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NICARAGUA/ U.S. ENVOY

JENNINGS: Good evening. The news from Central America today is about settling a conflict by peaceful means. That doesn't mean it's going to happen, but all those guerrilla organizations which have fighting to overthrow the government of Nicaragua now say they want to talk about change. President Reagan's envoy to Central America, Richard Stone, said today it it could be a lengthy and difficult process. We hear both from Washington and from Nicaragua. First at the State Department, here's ABC's Anne Garrels.

GARRELS: It was an attempt by Ambassador Stone to take the five leading U.S.-backed rebel factions known as Contras and make them a unified political front. But so are their relations with each other that Stone had to meet with each group separately. Separately, though, they did agree to offer the Sandinista government a deal. STONE: We do believe that dialogue without pre-conditions aimed directly at letting the people decide in this region in the proper way to go.

GARRELS: The Contras pledge to seek a democratic political solution in Nicaragua. They're prepared to open negotiations with the Sandinistas and suspend their military activities if the Sandinistas will agree to-live up to their promises of 1979 and allow different political parties and free elections. Recently the Sandinistas have made some conciliatory gestures to domestic opponents. They also claimed to have asked Cuban military advisers and Salvadoran guerrilla leaders to leave the country. But according to the State Department, this isn't enough. JOHN HUGHES (State Dept. Spokesman): Certainly, some of the statements that some Nicaraguan leaders have been making have sounded somewhat more positive lately, and I think we are, we want to wait and see what the reality of the situation is.

GARRELS: What the administration wants is nothing short of democracy. And until then, officials say, the rebel attacks will continue. The CIA is reportedly urging the Contras to step up their activities, but according to one official, the Contras cannot defeat the Sandinistas with arms alone. So the administration has now added political pressure to the military offensive. This is also aimed at giving the rebels a new and much needed respectability. And it's a way to get them into the political negotiations already going on in the region. Anne Garrels, ABC News, the State Department.

COLLINS: This is Peter Collins in Nicaragua. The Sandinista regime is not yet ready to accept the deal offered today by the CIA-backed guerrillas. The Sandinistas claim the rebels represent no one-but the United States government. And they say

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the question of free elections and democratic reforms is an internal matter not subject to the negotiations. But at a rally still underway here in Managua this evening, the Sandinistas are announcing another in a series of recent concessions apparently designed to ease the pressure they're feeling from the United States. Junta leader, Daniel Ortega, proclaimed a general amnesty for some 14,000 *Mesquito Indians who have been opposed to the Sandinistas. All but 1,000 of the Indians have been living in a huge refugee camp in southern Honduras near the border with Nicaragua. Some of the Indians, with backing from the CIA, have made sporadic raids across the *Croco River into Nicaragua into the area where they used to live. Most of them are now being invited to come back home, and Sandinista officials are admitting privately they made a mistake in forcing the Indians off their land two years ago. Three hundred Mesquitos now in jail are to be released. This and other concessions are clearly designed to appeal to public and congressional opinion in the United States. The next step by the Sandinista leadership will be an announcement of elections that probably will fall short of what the U.S. wants. Senior diplomatic observers say the Sandinistas are making these moves now, because Cuba's Fidel Castro has made it clear he will be unable to help them in a war. And the nine Sandinista leaders are themselves somewhat divided over whether to talk or fight. Peter Collins, ABC News, Nicaragua.