED IN THE DRIVE FOR RESTRUCTURING. ... JUST BECAUSE SOMETHING GOES AMISS AND PRODUCES AN UNACCEPTABLE, UNFORSEEN OR UNDESIRABLE RESULT THIS IS NOT REASON ENOUGH TO BE DISAPPOINTED AND GIVE UP.'

12. 'ON THE WHOLE PERESTROIKA IS CONTINUING TO GAIN BOTH IN SPEED AND IN SCOPE AND IS TAKING EVER FIRMER HOLD. EVERYONE IS DUTY-BOUND TO SUSTAIN AND ACCELERATE THE MOMENTUM ... EVERYTHING THAT WE HAVE PLANNED CAN ONLY BE ACCOMPLISHED BY OUR OWN EFFORT. THERE WILL AND CAN BE NO MIRACLE. IT IS ONLY WITH OUR OWN HANDS THAT WE CAN REVITALISE OUR LIFE.'

## SOCIAL

13. IN RESPONSE TO CONVERSATIONS WITH LOCAL PEOPLE, EARLIER IN HIS VISIT, GORBACHEV WAS CRITICAL OF FAILINGS IN HOUSING, HEALTH AND CHILD CARE AND THE SUPPLY OF CONSUMER GOODS IN THE REGION. HE SAID THAT IT HAD BEEN 'BITTER AND PAINFUL TO LISTEN TO THE COMPLAINTS OF THE WORKERS'. HE SAYS OF THE LACK OF FACILITIES FOR PRE-SCHOOL CHILDREN 'IT IS SCANDALOUS, THE LACK OF LEADERSHIP. GENERALLY SPEAKING, IRRESPONSIBLE'. ON CONSUMER GOODS AND LOCAL COOPERATIVES HE NOTES A 36% SHORTFALL IN THE PRODUCTION OF CONSUMER GOODS COMPARED TO THE REST OF THE RSFSR, AND NOTES ALSO THAT THERE ARE 2 TO 3 FEWER FRUITS AND VEGETABLES MARKETED THROUGH COOPERATIVES IN MURMANSK THAN IN THE NEIGHBOURING ARKHANGELSK REGION. 'THIS MEANS PASSIVE,



UNCLASSIFIED

140172  
MDADAN 4391

INERT PEOPLE ARE HEADING COOPERATIVES''. HE NOTES TOO THAT  
' 'SURPLUS LABOUR RESERVES'' ARE APPEARING IN THE REGION.  
' 'THEY MUST BE EMPLOYED. CANNOT WOMEN BE ENCOURAGED IN PRODUCTION?.

14. SEE MIFT FOR EXTERNAL ASPECTS OF GORBACHEV SPEECH.

CCN: PARA 2. THE HITLERITE BLOCKADE ...

CARTLEDGE

YYYY

DISTRIBUTION

21

ADVANCE 21

PS	HD/SEC POL DEPT
PS/MRS CHALKER	HD/ACDD
PS/LORD GLENARTHUR	HD/SOVIET DEPT
PS/MR MELLOR	HD/DEFENCE D.
PS/PUS	RESIDENT CLERK
SIR J FRETWELL	MR POWELL NO.10 DOWNING STREET
MR BOYD	MR D NICHOLLS DUS(P) MOD
MR RATFORD	D.NUC(POL)SY MOD
MR FALL	DACU MOD
MR FEARN	CDI MOD
HD/NAD	

NNNN

PAGE 5  
UNCLASSIFIED

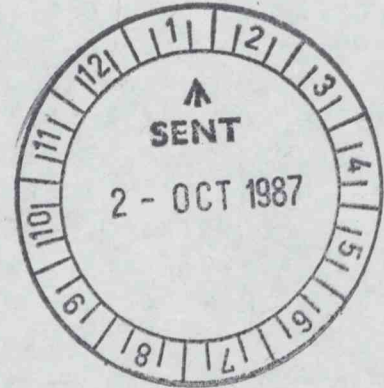


UNCLASSIFIED

140103  
MDADAN 4379

UNCLASSIFIED  
FM MOSCOW  
TO DESKBY 021300Z F C O  
TELNO 1338  
OF 021045Z OCTOBER 87  
INFO IMMEDIATE NATO POSTS, HELSINKI, STOCKHOLM  
INFO IMMEDIATE UKMIS NEW YORK, MODUK  
INFO PRIORITY UKDIS GENEVA, UKDEL CSCE VIENNA

