

# Yemen's Stubborn Conflict

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**Abstract:** *This article distills insights shared by Dr. Charles Schmitz during his delivery of the Dr. Belgrad Speaker Series event on October 24, 2022. It draws on extensive research to unspool the complexity of the conflict in Yemen. The background and context of the war that it provides is meant to help readers understand not only key domestic actors but international actors as well, including the diverse and often conflicting regional agendas that they pursue. Domestically, the key actors include the Houthis and their multiple opponents, including the Republican government, Secessionists, and others. International actors like the Arab Coalition, the United States, the Saudi/Emirati, and Iran, also each have their own objectives in Yemen. After offering these snapshots of the various actors embroiled in the Yemeni conflict, this article elucidates the geopolitical factors that have shaped and deepened the complexity of the conflict. These include Yemen's economic collapse, the challenges of the wartime economy, and the nuances of Saudi blockade. The war in Yemen is currently in a ceasefire, which leaves the question, what is going to happen next? This article argues that, while there is a likelihood that fighting could resurface in Yemen, a transition to partition appears more likely as a permanent solution. Considering all domestic and international actors and geopolitical complexities, the war in Yemen is very unlikely to end with a peaceful settlement in any near future. This article helps readers to understand why that is the case.*

**Key Words:** *Yemen Conflict, Houthi, Zaydis, Hussayn al-Houthi, United States, Saudi Arabia, Saudi/Emirati Campaign in Yemen, Blockade to Yemen, De Facto Partition of Yemen, Yemen War.*

## Introduction

In April 2022, at the beginning of Ramadan, all sides in the war in Yemen agreed to a two-month ceasefire, which was extended twice until October 2<sup>nd</sup> when the agreement expired. Sporadic small-scale fighting has erupted since, but large-scale fighting has yet to resume. The Houthi attacked oil ships along the southeastern coast of Yemen disrupting the flow of oil from what remains of Yemen's small reserves, but the attacks appear to be cards to play in negotiations rather than a new military offensive. Everyone is still talking, including separate talks directly between the Saudis and the Houthi, and the Houthi even made a rare invitation to their Yemeni opponents to visit Sanaa for the funeral of Abd al-Aziz al-Maqalih, Yemen's

national poet. While fighting could resume, more likely is a slow transition to a permanent partition, at least in the medium term. The distance between the warring parties is too great to expect a negotiated settlement.

Military exhaustion led to the ceasefire. Since Biden's inauguration in January 2021, the Houthis hoped Biden's criticism of the Saudis would weaken US military support for the Kingdom and allow the Houthi to take Marib Governorate in the east of Yemen, home to some of Yemen's oil and gas reserves, the main electrical generator for the capital, Sanaa, and the Safer oil refinery that provides ninety percent of Yemen's cooking gas. But the Saudi air force and Yemeni ground troops repelled Houthi advances, though they came within just a few miles of the provincial capital of Marib. The tremendous cost in lives and material forced the Houthi to give up the fight and agree to the April ceasefire.

And exhaustion has for some time motivated the Saudis to extract themselves from the Yemeni conflict, or at least reduce the cost. The Saudis expected quick victory in March 2015 when they initiated their military campaign dubbed operations Decisive Storm. They even paused their air campaign in the summer of 2015 thinking the Houthi might respond positively to a halt in the fighting, a glaring misreading of Houthi intentions and capabilities. Instead, the Saudis found themselves stuck in a costly, protracted, unwinnable conflict, a Saudi Vietnam, an outcome seemingly everyone except Crown Prince, now Prime Minister, Mohammad bin Salman foresaw.

### **The Houthi and the Republic**

The war is often characterized as a Saudi war on Yemen, the Houthi push this narrative because it makes them the sole Yemeni party to the conflict, but in Yemen the war pits the Republican government against the Houthi coup. The Houthi entered the capital, Sanaa, on 21

September 2014 by force of arms, but instead of installing their own government, they agreed under UN auspices to the appointment a new technocratic government under Republican President Hadi in a move that seemed to signal Houthi willingness to participate in the political process of the Republic of Yemen. However, Houthi quickly installed “supervisors” in government ministries to “oversee” the work of the government, belying true Houthi intentions. The straw that broke the government’s back was the Houthi kidnapping of Ahmad bin Mubarak, Hadi’s chief of staff (and current foreign minister), upon his attempt to deliver the new constitution proposed by Yemen’s National Dialog Conference.<sup>1</sup> The government resigned, the Houthi put the entire government under house arrest and shortly afterward declared that the country would be led by Muhammad al-Houthi, brother of Houthi leader Abd al-Malek al-Houthi. The coup was complete.

The fact that the arrival of the proposed constitution forced the issue is significant. Houthi objections to the proposed constitution focused on the proposed division of the country into federal districts. Yemenis believed that a federal government would relieve the country of political dominance by one geographic region, a common historical complaint. But the Houthi (and the southerners) saw in the proposed federal districts a design to weaken Houthi (and southern) power. Houthi objections to the federal divisions were not without merit, however the Houthi resort to kidnapping high government officials to prevent the delivery of the proposed constitution highlighted the ambiguous relationship of the Houthi to the Republic itself.

