

**NAVAL POSTGRADUATE SCHOOL
Monterey, California**



THESIS

**REGULATING THE INTELLIGENCE SYSTEM AND
OVERSIGHT IN THE HUNGARIAN CONSTITUTIONAL
DEMOCRACY**

by

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June 2003

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IN THE HUNGARIAN CONSTITUTIONAL DEMOCRACY**

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Submitted in partial fulfillment of the
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ABSTRACT

As Hungary made its transition to democracy, it had to overhaul its political, economic and defense system. The shift to a democratic form of government and free enterprise economy depends on a military that is firmly under civilian authority. Within the defense sector, the endurance of such a new democracy requires reforming its intelligence system. Hungary must choose the intelligence system that best serves its goals and needs. Despite the relatively strong success in implementing a democratic system, market economy and civilian control of the military since 1989, the transformation of its intelligence agencies is incomplete. The intelligence organizations holds fast to the old concept of an oversized, hyper bureaucratic intelligence system, and still lack appropriate, Western-type civil control and oversight. The system itself has been changing but not at the adequate speed and to some extent, it has kept the baggage of its past. Recent international terrorism also presents an opportunity to examine the Hungarian intelligence system and how it is structured, evaluating it for deficiencies and further develop what is working in the Hungarian security services. This analysis describes various other national intelligence organizations and examines intelligence oversight in the Hungarian constitutional democracy with recommendations for the possible guidelines for a new Hungarian intelligence system.

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I. INTRODUCTION

This is not the end.
It is not even the beginning of the end.
But it is, perhaps, the end of the beginning.

(Churchill)

Hungary has come a long way. The National Assembly has effectively developed oversight of the military through budget, approval of the Basic Principles of National Defense and the Defense Bill, and deployment of the Armed Forces. The Constitutional Court has effectively addressed the problems caused by the October 1989 Constitution and 1 December 1989 Defense Reform; and its decisions have been respected. The military has evidenced significant reform; it has been restructured to accommodate NATO, but force modernization continues to be greatly restrained by scarce resources. But Hungary still has a number of tasks to achieve effective civilian oversight (...)¹

Every country that reforms its defense and intelligence system must decide on the mechanisms and structure, that are best suited for its needs. The end of the Cold War and the subsequent collapse of Communism in Europe brought change to Hungary's society. Its defense and security service system has also gone through a transformation. Despite the relatively strong success in implementing a democratic system, market economy and civilian control of the military since 1989, the transformation of its intelligence agencies is not yet complete. The Hungarian intelligence community holds fast to its old concepts and remains an oversized and

¹ Simon Jeffrey, Central European Civil-Military Relations and NATO Expansion, (Washington D.C., INSS, 1995), p. 104.

hyper bureaucratic organization. It lacks appropriate civil control and oversight. The system itself has been changing but slowly and to some extent, it has failed to shed the baggage from its past. Recent terrorist incidents provide an opportunity to examine the Hungarian intelligence architecture and to evaluate its deficiencies as well as its strength.

This analysis describes Hungarian national intelligence organizations and mechanisms for intelligence oversight. It also makes recommendations for reform of the Hungarian intelligence system. The first section describes current democratic control and oversight. Using relevant legal and academic works, the next part of this thesis offers an overview of the current organizations of the Hungarian intelligence system and identifies its remaining obstacles to civilian control. It focuses on the interaction between the intelligence establishment, the civil authorities and the public. The third section offers a roadmap for the reform of Hungarian intelligence services in light of a changing international environment. Finally, the thesis will suggest that even with the new and democratic legal framework, old habits and structures need to be transformed and "euroformised" based on the requirements of collective security and Western security doctrines.

II. METAMORPHOSIS OF THE OVERSIGHT AND DEMOCRATIC CONTROL

The change of system has offered us a unique and irreproducible opportunity to reintegrate once and for all into the community of developed and democratic states which are bound together by their commitment to the basic values typical of all them: democracy, the rule of law - with its institutional frameworks and substance, respect for human rights including minority rights and an economy based on private property and free initiative. Not to miss such a historic opportunity this time must be the task and guiding principle of action of all responsible politicians, political parties and the government.²

Democracy and democratic oversight of a defense and intelligence establishment is not automatically guaranteed and cannot be instituted overnight. In Western democratic states, military and security organizations developed in parallel to the political and societal institutions. Where the transitional democracies of the former Warsaw Pact countries are concerned, the reorganization of such institutions offers a more complex challenge, because security reforms are being made while the new political structure is undergoing rapid change.

The Hungarian experience serves as an important example of the problems encountered in the transitions to democratic control of a nation's military. The Hungarian case is exceptional because the real reform of the entire

² Martonyi J., Németh Zs, Hungarian Foreign Policy and Euro-Atlantic Integration, Joó R, Hungary: A member of NATO, (Budapest, Ministry of Foreign Arrairs, 1999), p. 13.

intelligence system has been delayed for 14 years. Initially, the round table discussions of the reform political forces (Hungarian Democratic Forum, Free Democrats' Alliance, Young Democrats Coalition) of 1989-90 were able to negotiate with the ruling Hungarian Socialist Workers Party. The first democratic elections in 1990 ended the rule of the communist party and the domination of the Army in the Hungarian politics. Even though the first non-communist government of József Antall nominated the first civilian Minister of Defense, Moscow continued the Hungarian Armed Forces to guarantee that Hungary would remain within the Soviet sphere of influence. According to Zoltan Baranyi:

Hungary is one of the four central European states in which democracy may be said to have been consolidated. Post-communist Hungarian politics have been characterized by a level of stability uncommon in the region; indeed, it is the only central or eastern European state where, as of early 1999, each of two freely elected governments has served out its full term without a constitutional crisis.³

Between 1989 and 19990, the new political elite suffered from many handicaps in their effort to establish civilian oversight and re-orient their country's foreign and security policies. They did not possess specialized knowledge of military and security affairs or neutral and efficient administrative structures. The one advantage that civilians did enjoy vis-a-vis the military was their greater exposure to democratic principles and practices prior to 1989. Knowledge of Western political thinking and practices

³ Zoltan Baranyi, Hungary, An Outpost on the Troubled Periphery, Andrew A. Michta, America's New Allies, Poland, Hungary and the Czech Republic in NATO, (Washington D.C., University of Washington Press, 1999), p. 78.

were important assets in gaining acceptance and genuine respect in the eyes of the military.⁴

It took more than a year for the Antall-government to leave the Warsaw Pact, begin to achieve full political independence from Moscow, and institute an unprecedented civilian control over the military. On 1 July 1991, as the last Soviet forces left the country, a new framework for Hungarian civil-military relations had been established. As events at home and across Eastern and Central Europe unfolded, the challenges of developing stable and strong civil-military relations became more complex and crucial.

The creation of a civilian Ministry of Defense, with a clear division of responsibilities between the Ministry and the General Staff, as well as the practical implementation of new rules and regulations, became a common goal of the Parliamentary Parties. In the process of transformation the focus of the governments shifted slightly from creating narrow internal reforms to gain Western cooperation to finding ways to integrate into the Western security system. Internal strategies for civilian oversight of the armed forces and secret services were subordinated to Euro-Atlantic integration. The requirements of the Western institutions were strict and demanded well working democratic institutions. Democratic control of the military was regarded as a fundamental obligation for integration. According to Jeffrey Simon:

⁴ Réka Szemerkenyi: Western Policies and Civilian Control of the Military in Central Europe, Conference on Civil-military Relations in the Context of an Evolving NATO, (Budapest, Ministry of Defense and Ministry of Foreign Affairs, 1997), p 53.