**ADVANCE COPY**



SIC UHV/LAL/UEW

MODUK FOR DI3(N) DI3(AIR) SEC (NS)

GORBACHEV'S MUMANSK SPEECH: EXTERNAL

SUMMARY

1. GORBACHEV LISTS THE SUCCESSES ACHIEVED BY 'NEW THINKING', BUT WARNS THAT 'ANTI-SOVIET GROUPS' ARE STILL STRONG. THE STRATEGIC SIGNIFICANCE OF THE ARCTIC. HE ADDRESSES NORDIC CONCERNS AND OUTLINES SIX PROPOSALS FOR REGIONAL COOPERATION.

DETAIL

EAST-WEST

2. GORBACHEV BEGAN THE FOREIGN POLICY SECTION OF HIS SPEECH IN MURMANSK BY SAYING THAT 'NEW THINKING' WAS MAKING HEADWAY EVEN THOUGH ANTI-SOVIET ATTACKS WERE STILL COMMON. HE SAID THAT 'NEW THINKING' REFLECTED POPULAR CONCERNS AND COMMON SENSE. IT WAS AN 'INVITATION TO DIALOGUE, TO INQUIRY, TO A BETTER WORLD, TO THE NORMALISATION OF INTERNATIONAL RELATIONS'.

3. HE THEN ENUMERATED THIS POLICY'S ACHIEVEMENTS. DIALOGUE, 'SUBSTANTIAL, FRANK AND FAR FROM FUTILE', BETWEEN EAST AND WEST WAS NOW A FEATURE OF THE WORLD. THE UNDERSTANDING ON AN INF TREATY WAS WELCOME, AND IF A TREATY FOLLOWED, IT WOULD BE THE FIRST STEP TOWARDS REAL NUCLEAR DISARMAMENT IN THE POST-WAR PERIOD. IT HAD BEEN A HARD PATH. THE REYKJAVIK MEETING HAD BEEN A CRITICAL POINT.. DESPITE THE SCEPTICAL CRIES OF 'A DISASTER', ALL THE SUBSEQUENT PROGRESS WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE REYKJAVIK MEETING. GORBACHEV ALSO DEFENDED THE NUCLEAR TEST MORATORIUM, WHICH HAD NOT BEEN AN EASY STEP. IT HAD NONETHELESS SPAWNED AND



STRENGTHENED DEMANDS FROM ALL OVER THE WORLD FOR AN END TO NUCLEAR TESTING.

4. GORBACHEV THEN MOVED TO THE DIFFICULT ISSUES WHICH WERE STILL SOURING EAST-WEST RELATIONS. HE DEVOTED SOME TIME TO RECENT HEARINGS OF THE JOINT CONGRESSIONAL ECONOMICS COMMITTEE ON 'GORBACHEV'S ECONOMIC REFORMS'. ALTHOUGH SOME WITNESSES THOUGHT THAT THE US SHOULD WELCOME PERESTROIKA, OTHERS HAD SAID THAT IF THE SOVIET UNION ACHIEVED THE TARGETS SET BY THE 27TH CPSU CONGRESS THEN IT WOULD POSE A GREATER THREAT TO AMERICAN SECURITY. IT WAS ALSO SAID THAT PERESTROIKA WOULD DAMAGE THE POLITICAL AND ECONOMIC UNITY OF WESTERN EUROPE AND INCREASE SOVIET INFLUENCE IN DEVELOPING COUNTRIES. GORBACHEV POINTED OUT THAT THESE GROUPS BELIEVED THE WEST SHOULD DO ALL IT COULD TO BRING ABOUT THE COLLAPSE OF THE SOVIET UNION, BY PRESSING AHEAD WITH SDI, BY DEVELOPING SOPHISTICATED WEAPONS SYSTEMS, BY SUBVERTING SOVIET ALLIES AND BY STRENGTHENING COCOM. GORBACHEV ASSURED HIS AUDIENCE THAT 'NEW THINKING' WAS MAKING THE 'IMAGE OF THE SOVIET ENEMY' LESS TENABLE. THAT WAS A PROBLEM FOR THE OPPONENTS OF THE SOVIET UNION, THE RUSSIANS WOULD HOLD TO THEIR COURSE.