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<sup>1</sup> Schmitz, Charles. 2014. “Yemen’s National Dialogue.” Middle East Institute. 10 March 2014. [https://www.mei.edu/publications/yemens-national-dialogue\\_](https://www.mei.edu/publications/yemens-national-dialogue_)

## Zaydis and Houthis

The Houthi are often described as a Zaydi revival movement. Zaydism is a form of Shiism that now exists only in Yemen. It came to Yemen in the ninth century CE and became the predominant school of Islam in the northern highlands. Zaydism along with the other versions of Shiism claims the Prophet chose Ali to succeed him and that leadership of the Muslim community is restricted to the descendants of the Prophet through Ali and Fatima, the Prophet's daughter. In Yemeni Zaydism, selection of the leader, the Imam, is through political competition, the contender that garners the most support becomes Imam. In time, there emerged in Yemen a substantial class of people who claimed descent from the Prophet and thus were eligible for leadership.<sup>2</sup> The leading *Sada*, as they are titled, saw themselves as a political/religious elite, and the Imamate relied upon the *Sada* to staff the state's bureaucracy, in as much as one existed. Most *Sada* lived simply in tribal communities, providing religious/judicial services to tribesmen.<sup>3</sup>

Zaydi jurisprudence does not specify a form of state, only that it be led by a qualified Imam. The Zaydi heartland is deep in Yemen's northern tribal territory, and for most of Yemen's history, the Imam relied upon the tribes to govern. The Imamate never developed much of a state in the modern sense.<sup>4</sup> But following the British conquest of southern Yemen in the mid-nineteenth century, the Ottomans occupied northern Yemen to check British expansion. The Ottomans created a proto state that Imam Yahya inherited when the Ottomans evacuated following their defeat in WWI. Imam Yahya then established the Mutawakkilite Kingdom of Yemen to govern in line with the other kingdoms emerging on the Arabian Peninsula at the time

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<sup>2</sup> Haider, Najam. 2014. *Shi'i Islam: An Introduction*. New York: Cambridge University Press.

<sup>3</sup> Dresch, Paul. 1989. *Tribes, Government, and History in Yemen*. Oxford: Clarendon Press.

<sup>4</sup> Dresch, Paul. 1989. *Tribes, Government*.

following the British example. He was assassinated in 1948, but his son Ahmad maintained the reign of the Kingdom until 1962 when Yemeni military officers inspired by Gamal Abd al-Nasser's revolution in Egypt overthrew the Kingdom and established, after an eight-year civil war, the Yemen Arab Republic.<sup>5</sup>

The Republican principle of equal citizenship rejected the privileged role of the *Sada* in government and while many *Sada* supported the revolution, Republican leaders looked suspiciously at the *Sada*, fearing the return of the Imamate. Republican Islam mixed new and existing Sunni influences with Zaydism to weaken the influence of the *Sada* in the north. In the 1990s after the fall of the Berlin Wall and the unification of former Soviet backed People's Democratic Republic of Yemen (British Yemen) with the Yemen Arab Republic in the north to form the Republic of Yemen, Zaydi youth in the north created a Zaydi revival movement to reconstitute Zaydism within the Republican environment. The main means of the movement was summer schools for children that competed with Saudi backed Sunni summer schools.<sup>6</sup>

### **Hussayn al-Houthi**

In the 2000s, however, Hussayn al-Houthi politicized the movement and brought it into conflict with the Yemeni government. Hussayn was inspired by the Iranian revolution and Khomeini, though not because it was Shia. In fact, Hussayn admired Khomeini precisely because he saw Khomeini rejecting traditional Iranian Shiism. Khomeini's brilliance in Hussayn's eyes was his use of Islam to cultivate Muslim political activism. Similarly, Hussayn al-Houthi rejected traditional Zaydi jurisprudence, which he said led to passivism and domination by foreign powers. Hussayn agreed with Khomeini not in jurisprudence but in geopolitics: the principal enemies of Islam were Israel and the United States, and the role of Islam was to

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<sup>5</sup> Dresch, Paul. 2000. *A History of Modern Yemen*. New York: Cambridge University Press.

<sup>6</sup> Weir, Shelagh. "A Clash of Fundamentalisms," *Middle East Report* 204 (Fall 1997).

motivate Muslims to overthrow the dominance of the non-Muslim foreigners in the Muslim heartland.<sup>7</sup>

Hussayn al-Houthi was irked by Yemen's alliance with the United States in the war on terror, and in the lead up to the unpopular invasion of Iraq, Hussayn stepped up his very public campaign against the United States and by implication, the Yemeni government. In January 2002, Hussayn launched his famous slogan which became the Houthi mantra plastered in red and green everywhere: God is Great, Death to America, Death to Israel, Curse the Jews, Long Live Islam.<sup>8</sup> Houthi supporters took to chanting the mantra in mosques in the north and the capital Sanaa, much to the irritation of Ali Abdallah Saleh, longtime ruler of Yemen. In the tensions following the US invasion of Iraq, Saleh ordered Hussayn's arrest, but Hussayn's supporters resisted, resulting in a short-lived insurgency. Hussayn was killed by government troops in the summer of 2004, but his elderly father unexpectedly declared he would lead his son's rebellion and fighting renewed. Six wars ensued from 2004 to 2010 between the government and Houthi insurgents in which, in effect, the government enabled the Houthi insurgency to spread and gain force. Government counterinsurgency tactics drove much of the north into the hands of the insurgents while at the same time giving the Houthi valuable military experience.

