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## Defense Industry Pursues Gold in 'Smart Power' Deals

By [AUGUST COLE](#)

MONROVIA, Liberia—[Lockheed Martin](#) Corp. became the nation's No. 1 military contractor by selling cutting-edge weaponry like the F-35 Joint Strike Fighter.

Its latest contribution to the U.S. arsenal: training prosecutors in Liberia's Justice Ministry.

The U.S. government has hired the defense contractor to test an emerging tenet of its security policy. Called "smart power," it blends military might with nation-building activities, in hopes of boosting political stability and American influence in far-flung corners such as Liberia.

U.S. officials are concerned that nations imperiled by poverty and political strife could spark regional conflicts and foster terrorist networks. Defense Secretary Robert Gates says the problem posed by failing states "is in many ways the ideological and security challenge of our time."

The Pentagon and the State Department are now leaning on defense contractors to come up with ways to stave off crises before they occur, with programs as simple as mentoring lawyers or teaching auto repair. Secretary of State Hillary Clinton has advocated for "smart power" initiatives abroad. In a speech earlier this month, the Pentagon's top officer, Chairman of the Joint Chiefs Adm. Mike Mullen, talked about the need for more civilian efforts—or "soft power"—overseas, instead of just military muscle.

"Secretaries Clinton and Gates have called for more funding and more emphasis on our soft power, and I could not agree with them more," Adm. Mullen said. "Should we choose to exert American influence solely through our troops, we should expect to see that influence diminish in time."

Defense firms are eager to oblige. "The definition of global security is changing," says Lockheed's Chairman and Chief Executive [Robert Stevens](#). He wants the maker of the Air Force's most advanced fighters to become a central player in the U.S. campaign to use economic and political means to align countries with American strategic interests.

Last year, Lockheed had two of its highest profile programs, the F-22 Raptor fighter and a fleet of presidential helicopters, ended by the Obama administration. Now, Lockheed is one of several defense firms expected to bid for a State Department contract to support "criminal justice sector development programs world-wide," that could be worth up to \$30 billion over five years.

[Northrop Grumman](#) Corp., the No. 3 Pentagon contractor behind Boeing, has trained Senegalese peacekeeping troops in the basics of human-rights law. Another giant defense contractor, [BAE Systems](#) Inc., has provided anthropologists to accompany U.S. troops in Iraq and Afghanistan to aid understanding of local cultures. BAE said it is seeking more "smart power" contracts, including in Africa, where much of the government's efforts are being targeted.

The Obama administration has requested \$39.4 billion in funding for civilian foreign operations in fiscal 2011; part of that will be for programs such as the Peace Corps, while some will go to defense contractors for development or training programs.

Morgan Stanley defense analyst Heidi Wood says Lockheed's early push into this realm sets it apart from competitors. It is too soon to pinpoint a financial impact, she says, but the moves will pay off. "It's a complete paradigm change."

Some question whether big military contractors are the right ones to carry these programs out. Sam Rosenfeld, a former British army officer who trained soldiers in Sierra Leone and is chairman of security consultancy Densus Group, says it is hard to determine if big contractors are creating lasting programs or simply passing recruits through training. "Is the taxpayer getting value for money because they're getting sustainable systems, or is it just headcount?"

Others worry that once defense firms get into this business, their longstanding relationship with the U.S. government will end up driving more money into these initiatives, no matter the results. "It's sort of like the soft-power industrial complex," says William Hartung, director of the Arms and Security Initiative at the New America Foundation, a nonpartisan think tank in Washington, who is writing a history of Lockheed.

Defense firms are going into an area that was the domain of smaller firms and nongovernmental organizations, not shareholder-minded corporate giants. Mr. Hartung questions whether defense firms have a long-term commitment to this kind of work. "It's a little bit outside their comfort zone and different from their normal corporate activity," he says.

Recently, defense firms have begun investing in this direction. In January, [DynCorp International Inc.](#) bought Casals & Associates Inc., which specializes in building up public-health and legal systems in the developing world. The acquisition "furtheres our alignment with the Obama Administration's emphasis on the application of 'smart power' to global challenges," said DynCorp Chief Executive William Ballhaus in announcing the deal.

In 2008, [L-3 Communications Holdings Inc.](#), a major military technology and services contractor, bought International Resources Group Ltd., which works on economic development, energy and other projects in dozens of countries.

The economic and political tenets of smart power are in many ways a modern extension of past U.S. foreign endeavors such as the Marshall Plan that helped rebuild Europe after World War II. "We cannot kill or capture our way to victory," Mr. Gates said in a 2008 speech that outlined the new policy. He has said the biggest threats to U.S. security "emanate from fractured or failed states," and to combat them, the Pentagon needs to engage with these countries in a way "that reduces the need for direct U.S. military intervention."

Africa—where few U.S. troops are stationed—is a major focus. Many countries on this continent already are, or risk becoming, failed states. While they previously hadn't been considered a threat to the U.S., that view is changing. Somalia's nexus of terrorism and piracy is one example of how destabilized countries can become a redoubt for al Qaeda or other terrorist groups.

The U.S. military is already overstretched between Iraq and Afghanistan. So the Pentagon is eager to send defense firms to fill the gaps, in the hope that investing millions in training or advisory programs today may stave off a regional calamity that could cost billions in the future.

