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The “Grand Chessboard” of the 21st Century Geopolitical Strategies of the Multi-polar World

Dr. Ágnes Bernek

Director, Geopolitics Research Center, King Sigismund College

“In the past 20 years, our partners have been trying to convince Russia of their good intentions, their readiness to jointly develop strategic cooperation. However, at the same time they kept expanding NATO, extending the area under their military and political control ever closer to our borders. And when we rightfully asked: “Don’t you find it possible and necessary to discuss this with us?” they said: “No, this is none of your business.” Those who continue insisting on their exclusivity strongly dislike Russia’s independent policy. The events in Ukraine prove this. They also prove that a model of relations full of double standards does not work with Russia.”

Detail from the speech of V. Putin - Conference of Russian ambassadors and permanent representatives. 1 July 2014¹

Abstract:

Following the March, 2014 annexation of the Crimean Peninsula, international political analysts began speaking of the rebirth of orthodox geopolitics. The event also signified the beginning of a multi-polar period. While US foreign policy is retreating and becoming more insular, large growing markets are returning through the use of military strength, i.e., by using “hard power”. Using its Eurasian geopolitical principle, Russia - which is clearly standing opposed to the USA - is increasingly becoming a land power. But given its natural geography it is doubtful it can become a sea power: only its Sevastopol harbour gives its flotilla access to warm-water seas. As such, Ukraine’s role as a buffer state will increase. The sharp opposition between West and East will make it impossible for Ukraine to become a bridging state in the future, i.e., to be a liaison state, a bridge state between West and East.

Keywords: orthodox geopolitics, geoeconomics, multi-polar world system, land power, sea power, Euro-Atlantic zone, Eurasian zone, buffer state, bridge state

¹ Official site of the President Russia. Conference of Russian ambassadors and permanent representatives. 1 July 2014, 15:45, Moscow. <http://eng.news.kremlin.ru/news/22586> (Accessed: July 1, 2014)

The year 2014 in world politics

It is very likely that geopolitical studies in 2020 or 2030 will look back upon the year 2014 as a turning point in geopolitics. This is largely because the Russian annexation of the Crimean peninsula in March shocked the western world, showing that territorial revision was still possible in the 21st century. Can the map of Europe be redrawn? Can a country's territorial integrity be compromised? Has one of the staples of international law, the principle of national sovereignty, lost its relevance in the 21st century? Is Russia - which is consciously positioning itself in opposition to the western world - foreshadowing a new cold war? We can no longer avoid asking the fundamental question of whether the era of a one-pole world has come to an end.

This last question can only be answered now by saying: likely yes. After the temporary period of a single-polar world ruled by the Atlantic field, we stand on the precipice of a multi-polar world. Yet this is just a temporary period: the international world economic and world political system is still Anglo-Saxon in character. On one hand there is the Bretton Woods world economy system, which from 1971 - when the world moved from a fixed exchange rate-system to a floating rate-system - was led and dominated by international monetary markets (especially through the USD). On the other hand the international system developed at the close of World War II - which tried to reflect and appease the power balance between winners and losers - held the UN as being the world's main political leadership organization. At the same time, terms used to analyze international relations for the decades leading up to the 1990s - which saw the end of decades-long Cold War antagonism - persist. As a result we generally deem Russia to be the main enemy of the Anglo-Saxon world, and believe that all foreign policy steps taken by Russia must be an effort to "resurrect" the Soviet Union. It is thus no surprise that after the annexation of the Crimea the prognoses of western analysts projected and pondered how Russia would militarily occupy Eastern Ukraine, or how new Russian military aggression should be expected in the Baltic region, Eastern Europe and Central Asia.

The world is still unable to break with Cold War associations. It is as if 2015 has meant the beginning of a new Cold War period. Where antagonism between the West (and the Euro-Atlantic field) and the East (Russia) has sharpened, where the West - which still clearly feels it is in the leading position of power - introduces more and more economic sanctions against Russia and is planning an increase in and reinforcement of NATO military presence in our region, which as such has again become a buffer zone in geopolitical terms. At the same time the West was surprised to have to acknowledge that Russia is capable of taking countermeasures and that Russian national self-consciousness and declarations on Russian state independence and self-sufficient geopolitical strategy are much stronger than they were just a few years ago.

But this transitional period - with its competition between great powers and shows of strength indicating a shift from a single- to a multi-polar world - is very dangerous in a national security sense. The political and economic institutions of the Anglo-Saxon world (especially those of the withdrawing, ever-more insular and 'unwilling to take military steps' USA and a United Nations that is losing its leading world political position) can no longer adequately maintain the world order and economic-political stability. But emerging markets (and among these especially the BRICS countries) are not strong and do not constitute an economic or political alliance that would be capable of establishing a new world order. Competition and continuous opposition between the West and the East brings to the surface again and sharpens those unsolved issues in international relations that the world has been incapable of resolving to this point. At best it has been able to ease tensions or use economic tools - e.g., developing relatively better welfare - to somewhat "cover up" issues and seemingly establish a sense of security.

Standing out among these acute security problems is the Israeli-Palestinian conflict. On September 23, 2011 at the UN General Assembly, Mahmoud Abbas, the President of the Palestinian National Authority (Fatah) officially handed General Secretary Ban Ki Moon the letter requesting full UN membership for the independent Palestinian state. This meant that he was seeking the recognition of Palestine as a sovereign national state. But both Barack Obama and Benjamin Netanyahu, Prime Minister of Israel, immediately announced their official opposition, and unequivocally stated that the establishment of an independent Palestinian state must be preceded by long peace negotiations. That is, if peace negotiations are at all possible. As of August 2014 Israel has considered its July military campaign in Gaza to have ended, but it also officially announced that it will not negotiate with Hamas, which essentially controls the Gaza Strip.

In security policy terms the situation since the events of the Arab Spring of 2011 is increasingly dangerous, given that the domestic situation in many Middle Eastern states is precarious. This is especially true of Egypt - which is of great geopolitical importance - where the demonstrations of Arab youth have morphed into a civil war. Syria has been in a state of civil war since 2012 (the resolution of which is hampered by the conflict between the USA and Russia, whereby Russia insists on keeping its naval base in Tartus, as stated in the 1971 agreement between the Soviet Union and Syria). US-led NATO forces permanently withdrew from Iraq in 2011, but the country has been in a state of domestic chaos ever since. Troop withdrawal from Afghanistan is expected at the end of 2016, but this is ever less likely given the present serious situations in Iraq, Syria and between Israel and Palestine. Another fundamental question is whether Iran will find new allies to join what the Americans termed the "devil axis" (encom-

passing Russia, China and Iran) in the future, and will it stand opposed to the USA, or the wider Euro-Atlantic field.²

But such great power competition can also lead to the weakening or disappearance of power control over given spheres of interest. This could lead to more serious and appalling acts of terrorism costing numerous lives that would shock global public opinion. On July 17, 2014 pro-Russian rebels in Donetsk, eastern Ukraine, shot down (probably accidentally) a Malaysian Airlines commercial plane flying from Amsterdam to Kuala Lumpur, killing all 298 on board. The United Nations Security Council considered this an act of terrorism. Another sign of the loss of political control is seen in the disorder in both Iraq and Syria, where extremist Sunni organizations have declared the establishment of the Islamic State of Iraq and Syria (ISIS), which has been gaining in strength since June of 2014. It has occupied an increasingly large swath of Iraq and Syria, established an independent caliphate, and has come to call itself simply the Islamic State. There is no question that global security would be fundamentally threatened by the establishment of a new extremist Islamic state.

The formation of a multi-polar world in the 21st century: on the edge of a new age of “de-globalization”?

With the loss of the leading hegemonic role of the USA and the strengthening of emerging markets, we are today witnessing the development of a new world-level organization of space. In 2000, when the global market was unequivocally the highest spatial level, I wrote “Intensifying globalization also means that emphasis will move from independent national economies to a defining role of the global world market.”³ Now, in 2015, based on my research on the current world economy and world politics, I have concluded that the world economic crisis of 2008 was the beginning of a new period of so-called “de-globalization”, i.e., the role of the global market has been overtaken by regional markets and regional fields of power. Lying behind this is the fact that emerging markets are not building their economic/political spheres of interest at the global level, but at the regional level instead. An example of such is Russia. Although Russia considers itself a great power, Russian geopolitical efforts are not aimed at the world as a whole, but instead “only” at the Eurasian field. The emphasised region of China’s world economy expansion is East- and South Asia. Another example is that of Brazil, where the new Brazilian geopolitics aims to position the country as the leading state of the continent of South America.

² RUSSELL MEAD, Walter (2014) *The Return of Geopolitics. The Revenge of the Revisionist Powers. Foreign Affairs*, May/June, 2014

³ BERNEK Ágnes. (2000) *A globális világ "új gazdaságföldrajza"*. - *Tér és társadalom*, 4 szám, p.89.

In this new 21st century period of “de-globalisation”, processes of world economics and world politics are such that we see the re-emerged prevalence of tendencies from the 1990s and the 1970s/1980s. In my judgment the most important elements of this transitional period are the following:

1. The role of national economies and national states at the beginning of the 21st century is more definitive than it was in the 1990s. National economic and national state efforts of emerging markets are much stronger than before. In fact, nationalist endeavours and protectionist economic policies have strengthened in emerging markets since the financial crisis of 2008. Another sign of the strengthening of national economies is that we can characterise the 21st century as one of competition between ‘giants’, i.e., between economic great powers, to use geopolitical terms. There is no question that currently economic scale, or economic strength, is what is most important. Today the sum GNI⁴ of the world’s 20 biggest economies is close to 80% of the sum world GNI. Further, the list of the 20 biggest national economies in the world now includes seven emerging markets. Also, the two most important locating factors for transnational corporations are related to the scale of the economy, namely the prospects for market expansion and the size of the economy; another emphasised aspect in judging markets is the sum value of GNI.

2. From a world economy and world politics perspective the role of continental and large-regional fields is growing. In the case of great powers and the large emerging markets, geo-strategic thought and the construction of large-region fields of power is more important than before. So-called “imperial thinking” is once again a central element of geopolitical efforts among the great powers. How will “Pax Americana” or the “American Empire” be organised in the 21st century? A cardinal question for Hungary will be what role “Pax Russica” or the “Russian Empire” - which is now forming on the spatial level of the Eurasian continent - assigns to the East-Central Europe region. Should the centre of gravity of the 21st century’s world economy shift to the Pacific field of power, then the given trans-continental great power fields and the relations between them will undergo reorganisation.

3. Today the role of natural resources is as definitive as it was in the decades of the 1970s and 1980s. The great power competition for natural resources - foremost oil and natural gas fields, as well as precious metals and ores - is considered the greatest geopolitical strategy of the 21st century. Once again, the value of those regions that have significant natural resources has increased. The

⁴ GNI = Gross National Income. The study was published by the World Bank, using data based on the currency rate method.

“heartland” of the 21st century is - among others - Central Asia, given its vast fields of energy supplies. The foundation for a Russian great power role and imperial ambitions is that Russia is the world’s leading producer and exporter of natural gas, and the second biggest producer and exporter of oil. Brazil’s current geopolitical strategy is backed by the discovery of massive so-called “pre-salt” oil fields off the coast of Rio de Janeiro, which will make it possible for Brazil to become one of the world’s top-5 exporters of oil within a few years. On the other side of geopolitical struggles of emerging markets we find China, which is now one of the world’s leading exporters of operating capital. Forty percent of Chinese foreign operating capital investments are in the energy sector, and more than 20% are related to Chinese acquisition of precious metal mines. After the financial crisis of 2008 the world market price of raw materials is again at a record high level: the cost of a barrel of Brent oil in the 1990s was about 20 USD, while now - in middle May of 2015 - it is 65 USD.

The power relations of the world’s oil- and gas-producing countries have fundamentally changed. A definitive factor in this is that it is now technologically possible to extract oil and gas with non-traditional methods, e.g., from oil sands and shale gas. In March of 2010, during his first term as President, Barack Obama announced the USA’s new energy strategy, which had a goal of increasing domestic oil and natural gas extraction. In 2009 the USA’s oil dependency was 51%.⁵ Obama authorised extraction from several US coastal areas: certain parts of the Atlantic coast, the eastern part of the Gulf of Mexico, and the northern coast of Alaska. As a result 2013 saw a turn in world natural gas production whereby it was the first year where Russia was not the world’s leading natural gas-producing state. It was instead the USA. Natural gas production in Canada and the USA grew so much that by 2013 almost one-quarter (24%) of world natural gas production was from North America. The significance of the USA in world oil production has also increased. Between 2012 and 2013 US oil production grew by 12%. As such, the USA became the world’s third-largest oil producer, behind Saudi Arabia and Russia.⁶

This is all of great geopolitical significance, as it is now possible for the EU to decrease its dependence on Russian oil and particularly on Russian natural gas. A dramatic change is expected in the liquid gas field, because while “normal” state gas can be transported through pipes a maximum of 3000-4500 km, liquid gas - through using appropriate ships and port terminals - can be sent most any distance. On March 26, 2014, during a visit to Brussels, Barack Obama mentioned many times that the USA could transport liquid gas to the EU (and Ukraine), but

⁵ *Though more than half of US oil imports were from North and South America - mainly Canada, Mexico and Venezuela. September 11, 2001 was the impetus for the launch of a US geopolitical strategy that aimed to lower dependence on Middle-Eastern oil.*

⁶ *Based on data from the U.S. Energy Information Administration - www.eia.gov*

that this would require work from both parties, most importantly the creation of a free trade zone between NAFTA and the EU. But beyond this, the spread of the transport of liquid gas could have a dramatic effect on the world market. With distance becoming a non-issue, the framework of current gas market areas and fields could change completely.

Given the above, there is no doubt that the key question of the 21st century will be: when will the world enter the “post-oil period”, or when will the “energy period transformation” begin? Many feel that the world is technologically ready to step into the “post-oil” age. But this would require further massive research and development investments of which only one country is currently capable, namely the USA. That is to say that the USA is exclusively capable of “leading” the world into an age of new technology. The Presidency of Barack Obama in this regard has been an utter disappointment for the world’s “green movements”. They had hoped that the President would stand at the forefront of the struggle to increase the proportion of renewable energy sources in world energy consumption. Currently this stands at around 10%, and prognoses predict that fossil fuels will dominate until 2040-2050. Some estimates claim that the USA spends as much on renewable energy sources research in one year as it does on one and a half days of military expenses. This despite the fact that only the creation of new technologies can secure a power advantage for the USA in the future. It is increasingly clear that Western sanctions will not lead Russia to give up its great power ambitions.