The existence of a constitutional and legal framework has resulted from Constitutional Court decisions that have effectively addressed the problems caused by the October 1989 Constitution and 1 December 1989 Defense Reform; the Court's decisions have been respected and been incorporated in the 1993 National Defense Act and subsequent legislation. Continued wrangling over the Constitutional draft since 1994 and the delaying of its acceptance is worrisome. Work to re-write the constitution was initially intended to be completed in 1995, but it is taking much longer.⁵

Following NATO's Madrid Summit 1997, when Hungary was invited to join the Alliance, the country returned to the institutions and practices of democratic pluralism, ending totalitarianism. A process to depoliticize the armed forces and secret services was begun. These organizations were to be reformed as a modernizing process according to the new constitutional and legislative framework and principles of rule of law.

Hungary's new political system continues to encounter resistance to the transformation of the democratic control from defense and security. The level of civilian involvement in security and defense policy-making is an important indicator of the stability and democratization in the consolidating democracies.⁶ Post-communist transitions are

⁵ Jeffrey Simon: New Challenges in Hungarian Civil-military Relations, Conference on Civil-military Relations in the Context of an Evolving NATO, (Budapest, Ministry of Defense and Ministry of Foreign Affairs, 1997), p. 169.

⁶ Réka Szemerényi: Western Policies and Civilian Control of the Military in Central Europe, Conference on Civil-military Relations in the Context of an Evolving NATO, (Budapest, Ministry of Defense and Ministry of Foreign Affairs, 1997), p. 47.

generally more traumatic for armed forces than for other occupational strata.⁷

⁷ Zoltan Barany, Hungary, An Outpost on the Troubled Periphery, Andrew A. Michta, America's New Allies, Poland, Hungary and the Czech Republic in NATO, (Washington D.C.: University of Washington Press, 1999), p. 94.

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III. HISTORICAL BACKGROUND OF HUNGARIAN INTELLIGENCE

Hungary has had its own independent security service since the collapse of the Austro-Hungarian Empire in 1918. Until the end of the WWII, the 2nd Directorate of the General Staff was responsible for intelligence. The 2nd Directorate of the General Staff was heavily involved in politics, maintained direct connection to Governor János Horthy and enjoyed freedom of action regarding any internal or external security issues.

As events unfolded in Europe after WWII, and the Iron Curtain fell, the Communist regime took control. The realm of intelligence was extended. In addition to military intelligence, civilian services, to include foreign and domestic intelligence, were established under the direction of the Ministry of Interior that had not existed in this structure before 1947 elections. During the Cold War, the Hungarian Security Services worked closely with their Soviet counterparts (KGB, GRU, STAZI or SECURITATE), without laws or oversight to provide direction and limit their activities. Presumably, the purpose of the secret services was to protect the regime and the communist party from any internal and external dissent. According to Reka Szemerkenyi:

There were many reasons for Western policymakers to be concerned about civil military relations in Central Europe after the break-up of the Warsaw Pact. Primarily, it was of importance how the Soviet-trained officer corps was going to react to the political changes in Central Europe, and whether they represented any challenge to democratization and to the establishment of new

institutions. The survival of the Warsaw Pact-type political and military mentality among officer corps was perceived as a major risk both by the Western and Central European policy-makers.⁸

During the post Cold War political transformation, the former state security system ceased to exist and a new security structure was established. The change of the political system was accompanied and accelerated by several state security scandals such as the case of Conrad, Belovai, or Carlos. Lt. Colonel Belovai started off working for Hungarian intelligence, but in 1984 in London, he contacted the CIA and began life as a double agent. A year later, he was caught by Hungarian counterintelligence in Budapest and sentenced to life in prison by a military court. He was first in line to translate and evaluate material from what turned out to be the Conrad spy ring, one of the most damaging espionage operations ever against NATO. Former US Army Sgt. Clyde Conrad was arrested in 1988 and sentenced to life in prison for espionage by a West German court. In 1990 it was disclosed that the terrorist Roberto Carlos (alias Jackal) had been given refuge in Hungary in 1979. According to Hungarians, Carlos's refuge was conditional on his suspending all terrorist activities and that he was expelled in 1982.⁹

In 1990, opposition political parties publicized facts revealing illegal political activities such as wire-tapping and illegal surveillance of political figures by the state

⁸ Réka Szemerényi: Western Policies and Civilian Control of the Military in Central Europe, Conference on Civil-military Relations in the Context of an Evolving NATO, (Budapest, Ministry of Defense and Ministry of Foreign Affairs, 1997), p. 47.

⁹ Terrorist Carlos in Hungary, Online: <http://www.videofact.com/english/terrorists8.htm> (25 May 2003)

security service, which at that time functioned within the structure of the police.

As a consequence of the scandals and their investigation, police and the state security service were separated to establish a clear distinction between criminal investigation and intelligence issues. The role of the civilian security services was transformed and they were placed under the Minister Without Portfolio in Direction of the Civilian National Security Services. As far as the military intelligence and counterintelligence was concerned, it was reorganized structurally but remained under the supervision of the Minister of Defense. Further reorganization and rationalization were undertaken. At the same time, Parliament passed a temporary Act granting approval by the Minister of Justice for the use of intelligence methods by the new security services and the police. Organizational aspects of the service were regulated by governmental decrees. The secret services worked by temporary rules until reorganized on a permanent bases in 1995 when Act no. CXXV was introduced.

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IV. STRUCTURE OF THE NATIONAL SECURITY SERVICES

The actual composition, role and function of the intelligence services were the result of much debate among Hungarian political parties. The culmination of that debate was Act no. CXXV, which in 1995 defined the general mission of the security services as the protection of the national security interests of the Hungarian Republic.

The services are charged with protecting national security by using both open and confidential means of information collection. More precisely, under the law, the term "national security" refers both to the defense of the sovereignty of the country and to the protection of the constitutional order. Protection of the national security of Hungary involves the detection of efforts to attack the independence and territorial integrity of the country; the detection and prevention of clandestine efforts which may injure or threaten the political, economic and military or defense interests of the country; the acquisition of information about foreign countries or information of foreign origin that is important for governmental decisions; the detection and prevention of clandestine efforts to change or disturb through unlawful means the constitutional order that ensures basic human rights, the multi-party representative democracy and the functioning of constitutional institutions; and, detecting and preventing terrorist acts, illegal weapon and drug trafficking, and

illegal traffic in internationally controlled goods and technologies.¹⁰

The Act recognizes five security services in Hungary¹¹ (Figure 1):

- the Intelligence Bureau (IB)
- the National Security Bureau (NSB)
- the Military Intelligence Bureau (MIB)
- the Military Security Bureau (MSB)
- the Special Service for National Security (SSNS)

Three of these agencies -- the Intelligence Bureau, the National Security Bureau and the Special Services for National Security -- are grouped under the term "civil national security services." The other two -- the Military Intelligence Bureau and the Military Security Bureau -- are referred to as the "military national security services."

¹⁰ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), § 3-8.

¹¹ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), § 1.

V. SUPERVISION, DIRECTION AND OVERSIGHT

'Oversight' and 'direction' are two distinct senses in which the autonomy of the security intelligence agencies can be discussed. The former concerns whether the agency is subject to some form of review or oversight by a body outside of the executive branch (...). The latter concerns the extent to which the agency is independent from political or ministerial direction by the executive branch of the government.¹²

A. MINISTERIAL CONTROL

The Act no. CXXV, 1995, states that the Government controls the civil national security services through a designated Minister and the military security services through the Minister of Defense. The responsible minister determines the particular tasks of the services, oversees their activities, and regulates their functions and organization. The Ministers are also responsible for the Basic Principles of National Security and are empowered to regulate the execution of such tasks in the form of ministerial decrees. They also have the authority to carry out the direct control of the National Security Services in accordance with the governmental decisions and the National Security plans. Each minister is empowered to issue general and concrete instructions without depriving the heads of the services of their powers and without obstructing the exercise of their competence.¹³

¹² Peter Gill, Policing Politics, Security Intelligence and the Liberal Democratic State, (London, Frank Cass, 1994), p. 217.