The Houthi movement was born of a cultural revival movement in children's summer camps, hijacked by Hussayn to become a political movement, then forced into a military insurgency under the leadership of his brother, Abd al-Malek al-Houthi, the current leader, by the tactics of the Yemeni government. Yet with the Houthi now firmly ensconced in the northwest highlands with the upper hand in the military balance, the Zaydi Imamate, the

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<sup>7</sup> Haykel, Bernard. 2022. "The Houthi Movement's Religious and Political Ideology and Its Relationship to Zaydism in Yemen," in Hamidaddin, Abdullah, ed. *The Huthi Movement in Yemen: Ideology, Ambition, and Security in the Arab Gulf*. New York: I.B. Taurus.

<sup>8</sup> Abu Awadhah, Yahya Qassim. 2018. *Al Masirah al-Quraniah fi al-Yaman*. Beirut: Dar al Maaref al-Hikmah.

cornerstone of Zaydi jurisprudence, has yet to appear. After their overthrow of the Hadi government, the Houthi created first the Revolutionary Committee under the leadership of Abd al-Malek's brother, Muhammad al-Houthi, to lead the country, but as the Houthi succeeded in repelling the Saudi Emirati backed attacks, the Houthi began to think about long term governance. In 2016, the Houthi created the Supreme Political Council and proposed a new constitutional government. Significantly, the Supreme Political Council is led by non-*Sada* Houthi, Mahdi al-Mushat currently, in pointed contrast to the Zaydi requirement of leadership by descendants of the Prophet. The proposed Houthi constitution also contains no language contravening the guarantee of equal citizenship for all. To be sure, everyone knows that authority in Houthi Yemen lies with Abd al-Malek al-Houthi, but the fact that he is not head of state and plays no official role in government is a significant symbolic statement. The Zaydi Imamate has not reappeared, at least not in official form.<sup>9</sup>

The Houthi have transformed the education system to emphasize the Houthi worldview, including the religious view that the Prophet appointed Ali successor and that leadership of Islam lies in the hands of the Prophet's family. However, the core of the Houthi worldview is geopolitical. Yemen stands with the Axis of Resistance along with Iran and Hizballah in a struggle against American and Israeli designs for the region. The Saudi and the Emirati militaries serve the interests of American empire, and Yemen is an immovable obstacle to imperial designs.<sup>10</sup> The Houthi are ecstatic when Members of U.S. Congress critical of the Saudi intervention characterize the war as the Saudi war on Yemen because it obscures the Houthi coup and the legitimacy of the Houthi opponents in Yemen. Yemen becomes David and the

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<sup>9</sup> Schmitz, Charles. 2022. "Huthi Visions of the State: A Huthi Republic with an Unofficial Imam," in Hamidaddin, Abdullah, ed. *The Huthi Movement in Yemen: Ideology, Ambition, and Security in the Arab Gulf*. New York: I.B. Taurus.

<sup>10</sup> Haykel, Bernard. 2022. "The Houthi."

Saudis Goliath. Republican opponents of the Houthi coup are nowhere in the equation, the Houthi dub them ‘mercenaries’ of the foreign intervention.

### **Houthi Opponents: Republicans, Secessionists, and Others**

Those the Houthi call mercenaries are an incoherent array of political groups, including the internationally recognized government, that share only opposition to the Houthi coup. These are the Islah Party, a conservative Islamic oriented party that was since 1990 the second largest political party behind the former ruling party and probably would have won a majority were elections held during the transitional period in 2014. Other groups include southerners; many of which are secessionists who see the Houthi as northern invaders; Salafi groups from all over Yemen targeted by the Houthi, the remnants of Ali Abdallah Saleh’s Republican Guard that defected from the Houthi north after the Houthi killed Saleh in late 2017, and other local groups opposed to the Houthi. These groups share an enmity to the Houthi, but little else. The Hadi government found itself in 2019 in open warfare with Emirati backed southern secessionists in the Southern Transitional Council. Tareq Saleh, Ali Abdallah Saleh’s nephew who leads the Republican Guard in Taiz, did not recognize the Hadi government (but is a part of the post-Hadi Presidential Leadership Council). Southerners and Tareq Saleh are opposed to Islah supporters in Marib. The Houthi have clearly benefited from infighting among their opponents.

### **The Arab Coalition – A Separate Agenda**

Following the Houthi coup in early 2015, President Hadi escaped house arrest in Sanaa and fled first to Aden then to Saudi Arabia when the Houthi bombed the presidential palace in Aden. Officially, the Saudi intervention was at the behest of Yemeni President Hadi, but the Saudis were eager to rid Yemen of what Mohammad bin Salman described as a new Hizballah on the Saudi border. The Saudis patched together a coalition of countries to intervene, the Arab



Coalition, all of which owed substantial political or economic debts to the Saudis, but the main support came from the Emiratis and the Saudis. (A large contingent of Sudanese troops fought in the early years of the war.)