4. The 21st century will see not only a strengthening of geographic tendencies, but also a clear validation of global economic tendencies of the 1990s. This mostly means that the “grand strategies” of 21st century geopolitics will be pursued chiefly through economic means, thus increasing the significance of the economy. In world politics judgments on great power status will be based mainly on “economic strength”, which is the basis upon which a country can establish military power. This is indicated in the new geopolitical direction published in 1990 by Edward Luttwak called *geo-economics* - which is now considered a classic - which denotes that former violent conflicts between nations will be continued using new economic tools.⁷ My research shows that *geo-economics* is nothing more than an economic interpretation of the relation between politics and space, or in other words, *geostrategies* with economic means, emphasising

⁷ LUTTWAK, Edward (1990) *From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce*. *The National Interest*, V. 17, Summer.

change through the global world market system of tools - through transnational corporations and international capital flow.⁸

What kind of geoeconomics strategies can exist? If we use military science as a starting point - the term 'strategy' itself was initially a military concept describing the science of the highest level of military leaders - along with the Luttwak perspective⁹ (the current field of war means merely the economic conflict between states), then I see two fundamental geoeconomic strategies: defensive and offensive. Luttwak's original statement on the basic concept of geoeconomics, "logic of conflict, grammar of commerce", could be modified for our times as "the logic of conflict and the system of tools of the global world market".

The grand "chessboard" of 21st century geopolitics - the re-emergence of orthodox geopolitics?

By the 21st century geoeconomics became a rather widely used term. At the same time the fact that the most cited geopolitics expert in our time is British geographer Halford J. Mackinder (1861-1947) indicates the unchanging nature of geopolitics, the lack of a new geopolitics, and the renaissance of the orthodox geopolitical approach. The two "basic terms" of geopolitics are derived from Mackinder's work, namely the "heartland" and the concept of Eurasia. The term "heartland" is regularly used these days in the sense of "whoever rules the heartland rules the world". In the 21st century the heartland is thought of as Central Asia, and is substantiated by the importance of the region to the United States, as evidenced in its current Afghan and recent Iraqi military presence. Also, the United States views Iran as a country that endangers the entire world system. In the 21st century the heartland can be defined as the "buffer pole" of geopolitical space.

Mackinder's best-known paper, *The Geographical Pivot of History*, was read at the Royal Geographic Society, on January 25, 1904.¹⁰ Analyzing the politics of Europe and Asia, Mackinder sought to answer how geographic and historical

⁸ BERNEK Ágnes. (2010) *Geopolitics and/or Geoeconomics. The Interrelations between the World Economy and World Politics in the 21st Century. – Geopolitics in the 21st century. 1. pp. 29-62.*

⁹ Edward Luttwak was born in 1942 in Arad. He studied in English and American universities. He served as both a military and strategic advisor for American land forces, air forces, marines, in various posts. He has written several successful books, among which those dealing with strategic questions of war and peace (especially *Coup D'État: A Practical Handbook and Strategy: The Logic of War and Peace*). In 2009 he publicly criticized President Barack Obama on several occasions. (*The New York Times, Times Topics, 2010.*)

¹⁰ MACKINDER, Halford (1904) *The Geographical Pivot of History. Geographical Journal 23. pp. 421-437.*

processes and key events might be connected. He is the author of the term Eurasia, which not only denotes Europe and Asia as one continent in a geological sense, but emphasizes that the people and states of Europe and Asia constitute the centre of world power. Eurasia in current geopolitical thought is one of our most controversial concepts. The western and central states of Europe reject out of hand all geopolitical approaches that question Europe's independence. But at the same time, from the year 2000 it was a central concept at the beginning of the new Russian geopolitics. The new bi-polarism/multi-polarism - with eurasianism as opposed to atlanticism - is an important factor in Russia's new great power efforts.¹¹This is also indicated in the fact that Vladimir Putin regularly quotes Alexander von Humboldt's sentence of over two hundred years ago, according to which "Europe is not an independent continent, it is merely an inarticulate part of Asia, a meticulously articulated western peninsula."¹²

At the same time, for American geopolitics, holding political power over the Eurasian field has always been one of the key factors for its practice of power on a global scale. In his famous book "The Grand Chessboard" Zbigniew Brzezinski writes: "the issue of how a globally engaged America copes with the complex Eurasian power relationships— and particularly whether it prevents the emergence of a dominant and antagonistic Eurasian power—remains central to America's capacity to exercise global primacy."¹³

The "grand chessboard" of world politics in the second half of the 20th century was traditionally interpreted using North-South and West-East divisions. The former German Chancellor Willy Brandt led an effort in the 1980s to publish so-called Brand reports on world politics and the world economy through the perspective of a North-South division of the world. The so-called Brandt line runs at 30 degrees North and splits the world into a developed North and a developing South. But even by then the concepts of North and South somewhat diverged from the concrete geographic spaces and were better interpreted as social spaces. Despite the fact that the 30th parallel runs from the US-Mexican border through North Africa and the Middle East and through Iran, Pakistan, India and China, in the 1980s China and India were unquestionably considered developing countries, while Australia and New Zealand in the South were already unequivocally developed states. Thus, according to the Brandt line (and ignoring the use

¹¹ DUGIN, Alexander. (2004) *A geopolitika alapjai – Oroszország geopolitikai jövője*. In *Ljubov, Siselina - Gazdag Ferenc. (eds.) Oroszország és Európa. Orosz geopolitikai szöveggyűjtemény*. Zrínyi Kiadó, Budapest. pp. 333-376.

¹² NEMERKÉNYI Antal (2004) *Az európai kontinens természetföldrajzi adottságai*. In *Berneik Ágnes – Kondorosi Ferenc – Nemerkenyi Antal – Szabó Pál (eds.) Az Európai Unió. Cartographia Kft., Budapest pp. 5-26. – cited on p.5.*

¹³ BRZEZINSKI, Zbigniew (1999) *A nagy sakktabla. Amerika világhéghőse és geostratégiai feladatai*. Európa Könyvkiadó, Budapest.

of the 30th parallel) the developed North included North America, Europe and the Soviet Union. The 1980s were the “golden age” of developmental studies, and thus a respected portion of international and Hungarian research projects centered on the examination of the economic and social backwardness of the so-called “Third World”.

But in the Cold War period the developed Northern world was divided in two according to political system, with the capitalist West on one side and the antagonistic socialist (the Soviet Union and the European socialist states) East on the other. This West-East divide effects our thinking on international geopolitical space to this day, despite the fact that the regime transformations of the 1990s have led to a uni-polar world: international division based on Cold War logic is now meaningless. Further, thanks to the emerging markets of developing countries that were previously underdeveloped, the North-South division has also lost its relevance, so much so that in the 21st century we no longer use the term developing country in world politics or world economics (although international organisations have not moved away from this yet). I feel it is very important to emphasise that the foundation of traditional geopolitics using geographic points of the compass as a basis for interpretation lies in the view of Europe being the central region of the world. As such we always use world maps with Europe placed at the centre, and as such the North-South, but more so the West-East geopolitical point of view is based on a traditionally exclusively European view of examining geopolitical space.

The geopolitical “grand chessboard” of the 21st century is changing in fundamental ways, and the 2008 crisis affecting the European Union and European countries has resulted in a shift of the world’s central area to the Pacific Ocean field. José Manuel Barosso, the former President of the European Commission, gave a shocking speech to open the Fall session of the European Parliament on September 12, 2012. He claimed that the European Union is facing the deepest crisis in its history, and he feels that there is only one way out, and that is to establish a new model for European integration and to create a European political union based on a federation of member states. But the real problem is that international analysts treat this as highly unlikely. The crisis on the European continent has brought into question the strength of Atlantic relations and the role of the Atlantic field in the world economy and in world politics.

The grand strategies of the 21st century can be studied by focusing exclusively on the geopolitical efforts of three world powers, namely the USA, Russia and China. The world is turning, and all prognostications point to a 21st century that is not a European century. This will lead to a slow change in the Euro-centric world view, and the traditional interpretation of the international order in North-South and East-West terms will transform. To use cartographic terms, the zero-point will change, and the world will be interpreted not only through Brus-

sels and Washington, but through Beijing and Moscow as well. We must work out a new geopolitical view of space.

The “West” - the deepening questions over the American “smart power” foreign policy direction

In his first term as President, from 2009 to 2012, Barack Obama initiated a new foreign policy direction to replace the Bush doctrine of preemptive strike. The central element of the new direction was so-called “Smart Power”¹⁴, or a new geopolitical direction within whose framework the earlier hegemonic, military strength-based American world politics role is replaced by a new one using diplomatic means and aiming for cooperation with the other countries of the world. The President’s foreign policy direction was met with a great deal of criticism, which questioned whether the world’s leading power could give up using ever more military strength, and whether practicing power through diplomatic channels could work.

His two main ideologues were the two “old men” of geopolitics, Henry Kissinger and Zbigniew Brzezinski. The USA’s current grand geopolitical strategy’s two main elements are, in Brzezinski’s 2012 terms, a “bigger West” and a “new East”. A “bigger West” indicates that the USA has a goal of strengthening the West and as such seeks to bring Russia and Turkey into the USA’s circle of western allies. In this sense the Cold War division of East and West ceases, and the world is split not into geographic areas, but into a new 21st century geopolitical view of space. Brzezinski’s “new East” applies to China, East- and South-East Asia, which he judges to be an area in which the USA is in need of a new overarching set of relations. He does not see this as a zero-sum game, and in fact deems it a mistake to approach great power competition using “Cold War” logic.¹⁵ The fact that the geopolitical space of the 21st century and in turn the USA’s geopolitical direction’s centre of gravity has changed is clearly demonstrated in Hillary Clinton’s statements at several international forums where she has claimed that the 21st century will be America’s Pacific century. In the second 2012 issue of Foreign Affairs, Henry Kissinger analyzed current relations between

¹⁴ *In a geopolitical sense “Hard Power” or power based on military strength is replaced by “Soft Power” (based not on military strength but on executing power using economic tools). The goal of “Smart Power” is diplomatic aligning of interests and cooperation with the rest of the countries of the world.*

¹⁵ BRZEZINSKI, Zbigniew (2012) *Strategic Vision. America and the Crisis of Global Power*. Basic Books, New York.

the USA and China and called for the establishment of a new so-called trans-Pacific cooperation framework.¹⁶

In the spirit of the new American foreign policy direction of “Smart power”, US-led NATO troops permanently withdrew from Iraq in December of 2012, and in the same year the number of US troops serving in Afghanistan was decreased.¹⁷ But the diplomatic efforts to resolve the state of civil war in Syria led to serious criticism of the American President, claiming that he should have been more decisive, should have used military force, and should not have allowed a Russian proposal to emerge for the solution to the Syrian situation. Divergent views on the Syrian situation led to a deterioration of US-Russian relations, and the Russian annexation of the Crimean Peninsula in 2014 brought a new low point.

An increasing number of international analysts claim that the USA, by avoiding military interventions and becoming ever more insular, is appearing ever weaker in the eyes of the world and is losing its international authority. Even Barack Obama’s domestic popularity was weakened by degree.¹⁸ But in 2015 the question of whether smart power can be used at all in the current international political situation has come to the fore. American practice of power through diplomatic channels and cooperation has brought unexpected results, with a weakening US role in world politics. In some areas of the world the strength of the US practice of power has decreased drastically. This all leads to a situation where the non-Anglo-Saxon world (and especially the large emerging markets) are “kept together” by one thing only, and that is a questioning and rejection of the USA’s leading role in world politics. In those countries where US influence has weakened we are now witnessing the construction of Russian and/or Chinese spheres of interests. The developing “power vacuums”, countries and regions that do not belong to any of the spheres of interest, are facing increasing security risks. An example of such is the disorder in Iraq after the withdrawal of American troops and the unresolved situation in Syria, which led to territorial takeover (in the border regions between the two countries) by the newly established extremist Islamic State.

¹⁶ KISSINGER, Henry. (2012) *The Future of U.S. – Chinese Relations. Conflict Is a Choice, Not a Necessity - Foreign Affairs*, Vol. 91. No. 2. pp. 44-55.

¹⁷ One of the “success stories” presented in Obama’s second presidential campaign was the liquidation of Osama bin Laden in May of 2011.

¹⁸ This is foremost because a high number of American voters are not willing to accept the health-care reforms that were reached with great difficulty. However, Obama’s foreign policy is also criticized by an increasing number of voters. Average American judgments hold that Putin’s annexation of the Crimean Peninsula took place because the Russian President was aware of what steps he could take, given that he did not have to fear an American military response.

As smart power has led to a decline in US world power, a geopolitical direction based on “hard power” as practiced by the emerging markets Russia and China has emerged. It is thus beyond doubt that there is a renaissance of orthodox geopolitical strategies. This is reinforced by the fact that of the world’s military expenditures in 2013, the US stood for only 37% (at the beginning of the 2000s this proportion exceeded 50%). Significant armament by China and Russia is reflected in the fact that China is now second in the world in military expenditure (standing for 11% of world expenditure), while Russia now stands at number three (with 5% of global expenditure). From 2009 to 2013 USA armament expenditures dropped from 701 billion USD to 619 billion USD, while in the same period Chinese expenditures rose from 129 billion USD to 174 billion USD. The situation in Russia is similar, where expenditures of 65 billion USD in 2009 rose to 85 billion USD by 2013.¹⁹

For EU- and NATO member Hungary the most important question is: where does Europe stand and especially, where does East-Central Europe stand in current American geopolitical strategies? In his first term as President from 2009 to 2012 Barack Obama’s main foreign policy direction was always met by criticism from European countries, claiming the USA does not pay nearly enough attention to Europe. There is no doubt that Barack Obama undertook several Asian tours in this period. At the 2011 APEC meeting in Honolulu he emphasized that APEC economic integration should be further developed in the interest of making the Pacific Ocean field the central area of the world economy of the 21st century. In the minds of leading European politicians this means that Atlantic relations have decreased in significance for the US, and that Europe has moved to the back burner within American geopolitical strategies. This is supported by the need to newly interpret and reorder relations between the EU and the USA, given that they soured after the spying scandal of 2013.²⁰ Further, earlier free trade negotiations between the two entities were suspended. Another factor in the rethinking of US-EU relations is that Barack Obama makes his first official visit to the EU by visiting Brussels on March 26, 2014, meaning that this took place six years into his mandate as President. This visit was necessitated by Russian annexation of the Crimean Peninsula. The visit, however, was an effort to strengthen the Euro-Atlantic alliance. Both parties confirmed that negotiations on the establishment of a free trade zone between them would recommence.

When reinterpreting the Euro-Atlantic field for the 21st century, a key question is the future of the EU. For the EU to move beyond the state described by Henry Kissinger, whereby it is a “world economics giant, but world politics dwarf”, there is only one theoretical path, which is the establishment of a strong

¹⁹ Based on data from the Stockholm International Peace Research Institute. www.sipri.org

²⁰ Regarding the uncovering of National Security Agency spying, by Edward Snowden.

federal Europe, or a strong political union. But is this a realistic option? The official stance of EU institutions is: yes. EU institutions are stronger than EU-pessimists think, and the President of the European Commission, Jean-Claude Juncker, has a stated goal of renewing the EU and strengthening its institutions.

Unofficial opinions, however, hold that there is no realistic hope for the establishment of a federal European Union, and - much like the Hungarian government - other member states see the future of the EU as made up of strong nation states. This position is supported by the fact that this year's European Parliament elections saw an increase in support for extreme right-wing and Eurosceptic parties. An increasing number of analysts are predicting a future collapse of the EU and the emergence of a new Germany-Russia axis. In other words, the so-called Franco-German Europe will be followed by a Russo-German Europe. This position has geopolitical significance, as the East-Central European area is situated between Germany and Russia, and thus its present and future is fundamentally determined by how economic and political relations between Germany and Russia develop.