¹³ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), § 10.

The Minister has the power to task the security services and to give the services orders. He also supervises the budgetary management of the services as well as their legal operation, and is authorized to make recommendations to the Prime Minister as to the appointment and dismissal of the Director Generals and their deputies. Within the framework of the rules of law and other binding guidelines of the government, the Director Generals are independently responsible for the activities of the services.¹⁴

B. PARLIAMENTARY OVERSIGHT

The Parliament defines the Basic Principles of National Security and Defense and makes decisions concerning the long term development of the defense and security organizations. The Parliament also allocates financial resources for the carrying out of security and defense tasks on an annual basis. The Parliament exercises parliamentary oversight over the national security services through its Committee on National Security (CNS).

CNS was established in 1990 as an ad hoc committee. Today, the Committee is a permanent committee of the Parliament with 11 members. The president of the Committee must be a Member of Parliament (MP) from one of the opposition parties.¹⁵ The responsible Minister is required to inform the Committee about the general activities of the national security services regularly, but at the minimum

¹⁴ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), §11.

¹⁵ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), §19(2)

twice a year. The Government also must inform the Committee about its decisions regarding matters brought to its attention by the Minister.

The Committee has the right to request information from the Minister and the General Directors of the services about the national security situation of the country and the operation and activities of national security services. It can request information from the Minister of Justice and the Minister supervising civil national security services and question the Defense Minister and the General Directors about specific uses of secret technical devices and methods. Also, it examines individual complaints against unlawful activities of the national security services. In cases when the complainant does not accept the results of an investigation carried out by the Minister supervising the national security services, the Committee informs the complainant about its findings. If the Committee believes that one of the security services is carrying out unlawful or improper activities, it can ask the Minister to conduct an investigation into the matter and he will inform the Committee about the findings of the investigation.¹⁶

The Committee is empowered, according to the law, to carry out a fact-finding investigation if it finds that a security service operated in violation of the law. During this investigation, the Committee has the right to examine the security service's documents concerning the case and to hear testimony from its members. The Committee is also entitled to call on the Minister to take measures in such

¹⁶ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), §14(4)a-h.

cases, and it can also initiate the establishment of responsibility for such operation.

The Committee has many prevailing functions. It gives its opinion on the detailed draft budget of the national security services. It also conducts nomination hearings for those appointed as Director Generals of the national security services. The Committee has the right to examine any files or information reports prepared for the Government by the national security services. If the NSB launches an investigation and secret collection of information against an MP or against one of his or her family members, the Minister will have to report it to the Committee. The MP in question, in this case, will not be informed about the activity. The Defense Committee (DC) in the Parliament, among other tasks, exercises oversight of military security services. The NSC and DC hold closed sessions when exercising their oversight authorities.¹⁷

The members of the oversight committees are obliged not to disclose classified information about the service, even after their terms in Parliament have ended. Only those MPs who have passed a national security clearance may become members of the oversight committee. This security clearance is carried out by the NSB with the written consent of the MPs in question. The NSC makes public reports on fact-finding missions, but no regular reports are published.¹⁸

¹⁷ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), §16-17.

¹⁸ Act no. CXXV of 1995 on the National Security Services, (Budapest, 1995), §19(1-3).

C. CONTROL OF THE PARLIAMENTARY COMMISSIONER FOR CITIZENS' RIGHTS

Control also is exercised by the Ombudspersons. The individuals who especially scrutinize the services are known as the Parliamentary Commissioner for Citizens' Rights and the Commissioner for Data Protection. Act no. LXIII of 1992 on the protection of personal data and data of public interest (further as data protection law) established the institution of a Commissioner for Data Protection; this Commissioner has the same status as Commissioners for Citizens' Rights. The Commissioner for Data Protection ensures that the services observe regulations concerning data processing, examines complaints, and maintains the data protection register. Within this framework, the Commissioner has the power to call a data processor to end the unlawful processing of data. If the data processor does not comply with this instruction, the Commissioner has the right to inform the public that unlawful data processing has taken place, by whom and to what extent.

The Commissioner for Data Protection has the right to ask for and to examine information that is connected with public or personal data. The Commissioner may enter all premises where data processing takes place. State secrets and service secrets cannot obstruct the exercise of these rights by the Commissioner, but the Commissioner must keep any information he comes across a secret. In the case of data processing concerning state or service secrets that is carried out by the police, or by national security services, the Commissioner must exercise his or her powers personally. In such cases, the Commissioner may only examine documents

concerning data processing that are specified by separate provisions of the law. All ombudspersons publish public reports about their investigations.

D. JURISDICTIONAL OVERSIGHT

The most important Constitutional Court decision concerning national security deals with information and documents created by the former state security services and its agents, lustration, and freedom of information.¹⁹ According to the Decision, the national security services must provide the lustration body with documents containing information on those MP's and other high state officials -- numbering about 600 people altogether -- who are subject to the lustration process in order to determine whether they were officers or agents of the former state security service's political department. The decision also states that documents created by the former state security service, which are no longer necessary, must be turned over to the History Office and archived.

E. THE MEDIA

As in most democracies, the Media has a special role in monitoring the Hungarian Security Services. The major independent television news networks such as TV2 and RTL Club and journals such as Népszabadság, Magyar Nemzet, Magyar Hírlap all act as honest-brokers when reporting on activities of the security services. According to Janos Szabo:

¹⁹ Decision of the Government, No. 60/94, December 12, (Budapest, 1994)

Within the MOD and General Staff information and public relation bodies have been founded aiming at coordinating the flow of military information to the public, at increase of competence of civilian journalists and at positive effecting of the public relations.²⁰

The media enjoys the freedom to investigate and criticize any questionable endeavors of the Military and Intelligence Community. Also, intelligence professionals and other members of the Hungarian military are not permitted knowingly to lie or mislead the press or the population in general.

F. INTERNATIONAL INSTITUTIONS

Hungary's membership in NATO also has been a vehicle for the democratization and modernization of its intelligence organizations. To gain membership, Hungary enacted a series of intense reforms to reinforce civilian control and oversight measures and to ensure transparency. Hungarian intelligence leadership falls not only under the authority of the Hungarian government, but it also has to comply with NATO policy, directives and oversight. As a member of NATO, and a European Union aspirant, Hungary is committed to democratic principals and freedom. With this membership, Hungary is also committed to securing freedom and joining the War against Terror.

²⁰ János Szabó: Some Conflicts of Civilian Control During Transition of Hungarian Defense Sector, Conference on Civil-military Relations in the Context of an Evolving NATO, (Budapest, Ministry of Defense and Ministry of Foreign Affairs, 1997), p. 203.

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VI. HUNGARY'S ROLE IN FIGHTING TERRORISM

Terrorism is always a crime, yet in its purest form has usually involved criminal activity (murder, property damage, etc) for a political end, be it national independence, or the release of imprisoned terrorists. Often, terrorist acts sought to destabilize the government by undermining the electorate's confidence in the authorities.²¹ Hungary's Ambassador to the United Nations in New York, André Erdős stated that:

The barbaric acts of September 11 have proven with elementary force that, in fact, terrorism knows no boundaries (...) their act is an attack against all we stand for, we believe in, against the very foundations of our civilizations.²²

He continued by saying that Hungary would be part of a global coalition, where all nations act in unison, in the same cohesive spirit of purpose, to prevent and suppress the scourge of terrorism.