The Saudi intervention was ill-conceived, and what was planned as a quick shock and awe operation to overwhelm the Houthi became an endless quagmire replete with devastating damage to civilian infrastructure and high levels of civilian casualties. As the ineffectiveness of the air campaign became clear, the bombing took on a vindictive tone, repeatedly bombing infrastructure such as bridges and symbolic targets such as the tomb of Hussayn al-Houthi. Several high-profile attacks on civilians, such as a large and prominent funeral party in Sanaa<sup>11</sup> and school busses in Sadah<sup>12</sup>, served to highlight the incompetence and brutishness of the Saudi air campaign. As military victory became clearly out of reach, the Saudis had to recalibrate their strategy, but they have yet to find an acceptable solution.

The Saudi always look upon Yemen through the lens of security. Yemen is poor and populated, Saudi Arabia is relatively wealthy, and the countries share a long porous desert border. The relationship between Yemen and Saudi Arabia has many similarities to the US Mexican relationship. The Saudis are concerned about Yemen's poverty spilling into the Kingdom as well as about the possibility that Yemen's political chaos allows enemies to use Yemen to stage attacks on the Kingdom, as al-Qaeda has done. The Saudis try to maintain a variety of channels of influence in Yemen to reduce perceived threats depending upon circumstances. The Houthi themselves are not a threat to the Saudis, but the Houthi relationship

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<sup>11</sup> Hubbard, Ben. "Saudi-Led Coalition Says It Bombed Yemen Funeral Based on False Information." *New York Times*. Oct. 15, 2016. <https://www.nytimes.com/2016/10/16/world/middleeast/saudi-led-coalition-says-it-bombed-yemen-funeral-based-on-false-information.html>

<sup>12</sup> Almosawa, Shuaib and Ben Hubbard. "Saudi Coalition Hits School Bus in Yemen, Killing Dozens." *New York Times*. Aug 9, 2018. <https://www.nytimes.com/2018/08/09/world/middleeast/yemen-airstrike-school-bus-children.html>

with the Kingdom's archrival, Iran, is a threat, in Saudi eyes. In 2015, the Saudis wanted to impose their will on Yemen militarily, in support of the government of Yemen against the Houthi coup, but the Saudi agenda is first to secure Saudi Arabia. Thus, having failed to achieve their initial agenda of restoring the government, the Saudis are currently talking directly with the Houthi without the participation of the Yemeni government. For the Saudis, restoration of the government of the Republic of Yemen is a means to Saudi security; if they can secure the Kingdom by other means—a separate peace with the Houthi—they will.

Similarly, the UAE has its own agenda in Yemen. The Emirates aspires to maritime military power and commercial dominance in the region, and it wants to root out political groups based upon religious ideology such as the Muslim Brotherhood. The Emirates took primary military responsibility for the southern governorates of Yemen where many southerners want to secede from the Republic of Yemen and recreate the southern state that existed before unification in 1990. The Emirates allied with secessionists and with non-political Salafis and secular groups such as Tareq Saleh's supporters. These groups were sometimes opposed to the Saudi backed Hadi government located primarily in Marib, former north Yemen. Thus, Emirati goals have also diverged from both the Saudi agenda and that of the Yemeni government.

### **The United States and Saudi Arabia**

And the United States bears responsibility for the Saudi military in the sense that without the United States, the Saudi military cannot do much. Most Saudi military equipment is American, the US trains Saudi pilots and military officers, and Americans maintain Saudi military equipment in the Kingdom. The American Saudi relationship established long ago – on a ship in 1945 in the Red Sea between Franklin Roosevelt and King Abd Aziz ibn Saud, the founder of the Kingdom of Saudi Arabia – assigned responsibility for the defense of Saudi

Arabia to the United States, but during the Arab Spring and then the negotiations for the Iran nuclear deal, the Saudis began to doubt the US commitment to Saudi defense, at least as the Saudis saw it. The crown prince and now prime minister, Muhammad bin Salman, determined not only to bring the country out of its social isolation and transform its oil-based economy, but also to transform its defense strategy. The Saudi intervention in Yemen was a major first step in Saudi Arabia's new defense posture, one that Saudis led and implemented rather than depending solely upon the US. The US was informed of the intervention only shortly before it began.

The Obama administration did not forcefully object to the Saudi campaign in Yemen, perhaps because the US wanted to avoid further Saudis doubts about US intentions after the Iran nuclear deal. The US sent a team to help with targeting to avoid unnecessary destruction. But after the attack on the funeral party in Sanaa, Obama pulled the targeting assistance in protest. The Trump administration had no such qualms, but regardless of targeting assistance teams, the US carries most of the responsibility for Saudi military capabilities.