The countries of East-Central Europe have been even more disappointed in the foreign policy of the first Barack Obama presidential term. They feel that the fact that the President did not accept the German Chancellor's invitation to mark the 20th anniversary of the fall of the Berlin Wall means that "Barack Obama does not understand Eastern Europe", as was stated in newspapers at the time. In July of 2009 - shortly after Barack Obama visited Moscow - a number of formerly high-ranking East-Central European politicians wrote an open letter to the American President, asking him to keep in mind strategic interests of East-Central Europe when negotiating with Russia. According to the writers of this open letter, Russian influence is growing in the region once again, and will "in time lead to the de facto neutralisation of the region."

Ronald D. Asmus, the director of the German Marshall Fund's Transatlantic Centre, wrote a piece in the January/February 2008 issue of *Foreign Affairs* titled "Europe's Eastern Promise".²¹ The author was an outstanding expert on the topic, given that between 1997 and 2000 he worked as a Deputy Assistant Secretary of State, and his field of expertise was NATO and trans-Atlantic relations. He had a role in Hungary's NATO accession in 1999.²²

In this paper the author analysed the two key geopolitical areas of the East-Central and South-Central European region: the north-south axis stretching from the Baltic Sea to the Black Sea on the one hand and the countries along the

²¹ Ronald, Asmus (2008) *Europe's Eastern Promise. Rethinking NATO and EU Enlargement. Foreign Affairs. January/February 2008.*

²² Ronald Asmus died in 2011 at the age of 53. His career is deemed by the Hungarian Foreign Ministry a lasting example of successful trans-Atlantic relations. One of the driving forces of this paper is to acknowledge his outstanding professional work.

meeting point of Europe and Asia, i.e., the Southeast-Southwest axis on the other. The countries of the north-south axis joined NATO in its first round of expansion (in 1999 - Czech Republic, Hungary, Poland) and in its second (from 2002 - Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia), and joined the European Union in 2004 and 2007, thus becoming unequivocal members on the transatlantic field both politically and economically.

What kind of expansion policy should NATO and the EU pursue regarding countries along the southeast-southwest axis, from the Balkans to the Black Sea? Ronald D. Asmus recommended a new approach, given that the transatlantic expansion policy of the early 2000s was in need of fundamental reform.

Ronald D. Asmus closed his 2008 paper with two scenarios. According to the first, the administration taking oath in January of 2009 would rebuild relations with the countries of the region, and both NATO and the EU would continue to increase their numbers of members. As such the countries of the north-south axis would become even stronger members of the Atlantic field, and the countries of Europe's southeast-southwest axis - given the numbers of them joining NATO and the EU - would attain significant political and economic stability. EU membership for Turkey, strengthening its middle-power role, would contribute to the construction of the eastern periphery of the Atlantic field. This positive prognosis predicted a new Atlantic field by 2012 which would force Russia to reconsider its great power role and reinterpret the geopolitical strategy it uses vis a vis the West. As a result by 2014 the USA and the EU - about ten years after NATO's second expansion round and the EU's largest eastern expansion - would redraw the geopolitical map of Europe and Eurasia.

The author's second scenario is that of stagnation, in which the leading countries of the Atlantic field (mostly the USA) are passive toward the countries of the region. According to the scenario the EU and the USA do not accept a confrontation with Russia, and thus given countries in the region are "left to their own devices" when trying to maintain "good" relations with Russia. Should only Croatia (and possibly Albania) join NATO by 2012, and should only Croatia become a member of the EU, a geopolitical stalemate will develop whereby future generations will be a high price for current passivity.²³

Now, in 2015, we can see that, unfortunately, Ronald D. Asmus' second scenario has come to fruition. From 2008 to 2012 all that happened was Croatia and Albania's NATO accession in April of 2009 and Croatia's EU accession in July of 2013. Asmus' "stalemate" situation has even worsened, given that the Euro-Atlantic field and Russia have entered a period of open antagonism. A key question for the future is which sphere of influence (Euro-Atlantic or Russian) the countries of East- and Southeast Europe and the Caucasus will join, or how they will levitate between the two great power spheres. In December of 2013 Russia

²³ See footnote number 2., p. 7.

officially confirmed that the Eurasian Economic Union will begin operations starting on January 1, 2015, encompassing members Russia, Belorussia and Kazakhstan in an economic union, with Armenia (now it is member), Kyrgyzstan and Tadzhikistan as likely members. Thus, the Eurasian Economic Union will become a competitor to the European Union, and it is no accident that after the annexation of the Crimean Peninsula, the EU signed association agreements with Ukraine, Moldova and Georgia. This all indicates that the EU must reinterpret its expansion policy, and must further build a new foundation for its currently weak eastern partnership program.

In June of 2014 Barack Obama visited Warsaw (before the commemoration of the 70th anniversary of the landing of American and British units in Normandy), where he essentially announced NATO's new Eastern Europe strategy. As such, NATO will increase its troop presence in Poland and increase the activities of its naval fleet in the Baltic Sea and the Black Sea. The Black Sea is of great significance, given that it is Russia's access channel to warm-water seas.²⁴ For the Baltic Sea, Estonia (given its control of the Gulf of Finland) is the most likely location for a NATO naval base, while for the Black Sea Romania is the likely choice. That is to say that the geopolitical importance of this region will increase in the near future, and through NATO's "active European military policy" the security policy role of East-Central Europe will increase. September of 2014 saw a NATO summit held in the United Kingdom, where the main question of NATO's further expansion had to be discussed by member states. However, international observers largely agree that further NATO expansion is unlikely, as is Ukraine's accession to the alliance.

On July 22, 2014, Vladimir Putin announced the Russian "response" to Barack Obama's new Eastern Europe military strategy at the meeting of the Russian National Security Council, whereby Russia will launch an armament program that will spend 640 billion USD by 2020. This means that Russia's armament expenditures will increase by more than 50% per year for the next five years. According to the President's announcement 30% of Russian military equipment will be high-tech by 2015, reaching 70% by 2020. This is clearly the largest armament program since the 1991 establishment of modern Russia.²⁵

The "East" - Russia as the West's enemy?

Russia, being the largest land mass country in the world, is in a geopolitical situation that lends itself to establishing itself as a so-called "land power". The geopo-

²⁴ *This topic will be dealt with in detail in the next section, on the analysis of Russia's orthodox geopolitics.*

²⁵ <http://en.ria.ru/russia/20140722/191111702/Russia-Must-Boost-Defense-as-NATO-Increases-Military-Presence.html> (Accessed: July 25, 2014)

litical area for this is the Eurasian field, given that Russia is characterized by being a country existing in both Europe and Asia. This was referred to by Vladimir Putin in an article published in *Izvestia* in November of 2011, in which he outlined a plan for a Eurasian Union that would spread from Lisbon to Vladivostok. Putin called this “Greater Europe”, a space in which Russia would have the determining role, it being a bridge between Europe and Asia.²⁶ This Russian Eurasian geopolitical space, or Russian social space, is so definitive that on May 7, 2012, Vladimir Putin referred to it in his inauguration speech: “...our main goal is territorial expansion from the Baltic Sea to the Pacific Ocean, through which we will become capable of becoming the leader and centre of gravity of all Eurasia.”²⁷

The main architect of the new Russian geopolitics and its leading figure is Aleksandr Dugin, who in 2002 organised his own political party, the “Eurasia” political movement. This indicates that Mackinder’s political term *Eurasia* has become an absolutely key term in current Russian geopolitics. Given that Eurasianism has a significant historical past in Russia, Dugin named the current Russian geopolitical direction *neo-Eurasianism*. This neo-Eurasianism stands in contrast to Atlanticism, with the main Russian geopolitical goal being the establishment of a multi-polar world order.²⁸ The Eurasia party has a definite geo-economics point of view, given that it was the party that established the Eurasian Economic Club, the “mission” of which is to establish a unified Eurasian economic field. Currently, Eurasianism has undergone institutional strengthening, from January 1, 2015 had started the Eurasian Economic Union with an anticipated four members (see above). Although the Atlantic view of the realistic chances of this initiative is rather sceptical, and though some see the establishment of the Eurasian Economic Union as an attempt to reestablish the Soviet Union, it should be noted that the highest body of the Eurasian Economic Council has been meeting regularly since 2013, with a goal of preparing the operation of the Eurasian economic field.²⁹

Geopolitically, the key question in the establishment of the new Eurasian field is whether Russia will be able to find new allies in the future. Further, a sub-question is how Sino-Russian relations will develop in the near future. The most

²⁶ РУТИН, Vladimir (2011) *Новый интеграционный проект для Евразии — будущее, которое рождается сегодня*. *Izvestia*, 2011. October 3.

<http://izvestia.ru/news/502761#ixzz241ccxKbK> (Accessed: November 2, 2012)

²⁷ Official site of the President of Russia. Vladimir Putin inaugurated as President of Russia. 7 May 2012, 12:20, Moscow. <http://www.kremlin.ru> (Accessed: May 8, 2012.)

²⁸ DUGIN, Alexander (2004) *A geopolitika alapjai – Oroszország geopolitikai jövője*. – Ljubov, Siselina - Gazdag Ferenc. (eds.) *Oroszország és Európa. Orosz geopolitikai szöveggyűjtemény*. Zrínyi Kiadó, Budapest. pp. 333-376.

²⁹ For more details, c.f. www.eurasiancommission.org

significant event recently was Vladimir Putin's May, 2014 visit to China, within which, after more than a decade of negotiations, Russia's Gazprom and China's CNPC (China National Petroleum Corporation) signed a gas agreement deemed the "deal of the decade". As part of the agreement Gazprom has guaranteed the delivery of 38 billion cubic meters of gas to China every year for thirty years.³⁰ Another sign of the strengthening of the Sino-Russian relationship is that the national banks of Russia and China recently announced that they have worked out a joint agreement to conduct their currency exchange business in their own currencies, thereby bypassing the US dollar. Currently 75% of Russian-Chinese commercial transactions are accounted in USD. Will American hegemony come to an end? This is the central question of the development of a new multi-polar world.

Currently, however - despite Russian openness to Asia - the emphasized target area of Russian geoeconomic and geopolitical efforts is the European continent. That is to say that the Russian point of view in geopolitical space continues to be one that is Europe-centred. The Russo-German Europe prognosis is related to this (see above), which refers to increasingly strong economic (as well as political) relations between the two countries. We might consider whether Russia's Europe-centric approach will remain in the future, or whether Russia will become capable of opening (mostly economically) toward China, Japan and South Asia.

East-Central Europe is one of the key regions in Russia's current "empire-building" geopolitics. Given their geographic location, the countries of Central and East-Central Europe are seen as "gates" toward Europe by Russian geostrategists. This is evidenced by the fact that since 2012 Russia's largest commercial bank, Sberbank, has become a player in Hungary's economy, since the Vienna-based Volksbank transferred all its Eastern European holdings (except for those in Romania) to Sberbank. According to Sberbank's official statement this East-Central European activity is a first step toward Sberbank beginning its expansion into Europe and becoming an international bank. Over the last few months Hungary and Slovakia have come under fire from the USA for practicing a "separate" Russia policy. Slovakia has been criticized for agreeing to the extension of the trans-Siberian railway through its territory to Vienna. Hungary is under scrutiny for an agreement signed on January 14, 2014 to expand the nuclear plant at Paks.

While Russia may become the leading land power in the Eurasian field, its status as a sea power is questionable both in terms of natural geography and geopolitics. Although the Russian sea coast is 37.653 km long (it's land borders stretch 22.407 km), most of the coastline is along cold waters, with the Arctic Ocean to the north and the Pacific Ocean to the East. The ports along the north-

³⁰ According to data on the Gazprom website: www.gazprom.com

ern and eastern coasts, with one exception (the port of Murmansk never freezes over thanks to the Gulf stream), are ice-bound for most of the year. In his piece titled “The foundations of geopolitics” Aleksandr Dugin characterizes this situation as Russia’s southern land borders being an “anaconda ring”, blocking Russia from reaching warm-water seas.

In accordance with its geographic characteristics, one-third of Russian naval strength is provided by the Northern Fleet, based in Severomorsk, beside Murmansk. The Russian Pacific fleet is based in the country’s largest and most southern Far East city, Vladivostok, although the port of Vladivostok and the port in neighbouring Nakhodka are ice-bound from October to March.³¹

Russia’s access to the Baltic Sea is secured by the Russian Baltic Fleet, which is based in the Baltiysk port, on the territory of Kaliningrad. The Baltic Sea is increasingly important to Russia in geostrategic terms, partly because of deepening Russo-German relations, the most important element of which is the initiation of Gazprom’s Nord Stream pipeline, which avoids Ukraine and deposits gas in Germany after underwater passage in the Baltic Sea.

The Russian Caspian fleet is relatively small, and based in the largest city of the Volga delta, Astrakhan. But given that the Caspian Sea is a sea in name only (it is the world’s largest lake, and provides no access to the sea), the presence of a Russian fleet here does not serve the purpose of creating Russian “sea power”, but instead is meant to secure a balance of Russian power in the area of the Caspian. An especially important area here in terms of Russian security risk is Chechnya.

The size of the Russian Black Sea fleet is somewhat less than that of the Baltic Sea fleet, however the base in Sevastopol on the Crimean Peninsula is a key element of Russian sea presence and Russian geopolitics. The deep-water, ice-free and defensible bay secures Russia’s access to warm oceans. In 2010 the parliament of Ukraine decided (among smoke bombs and fist-fights) to allow the Russian Navy to use the port until 2042. This base is in an important strategic geographic location for Russia, as Russia has no other way of accessing the Medi-

³¹ Vladivostok has gained significance in Russia’s Far East expansion plans over the past few years. One aspect is transportation. The world’s longest railway line, the trans-Siberian Express, has been fully renovated. It terminates at Vladivostok, and from here is connected to a railway line going to Beijing. The year 2012 saw the completion of the world’s longest auto highway (more than 10.000 km), and as a result St. Petersburg and Vladivostok are now connected by road. However, the most important investment in the Far East region is Russia’s new space port, in the city of Ulglegorsk, under the name Vostonchny, or Eastern cosmodrome. Construction is already underway north of the city of Blagoveshchensk, and according to plans it will begin operation in 2015. The base, which is on Russian territory, will operate in tandem with the Baikonur cosmodrome in Kazakhstan.

terreanean. The main reason Russia annexed the Crimean Peninsula was clearly Russian fear that Ukrainian relations with the EU and NATO would lead to a loss of Russian control over the port of Sevastopol. Such Russian fears have a basis in history. One-hundred and sixty years ago in the Crimean War British, French and Turkish forces together defeated Czarist Russia and thus blocked the spread of Russian influence in the Bosphorus and the Dardanelles, the two passages between the Black Sea and the Mediterranean. All of Russia's current world politics "acts" on sea routes (e.g., shipments to Syria) originate at the Sevastopol port.³² Ukraine's potential membership in NATO would clearly lead to an advantage for NATO naval forces, given that Romania, Bulgaria and Turkey are already NATO members. It is no accident that one of Russia's emphasised goals is the construction of a Russo-Turkish relationship. The basis of this is the fact that Gazprom's Blue Stream pipeline goes through the Black Sea and transports gas through Ankara. Another key role for the Russian Black Sea Fleet is to provide security for Gazprom's Southern Stream pipeline, which is now under construction. Another question in the area is Georgia's possible accession to the Euro-atlantic zone, as the country also has coastline on the Black Sea. However, one of the results of the 2008 Russo-Georgian war is that Georgia lost control over Abkhazia and in turns its Black Sea coast.

