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Former Army agent's spying trial opens in Alexandria

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The government yesterday opened its espionage case against Craig Smith, the former Army counterintelligence agent accused of selling secret information to the Soviets in Tokyo after setting up a series of clandestine meetings with a KGB officer.

The government contended in opening arguments that Mr. Smith sold classified information on six U.S. double-agent operations in November 1982 and February 1983, while Mr. Smith alleges that he was working for the Central Intelligence Agency.

Before a crowded courtroom in federal court in Alexandria, Assistant U.S. Attorney Joseph Aronica said that it was a "straight trade — money for information. Those were his words."

Mr. Aronica said the government's case rested on conflicting statements made by Mr. Smith to FBI agents before his arrest on April 4, 1984, at Washington Dulles International Airport.

Mr. Smith, who worked with the Army's Intelligence and Security Command from 1973 to 1980, is accused of receiving $11,000 in exchange for giving the classified information to KGB officer Victor I. Okunev during several meetings at the Soviet commercial compound in Tokyo.

Mr. Okunev was then working as a first secretary at the Soviet Embassy.

After contacting the Soviet commercial compound in October 1982, Mr. Smith met with Mr. Okunev, who gave him procedures to follow for subsequent meetings, Mr. Aronica said.

The procedures included having Mr. Smith paged at a Tokyo hotel under the names "Hemingway" and "Shakespeare," Mr. Aronica said. Mr. Smith also was instructed that if he wanted to meet with Mr. Okunev, he was to call a number and let it ring three times before going to a designated cafe the next day.

A. Brent Carruth, an attorney for Mr. Smith, told the jury yesterday that Mr. Smith had been approached by two men claiming to be CIA agents, Ken White and Danny Ishida. The men allegedly told Mr. Smith they were attempting to infiltrate Soviet intelligence in Japan.

The two men instructed Mr. Smith to set up meetings and turn over the information in an attempt to bait Mr. Okunev, Mr. Carruth said.

Mr. Carruth said he would introduce evidence showing that Mr. Okunev is the third highest KGB officer.

"Is this man [Mr. Smith] a spy? Yes. For the United States of America," said Mr. Carruth.

"It is kind of like the picture of the Mona Lisa. We all know she is smiling, but why? That is what this case is all about — the whys," he said.

Mr. Carruth said that Mr. Smith, a direct descendant of the founder of the Mormon Church, was "left out to dry" by the CIA after he could no longer reach his contacts by ringing a number in the Hawaiian firm of Bishop, Baldwin, Rewald, Dillingham & Wong, which collapsed in 1983.

Ronald R. Rewald, one of the directors of the firm, has alleged in a lawsuit that the firm was a front for the CIA. The CIA has acknowleged using one of the firm's subsidiaries, CMI Investment Corp., as a cover for agents.

Mr. Smith alleges that a card given to him by the two men identifying themselves as CIA agents had CMI Investment Corp. and the name of Richard P. Cavannaugh, a CIA agent, printed on it.

But Mr. Aronica said that Mr. Smith was less than candid with FBI agents who interviewed him after he contacted an agent in San Francisco in June 1983.

"He tried to con the agents into believing that he hadn't sold out to the Soviets," said Mr. Aronica.

Mr. Aronica stated that Mr. Smith was facing financial ruin when he approached the Soviets and that a company he had founded filed for bankruptcy four months before he traveled to Tokyo.

In February 1984, Mr. Smith allegedly admitted to turning over the classified information, Mr. Aronica said.

J. Peter Chase, an FBI agent in Salt Lake City, testified yesterday that when he interviewed Mr. Smith in June 1983, Mr. Smith said that he had approached the Soviets about doing business with his company, Business Consultants International.

The now-defunct business, financed by two prominent men from Utah, one of whom was Lt.Gov. David Monson, dealt in high-technology robotics equipment. Mr. Monson, a Republican, is now a member of Congress.

Mr. Chase said that Mr. Smith told him the Soviets gave him $5,000 in November and $6,000 in February as a token of "sincerity."

Mr. Chase and another FBI agent, Rick Smith, who was present at the interview with the defendant, testified that they didn't believe the Soviets would hand out $11,000 for nothing.

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