The US has an ambiguous relationship with the Saudis, but the term schizophrenic might be more accurate. For the US defense establishment, the Saudis and the Gulf Cooperation Council along with Israel have been the foundation of US defense strategy in the Middle East since WWII. The US Fifth Fleet is based in Bahrain, a Saudi dependency, and US air bases dot the Gulf States, the largest in Qatar. The Saudis and the Gulf States were a backwater of the Middle East until the Yom Kippur War in 1973 and the dramatic hike in oil prices transformed the Gulf States major economic players in the Middle East. As the US public became more aware of the nature of Saudi society and the Kingdom, criticisms of the US alliance with the Saudis occasionally began to surface. Journalists criticized Saudi society during the Gulf War in 1991, and critics claimed that the Saudis had a role in the 9/11 attacks and created bin Laden

through their spread of Salafi Islam. But when Mohammad bin Salman began his transformation of Saudi Arabia intended to open and integrate the Kingdom into international society, criticisms of the Kingdom increased significantly, in part because outsiders had more access to the Kingdom, but also because bin Salman courted public opinion. He granted rights to women and instituted elections precisely because the Kingdom had been criticized on these accounts in the past. Of course, the ultimate purpose of the reforms is to preserve the absolute rule of the House of Saud, so political opposition bin Salman does not tolerate.

The attention Mohammad bin Salman attracts highlights the tensions between the extensive military relationship between the US and the Kingdom, and the fraught relationship the Saudis have with the US public. The US Saudi relationship even became material for presidential politics: Trump courted the Saudis (and the Saudis courted Trump); Biden was a major critic—his campaign promised to make bin Salman an international pariah because of the Khashoggi killing and to reconfigure US defense strategy because of the war in Yemen. Most recently, the Saudi cutting oil production to sustain prices in conjunction with Russia just before the midterm elections provoked criticisms from Democrats in Congress and the White House.

The Saudis are a foundation of US defense in the Middle East, but Saudi society and the Kingdom do not reflect American social or political values. Mohammad bin Salman wants to build the foundation of a post-hydrocarbon economy based upon opening the Saudi Arabian society to the world but retain his autocratic power atop the Kingdom. Bin Salman can grant women the right to drive, but female activists for that right languish in prison. Obama wanted to defuse the Saudi Iranian competition that ignited the Middle East by giving Iran a stake in a stable Middle East, but the key American allies—the Saudis and the Israelis—opposed the policy vehemently. The Saudis embarked on their campaign in Yemen independently of the US

precisely because the Saudis believed the US was turning from essential Saudi security concerns, though, of course, the Saudi military relies heavily upon the US. Trump backed the Saudi Israeli position of maximum pressure on Iran and delivered missile defense systems to the Saudis to defend from Houthi attacks but to no avail, Houthi and Iranian missiles and drones demonstrated they could hit key Saudi oil facilities with impunity. Biden promised to end the war in Yemen, but immediately upon taking office, the Houthi launched a major offensive in the east that the American supported Saudi military played a major role in stopping, which in turn led to the current ceasefire.

### **The Saudi/Emirati Campaign in Yemen**

Inconsistency and incoherence extend into the Saudi coalition campaign in Yemen. The Saudi/Emirati strategy relied upon a Saudi air campaign and funding for Yemeni forces in the eastern desert, and Emirati leadership and reorganization of Yemeni forces in the south. The Emiratis and Saudis are close allies that agree to disagree, and their disagreements exacerbated existing cleavages in Yemeni politics. A critical point of contention between the UAE and Saudi Arabia is relations with political Islamic groups. Islamic political groups potentially challenge the Saudi state because Saudi legitimacy is based upon Islamic credentials – maintenance and protection of Islam's holiest sites. An Islamic political opposition might challenge Saudi claims. Thus, the Saudis and the Emiratis prefer quietist Salafi groups that profess allegiance to the existing ruler, logically. And both the Saudis and the Emiratis forcefully opposed the rise of Islamic political groups in the Arab Spring. Egyptian strongman Sisi was generously funded by the Saudis and Emiratis when he overthrew the elected government of Muslim Brotherhood leader Muhammed Morsi. But the Saudis have less aversion to Islamic groups than the Emiratis (ironically since the Saudi regime counts on Islamic credentials whereas the Emirati regime has

no Islamic credentials, it is a tribal principedom). The main Sunni oriented Islamic party in Yemen is Islah. Saudi Arabia was a major backer of the Islah party since its inception and continues to support Islah affiliated military units and political leaders in the eastern desert region of Marib.

The Emiratis take a hard line and do not support Islah. The Emiratis prefer secularists or quietist Salafis. The Emiratis took responsibility for military operations in the south of Yemen where they supported existing popular defense organizations fighting the Houthi invaders from the north. Emirati forces built new military units from local recruits in each governorate of the south. Locally recruited military units have greater incentive to fight because they defend home territory, but the local recruiting also gave the Emirates influence over each of the southern governorates.

Emirati backed forces in the south were associated with the southern secessionist movement. Secession and rebuilding the former southern state had strong support among southerners following the civil war between north and south Yemen in 1994. The Houthi assault on the south following their coup in 2014 appeared to southerners as another northern attack on the south. Support for secession is strongest in the western portion of south Yemen, less so in the eastern portion. However, northern opponents of the Houthi, concentrated in Marib, are ardently opposed to secession, particularly in the current circumstances because the south constitutes the bulk of territory outside Houthi control. Secession now would mean northern opposition to the Houthi would be isolated in Marib and Taiz.