Between "West" and "East" - An analysis of Ukraine's orthodox geopolitics

The West often responds to the crisis in Ukraine by stating that "Ukraine's territorial integrity must be restored". On March 27, 2014 a majority at the UN General Assembly approved a resolution whereby the UN confirmed Ukraine's sovereignty, political independence, unity and territorial integrity within internationally recognized borders.

Although the international press emphasized the majority that voted yes, the results actually reflected the development of a multi-polar world order and a number of countries antagonistic to the Atlantic field. Of the 193 UN member states, only 168 participated in the vote (e.g., Iran and Serbia, as well as two potential members of the Eurasian Union - Kyrgyzstan and Tajikistan - did not participate in this session of the General Assembly). One-hundred countries voted for, while eleven voted against (including Armenia, Belorussia, Bolivia, Sudan and Syria) and a total of 58 countries abstained (e.g., Russia and four other BRICS countries - China, India, Brazil and South Africa - as well as Kazakhstan, Uzbekistan, Iraq, Pakistan and Afghanistan).³³

³² *Az orosz Fekete-tengeri Flotta a krími válság egyik kulcsa. Honvédelem.* www.honvedelem.hu/nyomtat/42827. (Accessed July 29, 2014)

³³ *Data available on the UN home page.* www.un.org

Statements from the UN and the West on Ukraine's political independence and territorial integrity are correct in terms of international law. But this does not hold true in a geographic, historic and geopolitical context, as Ukraine has never been in a state of territorial integrity. The current borders of Ukraine were established in 1945, with the annexation of the Crimean Peninsula taking place in 1954. Its independence as a state dates back to the dissolution of the Soviet Union in 1991. Twenty-three years is a very short time to establish an independent, sovereign and economically strong state.

The country's name - *u-kraina* - means borderland. Throughout history Ukraine has been a buffer state, and it continues to be so, between the Euro-Atlantic field and Russia (and the Eurasian Economic Union it is organizing). Ukraine's importance is also based partly on strength derived from size, given that it is the European continent's second largest state in terms of territory, lagging only behind Russia. Its population of 45 million makes it one of Europe's largest states in these terms as well.

Ukraine is divided geographically into east and west, with a dividing line extending from Kharkov to Uman. This line is also a physical division, given that it is the border between the moderate forested land mass and the steppe zone. The majority of the population in the western and central, forested regions are Ukrainian ethnics who consider themselves Central-Europeans. Of the two geographic areas, the western has minimal mineral resources and has largely been left out of historic industrialization processes. West-central Ukraine is the country's main agricultural region, which in the Middle Ages was in the Kievan Rus sphere. North of Kyiv we find Chernobyl. The local nuclear plant exploded in 1986, which to this day is one of the world's most serious nuclear catastrophes. Eastern Ukraine, on the steppe, was one of the Soviet Union's industrial "citadels". Metallurgy and heavy industry here were based on black coal in the Donetsk valley and metal ore from Krivoy Rog. A large number of Russian ethnics worked here in the period of Soviet industrialization, and as such the population in the region's larger cities has a majority of Russian speakers who feel that Eastern Ukraine is clearly part of Russia. The three major industrial centres are: Harkov (Harkiv), Donyetsk (Donetsk) and Dnepropetrovsk (Dnipropetrovsk). South-Ukraine also has a definitive Russian majority. The region's centre is one of the largest ports on the Black Sea coast, Odessa. The Crimean Peninsula was annexed to the Russian empire at the end of the 18th century by Catherine the Great, and the Russians who settled here squeezed out the indigenous Tatars by degree. In 1954 Khrushchev made a gift of the region to Ukraine.

Halford Mackinder's most famous paper was 1904's "The Geographical Pivot of History". As such, Ukraine's geographical characteristics as described above serve as the foundation of its past, present and future. In the 9th century the Principality of Kiev was founded here, which was a great European power in the 10th and 11th centuries but disintegrated in the 12th. After the destruction left by the Mongolian Tatars so-called Russian Kiev became a part of the Grand Prin-

cipality of Lithuania, then a part of the Polish Lithuanian State Alliance. The country's independence was secured with varying levels of success by Cossacks organized to defend the borders. In the 18th century Ukraine became part of the Russian Empire. In 1917, after the collapse of Czarist Russia, Ukraine declared its independence, but in 1920 it came under the control of the Red Army. The Ukrainian Soviet Socialist Republic was established and became one of the founders of the Soviet Union in 1922. Its current borders were established in 1945 with the annexation of Polish, Czechoslovak (formerly Hungarian) and Romanian territories, and then that of the Crimean Peninsula. In 1991, following the collapse of the Soviet Union, Ukraine declared its independence.

Ukraine's factual political and economic independence never truly existed. Russia has always considered Ukraine a peripheral territory of Russia proper. The most important element of establishing Ukrainian sovereignty was always the attempt to decrease Russian influence. In the West only Henry Kissinger recognized this. "The West must understand that for Russia Ukraine is not a foreign state. Russian history began with Kievan Rus... Ukraine is an integral part of Russian history." On March 5th, 2014 Henry Kissinger stated that Ukraine does not have a choice between West and East. It cannot join either side. It must instead play a bridging role and fill the gap between the two spheres of power.³⁴

What are the chances of Ukraine becomes not a buffer state, but a "bridging" state? The country's current economic situation makes this impossible. Ukraine is one of Europe's least developed national economies. Its GNI per capita is 3.100 USD. The definitive branch of its economy - given its outstanding meteorological and soil characteristics - is agriculture. The country could be one of Europe's leading sources of food, but the establishment of a private agricultural sector is still under way. One of the fundamental problems with the economy is that 80-90% of energy sources are imported (with three-quarters of oil and gas, and all nuclear fuel imported). Given its geopolitical situation it is a transit country, with most of Russia's gas and oil pipelines to Europe running through Ukraine. This includes the Friendship oil pipeline, the Brotherhood gas pipeline and Gazprom's gas lines. The transit status of the country will soon decrease, given that Gazprom's Northern Stream was made operational in 2011, avoiding Ukrainian territory in the north and transporting gas to Germany under the Baltic Sea. It is expected that Gazprom's Southern Stream will be completed in 2015, which avoids Ukraine by running south, through the Black Sea and up to Austria. The basic question is: how will the West - through US, EU and IMF credit - be able to shore up the Ukrainian economy? The chances for success in this socially, politically and territorially divided country are low.

³⁴ KISSINGER, Henry: *How the Ukraine crisis ends*. *The Washington Post*, March 5, 2014. – www.washingtonpost.com (Accessed: March 25, 2014)

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Crises, migration, national security...

Ambassador Balázs Bokor

The University of Public Services organized a very interesting and actual conference on May 6, 2015 under the title „The United Nations in a turbulent world - 70 years in building peace and security. I had the pleasure for being also invited to deliver a lecture about the burden sharing and collaboration with regional organizations, namely with the African Union. The subject of this lecture – naturally – couldn't have been other than the crisis situations in Africa, the peace-keeping and the numerous consequences the whole world has to face. Definitely, the bloody crises in different parts of Africa and the Arab World have a direct link to the national security, the economic, political and social environment of Europe. Europe witnesses the most serious impacts of the crisis migration from the conflict zones.

At the same time all we see that the situation in the Mediterranean is a tragedy. It is an utmost responsibility of – mostly – the European countries to prevent further loss of life at sea and to tackle the root causes of the human emergency that we face, in cooperation with the countries of origin and transit.

Since the beginning of 2015, more than 35,000 refugees and migrants have crossed the Mediterranean Sea -- 23,500 have landed in Italy and more than 12,000 in Greece, according to the United Nations High Commission on Human Rights. While those numbers sound high, they were even higher the previous year. In 2014, approximately 219,000 refugees and migrants sailed across the Mediterranean, with most having to be rescued by the Italian Navy, Coast Guard or merchant ships, the UNCHR said. It is estimated that 3,500 people in 2014 died at sea. It is now feared that the 2014 total migrant deaths may be surpassed this year in a matter of weeks.

The European Council held its special meeting on April 23, 2015. Donald Tusk, the President of the EC underlined: “Europe did not cause this tragedy. But that does not mean we can be indifferent. We are facing a difficult summer and we need to be ready to act”.¹ The European leaders agreed that they need to limit irregular migration flows and to discourage people from putting their lives at risk. This means better co-operation with the countries of origin and transit,

¹ <http://www.consilium.europa.eu/en/press/press-releases/2015/04/23-final-remarks-tusk-european-council-migration/>

especially the countries around Libya. Europe will do more on refugee protection. The European Union will help front-line Member States under pressure and co-ordinate the resettlement of more people to Europe on a voluntary basis, and with an option for emergency relocation. For those who do not qualify as refugees, we will operate an effective returns policy.²

Of course there is no chance for illusions that this international human emergency could be solved quickly. We already witness that there is a great difference in the position of the various EU-member countries concerning the migration issues. Minister of State for EU Affairs Szabolcs Takács has said – in an interview published at the Prime Minister’s Office’s website - that in Hungary’s opinion a distinction should be made between immigrants and refugees; furthermore, Hungary rejects the quota system proposed by the European Commission, and in this respect it is not alone among EU Member States.

According to the Hungarian position the issue of immigration is a complex one. It is clear that European countries have certain moral and humanitarian obligations towards those entitled to political refugee status. Hungary has to and wants to comply with these obligations. It is also clear that a European crisis management is needed where the special situations of individual Member States must be taken into consideration. Hungary is one of those countries which think that a distinction should be made between immigrants and refugees: those entitled to political refugee status must be given international protection and all assistance necessary, especially if their lives are threatened. However, all available methods should be used to restrict immigration which aims to abuse European policies; migration for economic reasons must be subject to different considerations.³ So, the migration and refugee issue will be a long and complicated discussion in the EU. But, we have to come back to the University of Public Services` conference. I have stated there that although the number of conflicts on the African continent has declined compared to the 1990s, the post-colonial African state continues to be prone to violent clashes, which often results in complex emergency situations. I am sure that Africa will in the short to medium term continue to experience violent conflicts which tend to be complicated and give rise to the said complex emergency situations. That is what we all witness presently, too. Since 1990, about 44 percent of the United Nations Security Council meetings have dealt with situations in Africa. From 1990 to 2015, the Council mandated 27 operations in Africa.

² <http://www.consilium.europa.eu/en/press/press-releases/2015/04/23-special-euco-statement/>

³ <http://www.kormany.hu/hu/miniszterelnokseg/europai-unios-ugyekert-felelos-allamtitkar/hirek/magyarorszag-nem-log-ki-az-unios-tagallamok-kozul-a-bevanderolasrol-szolo-nezetevel>

Cooperation between the African Union and UN on peace operations has been ad hoc and turbulent. The AU's mission in Sudan (AMIS) struggled mightily, and was eventually replaced by the AU-UN Hybrid Operation in Darfur (UNAMID) in 2008. More recently, the AU-led intervention in the Central African Republic, known by the acronym MISCA, was succeeded last September by a UN mission, MINUSCA. Because the AU has a higher tolerance for casualties than the UN, it's tempting to contemplate a sequential model, whereby a robust initial AU intervention force yields to a longer-term peacekeeping operation.

The longest-running and largest AU operation to date has been the African Union Mission in Somalia (AMISOM). AMISOM has succeeded at heavy cost in clearing al-Shabab from Mogadishu and other parts of the country. These achievements would have been impossible, however, without the logistical support provided by the UN Support Office for AMISOM (UNSOA), established in 2009, and most importantly, an unprecedented decision by the UN Security Council (UNSC) to support AMISOM with assessed UN peacekeeping contributions. Going forward, the AU-UN partnership needs to shift to more regularized cooperation. A sounder strategic as well as financial footing should be created.

Today, complex conflicts — involving extremism, transnational crime, and asymmetrical tactics — require the AU, sub-regional bodies and the UN, together with partners such as the EU, to field robust, agile and decisive operations based on an integrated system of response among multiple actors. They should also invest greater effort in prevention, as the best means of effective conflict management is for conflicts not to break out. Deploying troops may sometimes be important to avert a crisis, but this can only be a temporary measure and cannot replace the essential need to focus more on governance, development, institution-building and appropriate management of natural resources to enable sustained peace.

So, we have already stated that African crises result in complex emergency situations. And these situations need a response mechanism. But the implication is not just that there is a need for a response mechanism, but rather that the nature and effect of these conflicts necessitate the development of a mechanism that is capable of deploying effective responses to contain and eventually address these situations. This mechanism should also be flexible enough to handle different kinds of situations. If the mechanism is also to be effective in preventing host societies from relapsing back to conflicts, it should not stop short of addressing the factors that triggered the conflict. It needs to engage the underlying political and socio-economic factors. The nature of African conflicts is such that conflict management should go beyond silencing the guns and also involve peace-building and reconstruction activities covering the whole range of political, economic, humanitarian, human rights and security issues that led to and were occasioned by the conflict. The very roots of the crises should be

treated first of all. Otherwise, all the conflicts will be only temporarily solved and always new and new problems will arise. The conflicts' implications on European national security, political, economic and social issues will be more and more present on the agenda of the daily considerations in our lives.

When talking about complex approach to solutions to crises we should take into consideration the issue of development aid, population growth, economy, education, health-care. These issues lay in the roots of the problems. If they are not properly taken care, no real chance for the improvement of the situation. Africa faces a major population explosion in the near future. An unprecedented projected increase in Africa's child population size is going to be a reality. According to different estimates over the next 35 years, almost two billion babies will be born in Africa. The continent's population will double in size and its under-18 population will increase by two-thirds to reach almost a billion children. Projections indicate that by 2050, around 40 per cent of all births, and about 40 per cent of all children, will be in Africa, up from about 10 per cent in 1950. By investing in children now – in their health, education and protection – Africa together with the help of the international community could realize the economic benefits experienced previously in other regions and countries that have undergone similar demographic shifts. However, if investment in Africa's children is not prioritized, the continent will not be able to take full advantage of its demographic transition in the coming decades. Without equitable and inclusive policies, the pace of population growth could potentially undermine attempts to eradicate poverty and increase disparities. The contemporary population situation in many African countries contribute to or detract from their chances of realizing the goals of development, not only for the current generation but also for the future generations.

The costs of rapid population growth are cumulative: food supplies and agricultural production must be greatly increased to meet the needs of a rapidly growing population, this limits the allocation of resources to other economic and social sectors, The rapid increase in population means that there will be an increase in the dependency ratio. This implies that the states will have to allocate increasing resources to feed, clothe, house, health and educate the useful component of the population which consumes but does not produce goods and services. A rapidly growing population has serious implications for the provision of productive employment. The number of people seeking employment increases more rapidly than the number of available jobs. This kind of situation. poses a menacing problem for society The large proportions of young people, particularly those unemployed or have little hope for a satisfactory future, might form disruptive and potentially explosive political

force. So, the rapid population growth rates also have ramifications for political and social conflicts among different ethnic, religious, linguistic and social groups.

