

# CARNEGIE PAPERS

## **Yemen:**

Avoiding a  
Downward  
Spiral

Christopher Boucek

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*Interrelated economic,  
demographic, and domestic  
security challenges are  
converging to threaten the  
stability of Yemen.*

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# Contents

- Summary** **1**
  
- Introduction** **2**
  
- Interlocking Challenges** **4**
  - Economic Challenges 4
  - Demographic Challenges 9
  - Domestic Security Challenges 12
  
- Addressing the Convergence of Problems** **17**
  - The Government of Yemen’s Efforts to Date 17
  - The Efforts of Major Donors 21
  
- Ways to Help** **22**
  
- Conclusion** **24**
  
- Timeline of Recent Attacks** **27**



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## Summary

Yemen faces a great and growing number of challenges that endanger its political future and threaten its neighbors on the Arabian Peninsula. War, terrorism, a deepening secessionist movement, and interconnected economic and demographic trends have the potential to overwhelm the Yemeni government, jeopardizing domestic stability and security across the region. Yemen's oil—the source of over 75 percent of its income—is quickly running out, and the country has no apparent way to transition to a post-oil economy. The dire economic situation makes it increasingly difficult for the government to deliver the funds needed to hold the country together.

Yemen remains the poorest country in the Arab world, and in the next two decades, its population is expected to double to over 40 million. This rapidly expanding and increasingly impoverished population will place unbearable pressures on the government. The ongoing civil war in Saada against Shi'i Zaidi rebels, a revitalized secessionist movement in the South, and a resurgent al-Qaeda all endanger the Yemeni state. While none of these challenges has yet turned critical, they will all converge on the eve of the presidential election in 2013, about the time when Yemen will need to address a pending political leadership transition. Amid internal political dramas, porous borders, a heavily armed population, a rapidly falling water table, and a history of weak or non-existent central government control, unless Yemen's authorities take dramatic steps today, the country faces a very bleak future.

Any single event—or more likely a confluence of worst-case events beyond the ability of the state to control—could lead to a further erosion of central government authority in Yemen and destabilization of the region. A major humanitarian crisis, triggered perhaps by severe famine or crop failure, could result in a large refugee emergency in which the government would be unable to provide even rudimentary relief services. A balance-of-payments crisis in which the regime could no longer afford to placate the urban areas that receive government services would be disastrous. An inability of a post-Saleh president to balance Yemen's competing interests and stakeholders could create a power vacuum, with separate regions possibly growing more autonomous and independent from the central government in Sanaa.

Yemen has always survived crises in the past, but these complex and interwoven challenges are unprecedented in both degree and kind. While the country has few realistic solutions to its problems today, its options will be even fewer and worse in the future. And while Yemen cannot fully address any of these issues, it can surely lessen their impact on regional security. For both Yemen and the United States, the cost of inaction has simply grown too great.

## Introduction

Yemen is beset by a host of challenges that endanger both its domestic stability and regional security. The United States and the international community must act now, before conditions deteriorate further, to help Yemen meet these challenges. While Yemen has survived crises in the past, they have tended to be singular events, while the many problems it now faces are unprecedented in range and scope.

The problems include international terrorism, violent extremism, religious and tribal conflict, separatism, and transnational smuggling. Attempts to build effective national governance are frustrated by porous borders, a heavily armed population, and a historical absence of much central government control. Between Saudi Arabia and Somalia, Yemen is strategically located—part of two different yet interconnected regions, the Arabian Peninsula and the Horn of Africa. This fact often frustrates policy analyses; Yemen is excluded from the wealthy Gulf Cooperation Council, but is in many ways more resilient than its East African neighbors. More than 3 million barrels of oil pass the country's coast every day, through treacherous waters where Islamist terrorists and Somali pirates have staged several successful maritime attacks, threatening to disrupt international commerce and the flow of vital hydrocarbons.