Hungary's determination in the fight against terrorism was not born out of the events of September 11. Three years prior, in 1998, in consequence of the terror attacks witnessed by Hungary in the middle of '90s, the United States and Hungary joined forces in a comprehensive plan to intensify the attack on international organized crime and

²¹ The New Threat of Organized Crime and Terrorism Jane Defense Weekly, online, www.janes.com/security/international_security/news/000619_1_n.shtml (3 December 2002)

²² Agenda Item 166 Measures to Eliminate International Terrorism, Statement by H.E. Ambassador Andre Erdős, online, www.un.org/terrorism/statemetns/hungaryE.html (29 November 2002)

terrorism in Central Europe. According to the U.S. Federal Bureau of Investigation its targets:

primarily international organized criminal groups that are either based in or active in Budapest. Because of its location, Budapest has historically been a center of commerce and finance in Central Europe. In the recent years, Budapest has seen the presence of organized-and often violent-criminal organizations that engage in a wide range of illegal activities affecting not only Hungary and other countries in Europe and the United States.²³

A six-point assistance plan was created that provided for a U.S.-Hungarian Law Enforcement Liaison and a formation of a Hungarian-American Law Enforcement Working Group. In recognition of the dual threat of international and organized crime and terrorism, the group's objective is to develop better communications and information exchange, using the Italian American Working Group as a model. Part of the plan also included enhanced training for Hungarian Law Enforcement and Forensics. The development of mutually shared databases and the development of electronic links is another key in the Hungarian effort to combat terrorism.

The fact that Hungary is at a crossroads of commerce attracts the criminal and terrorism underworld. Money laundering activities have been widely practiced and Hungary has been singled out for things such as anonymous bank accounts. In response to this, it is no longer possible to open a savings account in Hungary without the account-holder revealing his name. Hungary enacted the Act on Aggravation

²³ FBI Press Room Release-1998, FBI and Hungary Join Forces in Fighting Crime, online, www.fbi.gov/pressrel98/hungsupp.htm (23 January 2003)

of the Provisions for Fighting Against Terrorism and for the Prevention of Money Laundering and on the Establishment of Restricting Measures on 27 November 2001. Only banks and their agents are permitted to change money; existing money-exchange outlets were closed as of June 2001.

Aware of the significance of regional and international co-operation: Hungary has concluded a set of bilateral treaties on terrorism with twenty-eight States, including most of its neighbors. In 1996, Hungary acceded to the European Convention on the Suppression of Terrorism in the framework of the Council of Europe. Hungarian efforts also have been bolstered by an ever-increasing cooperation with the European Union. Hungary's membership in the North Atlantic Treaty Organization also entails cooperation and the provision of support in the collective fight against terrorism.²⁴

Hungary also is party to all major international conventions pertaining to international terrorism. The Hungarian Parliament, in a resolution following the events of 9/11 has called for the further development of international law in the struggle against global terrorism.

Today, one of the priorities of the Hungarian Intelligence Services is to contribute to the international effort against terrorism. With this in mind, the current complicated structure of the intelligence system needs to be streamlined to be more effective and integrate with other

²⁴ Agenda Item 166 Measures to Eliminate International Terrorism, Statement by H.E. Ambassador Andre Erdős, online, www.un.org/terrorism/statemetns/hungaryE.html (29 November 2002)

nations in this global effort. The urgent nature of the terrorist threat is now the impetus for rationalizing and increasing the actual combat readiness of the Hungarian intelligence community.

VII. REMAINING OBSTACLES

Post Communist Hungary inherited a military establishment that had been prepared and outfitted as part of the Warsaw Pact's doctrine of coalition warfare. It was saddled with an oversized command structure, antiquated armaments, organizational asymmetries and apathetic personnel. The number of combat, logistical and training units was excessive and there were virtually no indigenous air defense capabilities.²⁵ But with the goal of NATO accession in mind, much has been accomplished in restructuring the HDF defense forces. Since the new strategic environment requires a smaller, more agile force, the large, Cold-War-era ground divisions needed to be reduced in both size and number.

While the military establishment could tailor its reform along NATO guidelines, there still remain a few obstacles for intelligence system. The most significant obstacles to the transition was to establish a strong legal, budgetary and organizational foundation for civilian control, while simultaneously maintaining professionalism and "combat readiness." In other words, it is a serious challenge to maintain a credible defense and intelligence system while the entire political, societal and economic system is in the midst of transition. According to Brigitte Sauerwein:

²⁵ Sauerwein, Brigitte, Defense Adequacy: The Hungarian Defence Forces, Jane's Intelligence Review 6, no. 10 (October 1994). p. 438.

Insofar as the Hungarian military is concerned, successful democratic consolidation includes the following: (1) placing the military under the authority and supervision of the elected government; (2) unambiguous constitutional codification of the chains of command and areas of responsibility over armed forces between institutions and within the military establishment; (3) termination and prohibition of the activities and political parties within armed forces as well as an effective ban on partisan political activities by military personnel; (4) establishing the government's fiscal responsibility over defense expenditures and the executive branch's accountability to the legislature over military affairs; (5) democratizing the military establishment itself with special attention inculcating military personnel with fundamental democratic values (...). Despite some shortcomings, during the 1990's Hungary successfully democratized its armed forces and established democratic civil-military relations.²⁶

Assessing the state of intelligence oversight in Hungary has become a more difficult task over the past decade because issues are now more complex. The progress of intelligence reform in Hungary has been confirmed by the commitment shown by intelligence leaders and political elites to democratic political ideals. Many of the constitutional, legal and administrative requests for civil control or supremacy over the intelligence have been implemented but Hungary is still fine-tuning specific mechanisms of intelligence management.

Among the obstacles to the effective oversight of Hungarian intelligence are tensions that exist between the civil bureaucracy and both military and civilian intelligence staff. This is a common phenomenon, where the

²⁶ Ibid., p. 90.

professionalism and issue of expertise are key words.

According to Marybeth Ulrich:

The relevant question in the transitioning states, then, is not whether the officer corps is professional, but whether it possesses a brand of professionalism appropriate to the type of state that it serves.²⁷

Democratic or political supremacy over intelligence organizations is defined as the subordination of the secret services to the democratically elected civilian leaders of the government. The presence of a well trained and experienced professional military corps that is funded by a civilian authority and a strong non-governmental component within the defense community is crucial for a smooth civil-military symbiosis.²⁸

Tensions between the government, civil bureaucracy and intelligence establishment are a natural occurrence. The effect of intelligence depends on its institutional reputation and the personal chemistry between practitioners and users.²⁹ In the Western system, the security services enjoy a delicate relationship with government officials, where the intelligence is responsible for providing professional (technical) expertise to civilian politicians. The lack of intelligence professionalism may lead some sectors of the intelligence community to mislead politicians or intervene directly in political affairs. Without clear

²⁷ Marybeth Peterson Ulrich, Democratizing Communist Militaries, (Michigan, The University of Michigan Press, 1999), p. 110.

²⁸ Rudolf Joó, The Democratic Control of the Armed Forces, The Experience of Hungary, Challiot Paper, (Paris, Institute for Security Studies of Western European Union), p. 6.

²⁹ Michael Herman, Intelligence Power in Peace and War, (Cambridge, Cambridge University Press, 1996), p. 142.

political guidance the intelligence community may see themselves as the servants of a political party or ideology, rather than of the state. For this reason, they may feel no obligation to conform to the oversight of the democratically elected government, thus developing their own set of objectives. Because of this, intelligence services may become de facto empires. Further more, when intelligence created and operating independently of the state, it functions like a state within a state. It has its own independent command structure, organization, recruitment and equipment, and thus, may resist subordination to the government. By contrast, Lowenthal writes that:

openness that is an inherent part of a representative democratic government clashes with the secrecy within which the intelligence must operate.³⁰

Increasing the number civilian experts in security establishment and continual education to reinforce the democratic principles of a civilian controlled intelligence can prevent both of these dangers. Only a strong civilian corps can harmonize the capabilities of the secret services with national goals, objectives and financial resources.