A major issue for the future lies in the interrelation between population and education. It was already noted by plenty of researchers that the fertility rate is negatively correlated with the number of girls registered in primary school showing that education of women is a crucial element in the explanation of the fertility tendency observed in African countries and accordingly constitutes an important factor of the relation between demographic growth and development. The African countries with lower fertility are the countries where the girls' enrollment in primary schools are higher, and as a result of the education the use of contraceptives is also higher. Therefore increase of general education of the population specially for girls and favorable socio-economic situation constitute the important elements in the use of contraception, family planning, consequently control of the fertility and better quality of life. Every country should have the responsibilities to tackle prevailing population problems according to its development policy based on the local cultural, religious, political, ethnic and demographic diversity.

So, complex emergency situations require a complex approach. 2015 is the time for global action. 2015 presents a historic and unprecedented opportunity to bring the countries and citizens of the world together to decide and embark on new paths to improve the lives of people everywhere. These decisions will determine the global course of action to end poverty, promote prosperity and well-being for all, protect the environment and address climate change. In 2015, countries have the opportunity to adopt a new sustainable development agenda and reach a global agreement on climate change. The actions taken in 2015 are expected to result in new sustainable development goals that build on the eight Millennium Development Goals. The UN is working with governments, civil society and other partners to build on the momentum generated by the MDGs and carry on with an ambitious post-2015 development agenda.

It is still a long way to go. The African crises, the tragic situation, the migration risks, their challenges for the European national security will still be long on the top of the political agenda. While hoping for the better, and looking for a common and joint action of all countries of the world, including of course those of Africa, we should concentrate at our neighborhood and the implications of these problems here. Therefore, the European Union's approach, the ongoing discussion on migration should be taken very seriously. The statement agreed upon by the European leaders at their April 23 meeting contained among others the reinforcement of internal solidarity and responsibility. This is a crucial point. A rapid and full transposition and effective implementation of the Common European

Asylum System by all participating Member States is needed, thereby ensuring common European standards under existing legislation.⁴ To prevent illegal migration flows is not only to increase support to Tunisia, Egypt, Libya, Sudan, Mali and Niger among others, to monitor and control the land borders and routes, but to step up dialogue with the African Union at all levels. The EU should reinforce the political cooperation with African partners in order to tackle the cause of illegal migration and combat the smuggling and trafficking of human beings. A proposed European Union – African Union summit with other key countries involved in the coming months in Malta will be very much helpful. Though I have personally participated at the last EU-AU summit last May in Brussels and witnessed how difficult is to reach any consensus or common understanding between the countries of the two continents, still I think that now there must be a hope to find the mutual interests of our mutual future. Of course, in the meantime – as the EU statement defined it – there is a need “to mobilise all tools, including through development cooperation and the implementation of EU and national readmission agreements with third countries, to promote readmission of unauthorised economic migrants to countries of origin and transit, working closely with the International Organisation for Migration, and while respecting the right to seek asylum, set up a new return programme for the rapid return of illegal migrants from frontline Member States”.

⁴ <http://www.consilium.europa.eu/en/press/press-releases/2015/04/23-special-euco-statement/>

The Islamic State and the intelligence

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Abstract:

The study assess the terrorist tendencies, the global jihadism, the appearance of the Islamic State, and the threats posed by new type of terrorism. The main focus is directed on the fight against the Islamic State. It is emphasised that all kind of intelligence and international cooperation is needed in collection of informations concerning IS. The author stresses the importance of a proxy intelligence as well.

Key words: Islamic State, terrorism, jihadism, fight, intelligence.

Absztrakt:

A tanulmány a terrorizmus tendenciáival, a globális dzsiháddal, az Iszlám Állam megjelenésével, valamint az új típusú terrorizmus által okozott fenyegetésekkel foglalkozik. A szerző a hangsúlyt az Iszlám Állam elleni küzdelemre helyezi. Az Iszlám Állam elleni hírszerzésben valamennyi eszköz és módszer bevetésére szükség van, beleértve a nemzetközi együttműködést is. A szerző kihangsúlyozza a proxy hírszerzés fontosságát is.

Kulcsszavak: Iszlám Állam, terrorizmus, dzsihádzizmus, küzdelem, hírszerzés

1. Terrorist tendencies

We are now in the early stage of a new phase of Islamic militancy. The death of Osama bin Laden in May 2011, and the outbreak of revolts across much of the Arab world, marked the end of a cycle that had commenced with the 9/11 attacks. This cycle had peaked in terms of violence around 2005 and then subsided towards the end of the decade as militant groups found their geographic and ideological space squeezed. It now looks like we are on another upswing with vast tracts of desert and dozens of towns under extremist authority in the Middle East and a new energy flowing through the myriad networks that make up the movement as a whole.

It is worth remembering that terrorism is not associated with just one group of people; it is a tactic that has been employed by a wide array of actors. There is no single creed, ethnicity, political persuasion or nationality with a monopoly on terrorism. Jihadists employ terrorism as they do insurgency — as one of many tools they can use to achieve their objectives.

Arguably, the realization of the objectives of the the jihadists through the employment of violence are delusional. Although we can question whether or not they will be able to achieve them through violent means, we simply cannot dispute that they are employing violence intentionally and in a rational manner with a view to achieving their stated goals. With that in mind, we will take a deeper look at those objectives.

It is very important to understand that jihadists are theologically motivated. In fact, in their ideology there is no real distinction between religion, politics and culture¹. They believe that it is their religious duty to propagate their own strain of Islam along with the government, legal system and cultural norms that go with it. They also believe that in order to properly spread their strain of Islam they must strictly follow the example of the Prophet Mohammed and his early believers. While all Muslims believe they must follow the Koran and the Sunnah, the jihadists allow very little space for extra-religious ideas and severely limit the use of reason to interpret the divine texts.

The jihadists' plan is to first establish a state called an emirate that they can rule under jihadist principles, and then use that state as a launching pad for further conquests, creating a larger empire they refer to as the caliphate. Many jihadist ideologues believe that the caliphate should be a transnational entity that includes all Muslim lands, stretching from Spain (Al-Andalus) in the west to the Philippines in the east. The caliphate would then be extended globally, bringing the entire world into submission.

¹ Source: Scott STEWART: *Gauging the Jihadist Movement: The Goals of the Jihadists*. *Stratfor Security Weekly* December 19, 2013 Downloaded January 2015.

Jihadist ideologues and leaders have openly stated these intentions, but they are not just rhetorical goals for public consumption. Reviews of the private writings of jihadist leaders as well as the actions taken by jihadist operatives in the field clearly demonstrate the strong intent to achieve their aims.

The Islamic State in Iraq and the Levant is not the only jihadist group to attempt to establish an emirate. Al Qaeda in the Arabian Peninsula made a concerted effort to seize, hold and govern territory in southern Yemen as a result of the Yemeni revolution in 2011, briefly controlling a substantial territory. Al Shabaab has controlled and governed parts of Somalia for several years now (though recently the group lost significant portions of it). Al Qaeda in the Islamic Maghreb temporarily established an emirate in northern Mali in 2012, and the Nigerian jihadist group Boko Haram has attempted to establish control over areas in Nigeria's north. At present, jihadist groups such as Ansar al-Shariah are seeking to establish control over territory amid the chaos in Libya.

In the past years the terrorist events have risen. Let us see some examples²:

The START global terror database demonstrates that major incidents have risen from less than 300 a year in the Middle East and North Africa region from 1998 to 2004 to approximately 1,600 in 2008, and increased again from around 1,500 in 2010 to 1,700 in 2011, and jumped to 2,500 in 2012, and 4,650 in 2013. This is a fifteen-fold increase since 2002, and threefold increase since 2010.

A RAND Corporation study on trends in terrorism in 2014 found:

A 58 percent increase in the number of Salafi-jihadist groups from 2010 to 2013. The number of Salafi jihadists more than doubled from 2010 to 2013, according to both Rand's low and high estimates.

Significant increases took place in the number of attacks by al Qa'ida-affiliated groups between 2007 and 2013, with most of the violence in 2013 perpetrated by Daesh (43 percent), which eventually left al Qa'ida; al Shabaab (25 percent); Jabhat al-Nusrah (21 percent); and al Qa'ida in the Arabian Peninsula (10 percent).

Approximately 99 percent of the attacks by al Qa'ida and its affiliates in 2013 were against "near enemy" targets in North Africa, the Middle East, and other regions outside of the West.

² Source: Anthony H. Cordesman: *All Spin and No Substance: The Need for a Meaningful Obama Strategy*. January 21, 2015.

http://csis.org/files/publication/150121_Cordesman_AllSpinNoSubstance.pdf
Downloaded May 2015.

Another report by the Institute for Economics and Peace found that:

Fatalities related to terrorism soared 60 percent last year, and five countries—Afghanistan, Iraq, Nigeria, Pakistan, and Syria—accounted for four-fifths of the almost 18,000 fatalities attributed to terrorism in 2013.

The highest terrorism index in the world was for Iraq at 10. Iraq had the bloodiest record of all, with more than 6,300 fatalities. Syria had a score of 8.12. Yemen had a score of 7.31. Egypt was 6.5. Lebanon was 6.4. Iran had a score of 4.9. Bahrain was 4.41. Saudi Arabia was 2.71. Jordan was 1.76. The United Arab Emirates was 0.29. Kuwait was 0.04. Oman and Qatar were zero.

If one looks more broadly at the Middle East, which is the principal scene of U.S. military action outside Afghanistan, the United States have been involved in a low-level war in Yemen for years and seems to be losing it decisively. Yemen may seem far away, but it is on the border of Saudi Arabia and a critical center of the oil exports that feed the global economy, as well as that of the United States. Yemen is also the center of al Qa'ida in the Arabian Peninsula—arguably the most direct terrorist threat to the United States and the west.

One can, however, identify four categories of militant activity at the moment³. There are two main groups battling for preeminence: the veteran al-Qaida and the newcomers, the Islamic State or Daesh. There are various organisations affiliated to the former and loyal to the latter. Some are getting strong, some weaker, but most are proving remarkably tenacious. There are other groups that are entirely independent, though they may have some associative links with other militants, like the loathsome Boko Haram in Nigeria. And then there are the freelancers, the self-forming networks.

The capability of the militants to do harm comes from connections between groups, and particularly between these four categories. So of the three men who launched attacks in Paris in early January, one attacked a Jewish supermarket, killing four, while the other two gunned down 12 people, including 10 members of the editorial staff of the satirical magazine *Charlie Hebdo*. The former, in isolation, would have been a minor incident, albeit terrifying, and a powerful reminder of growing antisemitism in Europe. But the latter was of global significance, prompting massive commentary and attention from media and global leaders and, with its carefully chosen target, revealing deeply polarised attitudes between many in the west and many in the Islamic world. It was the *Charlie Hebdo* attack that had its origins in the visit of one of the killers to Yemen and his contact with an al-Qaida affiliate there.

³ <http://www.theguardian.com/books/2015/feb/09/rise-of-islamic-state-patrick-cockburn-review-isis-new-sunni-revolution> Downloaded May 2015

2. The short history and roots of the Islamic State (IS)

The roots of the IS lie in the surge of violent Islamic activism in the Middle East of the 1980s and the effects of the war against the Soviets in Afghanistan, which brought a young Jordanian street thug known as Abu Musab al-Zarqawi to Afghanistan in 1989. He was too late to join the war but returned to his native land to plan attacks there. Jailed, al-Zarqawi was released in time to return to Afghanistan to create his own group, Tawhid wal-Jihad. His opportunity came with the US-led invasion of Iraq in 2003 and the subsequent uprising. Al-Zarqawi established himself as leader of the most brutal fringe of the insurgency. He was killed in 2006 as the sectarian civil war he had worked to foment intensified. If over the next four years the Islamic State in Iraq (ISI), as the group called itself, suffered under pressure from the US, it was able to regroup once the foreign troops had left. Under its new leader, Abu Bakr al-Baghdadi, the ISI launched new campaigns.

The 2011 revolt in Syria, and that country's rapid disintegration into civil war, provided a new opportunity. Working with al-Qaida central, the ISI set up a new militant group in the neighbouring country. However, lines of command were never clear. Al-Baghdadi thought the new organisation was under his authority. Its commanders, and the al-Qaida command, thought differently. The result was an acrimonious split, al-Baghdadi sending forces to take over substantial portions of eastern Syria, while appropriating large chunks of a resurgent Iraqi Sunni insurgency against a Shia chauvinist government in Baghdad. By summer last year, al-Baghdadi was ready for a big push. He launched a successful attack on Mosul, Iraq's troubled second city, and then declared himself caliph, temporal and spiritual ruler of the world's Muslims.

3. The challenge of the Islamic State

In fact, ISIS is much more than a terrorist organization; it is a terrorist state with almost all governing elements. Over the last three years, since the beginning of the civil war in Syria, the Islamic State developed from an extremist fringe and marginal faction participating in the civil war to become the strongest, most ferocious, best funded and best armed militia in the religious and ethnic war that is waged today in Syria and Iraq⁴. But first, what is the name of this entity and what are the borders of the Islamic State? From the first days of its appearance in Syria in 2011, the organization was known as ISIS. However, since the declaration in Summer 2014 of the establishment of an Islamic Caliphate headed

⁴ <http://jcpa.org/structure-of-the-islamic-state/#sthash.mcel52yP.dpuf> Col. (ret.) Dr. Jacques NERIAH: *The structure of the Islamic States*. Downloaded April 2014.

by Ibrahim ‘Awad Ibrahim Al Badri al Samarra’i, alias Abu Bakr al-Baghdadi — now the self-declared “Caliph Ibrahim” — ISIS has been transformed into the “Islamic State” (*Al Dawla Al Islamiya*) in order to stress the fact that the Caliphate is not to be limited to Iraq, Syria, Israel (Palestine), Jordan and the Levant, but its ambitions lie well beyond those limited borders.



ISIS releases map of 5-year plan to spread from Spain to China⁵

According to the maps published by the Islamic State, the Islamic State will include Andalus in the West (Spain) and stretch from North Africa — *the Maghreb* — (and the whole of West Africa including Nigeria) through Libya and Egypt (considered one geographical unit – *Ard Al-Kinana*), include what is called in Islamic state terminology, *Ard el Habasha* (from Cameroon in the west, Central Africa, the Victoria lake states, Ethiopia and Somalia), the *Hijaz* (Saudi Arabia, the Gulf States), Yemen until *Khurasan* in the east – defined as the Central Asian Muslim Republics beginning with Azerbaijan and including Pakistan and the South west part of China, land of the Muslims of Turkish origin, the Uyghurs. The Islamic State includes also Iran and Turkey (named Anadol) in their entirety and parts of Europe (mainly the Balkans, more or less conforming to the borders of the defunct Ottoman Empire with the Austro-Hungarian territories).