#### NEW THINKING IN SOVIET ARCTIC POLICY

4. SINCE HE WAS SPEAKING IN MURMANSK, GORBACHEV ADDRESSED THE STRATEGIC SIGNIFICANCE OF THE ARCTIC AND THE SOVIET NORTH. THE ARCTIC WAS WHERE THREE CONTINENTS MET. THE SOVIET UNION WAS CONCERNED FOR THE SECURITY OF ITS NORTHERN BORDER. HE APPLAUDED THE NORDIC ROLE IN REDUCING TENSION, HOSTING THE HELSINKI AND STOCKHOLM CONFERENCES AND THE REYKJAVIK MEETING AND THE DANISH AND NORWEGIAN REFUSAL TO HAVE FOREIGN TROOPS OR NUCLEAR WEAPONS ON THEIR TERRITORY IN PEACE TIME. BUT THERE WAS ANOTHER PART OF THE PICTURE. ONE COULD FEEL THE ICY BREATH OF THE PENTAGON'S POLAR STRATEGY. THERE WAS A HUGE NUCLEAR POTENTIAL CONCENTRATED ON SUBMARINES AND SURFACE VESSELS IN THE REGION, WHICH WOULD AFFECT THE ENTIRE WORLD. IT WAS ALARMING TO HEAR OF NATO INTENTION TO COMPENSATE FOR THE INF REDUCTIONS WITH AIR AND SEA LAUNCHED CRUISE-MISSILES BASED IN THE NORTH ATLANTIC. HE CRITICISED THE BMEWS RADAR AT THULE (IN BREACH OF THE ABM TREATY) AND THE TESTING OF CRUISE MISSILES IN NORTHERN CANADA. HE WOULD LIKE TO INVITE THE COUNTRIES OF THE ARCTIC AND NORTH ATLANTIC REGION TO CONSIDER THESE SECURITY QUESTIONS.

5. GORBACHEV SAID 'THE SOVIET UNION IS FOR A RADICAL LOWERING OF THE LEVEL OF MILITARY CONFRONTATION IN THE REGION. LET THE NORTH



OF THE GLOBE, THE ARCTIC, BECOME A ZONE OF PEACE. LET THE NORTH POLE BE A POLE OF PEACE. WE SUGGEST THAT ALL COUNTRIES CONCERNED SHOULD START TALKS ON THE LIMITATION AND SCALING DOWN OF MILITARY ACTIVITY IN THE NORTH AS A WHOLE - IN BOTH EASTERN AND WESTERN HEMISPHERES.''

6. MORE SPECIFICALLY GORBACHEV OUTLINED SIX PROPOSALS DESIGNED TO ACHIEVE THESE ENDS:

(I) NORTHERN EUROPEAN NUCLEAR WEAPON FREE ZONE

GORBACHEV REITERATED SOVIET WILLINGNESS TO BECOME A GUARANTOR IF A DECISION ON SUCH A NUCLEAR WEAPON FREE ZONE WAS ADOPTED. HE SAID 'THE SOVIET UNION SIMULTANEOUSLY REAFFIRMS ITS READINESS TO DISCUSS WITH EACH OF THE COUNTRIES CONCERNED OR A GROUP OF COUNTRIES ALL PROBLEMS RELATED TO THE CREATION OF A NUCLEAR FREE ZONE, INCLUDING POSSIBLE MEASURES APPLICABLE TO SOVIET TERRITORY. FOR INSTANCE WE COULD GO AS FAR AS REMOVING FROM THE SOVIET BALTIC FLEET SUBMARINES EQUIPPED WITH BALLISTIC MISSILES.' GORBACHEV DESCRIBED PREVIOUS SOVIET ACTION TO DISMANTLE MEDIUM RANGE MISSILE LAUNCHERS SITUATED IN THE KOLA PENINSULA AND A LARGE NUMBER OF SUCH LAUNCHERS ON THE REMAINING TERRITORY OF THE LENINGRAD AND BALTIC MILITARY DISTRICTS. THE RUSSIANS HAD ALSO REMOVED A CONSIDERABLE NUMBER OF SHORTER RANGE MISSILES FROM THOSE DISTRICTS. SOVIET MILITARY EXERCISES HAD ALSO BEEN RESTRICTED IN AREAS CLOSE TO BORDERS WITH SCANDINAVIAN COUNTRIES. GORBACHEV SAID THAT 'FOLLOWING THE CONCLUSION OF THE 'GLOBAL DOUBLE ZERO' ADDITIONAL OPPORTUNITIES FOR MILITARY DETENTE IN THE AREA WILL OPEN UP.'