Development of civilian expertise also can produce the long-term benefits of facilitating greater public understanding of new security challenges and the necessity of transformation. Efforts to build up a security constituency recognize that public interest in security affairs helps to combat public apathy and to facilitate public support for strategic and multilateral security and intelligence commitments.

Hungary has a great deficit in civilian security expertise. Therefore, one of the priorities of the country is to create civilian security communities, which can provide skilled personnel to secret services, parliamentary committees, research institutes and other NGOs. This should be a significant objective of the restructuring or implementation the intelligence system.

However "civilianization" is not a guarantee for a reformation of the intelligence system. Civil experts can misbehave just as well as the professional intelligence officers. Therefore another question is, how to match legal, institutional, organizational and personnel changes with the new and still transforming political framework? Although a balance should be kept between the "peaceful" transition of military and intelligence institutions, and the introduction of necessary oversight and control, the last issue is the priority. Regarding the new democracies such as Hungary, one has to take into account the nation-specific circumstances in which the transition is developing and the nation's history and heritage. As far as national conditions are concerned, the actual political character, the economic conditions, the societal framework, the media, and the international environment contribute to the unique character of each nation's experience.

Another key issue is the change in the global the security environment and with it, the change of the priorities and focus of intelligence. According to Baranyi:

³⁰ Mark M. Lowenthal, Intelligence, From secrets to Policy, (Washington D.C., A Division of Congressional Quarterly Inc., 1999), p. 16.

Since 1990, defense officials and politicians have been quick to point out that Hungary has no specific enemy and is under no direct threat. Still there are a number of potential challenges they must take seriously, particularly because of Hungary's unfavorable geostrategic position. It has no natural borders intimidating to land forces; it is relatively easy to overrun, as a number of armies have demonstrated throughout the past millennium; and its military establishment has weakened considerably since 1989.³¹

Before 1989, Hungary's strategic responsibility was being the first line of defense as the most important country of the Warsaw Pact's southern theater. It was responsible for the south German Plain and the Po Plain in Italy. The main target countries therefore, were Western Germany and Italy as well as the United Kingdom and the United States. With the new internal and international environment the whole previous defense and intelligence strategy collapsed overnight. The previous doctrines became irrelevant: the target countries, the enemies, the controlling authorities, the driving ideas and methods, the financial resources, external and internal relations, and the goals of these organizations changed as well. The new security services emerged as a consequence of the new circumstances. Though new services were created, they were still based on the previous system. Most people did not realize that the Hungarian military and intelligence services, under the Warsaw Pact, had virtually the same doctrine and objectives as the USSR, which were to defend the Soviet Union first and Hungarian security and defense

³¹ Zoltan Barany, Hungary, An Outpost on the Troubled Periphery, Andrew A. Michta, America's New Allies, Poland, Hungary and the Czech Republic in NATO, (Washington D.C., University of Washington Press, 1999), p. 74.

needs second. Hungary could not easily turn to NATO for a solution, because of the fundamental nature of the communist-type intelligence services, and the antagonistic relationship between intelligence services of NATO and the Warsaw Pact. The Hungarian services were interested in maintaining their autonomy, while the Western services did not trust their Eastern counterparts.

Another intelligence challenge of the post September 11th period is that the secret services in transitional democracies are seeking to increase their professionalism in keeping up with their Western counterparts. In other words, secret services of transitional states try to demonstrate that they possess a high level of professional expertise, and are well trained in both operational and managerial arts. To some extent, this professionalization may entail the development of corporate identity and activism. This trend towards increasing intelligence professionalism can serve to increase the potential political influence of the secret services in the national security policy-making process.

In the post September 11th era, all security institutions anticipate the need for various types of alliances, and multinational intelligence reaction capabilities to fulfill missions, needs for low-intensity (other than war) conflicts, often overseas or out of area. Therefore, the transitional democracies have found the need to develop a more technically skilled and more flexible professional intelligence capabilities, which can operate in a variety of challenges and at different levels of intensity. According to Lowenthal:

The cold war quickly shifted from a struggle for predominance in postwar Europe to a global struggle in which virtually any nation or region could be a pawn between the two sides. Although some areas remained more important than others, none could be written off entirely.³²

The trend of declining mass information gathering reveals a transformation in the relationship between secret services and the general population, which reaches beyond an institutional evolution of intelligence to influence societal attitudes. In the Cold War, the intelligence's role was traditionally mass espionage. Residual roles in emergency response, aid to civilian power, counter terrorism, and sovereignty protection are now being emphasized. Concomitantly, the global role of intelligence in the more complex international environment and multinational (UN, NATO, OSCE and other) operations has expanded. Such potential deployments are by virtue of their low national significance, more politically sensitive for the domestic public, a phenomenon reinforcing the move towards professional intelligence.

The transition process is more complicated for intelligence since NATO has no common intelligence system. Hungary was left without a model to copy and therefore had to create a hybrid system combining what they already knew, the old Soviet style, and what they were learning about the new Western system. Due to the sensitive nature of classified information and compartmentalized data that is common to intelligence, information sharing is very cumbersome. This delicate and complex situation allowed for

³² Mark M. Lowenthal, Intelligence, From secrets to Policy, (Washington D.C., A Division of Congressional Quarterly Inc., 1999), pp. 11-12.

some leaders to resist making a complete transition to a democratically controlled service. To add to the burden, the post communist politicians chosen to lead the defense establishment were naïve about defense matters and easily duped. The bulwarks of the old style senior officers were able to keep them "out of the loop." The lack of trained civilian experts on military matters who can advise politicians was another factor in preventing a truly complete transition to a full democratization of the Intelligence service and civil-military relations.

Hungarian intelligence oversight operates in a democratic environment, where the executive and legislature powers are separated, well established, and the tools of the civil societal control (such as the media) are strong. Due to the special operating environment of intelligence, however, some leaders who cannot shake their former mindset create obstacles to civilian control when it comes to actual democratic or actives. Perhaps this just takes some time for the next generation to come in and fill in these gaps. Barany writes that:

In sum, while the institutional structure of parliamentary civilian control over the armed forces in Hungary is adequate, the internal control mechanism of the MOD are in need of further development. In large measure the problems have been due to general inexperience and the negligence and oversight of some high-ranking military officers.³³

³³ Zoltan Barany, Hungary, An Outpost on the Troubled Periphery, Andrew A. Michta, America's New Allies, Poland, Hungary and the Czech Republic in NATO, (Washington D.C., University of Washington Press, 1999), p. 92.

No doubt that the success or failure in stabilizing and reinforcing effective democratic oversight and downsizing of the Hungarian intelligence, has a direct influence on the outcome of Hungary's further European integration and prosperity. Failure of developing a new, smaller, more cost effective and more rapid reactive intelligence system, would at least indirectly risk the internal political stability and democratic structure. Consequently, an "eurofomized" national intelligence must be the interest of all the Hungarian political and experimental actors.

VIII. RECOMMENDATIONS

Experience has shown that without a robust system of independent oversight, the system is wide open to abuse. Security services are unable to resist the temptation to indulge in activities that have no place in a democracy. The cure can be as dangerous as the disease.³⁴

The creation of new intelligence system offers the opportunity to the Hungarian National Intelligence Agencies to become more effective and rationalized through pragmatic synergies. The proliferation of weapons of mass destruction, terrorism, organized crime, drug trafficking, ecological threats, policing the cyber space are not exclusively concerns of a single security service, but serious concern to all of them. Accepting this argument, Richard Norton-Taylor believes that:

it is important to consider first the nature of the threats to the state and society rather than starting with some preexisting institutional framework.³⁵

The creation of a new intelligence system should begin by identifying threat. It should then estimate the most cost effective path to democratic transition. There are two major problems that must be mastered in the Hungarian Intelligence Community. The first is oversight and control of the five national intelligence services, since two of them are subordinate to the military and three of them are under civil management.