Even though little has been published about the structure governing the Islamic State — mainly for security reasons — the Islamic State seems to be partly composed of former military officers who served in the Iraqi Army until Saddam Hussein’s ousting and its structure as follows:

⁵ Source: <http://jcpa.org/structure-of-the-islamic-state/#sthash.mce152yP.dpuf> Col. (ret.) Dr. Jacques NERIAH: *The structure of the Islamic States*. Downloaded April 2014.

The Military Council: Headed by Abu Ahmad al 'Alawani, the Council includes three members whose task is to plan and supervise the military commanders and the actual operations in the field. The members of the Council are all appointed by the Caliph.

The Shura (Consultative) Council: Headed by Abu Arkan Al Ameri, this Council is supposed to include 9-11 members, all selected by Caliph Ibrahim. Theoretically, this Council can depose the Caliph but only in theory. The main task of the Council is supervising affairs the state.

The Judicial Authority: Headed by Abu Mohammad al-Ani, the Authority deals with all judicial issues as well as spreading the message of the Islamic State by means of recruitment and preaching.

The Defense, Security and Intelligence Council: This Council may be the most important at this moment, since it is not only responsible for the personal security and safety of the Caliph, but also serves to implement orders, campaigns, judicial decisions and, of course, as the agency responsible for the collection and dissemination of intelligence. This Council is headed by Abu Bakr (AKA Abu Ali) al-Anbari, a former major-general in Saddam Hussein's army together with three other high ranking officers who served also during Saddam Hussein's presidency.

The Islamic State Institution for Public Information: Headed by Abu Al Athir Omru al Abbassi. The Islamic State spokesman was Abu Mohammad al-'Adnani who was killed in a military raid and who may have been replaced by Abu Ahmad al 'Alawani⁶.

The composition of the Islamic State shows clearly that the decision of the US administration to dismantle the former Iraqi armed forces was a huge strategic mistake.

The Islamic State does not seem like a passing phenomenon. The structures being established indicate that even if the actual leaders of the IS are killed, the system has created a succession procedure that will allow it to survive, just like al-Qaeda survived the killing of Osama Bin Laden. Uprooting the IS phenomenon will be a long and arduous road. Without creating a chasm between the IS and the local population, and without reaching a long and lasting political solution

⁶ See more at: <http://jcpa.org/structure-of-the-islamic-state/#sthash.mcel52yP.dpuf>

that will put an end to Sunni-Shiite rivalries in Iraq and to the conflict in Syria, the chances of success will remain negligible.

The success of the Islamic State in conquering large parts of Syria and Iraq (as big as the UK) demonstrates the fragile nature of the countries in the Middle East and the volatility of the security problems in the region. The Islamic State is a relative newcomer to the Middle East terror and Islamic extremist groups that arose over the past 50 years. Its forerunner was 'al Qaeda in Iraq' (AQI), a group formed in 2006 by Abu Musab al-Zarqawi. AQI was so violent and extreme that Osama bin Laden dissociated al Qaeda from AQI. At the same time, Iraqi Sunni tribes formed the Awakening Movement (Sahwa) to combat AQI. Zarqawi was killed later in 2006 by a U.S. air strike. AQI was weakened by the Sahwa and did not resurface as a significant force until 2011 when the group, now under the name Islamic State of Iraq, joined the fighting in the Syrian civil war. The change of name (ISIS/ISIL) and leadership with al-Baghdadi did not diminish the group's propensity for extreme violence. ISIS originally affiliated with Jabhat al Nusra, a group associated with al Qaeda, but soon split to display a willingness to fight any and all in the Syrian conflict⁷.

Members of the Islamic State are planning to carry out major terror attacks against targets in the United States or in Europe. There is evidence that the organization is running a sleeper cells around the world, outside of Iraq and Syria. The goal: to gain a greater foothold in the Islamic world – politically and militarily⁸. The intelligence community has since discovered that IS is working to recruit foreign fighters to carry out terror attacks abroad, an alarming fact revealed by a former member of Al Qaeda. In addition, many people were recently arrested in Europe over IS connections, which could be considered as a proof for the recruitment. Taking into consideration that IS is more formidable than Al Qaeda, (IS is) better equipped, they're better manned, they're better resourced, they're better fighters, they're better trained than the Al Qaeda in Iraq that our forces faced. It is a global expansionist, global jihadist organization it is swollen with foreign fighters and suicide bombers who will go wherever the organization tells them to go.

The real threat presented by the Islamic State is to the West itself, thanks to the vast and unprecedented numbers of Westerners who have joined the jihad in Iraq and Syria. European security services are already overwhelmed by the size and scope of this threat, with hundreds of European jihadists returning home every month, fresh from battle on behalf of the Islamic State, and ready to cause mayhem and recruit others for the jihad.

⁷ Source: <http://www.henley-putnam.edu/articles/intelligence-and-the-islamic-state.aspx> downloaded May 2015.

⁸ Source: <http://www.ynetnews.com/articles/0,7340,L-4578270,00.html> Intelligence: Islamic State Planning Terror Attack in US, Europe Posted on August 17, 2014. downloaded May. 2015.

4. The struggle against the Islamic State

The Islamic State should look like, involving *the aggressive* application of U.S. and allied airpower in combination with local proxies on the ground. This approach is attritional — there will be no “big wins” in this fight — and imperfect, but it is the only practical strategy at present. Putting large numbers of American boots on the ground in Iraq to defeat an uprising would be a fool’s errand now. That said, the addition of superb American Special Operations Forces, the world’s most lethal covert killers, to this strike package will degrade the Islamic State’s military capacity over time, meaning years not months, and will lead to its ultimate defeat in the Middle East. If nowadays we can speak of proxy wars, in the field of intelligence we can use the expression proxy intelligence as well. In this case it means a cooperation with the Syrian opposition, with the Kurdish Regional government and a third (future) option the cooperation with Iran, of course depending on the nuclear issues.

The struggle against the Islamic State (IS) organization led by the United States and its allies appears thus far to be something of a Sisyphean war: ineffective, limited to scratches on the surface of the jihadi pyramid, beyond the roots of the phenomenon, unable to end the civil wars in Syria and Iraq, and relegated to serve as another layer in the existing chaos in Syria and Iraq, and soon perhaps in part of Lebanon as well⁹.

The Syrian chaos in particular evokes conflicting interests among the various forces. At the center are President Bashar al-Assad and his regime; for its part, the Western coalition is unable to determine its position toward them.

Turkey is entering this labyrinth and giving mixed messages. Iran, Hizbollah, and the Kurds are also players, and their position in the various equations is not clear. Iran, after years of being the nuclear terror of the West, has become an ally of sorts of the United States.

However, the more the fight against IS takes the form of airstrikes and Western leaders do not even venture to hint that they might send ground troops into Iraq and Syria, the more attention is diverted from another aspect of the IS problem. Alongside IS are many other such elements — the “classic” al-Qaeda; Jabhat al-Nusra, which is supposedly more moderate than IS; the Taliban, which is poised to take over Afghanistan again once the United States leaves; other violent jihadi groups throughout the world; and several hundred Islamist clerics, who by virtue of the freedom of the internet, are galvanizing their flock and moving them in apocalyptic directions. The West should be worried by the question of what causes so many young and not-so-young people from the West, Muslims and non-Muslims who have converted to Islam, second- and third-generation immigrants, to be so influenced by IS/jihadi propaganda that

⁹ Source: Reuven Paz *The Islamic State: Another Angle of the Threat in INSS Insight No. 631, November 19, 2014.*

they join the struggle in relatively large numbers. This phenomenon is not new. It began during the struggle against the Soviet Union in Afghanistan, and a similar situation developed during the war in Iraq in the 2000s. Those were years of phenomenal growth for the jihadi internet, which brought the Islamist struggle to every young person with a keyboard. Even beheadings were shown on the internet since 2002. Nevertheless, there were few such incidents and the number of volunteers was limited. Furthermore, in Iraq in the 2000s, most of the volunteers for jihadi organizations were Saudi extremists, but particularly over the past year, volunteering for IS and similar organizations seems to have become much more international, diverse, extensive, and on the rise. More and more, volunteering for the jihadi ranks in Mesopotamia has become similar to volunteering for the International Brigades organized in the 1930s for the Spanish Republicans' struggle against fascism. These volunteers serve as very fertile ground for the influence of the propaganda of IS and other such organizations. This propaganda says that the organization's struggle in Iraq and Syria is a heroic struggle to save the entire Muslim world, which is suffering/oppressed/deprived (*mustaz'afin* in the Islamic term) due to tyranny that is ultimately, according to their belief, a clear result of a Western, "crusader" plot.

5. Intelligence on the Islamic State

The basic question is how to use intelligence capabilities on IS? First of all: better intelligence is needed by using fusion centers and intelligence sharing. This means all kind of capabilities should be used. The penetration into this organisations is not easy at all. We can not forget the US lost the majority of his HUMINT capabilities by leaving Iraq. Actually the using of superior intelligence-gathering capabilities and satellite technology to collect information on the activities of the Islamic State (IS) terrorist group in Iraq and then sharing with the allied governments are highly important. One major intelligence gap is that of human intelligence. There are few intelligence officers on the ground identifying, recruiting, and directing agents against the Islamic State. That's a big problem. After all, while satellites show footage of a town, or phone intercepts the content of a conversation, an intelligence officer running a network of sources offers human satellites. Thinking assets of native face, tongue, and cultural understanding, human sources can infect the enemy's beating heart. These ears and eyes are the crown jewels of intelligence work¹⁰. Today, the (admittedly superb) Jordanian intelligence service leads this human-intelligence effort. But they desperately need more ground-level support. Further complicating matters

¹⁰ Source: <http://www.nationalreview.com/article/390431/intelligence-and-islamic-state-tom-rogan> Downloaded may 2015.

is the fact that the Islamic State has learned from its predecessors. Where al-Qaeda in Iraq relied on cell phones and other such communication platforms - and therefore received unwanted nighttime knocks from U.S. Special Forces - the Islamic State is now hyper-paranoid about its signal-intelligence vulnerability. Wherever possible, its leaders “stay off the grid.” If the enemy isn’t on a cell phone, the NSA’s vast mainframes generate nothing but heat. Ruling out Special Forces deployments (needed to direct air strikes), refusing to deploy sufficient air assets (needed to fill urgent taskings), and ignoring the dire political consequences of these choices, the intelligence can not do anything. As a consequence, the Islamic State’s ambition of a Middle East sectarian purge looms ever closer. Intelligence is never a perfect art, but even (and perhaps especially) in great risk, the bold and calculating practice of it is a necessity. The U.S. military is extraordinarily capable, but, just as an inexperienced fisherman cannot fish without knowing where to cast his nets, a military devoid of tools and intelligence can only “cast” sporadic fire in the strategic darkness¹¹.

The source of its power is its radical Islamic, anti-Shia, and anti-Western message. The fact that US intelligence agencies failed to properly assess ISIS’s potential power.

Therefore, the international community must update its conceptual, intelligence, military, and political thinking so as to map the threat and identify a suitable response to the developing regional reality. The way to formulate understandings on active cooperation, such as intelligence sharing, needs to be considered¹².

No one can reliably predict the future of the challenge of the Islamic State with precision. Intelligence analysts are expected to use the past as a baseline, understand and accurately report the meaning of present events, and provide a cogent assessment of future threats. The reality is that intelligence analysts are part of the frontline fight to protect the nation from terrorism and other security threats. The geostrategic situation radically changed over the past five years. The Arab Spring unexpectedly destroyed both the old political order and the stability that political order provided. In the chaos, Islamic extremists flourish. In particular, a new threat dimension emerged from the IS. The dramatic rise of the Islamic State confounds the U.S. the West and the Middle East. All strategic security policies and terrorism studies must be reevaluated in response to the rise of the Islamic State.

The western strategy is the military defeat of the Islamic State by Western airpower and commandos, aided by local proxies, will set the stage for the

¹¹Source: <http://www.nationalreview.com/article/390431/intelligence-and-islamic-state-tom-rogan>

¹² Source: *INSS Insight No. 616, October 15, 2014 Considering a New Strategic Course*
Gabi Siboni

strategic defeat of their movement. What must follow is a version of a „special war” tailored for counterterrorism, combining offensive counterintelligence, denial and deception, and long-term manipulation of the jihadists leading to their collapse and self-immolation. If we are not willing to apply non-lethal counterintelligence techniques against the Islamic State, we may wish to consider giving up now. Applying offensive counterintelligence in a strategy based on penetration and provocation is a messy business, and there will be mistakes, but it is not based on killing. The assassination is a legitimate technique against virulent terrorists, but it is a dangerous tool that must be applied carefully. Offensive counterintelligence, strategically applied, is highly effective. There is considerable false morality if we are willing to use drones to kill thousands of terrorists — and along with them hundreds of innocents from “collateral damage” — not to mention occupying countries for years with awful humanitarian consequences, but we are unwilling to wage special war, which is far less expensive in blood, treasure, and morality¹³.

For law enforcement and intelligence agencies the biggest problem has been posed by the leaderless resistance model employed by grassroots jihadists. Most counterterrorism intelligence efforts have been designed to identify and track people with travel, communication or financial links to known terrorist groups¹⁴. Such methods have proven effective. Still, one of the many difficulties in identifying grassroots jihadists is that such links may not exist, and the relationship between grassroots operatives and terrorist groups may be ambiguous — and government agencies simply do not fare well in dealing with ambiguous things.

Beyond the lack of links or solid links, another significant problem for security agencies lies in the sheer volume of potential grassroots actors. There are simply too many actors for the authorities to effectively monitor all the time. Monitoring a single individual's actions and communications full time requires an incredible amount of resources, especially if translation is required. When monitoring hundreds or even thousands of individuals, the problem is magnified significantly.

Because of resource constraints, law enforcement and intelligence agencies are forced to conduct quick assessments and prioritize their surveillance efforts. This often means focusing on grassroots operatives who have contact with a terrorist entity and ignoring those who do not because of the severity in the potential threat they pose on the threat spectrum. This prioritization of scarce resources often allows other grassroots operatives assessed as posing a lesser

¹³ Source: <http://20committee.com/2014/09/11/defeating-the-islamic-state-a-how-to-guide/> *Defeating the Islamic State: A How-To Guide*. Downloaded May 2015.

¹⁴ Source: Scott Stewart: *Jihadism in 2014: The Grassroots Threat* *Strafor Security Weekly* January 22, 2015. <http://www.stratfor.com/weekly/jihadism-2014-grassroots-threat#axzz3Q7Cblbcx> Downloaded: January 2015.

threat to conduct their operational planning without police surveillance detection. Of course, even jihadists who pose a lesser threat can still kill people. Moreover, if they do launch a successful attack, security forces are inevitably criticized for failing to monitor the specific person(s) in the sea of potential attackers.

Furthermore, security agencies can only monitor the suspects they know about. Other people can fly beneath the radar until they strike. It is impossible to identify them all before they attack, and it is impossible to protect every potential target. Despite the best efforts of the security forces, some attacks will eventually slip through and succeed.

As long as jihadists urge radicalized followers to adopt their ideology and conduct attacks using the principles of the leaderless resistance model, grassroots jihadists will continue to pose a broad threat that is difficult to counter. As a result, these kinds of attacks will remain a part of modern life. However, this threat will also continue to be less severe than the one posed by highly trained professional terrorist operatives, meaning that while it is chronic, it is not acute.