(II) WELCOMING KOIVISTO'S INITIATIVE ON RESTRICTING NAVAL ACTIVITY IN NORTHERN EUROPEAN SEAS GORBACHEV SAID 'FOR ITS PART THE SOVIET UNION PROPOSES CONSULTATIONS BETWEEN THE WARSAW PACT AND NATO ON THE RESTRICTION OF MILITARY ACTIVITY AND SCALING DOWN OF NAVAL AND AIR FORCE ACTIVITIES IN THE BALTIC, NORTH SEA, NORWEGIAN SEA AND GREENLAND SEA'.

THE SOVIET SIDE ALSO PROPOSED THE SPREAD OF CBMS TO THESE AREAS. THESE MIGHT INCLUDE:-

- (A) MEASURES TO LIMIT RIVALRY IN ANTI-SUBMARINE WEAPONS:
- (B) NOTIFICATION OF LARGE NAVAL AND AIR EXERCISES:
- (C) INVITATION OF OBSERVERS FROM ALL COUNTRIES PARTICIPATING



IN THE EUROPEAN (SIC) PROCESS TO LARGE NAVAL AND AIR EXERCISES.

HE SAID SUCH CBMS COULD SPREAD TO ARCTIC AREAS IN BOTH HEMISPHERES. IN THIS CONTEXT GORBACHEV SAID "AT THE SAME TIME WE PROPOSE TO CONSIDER THE QUESTION OF BANNING NAVAL ACTIVITY IN MUTUALLY AGREED ZONES OF INTERNATIONAL STRAITS AND IN INTENSIVE SHIPPING LANES. A MEETING OF INTERESTED STATES COULD BE HELD FOR THIS PURPOSE IN LENINGRAD FOR EXAMPLE."

EXPRESSING AWARENESS OF NORDIC CONCERN OVER THE SOVIET NUCLEAR TESTING RANGE ON NOVAYA ZEMLYA GORBACHEV SAID "WE ARE CONSIDERING HOW TO SOLVE THE PROBLEM WHICH IS DIFFICULT BECAUSE OF THE ENORMOUS INVESTMENT IN THE TEST RANGE. BUT FRANKLY SPEAKING, THE PROBLEM COULD BE SOLVED ONCE AND FOR ALL IF THE US AGREED TO STOP NUCLEAR TESTING OR, AS A BEGINNING TO REDUCE THEM TO THE BAREST MINIMUM IN TERMS OF NUMBER AND YIELD."

(III) COOPERATION IN ARCTIC RESOURCE DEVELOPMENT

STRESSING THE IMPORTANCE OF EXCHANGES OF EXPERIENCE AND KNOWLEDGE BY THE COUNTRIES CONCERNED GORBACHEV PROPOSED AN AGREEMENT ON THE PRODUCTION OF A SINGLE ENERGY PROGRAMME FOR THE NORTH OF EUROPE. IN ORDER TO CUT BOTH MATERIAL AND OTHER EXPENSES HE HOPED TO INVOLVE CANADA AND NORWAY IN "THE CREATION OF MIXED FIRMS AND ENTERPRISES FOR EXTRACTING OIL AND GAS ON THE SHELF OF OUR NORTHERN SEAS." AS FAR AS TERRAIN RESOURCES WERE CONCERNED HE EXPRESSED SOVIET WILLINGNESS IN ORDER TO EXPLOIT RESOURCES OF THE KOLA PENINSULA. THIS WOULD INVOLVE MAJOR BUSINESS PROJECTS INCLUDING JOINT ENTERPRISES.