³⁴ Richard Norton-Taylor, In Defense of the Realm, (London, Civil Liberties Trust, 1990), p. 129.

The second dilemma is the role of the intelligence in government foreign and domestic policy.

The intelligence system of the Hungarian constitutional democracy should be enhanced by implementing the following principles:

- Primary authority of the democratic institutions of society.
- Separation of the intelligence from policy-making.
- Political neutrality of the intelligence services.
- Accountability and parliamentary oversight over the services.
- Subordination of the services to the rule of law in practice.
- Maintaining a fair balance between the secrecy and transparency.

Since the current intelligence system still has not gone through major changes, and the new intelligence services are likely to be essentially the same as old ones, it is necessary and high time to develop a program to systemically and courageously replace all the unwanted aspects of the old system with a new apparatus. The driving ideas of that new system should be the following:

- Redefine Hungary's security vision and framework in a new law.
- Point out the main elements of the new security dispensation to the civil society.
- Deepen Parliamentary and Governmental oversight to support implementation of the defined changes through special ad hoc committees.

- Providing a clearer and stronger guidance regarding the intelligence priorities by the legislative and executive committees.
- Strengthen cooperation among the planning, budgetary and intelligence services in order to maintain the further fluent transition and interdependence.
- Comprehensively review internal procedures to be in line with the new legislation and ministerial directives.
- Develop and strengthen managerial ability that will enable the services to overcome difficulties of further transformation.
- Erase or phase out individuals at managerial levels who are working against the goals or outside the perimeters of the new dispensation.

To ensure the national intelligence capabilities are meeting these challenges, the new system should follow functional oriented principles, which emphasizes clear and strong civilian control via intelligence oversight and cost effectiveness.³⁶ This new structure also provides a better path for the flow of information from the collectors through the analysts to the consumers. It eliminates superfluous sub-organizations in the reporting chain.

To reinforce Hungary's judicial, executive and legislative oversight as well as to expedite Hungary's future integration into the European Union, some more

³⁶ Mark M. Lowenthal, Intelligence, From secrets to Policy, (Washington D.C., A Division of Congressional Quarterly Inc., 1999), pp. 34-38.

aspects of the Western especially the British system should be incorporated. Peter Gill has pointed out:

There are two extreme possibilities with respect to ministerial control, both which pose considerable dangers: either a complete lack of control or ministerial direction in the partisan interests of the governing party.³⁷

But the United Kingdom has managed to create a system of ministerial responsibility for security intelligence that can achieve both goals of effective ministerial direction and adequate oversight of those agencies.³⁸ As far as the Hungarian case is concerned, ministerial supervision and control should be based primarily on national political specifications. Since the current political parties have not recruited and developed appropriate experts on that field, Hungarian Supervision is rather just theoretical than practical. Gill also emphasizes, that:

the question of recruitment to security intelligence agencies is particularly important because, if it merely reflects the political dominance of certain classes of groups, partisan direction by ministers will not be a problem since it will usually be unnecessary.³⁹

However, according to C. Dandeker:

A central feature of modern states is that recruitment to its administrative apparatuses becomes based on patronage and more on impersonal and competitive educational criteria.⁴⁰

³⁷ Peter Gill, Policing Politics, Security Intelligence and the Liberal Democratic State, (London, Frank Cass, 1994), p. 217.

³⁸ Ibid, p. 259.

³⁹ Ibid, p. 230.

⁴⁰ C. Dandeker, Surveillance, Power and Modernity, (Cambridge, Cambridge Polity Press, 1990), p. 53.

Building a new generation of professional expertise is a key responsibility both for the political parties and the actual intelligence community.

Just as the British ensure Executive Oversight via the position of Director General and the Ministerial Committee on Intelligence Services, the Hungarian system utilizes a Director General who reports to appropriate ministers. As previously stated, Hungary has a Committee on National Security Affairs similar to the UK's Ministerial Committee. But Hungary can improve its parliamentary oversight by adding another working group, similar to the Permanent Secretaries Committee on Intelligence to assist in reviewing and reporting to the Prime Minister. Also, one must remember that who ever controls the "purse strings" wields control over the entity. So, as the United Kingdom has an Intelligence and Security Committee to examine expenditure of the agencies, so too, should Hungary centralize its monitoring of both civilian and military intelligence expenditure.

Based on the new security challenges and more sophisticated technology, a more flexible, "rapid reaction capabilities" and panel system, should be introduced in the fields of HUMINT, SIGINT and analysis. This scheme would allow for a shift in operational concentration with the constantly changing national security concerns. Shifting the attention to the "combat elements" the new system also should contribute eliminate redundant supply units and better utilize the human resources and properties of these organizations.

The proposed structure focuses on three pillars: clear and strong civilian control, efficient professional activity, and cost effectiveness. The unified scenario also tries to give a better model for the information flow process from the collectors through the analysts to the consumers, eliminating and cutting out the superfluous sub-organizations in the chain of report. Based on the new security challenges and increased technology, more flexible, "rapid reaction capabilities" and a panel system, a system that allows for the intelligence services to operate based on "function" in a separate but connected structure. It will be introduced in the fields of HUMINT, SIGINT and Analysis. The emphasis will shift to a more operational, combat element approach. The new system would also eliminate redundancy in supply units, streamline and better utilize the human resources and equipment of these organizations.

IX. VISION OF THE NEW INTEL ARCHITECTURE

An important consideration in any discussion of structural, legal or institutional changes is the significance of political will and the danger of faith in the 'structural fix'.⁴¹

It is possible to define an unambiguous, logical model for intelligence provision, and that such a model would sharpen the decision makers' focus on customers' needs and values. The customers are the Hungarians and Hungarian Intelligence Community should reflect their values. New principles, structures and strategies built on these common values provides the basis of a better Community. The key strategy of fulfilling that deepened and simplified model, as well as civilian control, supervision over the services, and rationalized cost effectiveness, is the unification the civilian and military intelligence organizations and creating one new National Intelligence System (Figure 2-3).

This structure is comprised of civilian control, but supported by military elements. It would reduce redundancy and unnecessary expenditure by consolidating the five components of the present system under one overseeing authority, The National Secret Services of the Republic of Hungary. The new structure will be divided into two main bodies, The Intelligence Bureau, which is responsible for

⁴¹ R. L. Pfaltzgraff, Jr, Intelligence, Policy and National Security, R. K. Betts, American Strategic Intelligence: Policies, Priorities and Direction, (Basingstoke, Macmillan, 1981), p. 248., J. M. Oseth, Regulating US Intelligence Operations, (University Press of Kentucky, 1985), pp. 185-7.

External concerns and conducting foreign intelligence and the National Security Bureau, that will be responsible for internal security issues.

The new structure should ensure that the national intelligence capabilities are meeting real world challenges. By satisfying these requirements, the new model also will give a better structure for the flow of reports from the collectors through the analysts to the consumers.

The services should be charged with contributing to the national security by using both open and confidential information sources. Based on the new security challenges and more sophisticated technology, a more flexible, "rapid reaction capabilities" and panel system, should be introduced in the field of HUMINT, which should keep and develop the special operations capabilities. This would allow for a shift in operational concentration with the constantly changing national security concerns.

In the new structure, the national security services have to report to the responsible Ministers (Justice, Interior, Foreign Affairs and Defense) and/or directly to the Head of Government (Figure 3) modeled after the UK's Intelligence Structure in a parliamentary system.⁴² Both the Government via responsible Ministries and the Parliament's National Security Committees will determine national security interests and priorities.