Interrelated economic, demographic, and domestic security challenges are converging to threaten the stability of Yemen. At the heart of the country's problems is a looming economic crisis. Yemen's oil reserves are fast running out, with few viable options for a sustainable post-oil economy. Moreover, the country's limited water resources are being consumed much faster than they are being replenished. A rapidly expanding and increasingly poorer population places unbearable pressure on the government's ability to provide basic services. Domestic security is endangered by Islamist terrorism, magnified by a resurgent al-Qaeda organization, an armed insurrection in the North, and an increasingly active secessionist movement in the South.

These challenges are compounded by corruption and an absence of central government control in much of the country, as well as by the pending transition in political leadership. President Ali Abdullah Saleh has ruled the Republic of Yemen since the unification of the Yemen Arab Republic in the North and the People's Democratic Republic of Yemen in the South in 1990. The next presidential election is scheduled for 2013. It is unclear whether Saleh will be eligible to stand for reelection for what would be a third term, and he has no obvious successor. The post-Saleh government will be severely strained by a combination of reduced revenue and diminished state capacity.

Yemen is the poorest country in the Arab world, and its population growth rate, which exceeds 3 percent per year, is among the world's highest. The government has been unable to provide adequate educational or other public services for the rapidly expanding population, more than two-thirds of which

is under the age of 24, and illiteracy stands at over 50 percent. The faltering economy and poorly prepared workforce have pushed unemployment to 35 percent, on par with the Great Depression in the United States. The country's dire economic circumstances will soon limit the government's ability to deliver the funds needed to hold the country together. The population is expected to double to 40 million over the next two decades, by which time Yemen will no longer be an oil producer, and its water resources will be severely diminished.

Yemen has been frequently discussed by observers as a failing state, and with good reason. Owing to the central government's weak control, the country has often been on the brink of chaos, yet it has always managed to muddle through. One of its crises was precipitated by the Saleh regime's failure to support United Nations Security Council resolutions calling for the use of force to evict Iraqi troops from Kuwait in 1990. U.S., Western, and Gulf Arab aid was cut dramatically in retaliation, and nearly 1 million Yemeni workers were expelled from Saudi Arabia. The unification of North and South Yemen earlier in 1990 and the 1994 civil war in which the South attempted to secede have also presented major challenges for the central government. However, unlike these individual challenges, the problems facing the country today are multiple and interconnected, each one posing serious threats to the future of Yemen, and together potentially overwhelming the state's limited capacity.

Any single event—or more likely a confluence of worst-case events beyond the ability of the Yemeni government to control—could lead to a further erosion of central government authority in Yemen and destabilization of the region. A major humanitarian crisis, triggered perhaps by severe famine or crop failure, could, for instance, result in a large refugee emergency in which the government would be unable to provide even rudimentary relief services. A balance-of-payment crisis in which the regime could no longer afford to placate the urban areas that receive government services would be disastrous. An inability of a post-Saleh president to balance Yemen's competing interests and stakeholders could create a power vacuum, with separate regions possibly growing more autonomous and independent from the central government in Sanaa.

Still, Yemen boasts a relatively resilient society that has already endured much, with little assistance from Sanaa. In some regards, in fact, low expectations for the Yemeni government to deal with future crises may help lessen their potential impact. Because rural *muhafazat*, or governorates, the administrative divisions in Yemen, do not currently rely on Sanaa for goods and services, what happens at the national level in the future may make little difference to much of the population.

If, however, the central government's authority and legitimacy continue to deteriorate, Yemen may slowly devolve into semi-autonomous regions and cities. This trajectory has occurred in other countries, such as Somalia and Afghanistan, with disastrous consequences. Such a slow, emerging state of semi-lawlessness in Yemen would provide opportunities for extremists directed

or inspired by al-Qaeda to regroup, organize, train, and launch operations against U.S. and allied targets throughout the Gulf region.