(IV) SCIENTIFIC COOPERATION

GORBACHEV PROPOSED A CONFERENCE OF SUB-ARCTIC STATES TO COORDINATE SCIENTIFIC RESEARCH IN THE ARCTIC. HE OFFERED MURMANSK AS A VENUE. SUCH A CONFERENCE MIGHT STUDY THE POSSIBILITY OF SETTING UP A JOINT ARCTIC SCIENTIFIC COUNCIL AND ALSO DISCUSS THE INTERESTS OF THE INDIGENOUS ARCTIC POPULATIONS INCLUDING CULTURAL LINKS.

(V) ARCTIC ENVIRONMENTAL PROTECTION COOPERATION

STRESSING THE URGENCY OF SUCH COOPERATION GORBACHEV SUGGESTED THAT A SINGLE COMPREHENSIVE ENVIRONMENTAL PROTECTION PLAN SHOULD BE PRODUCED USING THE EXPERIENCE OF CURRENT MEASURES CARRIED OUT BY THE

SEVEN LITTORAL STATES OF THE BALTIC. THIS NEW PLAN COULD ALSO  
MONITOR THE STATE OF THE NATURAL ENVIRONMENT (NOTABLY TUNDRA AND  
FOREST TUNDRA) AS WELL AS RADIATION SAFETY IN THE REGION.

(VI) OPENING OF NORTHERN SEA ROUTE TO FOREIGN SHIPS

GORBACHEV SAID THAT DEPENDING ON PROGRESS IN THE NORMALISATION OF  
INTERNATIONAL RELATIONS THE RUSSIANS WOULD BE PREPARED TO OPEN THE  
NORTHERN SEA PASSAGE TO FOREIGN SHIPS WITH THE RUSSIANS PROVIDING  
ICEBREAKER SERVICES.

7. FINALLY HE REAFFIRMED THE SOVIET UNION'S INTEREST IN  
ESTABLISHING IN THE ARCTIC AND SUB-ARCTIC A ZONE OF PEACE AND  
COOPERATION.

8. COMMENT FOLLOWS BY IMMEDIATE TELEGRAM.

CARTLEDGE

YYYY

DISTRIBUTION

21

ADVANCE 21

PS  
PS/MRS CHALKER  
PS/LORD GLENARTHUR  
PS/MR MELLOR  
PS/PUS  
SIR J FRETWELL  
MR BOYD  
MR RATFORD  
MR FALL  
MR FEARN  
HD/NAD

HD/SEC POL DEPT  
HD/ACDD  
HD/SOVIET DEPT  
HD/DEFENCE D.  
RESIDENT CLERK  
MR POWELL NO.10 DOWNING STREET  
MR D NICHOLLS DUS(P) MOD  
D.NUC(POL)SY MOD  
DACU MOD  
CDI MOD

NNNN



RESTRICTED

ADVANCE COPY



RESTRICTED  
FM MOSCOW  
TO IMMEDIATE FCO  
TELNO 1341  
OF 021530Z OCTOBER 87  
INFO PRIORITY NATO POSTS, UKMIS NEW YORK, HELSINKI, STOCKHOLM  
INFO PRIORITY UKDIS GENEVA, UKDEL CSCE VIENNA, EAST EUROPEAN POSTS  
INFO PRIORITY MODUK

*ms*

MY TELNOS 1337 (NOT TO ALL) AND 1338: GORBACHEV'S MURMANSK  
SPEECH: COMMENT

1. GORBACHEV'S MURMANSK SPEECH, HIS FIRST MAJOR DOMESTIC  
ENGAGEMENT SINCE RETURNING FROM HOLIDAY, WAS A CONFIDENT  
AND VIGOROUS PERFORMANCE, MARKEDLY MORE SO THAN HIS ADDRESS  
TO THE FRANCO/SOVIET FORUM ON 29 SEPTEMBER (MY TELS NOS 1325  
AND 1328). HE WAS RIGHT BACK ON FORM AND THOSE PASSAGES IN  
THE SPEECH, MAINLY ON INTERNAL ISSUES, FOR WHICH HE DEPARTED  
FROM HIS PREPARED TEXT WERE, AS USUAL, THE MOST EFFECTIVE AND  
VINTAGE GORBACHEV.

