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Report to Reagan Aides Urges Ending Many Restrictions on U.S. Spying

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WASHINGTON, Nov. 20 — A report prepared for national security advisers to President-elect Ronald Reagan calls for sweeping changes in intelligence practices and the elimination of many restrictions on the intelligence community.

The 97-page report, prepared under the auspices of the Heritage Foundation, a conservative research organization here, concludes that in order to revive the nation's intelligence capabilities, "agencies must be rebuilt through a combination of legislation, executive orders, administrative actions and Presidential leadership." It suggests separating clandestine operations from the Central Intelligence Agency, hiring more and better-trained agents, establishing competing sources of intelligence analysis and changing laws that restrict intelligence activities.

The report characterizes the current intelligence apparatus as being "in the worst condition since before Pearl Harbor" and blames not only President Carter but also three previous Administrations for politicizing intelligence gathering and analysis.

Officials stressed that key Reagan aides had only begun to think about how intelligence should be reshaped, and the report, they said, is only a tentative list of options open to a Reagan administration.

As one indication of the tentative nature of the options, J. William Mendenhall, former Secretary of the Navy and acting head of the transition's task force on intelligence, and other members of the task force, met today for the first time with Adm. Stansfield Turner, Director of Central Intelligence.

However, officials close to the Republican transition effort in intelligence said it was likely that several of the proposals in the report would be pursued by a Reagan administration and the new Republican majority in the Senate.

The officials said that Mr. Reagan had not yet chosen a Director of Central Intelligence but that William J. Casey, the

Reagan campaign director, was known to be the front-runner. Mr. Casey is known to support a much more aggressive approach to intelligence operations.

Moreover, many of the report's proposals resemble portions of a now-dormant legislative charter, introduced last summer by Republican Senators, that would restructure intelligence agencies and relax restrictions on domestic spying.

Many of the changes advocated in the report are bound to be resisted by civil liberties groups, which have fought for years for the laws and executive orders that now limit intelligence activities and protect individual liberties. Other struc-

tural recommendations are bound to be controversial, since they would require an overhaul of the current intelligence scheme. They stem from an assumption that the organizational setup is largely responsible for what the report contends is the poor quality of intelligence.

The report accuses the Carter Administration of weakening American intelligence "through mass dismissals of C.I.A. officials and partial replacement of them by inexperienced employees," a charge that agency officials have denied.

"Presidential leadership must play a role in rebuilding our intelligence services, which have not been so weak since Pearl Harbor, and can instigate not only administrative reforms, but also promote legislation and give the intelligence community the moral and political support necessary to fulfill its mission," the report concludes.

Many of the report's recommendations would not require legislation. For example, it urges the revocation of an executive order that governs intelligence structure and provides operational guidelines and restrictions for the intelligence agencies.

The report recommends that "language training, as well as adequate military and political instruction" should be standard for agents.