⁴² Peter Gill, Policing Politics, Security Intelligence and the Liberal Democratic State, (London, Frank Cass, 1994), p. 258.

The legislative oversight should be instituted via the chain of governmental command, through the designated Ministers on the one hand and on the other hand through specific parliamentary institutions, such as the National Security Committee, Foreign Committee and Defense Committee of the Parliament, Ombudspersons - The Commissioner for Data Protection and most importantly by the Constitutional Court Decisions. (Figure 5)

While the Hungarian Intelligence system has made many advances in operating effectively under a democratic government in the last decade, it still needs to re-evaluate its structure. It needs to become a more efficient organization that can still operate effectively, while maintaining its civilian authority and oversight.

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X. CONCLUSIONS

Change is never easy, but it is inevitable. Hungary has done a great deal to fill the void created by the post-Warsaw Pact security vacuum. It has adopted to Western ideology and principles while transitioning its government and economy to a democracy and free trade. But there is still much work to do.

It must also address the problem of redirecting a whole intelligence mechanism from a repressive agenda to one upholding new democratic ideals and methods. Hungary could manage the transition of its intelligence without any significant problems. But in the case of such a special and complex system like intelligence, the transition always takes a long time.

If the old management, methods and structure will be totally replaced by the new generation of professional intelligence officers and civil experts, Hungary can state: The first phase of the creation of an intelligence apparatus that is founded on democratic principles is complete. According to William S. Brei:

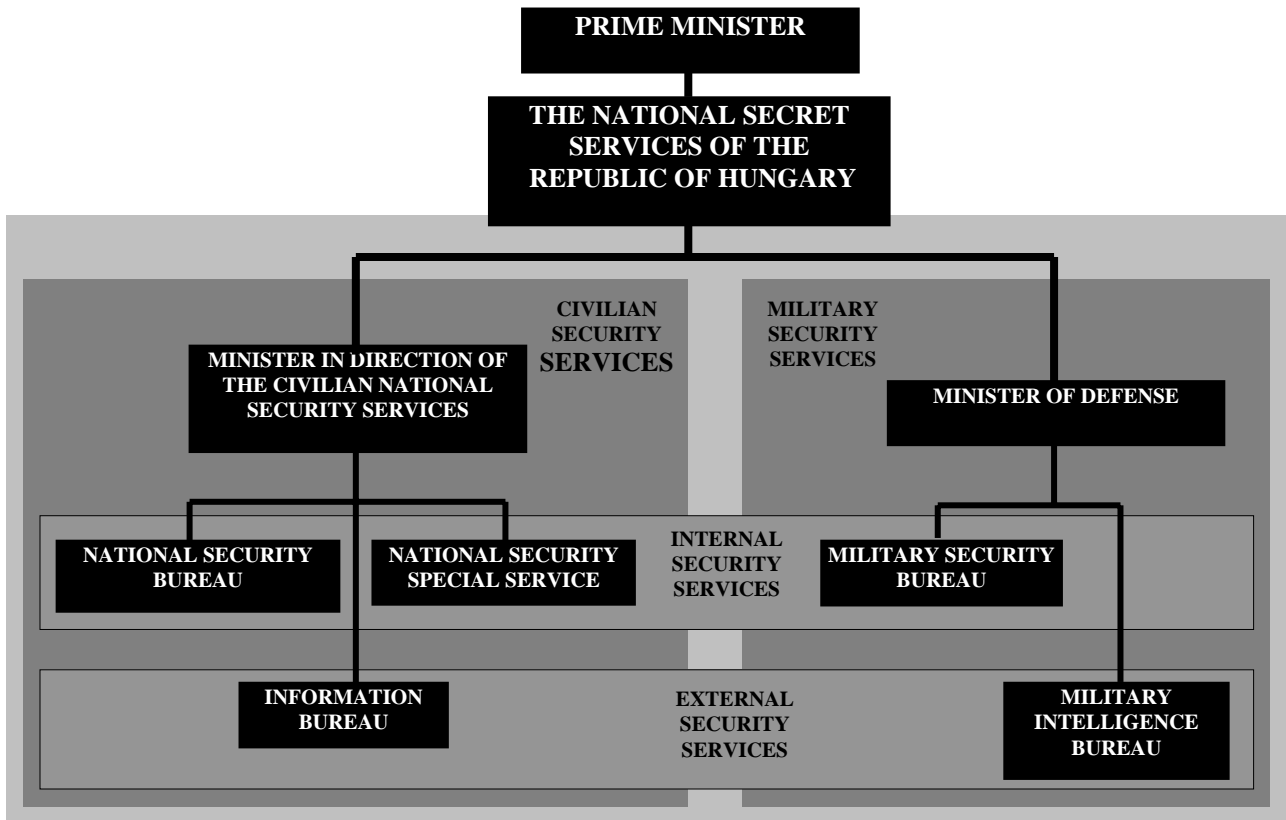
The challenges facing the Intelligence Community are formidable. Continual budget and manpower cuts degrade managerial continuity, experience levels, and the technical expertise. Yet the international arena and issues that we monitor are becoming more complex. Learning to work smarter has become imperative.⁴³

⁴³ William S. Brei, Getting Intelligence Right: The Power of Logical Procedure, Occasional Paper Number Two, (Joint Military Intelligence Collage, January 1996), p. 1.

To understand Brei's idea and create a task oriented, a well-organized, cost effective and smaller intelligence structure is still a remaining responsibility for Hungary.

APPENDIX A.

FIGURE 1.
CURRENT STRUCTURE OF THE NATIONAL SECURITY SERVICES

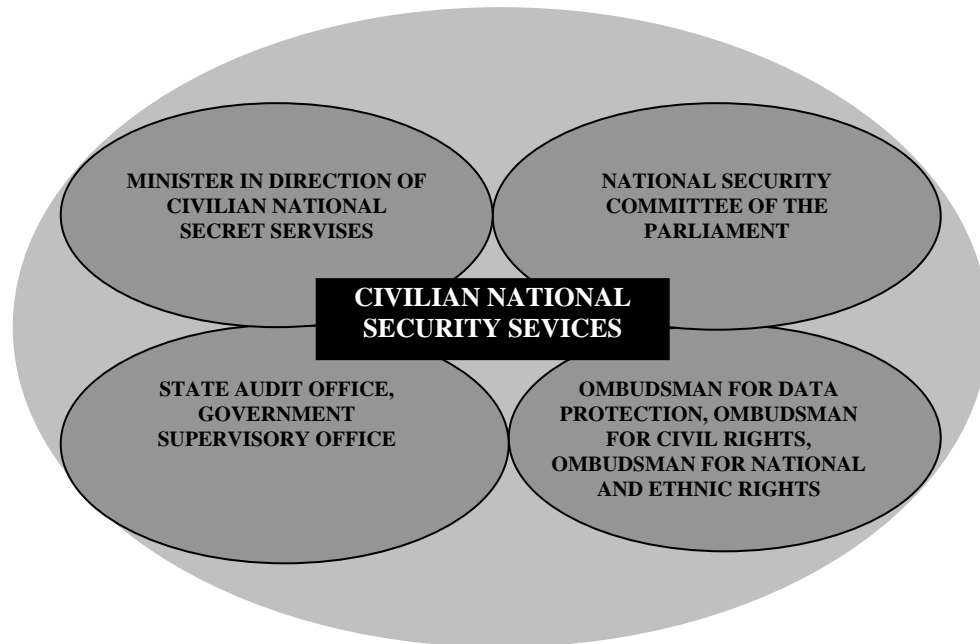


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APPENDIX B.

FIGURE 2.