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National security services in Hungary

István Solti

The status of the Hungarian national security services – following the regime change – were determined parallel with the principles of democratic rule of law. As a first step, at the beginning of 1990 a new regulation was adopted that came into force on 14th February, namely the Act X of 1990 on the temporary regulation of the special means and methods of secret services. This act did not regulate the responsibilities and organizational structure of the national security services but declared that the national security services – which were established for the protection of sovereignty and constitutional order of the Republic of Hungary – are entitled to use the means and methods of secret services under the law.

The adoption of this bill was a milestone from the prospect of national security services, due to the fact that the drafted Constitution of the Republic of Hungary did not contain regulations for national security services, consequently their responsibilities were not enacted either. With this non-regulation issue, the Constitution delegated its power for establishing of national security services or dividing these responsibilities between other authorities to all-time legislation authority, and this power was delegated – at first – to the cabinet council and – later – to the government by the Act X of 1990.

The cabinet council passed a regulation, namely the 26/1990. CC decree and, adjusting to the political and social morale in those days, a quite separated system of national security services was established in Hungary. Firstly, a Security College (consisted of several ministers), finally – from the middle of that year – the Political Minister of State of Prime Minister's Office was appointed to the direction and control of the civil national security services.

This act – which was tended to be an interim regulation at the adoption thereof – was only changed on the 26. March 1996 by the Act CXXV of 1995 on the National Security Services (hereinafter: NSS Act) which has been in effect since then. This new act mainly preserved the former directional structure, but modified the organizational structure, through that the Special Service for National Security was established from the National Security Office Special Service and Operational Technical Directorate. With this step, such an organizational structure was created which had not had previous international version or experience, even we can declare that it has been fulfilled the expectations for nearly twenty years.

The structure of direction of national security services was revised and modified – following fruitless attempts through several years – in autumn of 2000. In the course thereof, direction of the civil counter-intelligence service –

renamed from National Security Office to Constitution Protection Office – and the Special Service for National Security was transferred to the Minister of Interior, while the direction of Information Office was transferred to the Minister of Foreign Affairs at first, then (from 7. July 2012) to the Prime Minister. The military national security services remained under the direction of the Minister of Defence.

The year of 2011 – when The Fundamental Law of Hungary came into force – is another milestone from the perspective of the regulations of Hungarian national services. Under the Article 46 of The Fundamental Law of Hungary – contrary to the former Constitution – the national security services are defined, and their main tasks and responsibilities are declared. Thanks to this concept, there is declared on the level of Fundamental Law “the core duties of the national security services shall be the protection of the independence and lawful order of Hungary, and the assertion of its national security interests”, thus the institutionalization of national security services and the declaration their main tasks and responsibilities are off the legislation authority's beat. The Fundamental Law of Hungary also declares – indirectly – that Hungary will not follow the example of that countries where the model of existence of one national security service was built up.

The structure of Hungarian national security services was remodified from 1. January 2012, when – after the integration of Military Intelligence Office and Military Security Office, – Military National Security Service was established, lessened the number of military security services with this step to one.

In spite of the fact that there were modifications in the recent years, we can declare that these were not fundamental structural changes. Beyond the reform of control regime and the integration of military national security services, the structural model of the national security services with the civil and military separation and in the case of civil national security services the counter-intelligence and the intelligence separation, and the independent technical information gathering service still remained.

National security services in Hungary and their responsibilities

a) Information Office of the Hungarian Republic (IO)

The IO carries out – since its establishment – intelligence tasks, its responsibilities did not changed substantially. The IO collects information on foreign countries or of foreign origin required for government decisions, detects any endeavours and activities of foreign secret services interfering with or threatening the sovereignty, or the political, economic, or other important interests of Hungary. The IO detects any foreign intentions and actions aimed at the threatening of the security and financial situation of the national economy,

and participate in the detection of the illegal circulation of internationally controlled products and technologies.

In the scope of law enforcement activity, the IO collects information on organized crime abroad threatening national security, in particular, on terrorist organizations, illegal drug and arms trafficking, as well as on the illegal international circulation of weapons of mass destruction and the components thereof, and the materials and means required for their production.

Furthermore, the IO is responsible for the security of the Hungarian establishments (institutions) and facilities abroad that are important to the activities of the government, and carries out the tasks of national security and operational protection of individuals and facilities falling within its competence. The IO carries out the internal crime prevention and crime detection monitoring tasks concerning to its own staff members and performs the additional supervisions of its own procurements under the government decree on the special rules of procurements affecting classified data, the country's fundamental security or national security interests, or requiring special security measures.

The IO has a special task that is not a task which must be performed by a national security service, thus the IO performs the cryptographic supervision and classification tasks of ciphering activities and algorithm used for protection of classified data and the cipher devices used out of the national border, and produce a code book.

b) Constitution Protection Office (CPO)

The Constitution Protection Office – in the structure of secret services – is responsible for counter-intelligence tasks, operated under the name of National Security Office from its establishment to 2010. Beyond the change of the name, there were changes in the tasks as well, when the responsibilities for detection and warding off terrorist acts were terminated directly. Indirectly of course constitution protection can justify detections against suspect terrorist groups or individuals.

Under its national security activities, the Constitution Protection Office detects and wards off any endeavours and activities of foreign secret services interfering with or threatening the sovereignty, or the political, economic, defence, or other important interests of Hungary; and the concealed endeavours aimed at the alteration or disturbance of the constitutional order of Hungary through illegal means; and finally the concealed endeavours threatening the economic, scientific and technological, and financial security.

In the scope of law enforcement activity, the CPO detects illegal drug and arms trafficking; pursues the detection of attempts against the state, criminal acts against humanity, criminal acts of escaping abroad, insurrection, jeopardizing of military preparedness. The CPO acquires information on criminal

acts against national, ethnic, racial, or religious groups, disclosure of top secret and secret data, imposing hazard to the public, violation of international legal obligations, hijacking of aircraft, incitement against the community, scaremongering, threatening with public menace.

Besides the above-mentioned tasks, the CPO provides for the security guarding of establishment (institutions) and facilities that are important with regard to the activities of the central state power and the government, carries out the tasks of national security protection and clearing of individuals falling within its competence. The CPO carries out the clearing, and related tasks, individuals applying for residence permit, asylum status and Hungarian citizenship, as well as, of individuals submitting visa applications.

The CPO contributes to detecting, preventing and impeding the illegal trade in internationally controlled products and technologies and devices and services of military technology, and to review their legal trade. Upon the request of the Head of the National Security Authority, the CPO conducts the industrial security clearances within its competence.

c) Military National Security Service (MNSS)

When the MNSS was established, the former two agencies delegated their power thereto, due to this fact the MNSS is responsible for counter intelligence and intelligence tasks as well. In the scope of law enforcement activity, we can notice expansion there through the MNSS received extra legitimacy concerning to acts of terrorism and arms trafficking, moreover a new task was delegated thereto, namely the MNSS – the only one among national security services – acquires information on any cyber-activity and cyber-organisations.

In the scope of national security activity, the MNSS detects any endeavours aimed at Hungary, implying offensive intentions; detects and averts foreign secret services' efforts affronting Hungary's sovereignty and defence interests, collects military political, defence industrial and military information that contributes the government's decision-making process.

Furthermore, the MNSS detects and averts in its area of responsibility any relevant covert efforts aimed at disturbing or changing Hungary's constitutional order by using unlawful and/or illegal means. The MNSS collects information on any effort and activity threatening the Hungarian Defence Forces' units and personnel deployed in the operations and takes part in their national security protection, training and support. The MNSS provides any relevant information to support the operational planning activity of the General Staff concerning its international missions. As a new task, the MNSS collects information on any cyber-activity and cyber-organisations violating Hungary's defence interests. The MNSS also collects information on terrorist organisations threatening national security, provides data on information protection planning activity of the Ministry of Defence (MoD) and the General Staff.

In the scope of law enforcement activity, the MNSS collects information on illegal arms trafficking threatening national security, organised crime jeopardising the MoD and the HDF in carrying out their legal tasks, including illegal drug and arms trafficking.

In the field of its activity, the MNSS – until an investigation is ordered – pursues the detection of attempts against the state, criminal acts against humanity, criminal acts of escaping abroad, insurrection, the jeopardizing of military preparedness, acts of terrorism. The MNSS collects information on criminal acts against national, ethnic, racial, or religious groups, disclosure of top secret and secret data, imposing hazard to the public, violation of international legal obligations, hijacking of aircraft, incitement against the community, scaremongering, threatening with public menace and the violation of obligations regarding the circulation of internationally controlled products and technologies, Furthermore the MNSS detects all kind of criminal acts which can jeopardise the implementation of the legal responsibilities of the MoD and the HDF. Finally, the MNSS performs the relevant national security-related tasks in relation to any defence industrial research and development, production and trade-related activity at the competent MoD or HDF organs.

Besides the aforementioned task, the MNSS participates in the detection, prevention and hindrance of the illegal circulation of internationally controlled products and technologies, and of military hardware and services, and the control of the legal trade thereof. The MNSS provides security and protection to the relevant strategic military organisations, installations as well as the governmental and military command and control facilities that are important with regard to the activities of the Government, performs the tasks of national security protection and clearing of individuals falling within its competence, and carries out the internal crime prevention and crime detection monitoring tasks and integrity test concerning to its own staff members.

Upon the request of the Head of the National Security Authority, the MNSS conducts the industrial security clearances within its competence.

d) Special Service for National Security (SSNS)

The Hungarian structure mostly differs from the international practice with the existence of SSNS, because there is nowhere – except the USA – an independent agency for supporting secret information gathering. But the American NSA or NRO differs from the Hungarian solution, because the SSNS not only act in the field of technical support for secret information gathering, but provides nearly all types of technical and operational support for secret information gathering. The consequence of this special situation is a polemic concerning to the status of the SSNS, because the SSNS fulfils and supports only the secret information gathering activity from the wide range of national security activities, and even these tasks are carried out upon request of competent authorities, not for its

own initiation. Furthermore, the SSNS provides this support activity not only for the national security services, but for the law enforcement agencies (Police, National Protective Service, Counter Terrorism Centre), the National Tax and Customs Administration of Hungary, and the Prosecution as well. Thus we cannot apply the differentiation that we used concerning to the aforementioned services, due to that fact that the SSNS does not have indirect tasks in the field of national security and law enforcement, but has technical ones, supporting governmental activity and public authorities. Hence the SSNS can be considered rather an agency than a typical national security service.

The task of the SSNS under the law is that – upon written request – to provide services, using the special means and methods of intelligence gathering and covert acquisition of data and support the secret information gathering activities of organizations authorized by the law to do so, and to provide the special technical tools and materials necessary for their secret intelligence gathering activities. The SSNS provides special telecommunications connection for users specified by the Government. The SSNS supervises, in its administrative authority, the protection of security documents; pursues expert consulting – and under the rules of other special legislation – forensic activities. Finally, the SSNS provides security check of individuals falling within its competence, and carries out the operational protection of its premises.

Characteristics of the Hungarian national security organisational structure

The organisational structure of Hungarian national security services and their competence is regulated at the highest possible level. The Fundamental Law of Hungary contains the fundamental regulations, and the further regulations are detailed in laws, and decrees. The Hungarian organisational structure – established at the time of the regime change – is a competitive structure where national security services compete with each other and with the law enforcement agencies as well.

The tasks of the national security services were determined in relation to each other, still there are duplications, but the conflicts of competences can be avoid using the regulations of jurisdiction. The interdependence of the two traditional national security services is the consequence of their tasks, but their activity in the territory of Hungary is not unambiguous under the NSS Act. There is no satisfactory distinction between the law enforcement tasks of national security services and tasks of the crime-detection either, which can lead to conflicts of competences with the Police.

The modified direction and control system – after the change of Government in 2010 – can lead to drifts to different directions in the case of national security

services. The characteristic of competitive services is that they compete for the attention of the decision maker with the information acquired and evaluated by them. In this area, the IO – which is under the direction of the Prime Minister – can become the dominant governmental information source, due to the fact that the relationship between the Prime Minister and CPO or MNSS is not so direct.

The CPO is under the direction of the Interior Minister, who controls the Police as well, thus the law enforcement characteristic of the CPO can become stronger. The SSNS is also under the direction of the Interior Minister, so there can be an increase in its capacity rate for the law enforcement tasks for the Police, and the consequence thereof is that the means and methods of secret information gathering will be less available for the IO and the MNSS. To compensate this situation, these services can improve their capacity in this field, which can result duplications.

The background of a structure, which consists of several organisations, is the high operational cost. This is compensated some level with the centralization of technical intelligence in Hungary, because the concentration of the rather costly means in the SSNS can lead to positive figures of the budget. Furthermore, it allows that the latest technical equipment can be uniformly used by all the services and the level of technical development is not depend on the budget of the economically independent services.

Data processing by the national security services

The national security services – to fulfil their responsibilities – acquire data and information from different sources, they classify and analyse these collected data, and finally they come to conclusion.

In the course of acquiring data, it is unavoidable that personal data might be collected as well, or the collection of certain data might violate the privacy law.

Under the principle of data processing, personal data may be processed when the data subject has given his consent, or when processing is necessary as decreed by law, and that way as it is laid down in the regulations. The NSS Act provides authorization for processing personal data and data of public interest to the services and declares the data collection sources. Under the regulation, the national security services collect data through the voluntary or compulsory, as prescribed in the NSS Act, supply of data by the person concerned; from open sources; through the supply of data by the organisation processing the data; through the gathering of intelligence.

The Act – besides that it declares the sources of information – defines the order between the sources which has a main role in the application of the requirements of necessity and proportionality. Under the principle of necessity, national security services are obliged to use means that are essential

for attaining the given objective and, at the same time, restrict the personal rights of the person concerned the least. Which means that, if the necessary data is available from an open source, the services are not allowed to request for information or use secret information collecting means or if there is necessity for using secret information collecting means which violate the privacy law, the usage of less restrictive mean has priority?

The third principle of data processing is the principles of purpose limitation, so data processing is possible for the origin purpose thereof. Corresponding to this, the NSS Act declares that national security services process data exclusively for fulfilling their responsibilities under the law and they use the data they acquired only for the purpose serving as legal basis for the ordering of the acquisition of data unless the data imply the realization of the fact of a criminal act to be prosecuted ex officio, or form a basis for the obligation of providing information for another national security service.

There was a relevant change concerning to the control of lawful data processing at the beginning of 2012, when the regulations related to the Commissioner of Fundamental Rights were set aside.

Secret information gathering

The national security services may pursue the secret information gathering. This is a way of information gathering which restricts the human rights in a certain way, furthermore the fact of information gathering remains hidden before the person concerned. The Hungarian services are entitled to use that means and methods solely that are exhaustively listed in the law.

Those rights that can be restricted:

- right to personal freedom,
- right to inviolability of premises,
- right to privacy and correspondence,
- right to the protection of personal data,
- right to access data of public interest,
- right to the protection of property.

Under the principle of necessity, the national secret services apply the means and methods of secret information gathering if the data – required for the fulfilment of the tasks – cannot be acquired in any other manner. The restriction of rights has to satisfy the requirement of the principle of proportionality as well, according to this that means or methods must be chosen in the course of action which is the least restrictive to person concerned. From the prospect of the level of the restriction of rights, the Hungarian jurisdiction

differentiates between secret information gathering not subject to outside authorization and subject to outside authorization.