Emirati differences with Saudi Arabia overlap and exacerbate differences between the Yemen factions opposed to the Houthi, principally the Southern Transitional Council that now controls the western portion of south Yemen and the Islah party that controls Taiz, Marib, and the interior of Hadhramawt. The southern forces succeeded in pushing the Houthi out of the

south. Emirati backed forces also launched a successful campaign against al-Qaeda that had taken control of coastal Hadhramawt in 2015. Saudi backed forces in Marib had less success because their task was more difficult. Houthi forces successfully used the rugged mountains east of Sanaa to defend against attacks from the eastern desert despite complete Saudi control of the skies. But while the Houthi are unified and capable, the Saudi and Emirati backed Yemenis are fractured into many different factions reflected in the eight diverse representatives on the Presidential Leadership Council formed in April to replace the Hadi government.

### **Economic Collapse**

The war was fought not only on the ground but also in the economy, and for most Yemeni, the economic war has been more damaging than the military war. The main contributor to hardship in Yemen is simply the collapse of the economy—GDP halved since the onset of hostilities. Since the late 1990s, the Yemeni economy grew at a pace slightly faster than the rapid population increase, allowing per capita income to rise. Oil exports were the foundation of growth, contributing about a third of GDP and eighty percent of government revenue in the 2000s and early 2010s.<sup>13</sup> Government oil revenue flowed into the economy through public sector salaries that directly supported 1.2 million Yemenis or about ten percent of the workforce. Yemen's oil resources were limited, however, peak production occurred in 2002, but revenue remained high through the 2000s due to a sustained peak in world oil prices. By the onset of the Arab Spring, Yemen's oil economy was in rapid decline and the war punctuated the end of Yemen's oil era. Without oil, the economy collapsed, per capita income fell by more than half.

The military war did exacerbate the humanitarian crisis, of course. The destruction of transport infrastructure raised transport costs, increasing final consumer prices for goods. Prices

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<sup>13</sup> See Index 1 on pg. 26

also rose because Yemen depends entirely upon imports for many basic commodities making Yemen extremely sensitive to swings in global commodity prices such as in the recent price spike after Russia's invasion of Ukraine. But despite the new difficulties of getting goods to market, markets generally remained stocked with goods. Reports from the UN inspection regime that monitors goods transported to the Houthi port of al-Hudayda show increases in food imports over the period of conflict through al-Hudayda<sup>14</sup>. The conclusion of researchers from ACAPS is similar.

Import data and anecdotal evidence from sources in Yemen monitoring local market dynamics indicate that there are sufficient wheat supplies in the country. Wheat is readily available for purchase. The problem is affordability<sup>15</sup>. The major factor in Yemen's humanitarian crisis is not lack of goods but rising prices at a time when income is dramatically declining. Suffering is compounded by the collapse of the health sector and the displacement of people in conflict zones.

The Yemeni economy now depends upon remittances and international aid for half, if not more, of its income.<sup>16</sup> The core of the domestic economy is now agriculture along with commerce and construction, which generate few exports to pay for importation of Yemen's essential food and fuel commodities. Yemen now depends upon foreign aid, mostly in the form of in-kind food transfers, and remittances sent from relatives abroad. Foreign aid staffs the remaining medical facilities.

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<sup>14</sup> United Nations Verification and Inspection Mechanism for Yemen (UNVIM). 2022. "Operational Analysis – September 2022." [https://www.vimye.org/doc/SAMonthly/Monthly\\_Situation\\_Analysis\\_September2022.png](https://www.vimye.org/doc/SAMonthly/Monthly_Situation_Analysis_September2022.png).

<sup>15</sup> ACAPS Thematic Report. 2022a. "Yemen: Global wheat supply dynamics and their impact." 25 August 2022. [https://www.acaps.org/country/yemen/special-reports\\_](https://www.acaps.org/country/yemen/special-reports_)

<sup>16</sup> World Bank. 2022. *Yemen Economic Monitor: Clearing Skies over Yemen?* Spring 2022, Washington DC: World Bank.



## Wartime Economy

Of course, the collapse of oil exports is not the only reason Yemenis are suffering, the wartime policy exacerbated the downturn. Each side attempted to maximize its revenues while undermining the revenue of the enemy. Upon taking power, the Houthi began transforming the economy to transfer private assets and revenue into Houthi hands as well as increase state revenues. The Houthi routed oil importation and distribution through the hands of Houthi supporters, transferred cell phone, internet, and communications companies to Houthi officials and supporters, took over real estate in Sanaa, began confiscating assets of their opponents, and took over the distribution and sale of cooking gas (90% of which is produced in Marib under the government's control). While there are no official statistics, some research suggests the largest revenues to the Houthi appear to come from various forms of taxation including tariffs, religious taxes, and commercial taxes.<sup>17</sup> About seventy percent of Yemenis live in Houthi controlled territory, so the bulk of economic activity and therefore tax and tariff revenue are under Houthi control. In addition, the Houthi have taken control of humanitarian aid in their territory, sometimes installing Houthi supporters in aid organizations, other times directing the aid to Houthi supporters and preventing aid to others.<sup>18</sup>

In response, the Hadi government not only took measures to bolster its own economy but also to counter Houthi attempts to control Yemen's economy. The first measure was to move the Central Bank to Aden. Yemen's Central Bank, both the treasury and the reserve in Yemen, is located in Sanaa. At the time the Houthi entered Sanaa in 2014, about 4 billion USD in foreign

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<sup>17</sup> Saleh, Wafeeq. 2022. "An Economy with Many Branches: special report." *AlMasdarOnline*. March 9, 2022. <https://almasdaronline.com/articles/247870>.