"Africa certainly is an area of interest to our U.S. government customers, and what's important to our customers is important to us," said Lockheed's Mr. Stevens.

Lockheed's interest in development and post-conflict work took off about five years ago when Mr. Stevens, who became chief executive in 2004, began taking steps to reposition the company.

"When I started out in the business ... more than 30 years ago, we probably then thought more in terms of

military capability for the U.S.," says Mr. Stevens, who enlisted in the Marine Corps after high school. Today, national security is defined "well beyond making provisions to apply military power."

In 2006, Lockheed spent \$700 million to acquire Pacific Architects and Engineers Inc., which built bases for the U.S. during the Vietnam War and more recently did extensive work in Africa for the U.N.

Liberia presents an important test of whether Lockheed is suited to this changing role for defense contractors. The country emerged from two decades of intermittent civil war in 2003. That is when PAE, as well as DynCorp., began to rebuild the Liberian military on behalf of the U.S. government, which lacked spare troops to do the task.

The country's president, Ellen Johnson Sirleaf, has been cultivating a relationship with the U.S. since taking office in 2006. She says she believes encouraging Lockheed to expand its presence in Liberia will allow the country to attract more American investment in the future.

"Lockheed is very much part of our longer term attempts at creating a security architecture that keeps us safer, and the entire region," Ms. Johnson Sirleaf said in an interview last year.

Lockheed uses both its own full-time employees and contractors that it hires for a set amount of time. Some tasks, such as construction work, are subcontracted to local firms, overseen by Lockheed personnel.

Since 2006, contractors hired by Lockheed have mentored Liberian prosecutors as part of a project to bolster the country's judicial system. They also helped establish a cadre of public defenders. PAE remodeled parts of Monrovia's battle-scarred Temple of Justice, installing a new roof and new electrical wiring.

"They've come in to really strengthen the system," said Liberia's Justice Minister Christiana Tah, who has been on the job since July. "We can see the difference in the performance of the prosecutors, which was terrible."

Criminals prosecuted by the Lockheed-trained lawyers were caught by Liberia's national police force whose members were trained by Lockheed's PAE.

On a strip of soggy grass outside a run-down police headquarters, a Liberian commander drilled officers in how to remove a jammed round from their American-made assault rifles. As he shouts, "Jammed round!", the men, members of the Liberian National Police's Emergency Response Unit, shoulder their weapons to protect colleagues who drop to one knee to clear their weapons. An American Lockheed contractor wearing navy-blue fatigues and a light-blue United Nations beret looked on.

For PAE, the biggest effort has been training and equipping the 2,000 members of Liberia's Armed Forces.

Standing in an open mechanics' bay next to a military truck, Charles Jallah, a Liberian PAE employee, trained soldiers in the basics of automotive repair. Nearby, stacks of tires stood ready to be painted before being half-buried in the ground to create a training route for inexperienced drivers. "Basically before we got here there was nothing... no kind of skilled labor," said Mr. Jallah.

Near the base's main entrance, a militarized Ford Ranger pickup passed by with a huge "student driver" placard affixed to the front.

Much of Lockheed's contract work with the Armed Forces of Liberia is winding down. Lockheed's involvement in the country, however, is evolving.

Through a six-month agreement signed with the Liberian government in August, valued at about \$468,000, Lockheed is working to improve Roberts International Airport.

Before Lockheed arrived, travelers jostled to enter a decrepit passenger terminal. Bribes were often necessary to get through customs, according to U.S. and Liberian officials.

Now, the well-lit terminal has two lines that flow quickly and customs officials are watched by police.

Departing travelers can shop for watches and whiskey at a duty-free lounge. A separate waiting room for business travelers was set up.

Some of the biggest changes are in security, which now includes U.S.-style passenger screening with X-ray machines.

For Liberia, the goal is clear. If it can get the U.S. Transportation Security Administration to sign off on the airport, [Delta Air Lines](#) can start flying directly there. U.S. security concerns stopped an attempt over the summer to start service. Currently, travelers have to stop at least once elsewhere in Africa or Europe.

The contract isn't a money maker for Lockheed. To convince the Liberian government it could do the work, the company spent half a million dollars of its money on a study of the airport. But the airport project is the first time Lockheed has landed work directly from the Liberian government. The company believes it could lead to further work down the road, such as selling Liberia products like government computer networks.

The contract is crucial for Liberia too. If Lockheed can modernize the airport, Liberian officials can offer its use to the Pentagon, which lacks a ready toehold in West Africa. Liberia was the only African country to publicly lobby to permanently host the U.S. Africa Command, which is currently based in Germany. "We're really hoping we can get Roberts Field up," says Brownie Samukai, Liberia's defense minister.

This kind of intermingling of interests is what the U.S. programs are trying to accomplish, says Linda Thomas-Greenfield, the U.S. Ambassador in Liberia. She says "smart power" in Liberia involves the U.S. using "the diplomatic side, the defense side and the development side" in order to "promote democracy, stability and peace in a region that has not seen that for a very long time."

Liberia's president Ms. Johnson Sirleaf said she sees a broader role for Lockheed there. After the company completes the airport upgrade, she hopes "they will then see that they can expand their business."

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