The secret information gathering not subject to outside authorization involves those activities, which restrict the rights in a lower level, due to this fact that the application of these restrictive means can be authorized in the procedure of the internal authorization-controlling structure and high level of control is not required. Activities belong thereto, partly means of the secret information gathering (secret contacts with private individuals; interception of conversation), partly methods of the secret information gathering (asking for information, covert information collection), and partly supportive activities (usage of covert document, establishment of information system). There is another opportunity in this field: an "impunity agreement" can be concluded to the public prosecutor in that case if the national security interest in the cooperation with the person concerned is of higher importance than the interest in the assertion of the penal claim of the state. The conclusion of the impunity agreement, per se, is not a method of information gathering, but it is a supportive activity for the fulfilment of information gathering, due to the fact that this opportunity is only the means of conviction of the secret contact.

The Hungarian national security services can apply the most restrictive means under an outside authorization solely. The reason for that, is the fact that the application of these means violates the rights of the person concerned and those who are in connection therewith, on a very high level, therefore an independent authority – separated from the national security sphere – is required for the decision in the question of necessity and proportionality of the application. The entity of the authorizing body depends on the responsibilities of the national security services, in the case of secret information gathering concerning to the national security tasks, the authorizing body is Minister responsible for justice, but in the case of secret information gathering concerning to law enforcement tasks, the authorizing body is the court.

Under the regulations of the secret information gathering subject to outside authorization, the national security services are entitled to search an apartment in secret, monitor and record events in the apartment, open private correspondence, intercept phone and fax communications. The NSS Act was modified finally – expected for years – from 01. January 2011, and thanks thereto, the national security services became entitled to use new means. The introduction of these new means were necessary – which had been recognised for years – due to the fact that the information society came into existence and ways of communication and contact between people were not the letter, phone or e-mail anymore, but the social network, and communication via internet have come into front.

The national security services – with this new authorization – can control the content of the computing devices without that they search it, take it and record the content thereof in physically in the apartment. They are entitled to monitor

files and directories continuously stored on computers, laptops, smart mobile phones, E-books, or tablets. They can search and select between the data, and they are entitled to use special functions, like the following: print-screen, pictures of camera, saving GPS data, recording keyboard presses. This secret information gathering means – beyond the former static data which existed at the time of the secret search of the apartment – provide the opportunity for the continuous control, through that the activity of the person concerned can be followed all day long.

The opportunity of the interception of wire communication expands the opportunity of the interception of communication via electronic communication services. Data transmitted via this channel – for examples communication via internal communication network, or a peer-to-peer communication of two devices, or control of WIFI hotspot – could become controlled.

With the introduction of this new means, the national secret services are entitled to use spy wares, Trojans and different male wares, but there is no authorization for one activity, namely they are not entitled to cause damage in the computing system.

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The Continuous Crisis Chain in the USA

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Abstract:

The publication examines the United States' speculative bubbles in the past three decades. The author follows the concepts of the Austrian School by trying to find a link between them and exposing how the prevention and treatment of financial crises led to the inflation of another immense bubble and thereby to a more deeper slump. These events that defined the economic history for the past thirty years turn out to have many resemblance and connection to each other and their sequence doesn't seem to end due to constant failure in monetary and fiscal policy. The goal of the next years will be defined by fundamentally reforming the financial system and finding a way out of this continuous crisis chain.

Key words: crisis, economy, financial system

Absztrakt:

A tanulmány az Egyesült Államok utóbbi három évtizedének spekulációs buborékait vizsgálja az Austrian School szemszögéből, és annak elvei mentén von le következtetéseket. Kapcsolatot keres az egyes buborékok között, bemutatva azt, hogy a válságok megelőzése és kezelése miként indította el újabb hiperbuborékok kifejlődését, előidézve a korábbiaknál még nagyobb gazdasági hanyatlást. Ezek az események USA elmúlt harmincévnyi gazdaságtörténelmét pregnánsan meghatározták, és mint kiderül, többféle módon függenek össze és egyben következnek is egymásból. Az állandó téves monetáris és fiskális politikának köszönhetően egyelőre nem látszik a rendszerszintű kiút ebből a folyamatból. Vagy talán a pénzügyi rendszer fundamentális reformja lesz a kiút ebből a folyamatos válságláncból?

Kulcsszavak: krízis, gazdaság, pénzügyi rendszer

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Field of research: speculative bubbles

With the rise of modern capitalism, mankind has been facing economic crises over and over again. Although there are always approximate explanations *ex post facto* for each calamity, economists and sociologists still can't figure out why the markets always slide in the wrong direction. Many of them search for the answers in the system itself, blaming free competition for the root of bubbles. They think that the framework is not properly shaped and that the amount of government regulation is insufficient. Most of these analysts predict the complete downfall of the current system every time there is turmoil in the economy, all of them ready to bury capitalism. This has been going on for many decades and yet the status quo has been almost unchanged and seems indestructible. On the other hand there are economists who approach this issue differently.

According to their conception, the market will always correct itself but its proper workings get distorted by the intervention of the policymakers, and by trying to solve crises for the short term they create another one instead. This article tries to examine this theory and adapt it to find the links between the continuous bubbles that have been haunting the economy for the past three decades.

The three factors that characterized the last three decades of the 20th century were globalization, innovation and deregulation.² With the cold war coming to an end, borders were opened, thus letting more capital flow into post-socialist countries. The developed communication technologies and newly established international treaties were inducing cooperation and more productivity. Moreover, financial engineers managed to invent instruments such as derivatives to shift and manage risk more effectively. These tools were working flawlessly in theory and the "new world" was just the right place to try them out in practice. In the United States the future looked bright as well with an economy that seemed to have stabilized after the mild recessionary phase of the 70s. The memory of the 1930s had started to fade and this had an effect on both a social and political level. The former can be noticed by observing the increasing debt of households.³ People were feeling confident and started to spend more. This spending was mainly financed by borrowing. This led to the vulnerability of the households; however the age of prosperity had only just started and so they disregarded this fact.

² Cassis Y. (2011): *Capitals of Capital*, p.242

³ *United States Consumer Credit Change 1950-2015*, available at <http://www.tradingeconomics.com/united-states/consumer-credit>

On the political level the new era brought a wave of deregulation. The protective mechanisms which had been established after the Great Depression were slowly eliminated. It all started with the trend of deregulating different industries such as oil, air transport and freight transport in order to stimulate competition. The next question was whether the finance industry was eligible for such deregulations as well. The Glass Steagall Act of 1932 had been created to prevent bank panics such as the ones during the dawn of the Great Depression. First it established the FDIC (Federal Deposit Insurance Company) to protect the deposits in case of an insolvency of the bank. This would have led to reckless bankers gambling with the customers' money. Therefore the act also separated investment and commercial banking. The latter could only take deposits and lend them to trusted borrowers, just as conventional banks used to do back when these institutions were only about deposits. They were prohibited from investing this money in the stock market or any unorthodox instruments.

The Glass Steagall Act was working as planned for decades, ensuring a stable banking sector without any huge calamities or bank runs. The Reagan administration, however, wanted to loosen these rules and create competition among banks. As a first step it allowed them to offer different interest rates on different deposits. In the next years the Glass Steagall Act was weakened over and over again until President Clinton abolished the barriers between commercial and investment banks.

The overconfidence of the era reflected on the financial sector as well and it had its effect. It inflated a bubble which burst on Black Monday in 1987.

The Dow Jones declined 27%, causing investors to lose almost a trillion dollars that day.⁴ The reaction from this event was fear and uncertainty. The New York Times published an article titled "Does 1987 equal 1929?", and the doom of the 30s was expected.⁵ But it did not happen. Alan Greenspan, the newly assigned chairman of the Federal Reserve, did not fail to intervene. He aggressively started to buy government bonds, thus ensuring liquidity for the market and providing the much needed money for the banks, so that they didn't stop lending. Furthermore Greenspan stated that the Federal Reserve would bail out any bank in trouble to guarantee credit flow on the market. The Fed managed to prevent a recession in 1987 and it only took one year for the stock market to recover. A depression in the 90s was avoided. But was this all a success? These measures demonstrated for the market that the government was more than ready to clean up its mess. The liquidity provided by the Fed was

⁴ Fergusson N. (2008): *The Ascent of Money*, p.165

⁵ *New York Times Article*, available at

<http://www.nytimes.com/1987/10/20/business/stocks-plunge-508-points-drop-22.6-604-million-volume-nearly-doubles-record-does.html>

already being used by investment banks to fuel another bubble. The positive economic environment and therefore confidence continued throughout the 90s, with GDP growing steadily.

The US encountered only a mild recession in 1991 lasting but eight months.⁶ Since interest rates were relatively low and commercial banks no longer had to treat deposits conventionally, investors were looking at other opportunities to achieve higher returns. The booming IT sector was a suitable place for that. Although computers had been present everywhere since the 70s, companies started to discover their true potential only in the 90s, and they started to take advantage of them. Many businesses were fully computerized, thus allowing them to operate more efficiently. Consequently the growth rate of US productivity experienced a sharp acceleration.⁷ The so-called dotcoms, companies offering different IT services, became the trend of the decade and of course investors saw the opportunity in them.

The trend quickly turned euphoric and everyone started to found such companies, with investors recklessly financing them. Consequently a bubble started to inflate. It is clear that this event was the second part in the bubble chain, and that it was not a standalone "black swan" event, but rather a consequence of the treatment of the 80s bubble. Greenspan even recognized the growing bubble and called the decade the era of "irrational exuberance".⁸

Nevertheless the Fed did not do anything to calm the markets, and it even lowered interest rates from 6% in 1995 to 4,75% in 1998. The effect was not surprising; it fueled the bubble even further. Investors negligently financed every IT firm, even though most of these companies had never earned a single dollar. Stock prices soared, the price earning ratios were higher than ever. It did not take long for the Dow Jones to pass the 10,000 mark. By then it had become clear that there was a huge bubble in the sector, but no one knew when it would pop and which companies would survive. Around the summer of 2000 the inevitable happened and the bubble burst. There was no single one-day crash like before; instead stock prices plunged over a two-year period. The NASDAQ Composite index lost around 80% of its value from its all-time high. The declining stock markets and the 9/11 attacks aroused fear that the country could not avoid a harsh recession this time.

Meanwhile the Fed remained very passive until the blow up of the markets; it only tried to clean up the mess afterwards. Greenspan finally stepped in and slowly decreased interest rates to an all-time low of 1% in June 2003. This helped investors who had lost most of their assets recover. It also halted the

⁶ *United States GDP Growth Rate 1947-2015, available at <http://www.tradingeconomics.com/united-states/gdp-growth>*

⁷ *Krugman P. (2008): The Return of Depression Economics, p. 141*

⁸ *Remarks by Chairman Alan Greenspan, December 5, 1996*

country from sliding into a long recession. This induced an idea in people that the old rules no longer applied and that the experienced Fed could solve every issue. This was only true in the short term because while the aftermath of the bursting dotcom bubble had been evaded, the seeds of next bubble were already rooted. Again the Fed did not deal with the issue as a whole but covered it up by aggressively intervening in the market. As a result of low interest rates, banks and investors had to look at alternative investment opportunities.

This time they were much more willing to take risk because there was a clear signal from the Fed and the government that it would protect them no matter what they did. Moreover they could borrow cheaply, and there was also an ongoing innovation in the housing industry. By securitizing mortgages, investment banks could create mortgage backed securities (MBS), and to make these instruments more attractive, they repackaged them into collateralized debt obligations (CDO). These had different tranches with different risk classes, so that even funds that could only hold safe assets in their portfolio (e.g. pension funds) could buy them. These securities offered a much higher return than AAA government bonds so it did not take long until they became prominent.

Considering how profitable trading these assets was, banks went into a frenzy again. They repackaged and restructured securities regularly and sold them aggressively. They did not fear the consequences because they calculated and rated them with the expectation of continuously increasing housing prices, and secondly, because they purchased insurance on them, and lastly, because they were counting on the government to intervene in cases something went wrong. At the same time a housing bubble was inflating as well, fueled by the innovations in the finance market.

Thanks to low interest rates, homebuyers could acquire credit cheaply and real estate had always been considered a safe investment. Huge demand pushed real estate prices higher. Although most of this credit were worthless - because of the poor creditworthiness of the borrowers - rising housing prices kept them prosperous since a borrower could always sell his house and pay back the loan. As a result real estate prices almost doubled between 2002 and 2006.⁹ The Fed saw the bust coming again and slowly started to increase interest rates, but it was too late. Instead of keeping the bubble from inflating further, the continuous increasing triggered its slow burst. In particular it caused the banks to raise interest rates on loans and that led to many borrowers defaulting on their credit.

The banks had to sell those houses and that started a decline in housing prices. Therefore the many "innovative" instruments lost their value as well. These securities were long-term illiquid assets and were financed by short-term

⁹ *As a measure I decided use the Case-Shiller Home Price Index, reported by S&P*

borrowing, so the banks were left without any liquidity and stopped lending to each other. Although many banks and agencies were saved with capital injections and nationalizations, Lehman Brothers was not rescued by the government, which enhanced fear in the market even further. The Fed had to step in again and assure liquidity for the market. The newly appointed leader, Ben Bernanke, cut the interest rate to 0.25% so the banks could borrow and lend again. This and various governmental measures helped the economy recover within two years after contracting in 2008. It has been growing ever since; however, the chain of economic catastrophes is not over yet.

On one hand the long-term structural problems were not solved and the intensive government intervening clearly stated again that no matter how many more times banks get greedy, they will always be rescued. On the other hand this continuous growth could only be achieved by keeping interest rates low and endlessly injecting money into the economy, so the monetary policy instruments are exhausted and in case of another threat the Fed's tools will be limited. Even the IMF has suggested that monetary policies become less effective at times of calamities.¹⁰ That is due to the fact that the Fed has been using all its powers to keep the country from facing its real problems, and instead it is focusing on countering short-term threats. Meanwhile there are clear signs of bubbles in the oil industry, in the biotech sector and even in alternative energy source production. In order to intervene effectively the Fed has to recognize when to start increasing the interest rates and put an end to the over financing of the mentioned sectors.

Looking at the past three decades it will not happen in time and who knows how painful the unraveling of the next bubble will be. What is certain is that this progress cannot be maintained any longer. The outcome of its next parts will be even more catastrophic if the government doesn't get out of the chain it has created. The country has not fully experienced the outcome of a bubble in the past thirty years and could not press the reset button on its business cycle like after the Great Depression. Schumpeter suggested that bubbles and crises appear for a reason. They are part of the "creative destruction" process, which means that after a financial meltdown the economy can start over again. Artificial interference only delays this reboot but can't hold it off forever. The exaggerated intervention of the government in the market might have solved the particular issues for the short term, but one day the US and the world will have to face the outbreaks of the past three decades which were contained artificially. And the longer it postpones dealing with the large-scale crisis, the harder it will be to solve it and the more resources it will take.

¹⁰ IMF (2009): *World Economic Outlook*, p. 104

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