*[Sounds like  
some-one  
I know!]*

2. RAISA GORBACHEVA ACCOMPANIED HIM THROUGHOUT AND LOOKED WELL:  
SHE WAS GIVEN UNUSUAL PROMINENCE IN TELEVISION COVERAGE, PROBABLY  
TO COUNTER RUMOURS OF HER RECENT ILL HEALTH.

INTERNAL

3. GORBACHEV TOOK MORE TROUBLE THAN USUAL TO BALANCE GOOD  
NEWS WITH BAD, CITING BOTH THE ACHIEVEMENTS OF SOCIALISM IN  
GENERAL AND SOME RECENT ECONOMIC RESULTS IN PARTICULAR ON THE  
CREDIT SIDE: BUT HE PULLED NO PUNCHES IN IDENTIFYING CURRENT  
PROBLEMS AND FAILURES. HIS TREATMENT OF THE INTERNAL SITUATION,  
WHILE IT CONTAINED A FEW NOVELTIES OF SUBSTANCE, AMOUNTED  
TO A VIGOROUS PEP TALK, STRESSING THE NECESSITY FOR HARDER  
WORK, BETTER DISCIPLINE AND LESS APATHY. THE LEADERSHIP AND THE  
LEGISLATURE HAD SET OUT THE AGENDA: IT WAS NOT UP TO MANAGERS  
AND WORKERS TO CARRY IT OUT WITHOUT CONSTANTLY TURNING TO THE TOP  
FOR FURTHER GUIDANCE.

4. CHARACTERISTICALLY, GORBACHEV TACKLED THE QUESTION OF  
QUALITY CONTROL (THE 'STATE ACCEPTANCE CENTRES' WHICH HAVE  
ATTRACTED HEAVY SHOP-FLOOR CRITICISM) HEAD ON, CITING THE DEFENCE  
INDUSTRIAL CENTRE AS THE AREA IN WHICH QUALITY CONTROL HAD PROVED



ITSELF AND WHICH SHOULD BE EMULATED IN THE CIVILIAN SECTOR.

5. GORBACHEV WAS AT PAINS TO STRESS THAT PERESTROIKA (UNDERLINED) IS NOT AN END IN ITSELF BUT A STRATEGY DESIGNED TO IMPROVE LIVING STANDARDS ACROSS THE BOARD. HE ENDEAVOURED TO ALLAY FEARS THAT REFORMS, PARTICULARLY OF THE PRICE STRUCTURE, WOULD BE PUSHED THROUGH AT THE EXPENSE OF THE INTERESTS OF WORKING PEOPLE. ALTHOUGH, IN ATTACKING THE CURRENT LEVEL OF SUBSIDIES, HE LEFT LITTLE DOUBT THAT THERE WOULD BE INCREASES IN THE PRICES OF BASIC FOODSTUFFS, HE EMPHASISED THAT THESE WOULD HAPPEN AGAINST A BACKGROUND OF INCREASED NATIONAL INCOME AND EXTENDED BENEFITS, AND THAT FURTHER PRICE INCREASES WOULD NOT BE IMPOSED WITHOUT PRIOR PUBLIC DISCUSSION. THIS IS, HOWEVER, UNLIKELY TO CUT MUCH ICE WITH THE MAJORITY OF SOVIET FAMILIES, WHO FEAR THAT ALREADY TIGHT BUDGETS WILL BE FURTHER STRETCHED: INDEED, WHEN HE ASKED HIS AUDIENCE WHETHER THE LEADERSHIP'S APPROACH TO PRICE REFORM WAS THE RIGHT ONE, THE RESPONSE WAS MUCH MORE HALF-HEARTED THAN THE PRESS REPORTS CLAIMED. IT WAS INTERESTING THAT, IN COMPARING SOVIET FOOD PRICES WITH THOSE IN OTHER COUNTRIES TO ILLUSTRATE HOW UNREALISTICALLY LOW THEY ARE, HE CHOSE TO INCLUDE HUNGARY WITH THE US, GREAT BRITAIN, THE FRG AND FRANCE.