CIVILIAN CONTROL OF THE CIVILIAN NATIONAL SECURITY SERVICES

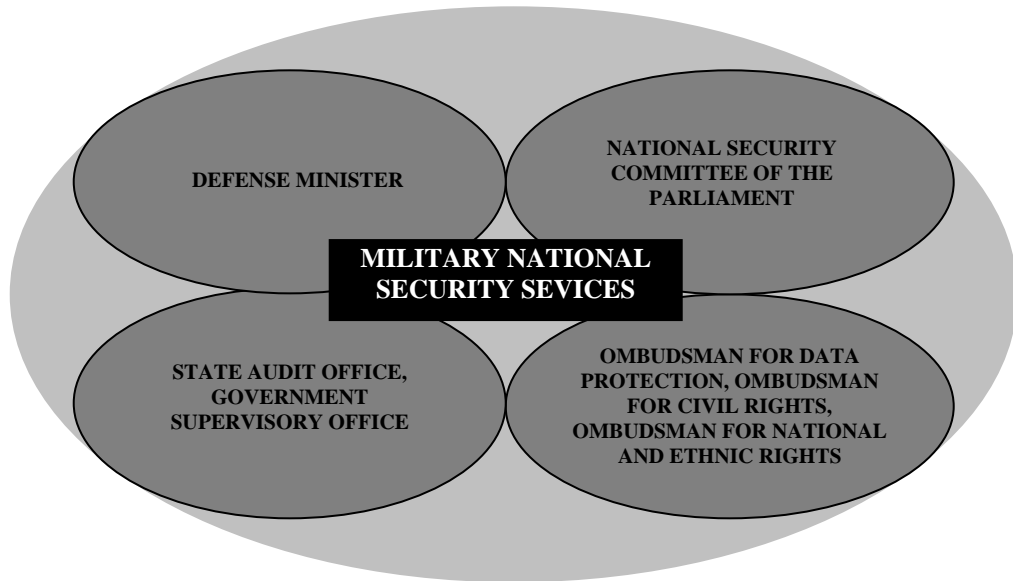


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APPENDIX C.

FIGURE 3.

CIVILIAN CONTROL OF THE MILITARY NATIONAL SECURITY SERVICES

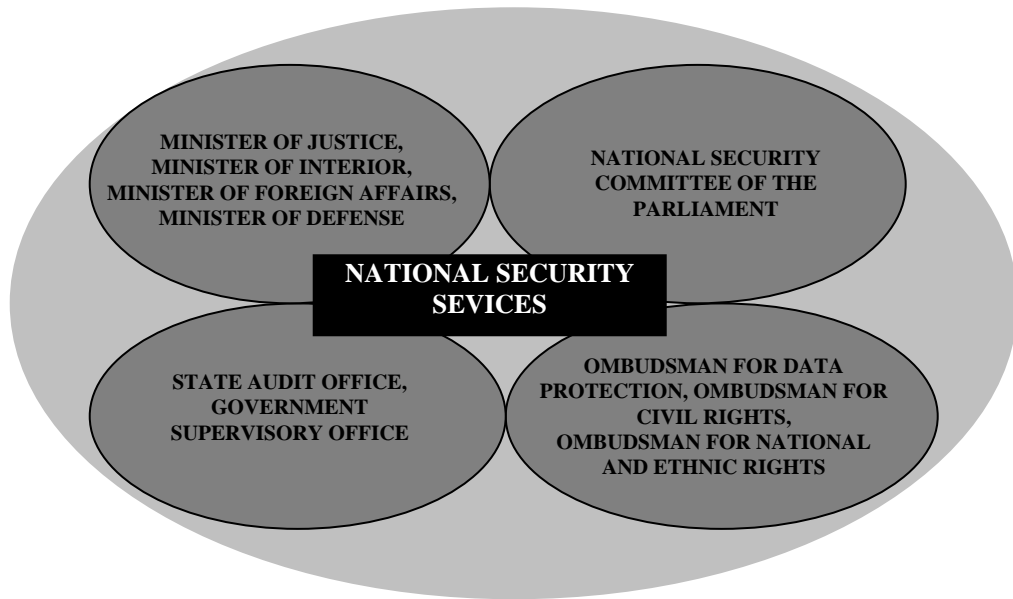


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APPENDIX D.

FIGURE 4.

PROPOSED CIVILIAN CONTROL OF THE NATIONAL SECURITY SERVICES

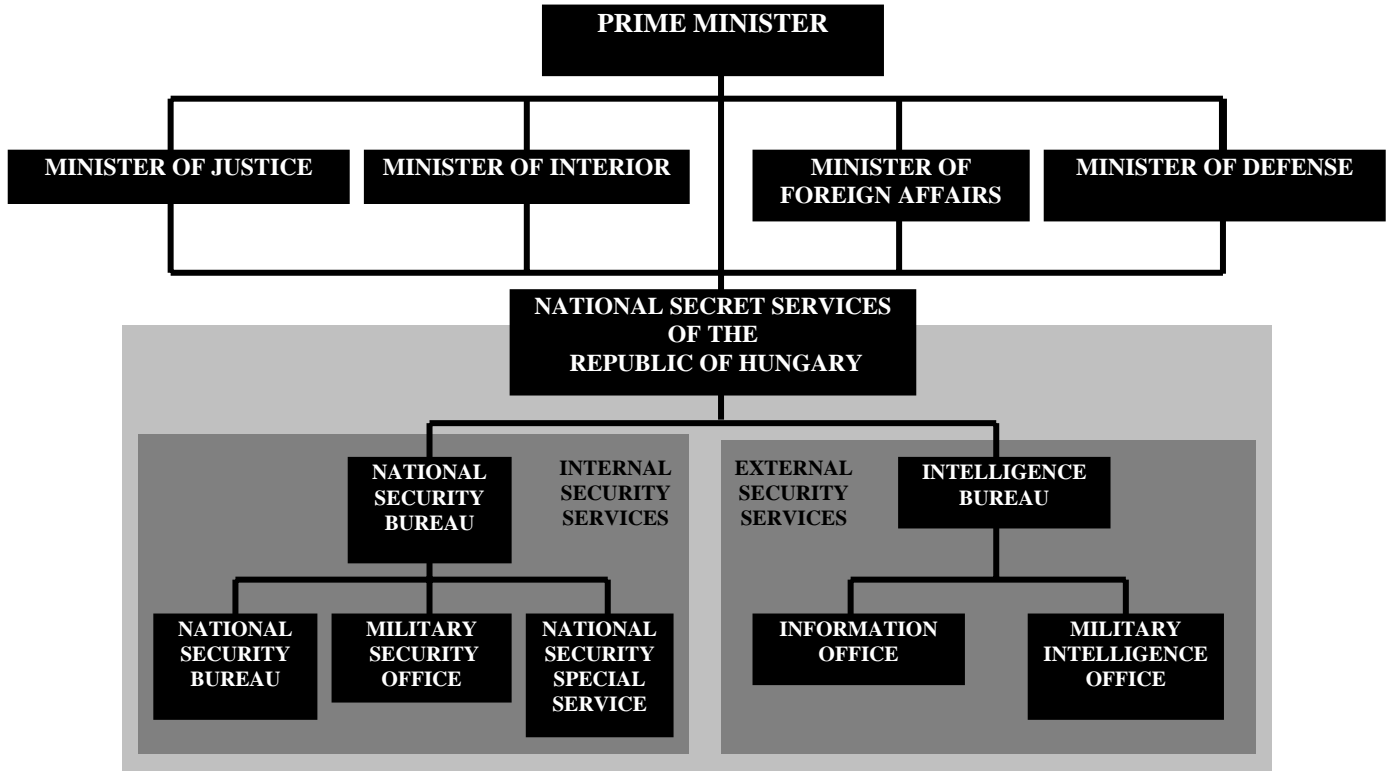


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APPENDIX E.

FIGURE 5.

PROPOSED STRUCTURE OF THE NATIONAL SECURITY SERVICES



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