<sup>18</sup> UN Experts. Saleh, Wafeeq. 2022. "An Economy with Many Branches: special report. Muqbil, Ali. 2022. "Importing Oil under the Houthi: deceptions and sources of wealth." *Al Mushahid* February 21, 2022. <https://almushahid.net/92558/>.

reserves remained in the bank, built up during the good years of oil exports. In the summer of 2016, however, the Houthi stopped paying government salaries because the reserves were exhausted, and the Houthi were diverting new government revenues to wartime expenditure. The Hadi government reacted by creating a second central bank in Aden and ordering tax and tariff revenue be sent to the Aden office. The Hadi government then began printing new money to cover current expenditure, and the Houthi responded by effectively banning the use of the new currency in Houthi controlled territory. Now Yemen has two monetary zones, one using only old bills (Yemen is a cash economy) in the Houthi areas and another using old and new bills in the coalition areas. However, inflationary printing of new money in the coalition zone drove down the value of the Rial in the coalition zone but not in the Houthi zone. The exchange rate in the Houthi zone remained stable at about six hundred Rial to the US dollar whereas in the coalition zone, the Rial fell to about one thousand one hundred to the US dollar. Undermining the value of the Rial drove commodity prices up for those living in the coalition government zone because most of Yemen's goods are imported.

The latest round of economic warfare is the Houthi attack on oil exports. The Houthi claim to be the sole government in Yemen, accusing Houthi opponents of being mercenaries of foreign powers rather than a legitimate government. The Houthi thus claim that oil reserves and exports belong to them, not the coalition backed government and recently threatened to use force to prevent oil exports from Yemen's southern coast. Since the end of the official ceasefire in October, the Houthi made good on their threats attacking oil tankers approaching the southern ports with drones and effectively cutting off the coalition backed government's only export.

## The Blockade

The move that generated the most media attention was the Saudis blockade of oil imports to al-Hudayda, the main Houthi controlled port. Following UN resolution 2216 of April 2015 that forbids weapons sales or transfers to the Houthi, the UN created a verification and inspection mechanism, UNVIM, to verify that cargo ships entering the Houthi controlled ports on the Red Sea, principally al-Hudayda, were not carrying weapons. The UNVIM is funded by the European Union, USAID, the Ministry for Foreign Affairs of Sweden, the Ministry of Foreign Affairs of the Netherlands, UKAID, New Zealand Foreign Affairs and Trade. The UNVIM data on shipments to al-Hudayda shows the continued flow of goods into the Houthi port over the course of the war except for a year-long period in which oil imports declined. From late 2020—around the time Biden was elected—until the ceasefire in April 2022, Saudi warships at the request of the Yemeni government prevented most oil tankers from entering al-Hudayda though they had been cleared by the UNVIM to enter.<sup>19</sup> The Saudis and the Yemeni government were upset that the Houthi were using revenue from oil imports for their war effort in violation of the Stockholm Agreement of 2018.

In 2017, Emirati backed troops drove up the Red Sea coast from Aden and southward from Saudi Arabia in an offensive designed to take the entire coast from Houthi control. The offensive reached al-Hudayda, but international humanitarian concerns about a large-scale urban conflict prevented coalition forces from entering the city. Instead, the UN negotiated the Stockholm Agreement between the government and the Houthi that stipulated the creation of an account in the al-Hudayda branch of the Central Bank for revenues from the port to fund public sector salaries—a mainstay of the pre war economy—rather than the Houthi war effort. But the

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<sup>19</sup> UNVIM. 2022. “Operational Analysis.”

Houthi ignored the agreement and used the money for their own purposes, which angered the Saudis.

The Saudi restriction of oil imports to the main Houthi port did not stop the Houthi military, however, who launched a major offensive in the east unhindered by shortage of oil. The Houthi simply increased oil imports through licit and illicit trade routes overland from the southern and eastern portions of Yemen that are controlled by the government.<sup>20</sup> The oil trade moved south to Aden and the other oil ports along the southern coast, then overland where militias from the government side taxed commodities at various points along the road to Houthi territory.<sup>21</sup> In effect, the blockade rerouted fuel imports from al-Hudayda to Aden and Mukalla in the south, which added revenue to Houthi opponents because fuel imports passed through Aden then through territory controlled by anti-Houthi militias before reaching Houthi territory.<sup>22</sup> In April when the Saudis allowed tankers cleared by the UNVIM to dock in al-Hudayda, fuel imports dropped dramatically in Aden because the fuel trade diverted back to al-Hudayda.<sup>23</sup>

While the Saudi blockade of oil did not prevent oil from reaching the Houthi, it did give the Houthi a golden propaganda opportunity and enriched them at the same time. Houthi media blamed the Saudis for the humanitarian crisis in Yemen though the Houthi themselves profited from the control of oil distribution in their territory and the manipulation of the distribution of humanitarian aid. The Houthi monopolize the sale of refined fuel products through their control of both the official Yemen Petroleum Company and black markets in their territory. The Houthi

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<sup>20</sup> ACAPS Thematic Report. 2022. "Al Hodeida fuel import and fuel price modeling." 4 April 2022 <https://www.acaps.org/country/yemen/special-reports>.

