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Russian Spies May Have Pressured Canadian Union to Get Aircraft Deal

By Matthew Bodner

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Main engineering building and assembly plant of Bombardier Aerospace at Montreal International Airport.

Russia's intelligence services may have pressured a Western labor union during negotiations with a major aerospace company in 2013 to win favorable terms for a state-owned Russian corporation, according to charges filed against Russian banker Yevgeny Buryakov by U.S. authorities on Monday.

In a 26-page U.S. Justice Department report, an FBI investigator presented evidence that Buryakov, while working as an employee at Russia's Vnesheconombank offices in New York, was conducting active economic intelligence gathering on behalf of Russia's Foreign Intelligence Service (SVR).

One of the cases presented by the FBI focuses on a multi-billion aerospace deal between

an unidentified company based outside of the United States and Russia, and a large state-owned Russian company. The report says the non-Russian aircraft company would not only sell dozens of its planes to the Russian company, but establish localized production — which was opposed by the aircraft firm's union representatives.

Through a series of telephone transcripts and FBI investigation notes referring to Buryakov's intelligence gathering on "Company-1," the report paints a picture with remarkable resemblance to a $3.4 billion deal between Canada's Bombardier Aircraft and Russia's state-owned defense technology behemoth, Rostec.

That deal stipulated that Rostec would purchase around 100 Q-400 commercial aircraft, which would then be produced at a new manufacturing center in Russia. Bombardier's labor unions did not take kindly to the idea, pledging to oppose any plan that might see jobs lost in Canada.

Buryakov, by comparison, formulated a plan to put pressure on unions working for the unnamed major aircraft producer Company-1, according to the Justice Department.

Buryakov was not part of any negotiations between Rostec and Bombardier, a Rostec company spokesperson told The Moscow Times on Tuesday.

A Bombardier spokesperson, when asked for comment by the Moscow Times, said that the company was "looking into the matter," but declined to comment on if or how the spy case pertains to Bombardier.

Bombardier in 2013 agreed to build the planes in Ulyanovsk, Russia, but the deal was frozen last September amid heightened political tensions fueled by the ongoing crisis in Ukraine. Rostec's spokesperson chalked the decision up to a failure to reach agreement "on the economic parameters of the project."

Rostec is managed by Sergei Chemezov, a long-time friend of President Vladimir Putin. The two are said to have struck up a relationship while working for the KGB in Dresden, East Germany in the 1980s. Under Chemezov, Rostec has expanded its holdings to encompass around two-thirds of Russia's defense industry.

Bread Crumbs

The Justice Department report offers a number of clues that tie the case to Bombardier's 2013 agreement to set up production of its Q-400 aircraft.

In November 2012 and March 2013, Buryakov allegedly used his cover as a Russian banker to meet with Company-1's executive confidentially, all the while "gathering and reporting on the progress of the proposed airplane deal to the SVR, and crafting a proposal for Moscow Center [SVR HQ] to attempt to influence the course of negotiations in Russia's favor," according to the FBI.

A phone conversation between Buryakov's handlers at the SVR New York office, intercepted on May 23, 2013, demonstrates that Russia's interest in the project was technology transfer. Company-1 also supported the deal, as it would provide direct access to a fast-growing

airplane market.

But, there was a problem: "The unions are resisting. Therefore, the proposal for [active measures] is geared toward pressuring the unions and securing from the company a solution that is beneficial to us," Igor Sporyshev, one of two Russian diplomats implicated in the Justice Department report, was quoted as saying.

In other words, the investigation revealed that the SVR had plans in mid-2013 to influence a union to drop its opposition to a major aircraft manufacturer's plans to establish localized production of its aircraft in Russia.

Whether or not Company-1 was Bombardier, the Canadian company signed agreements to move forward with the project in August 2013. These agreements tied the sale of 100 Q-400 aircraft to their production in Russia.

Meanwhile, Canadian newspaper The Globe and Mail reported at the signing that the Canadian Auto Workers union was opposing the agreement, promising to fight any measure that jeopardized Canadian jobs.

But now the project is in limbo, and for the moment the unionized workers of Bombardier have little to fear. The crisis in Ukraine and corresponding political turmoil, which has driven many companies to suspend otherwise lucrative Russian ventures, appears to be heating up again.

Just this week, conflict flared up in the Ukrainian city of Mariupol, which some have pointed to as evidence of a renewed pro-Russian assault against Ukrainian forces — prompting calls in the West for additional sanctions against Moscow.

The Canadian Auto Worker's union did not respond to a request for comment before going to press.

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