6. GORBACHEV HAD CLEARLY BEEN AFFECTED BY HARD-HITTING EXCHANGES WITH WORKERS DURING HIS WALKABOUTS IN MURMANSK ABOUT THEIR GENERAL LIVING CONDITIONS: THIS WAS REFLECTED IN HIS UNCOMPROMISING COMMENTS ON POOR PUBLIC AND DOMESTIC FACILITIES IN THE REGION. TELEVISION COVERAGE OF THE WALKABOUTS SHOWED HIM FACING A BARRAGE OF QUESTIONS AND COMPLAINTS WHICH DID NOT FALL FAR SHORT OF HECKLING.

EXTERNAL

7. APART FROM SOME STANDARD CRITICISM OF CONTINUING WESTERN HOSTILITY TO 'NEW THINKING' ON SOVIET FOREIGN POLICY THE COLLECTION OF PROPOSALS FOR REGIONAL COOPERATION INCLUDED IN THE SPEECH EVIDENTLY CONSTITUTE THE ARCTIC PIECE IN THE GLOBAL JIGSAW OF NEW SOVIET FOREIGN POLICY INITIATIVES UNDER GORBACHEV.

8. THE PROPOSALS IN PARA 6 (I AND II) OF MY SECOND REFTTEL RELATING TO NORDIC SECURITY ARE MOSTLY OLD IDEAS, NOTABLY THE NORDIC NUCLEAR WEAPON FREE ZONE. IN THIS CONTEXT THE PROPOSAL FOR THE REMOVAL OF SOVIET SUBMARINES EQUIPPED WITH BALLISTIC MISSILES STATIONED IN THE BALTIC WAS FIRST SUGGESTED BY LIGACHEV DURING HIS VISIT TO FINLAND IN NOVEMBER 1986.



RESTRICTED

141335  
MDADAN 4447

9. THE KOIVISTO INITIATIVE REFERRED TO BY GORBACHEV IS ALMOST A YEAR OLD (15 OCTOBER 1986). ONE CURIOSITY IS GORBACHEV'S SUGGESTION OF CONSULTATION BETWEEN THE WARSAW PACT AND NATO ON THE SCALING DOWN OF NAVAL AND AIR ACTIVITIES. THE REFERENCE TO NAVAL AND AIR ACTIVITIES AND EXERCISES IN THE CONTEXT OF CBMS IS IN LINE WITH THE WARSAW PACT AND NNA PROPOSALS WHICH DID NOT SUCCEED DURING CDE STAGE 1, BUT WHICH NO DOUBT WILL BE TABLED AGAIN AT CDE STAGE 2.

10. PROPOSAL (III) FOR CO-OPERATION IN RESOURCE DEVELOPMENT, IS NOVEL IN THAT THE SOVIET UNION HAS INSISTED UNTIL NOW ON ITS OWN ABILITY TO DEVELOP ITS ARCTIC RESOURCES, NOTABLY IN THE BARENTS SEA.

11. THE REMAINDER OF THE PROPOSALS MAY BE WELCOME TO STATES IN THE REGION BUT HAVE MORE PROPAGANDA THAN PRACTICAL SIGNIFICANCE. IN PARTICULAR, THE PLAN TO OPEN THE NORTHERN SEA PASSAGE IS FRAUGHT WITH INTERNATIONAL LEGAL DIFFICULTIES.

12. THE TIMING AND VENUE FOR THIS SPEECH ARE PROBABLY RELATED TO PRESIDENT KOIVISTO'S ARRIVAL IN MOSCOW ON 5 OCTOBER FOR A STATE VISIT. HE WILL NO DOUBT GIVE GORBACHEV'S NORDIC PROPOSALS A FAIR WIND, THEREBY GENERATING FURTHER FAVOURABLE PUBLICITY.

CARTLEDGE

YYYY

DISTRIBUTION

21

ADVANCE 21

PS  
PS/MRS CHALKER  
PS/LORD GLENARTHUR  
PS/MR MELLOR  
PS/PUS  
SIR J FRETWELL  
MR BOYD  
MR RATFORD  
MR FALL  
MR FEARN

HD/SEC POL DEPT  
HD/ACDD  
HD/SOVIET DEPT  
HD/DEFENCE D.  
RESIDENT CLERK  
MR POWELL NO.10 DOWNING STREET  
MR D NICHOLLS DUS(P) MOD  
D.NUC(POL)SY MOD  
DACU MOD  
CDI MOD

HD/NAD.

PAGE 3  
RESTRICTED