<sup>21</sup> United Nations 2022. "Letter dated 25 January 2022 from the Panel of Experts on Yemen addressed to the President of the Security Council." S/2022/50. "<https://daccess-ods.un.org/tmp/1062072.58999348.html>.

<sup>22</sup> ACAPS Thematic Report. 2022b. "Yemen: Impact of the truce on fuel supply dynamics and fuel price structures using satellite imagery and price modeling." 12 September 2022. <https://www.acaps.org/country/yemen/special-reports>.

<sup>23</sup> ACAPS Thematic Report. 2022b.

declare that the YPC has no oil, force people to buy fuel from the black market at exorbitant prices but allow very public demonstrations against the shortages while suffering no shortage fuel for their military offensive in Marib, a situation one analyst termed “managed shortage”.<sup>24</sup> Similarly, the Houthi manipulate humanitarian aid in their territory, diverting aid to supporters and denying aid to those that resist the Houthi in any way.

### **Iran and the Houthi**

The UN inspection regime does not prevent Iran from sending military and economic support to the Houthi. The UN Panel of Experts found that revenue from illicit sales of Iranian oil was used to support the Houthi war effort.<sup>25</sup> The US Navy has intercepted small boats with weapons headed for the southern coast of Yemen where they transfer to overland smuggling networks.<sup>26</sup> Boats were intercepted on the Red Sea coast as well. The Iranians even smuggled an ambassador, Hasan Irlu, to Yemen who later died of complications from the coronavirus he contracted in Yemen. Houthi missiles have become more capable during the course of the war as have Houthi drones.<sup>27</sup> Iran and allies have helped the Houthi despite the UN inspection regime.

In as much as Houthi drone capability puts Saudi Arabia and the Emirates on the defensive, Iranian aid to the Houthi is important. However, Iranian aid did little to change the balance of forces in Yemen. Without Iran, the Houthi would be in much the same position. Strategic use of existing military capabilities gave the Houthi the advantage on the ground in Yemen, not drones or missiles. The conflict in Yemen is neither a proxy war between Saudi

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<sup>24</sup> Sana'a Center Economic Unit. 2020. “Yemen Economic Bulletin: Another Stage-Managed Fuel Crisis.” *Sana'a Center for Strategic Studies*. 11 July 2020. <https://sanaacenter.org/publications/analysis/10323>.

<sup>25</sup> United Nations Security Council. 2019. “Letter dated 25 January 2019 from the Panel of Experts on Yemen addressed to the President of the United Nations Security Council.” 25 Jan 2019 S/2019/83.

<sup>26</sup> NAVCENT Public Affairs. 2021. “US Navy Seizes 1,400 Assault Rifles During Illicit Weapons Interdiction.” U.S. Naval Forces Central Command / U.S Fifth Fleet. <https://www.dvidshub.net/news/411792/us-navy-seizes-1400-assault-rifles-during-illicit-weapons-interdiction>

<sup>27</sup> Hanna, Andrew. 2021. “Iran's Drone Transfers to Proxies.” United States Institute of Peace. 30 June 2021. <https://iranprimer.usip.org/blog/2021/jun/30/iran%E2%80%99s-drone-transfers-proxies>

Arabia and Iran because Iran does little and the Saudis are directly involved in the war, nor a Saudi war on Yemen because the fighting is principally between the Houthi and Yemeni opponents.

### **De Facto Partition of Yemen**

The Houthi are determined to rule Yemen alone, they do not recognize their Yemeni opponents, and would only allow their opponents to participate in the political process that the Houthi dominate. Houthi opponents are split. The Republicans cite UNSC 2216 that demands the Houthi withdraw, give up their weapons, and become a political party in the Republican political system. The southern secessionists want a state of their own devoid of northerners, Houthi or Republican. None of these positions are currently negotiable.

The Saudis and the Houthi may reach a temporary understanding, along with the Emirates, separate from the Yemeni anti-Houthi forces that the Saudis support, but the divisions among Yemenis appear irreparable for the time being.

### Index 1: Figures 1&2

Figure 1

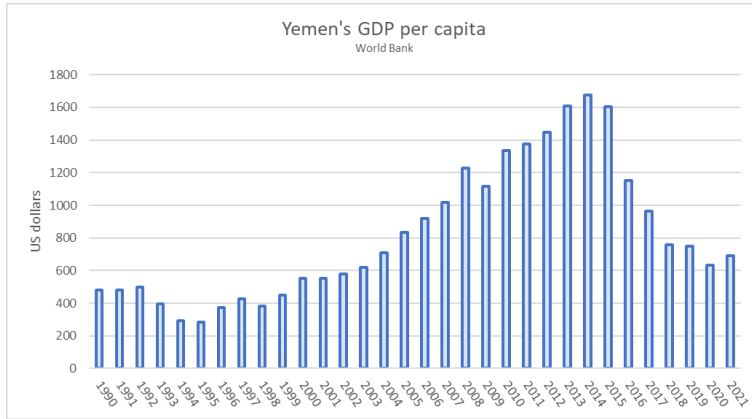


Figure 2

