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NICARAGUA/ LEHRER: Nicaragua is again in the news today, and our FIGHTING special Central America correspondent, Charles Krause, is again just back from there. Judy Woodruff will handle both developments. Judy?

WOODRUFF: Jim, in Nicaragua the government is reinforcing its troops near the Honduran border. The Sandinista leadership expects new attacks by the U.S.-supported rebels known as contras. Last week, government troops fought two major battles with the contras, and according to the Nicaraguan defense ministry, 120 rebels and 19 Sandinista soldiers were killed in the fighting. The Nicaraguan government has been pressing its claim that the United States is trying to destroy the Sandinista revolution. Reporter Charles Krause, on assignment for this program, talked Sunday night with the head of the Sandinista government, Comandante Daniel Ortega. Krause asked about American activity directed at Nicaragua, including aerial spying by the CIA.

DANIEL ORTEGA (Leader of Nicaragua) (translated by Krause): We believe there is a continuity of the flights from the bases the United States has in Panamanian territory, flights, also, which leave from Honduran territory and from Salvadoran territory. These have been continued. We know that the North American government, more specifically the Pentena... the Pentagon, has completely measured to the very last bit of territory for their military purposes, which they can use both for CIAgents (sic), CIA agents, in their terrorist activities, such as mining, or they can use for broader actions, such as an invasion by the United States of Nicaragua. That's the point and the goal of these flights, and they intend to keep the information up to date by continuing the flights.

KRAUSE: Well, now, the Reagan administration has justified mining your ports because it says that you are transshipping arms from Nicaragua to the guerrillas in El Salvador. Is your government involved in shipping arms to

the guerrillas in El Salvador and providing other assistance to them? ORTEGA (translated by Krause): We've been very clear so far as affirming that it is not the policy of the Nicaragua government to carry out activities like this transshipment of arms. Our support has been limited to the political areas. In fact, we've been very, very assertive in presenting internationally, both in the United Nations and to the United States,

specific proposals to try to find a political solution to the problems of El Salvador.

KRAUSE: What is the Reagan administration's objective with regard to your government? ORTEGA (translated by Krause): They're trying to destroy the Nicaraguan revolution; that's what they want. Why? Because they do not understand the changes which are going, which are being gone through in Nicaragua. These are errors which have been carried out by different administrations, and now this administration is carrying it out again. They do not understand, in Latin America, the desires of the people, and that's what leads them to carry out an erroneous policy as in this case. One day they pose one thing, another day, another thing. And one day they say the problem is the arms traveling to Salvador, and next day they say, no, now it's these alleged centers of transmissions. They themselves say publicly that there no longer are arms trafficking, or at least it's diminished

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considerably. They then say it's not the arms trafficking problem or the communications the next day, but the Cuban-Soviet presence in Nicaragua. And other times they say it's not the Cuban-Soviet presence in Nicaragua, but another problem. So there's no coherence. And there is no coherence because there's no interest in finding a solution, because what they really have in mind is to destroy the Nicaraugan revolution. The rest are all pretexts. In fact, we even see a chaotic image of U.S. foreign policy toward Central America.

WOODRUFF: Charles Krause, who conducted that interview with the nead of the Nicaraguan government, is with us in Washington. Charles, first of all, they say they're not shipping arms to El Salvador. The U.S. says that they are, our government says that they are shipping arms. How do we know who's telling the truth?

KRAUSE: Well, Judy, I don't know that we do. It's very hard for a reporter, for an independent observer, to know whether or not they are shipping arms. What I can say is that we have talked with representatives of the Salvadoran guerrillas, and they have told us that, in fact, Nicaragua is one of the countries, one of the countries in Central America through which they are receiving arms. But Daniel Ortega said, when I asked him about this, that it is not

the policy of the government to allow arms to be sent through Nicaragua. So there you are.

WOODRUFF: There was a report today that, uh, church leaders in Nicaragua have once again asked the government to sit down and negotiate with the rebels, and that once again the government has said it will not. Why, how can they justify that position?

KRAUSE: Well, the Sandinistas do not recognize the rebels as a legitimate opposition force. They believe that they are purely a creation of the United States and of the CIA. Therefore, it is their position that they won't negotiate with them and, in fact, they have, uh, said on may occasion that they will negotiate with the United States, because it's the United States that is, has created the contras. I don't think that that's entirely true. I think that some of the contras are legitimate. I think that there

is some, there are sectors in Nicaragua which support them, not many, not the majority. But, uh, they have some support.

WOODRUFF: What do you think the Sandinistas would do if the Congress, as it now appears it just might do, decides to cut off aid to the contras fighting the Sandinistas?

KRAUSE: Well, Sunday night, I asked Daniel Ortega that question. I had thought maybe he might tell me that they would be willing to, uh, make some rec... reciprocal, conciliatory gesture, uh, if Congress, in fact, did cut off aid to the contras. He said no, they won't. They've done all that they're going to do, at least for the time being. They feel that in the past when they have made what they considered to be conciliatory gestures, they were misinterpreted. They were seen as signs of weakness by the administration to justify increased pressure.

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WOODRUFF: So you don't think they'd change their policy at all, their attitude?

KRAUSE: Un, at the moment, uh, they're watching very closely what Congress will do. And, uh, Daniel Ortega would be the first to say that it would be very positive, uh, if Congress would, in fact, cut off aid to the contras. Uh, what they will do if that happens remains to be seen. I think one thing that maybe I should point out, at least from my observations in being in Central America, is I think that the Reagan administration's policy, to some extent, has worked, in that I think that the Sandinistas probably have not done some of the things that they might have done had there not been this kind of pressure.

WOODRUFF: For example?

KRAUSE: Well, uh, I think that they, certainly at one time, were sending arms to the guerrillas in El Salvador. I think even the administration has said at various times over the past couple of years that that has diminished significantly. Un, I think they haven't taken, perhaps, some measures internally that they might have had there not been this kind of pressure on them. But what I wanna say is that I think maybe now is the time, based on my conversations with people there, to consider a little bit more of a carrot rather than the stick, because I think that they are worried, I think that they're concerned about the possibility of a direct U.S. military intervention in Nicaragua. I think they are kind of, in their own, way, trying to find a way out of this, uh, problem, very serious problem that they've got.

WOODRUFF: Are they watching our presidential elections this year, and might a change in leadership have an impact? I know that's, could be pure speculation on your part, but how much do you think the leadership in the white House has to do with anything?

KRAUSE: Well, I think it's not entire speculation, because, in fact, after the taped interview we did with Daniel Ortega, we got into a conversation. He was very curious, asking questions about what's happening politically in the United States. I think they've basically given up on the Reagan

administration. They don't think that they're going to be able to reach any kind of understanding. And I think that they would view any of the Democratic candidates as probably improvement, an improvement, from their point of view. And I think that they hope that Central America will become an issue in the presidential campaign.

WOODRUFF: OK, good. Thank you, Charles Krause.