No perfect solutions exist for Yemen's problems today, and none of its many pressing challenges can be fully averted. Steps, however, can be taken to lessen their impact. The United States has a stake in helping Yemen deal with its problems; given the country's strategic importance to American national security interests and foreign policy objectives, the cost of inaction would be too great. Furthermore, failure to act now would lead to fewer and even worse options in the future.

## Interlocking Challenges

Yemen's future lies at the intersection of three major interconnected challenges: economic, demographic, and domestic security.

### Economic Challenges

Vital natural resource depletion, the effects of the global economic downturn, corruption, unemployment, and inflation pose the most significant long-term economic threats to the country. Yemen is the poorest country in the Arab world, and it is getting poorer because of government policies, complicated by rising prices and an inability to absorb a growing population into the domestic labor market.

#### *Resource Depletion: Oil*

Oil exports, which generate more than 75 percent of government revenue, are absolutely critical for the Yemeni economy. The government relies on the hard currency provided by oil sales to fund state expenditures. More importantly, in the absence of mature and enduring state governance institutions, oil revenue helps to maintain extensive patronage networks that balance competing interests among various tribes and other stakeholders.

Rapidly decreasing oil reserves, however, coupled with a dramatic fall in global oil prices have had a severe impact on the Yemeni economy. Production is decreasing in both areas where Yemen's oil reserves are concentrated—the Marib basin in the middle of the country and the Masila basin in the east—as the fields approach the end of their useful cycles. Yemen's oil reserves are divided into 97 onshore and offshore exploration and production blocks, of which only twelve produce oil. The most significant of these are Marib (block 18), Masila (block 14), East Shabwa (block 10), Jannah (block 5), and West Iyad (block 4). British Petroleum has assessed Yemen's proved reserves at 2.8 billion barrels (the Yemeni government maintains that this figure grossly underestimates the reserves, but Sanaa's claims remain unsubstantiated).

Oil exports in Yemen have declined sharply in recent years, from more than 450,000 barrels per day at the peak in 2003 to roughly 280,000 barrels per day in January 2009, according to Amir Salem al-Aidroos, the minister of oil and minerals. Barring any major new discoveries, energy experts generously estimate that Yemen's oil exports will cease in ten years. The World Bank posits that by 2017 the government of Yemen will earn no income from oil. Other assessments suggest that the proved oil reserves will be exhausted in just five years. The true extent of oil production decrease has been masked by recent high prices, which allowed Yemen to earn more money despite selling less crude oil. Since global prices have fallen from their summer 2008 record high, the country has been hit doubly hard—both in revenue per unit and total units sold. While falling reserves account for much of the drop in production, poor maintenance and limited capacity in Yemen's oil sector have exacerbated the problem.

The Ministry of Oil and Minerals has identified several obstacles to greater production, including the absence of a long-term strategic plan for the energy sector and the failure to streamline production sharing agreements. There are currently three separate agreements: one for oil, one for gas, and another for a combination of both. As a result, there is no incentive for oil companies to develop resources not covered under a production sharing agreement. Any gas found during oil exploration, for example, is not developed because it was not what the operating company was licensed to extract. Moreover, each individual production sharing agreement must go before parliament for approval before production may begin, leading to months-long delays in some cases. To address this, the ministry is seeking the authority to issue and approve future agreements. Separately, the ministry wants greater geological study, through the use of costly seismic and advanced imaging technologies, to detect hydrocarbon deposits. It is unclear, however, that even the most sophisticated analyses would discover more oil, and in any case, difficult physical and security conditions would complicate further extraction.

As a result of decreased oil export earnings, the Yemeni government has sharply curtailed income expectations. During July 2008, crude oil was at a record high price of \$147 per barrel; during the first quarter of 2009, according to the Central Bank of Yemen, it averaged just \$43 per barrel, and the U.S. Energy Information Administration has estimated that prices will average \$55 per barrel for the second half of the year.

Further complicating the national budget, which is dependent on oil revenue, is that most of the budget, including government subsidies, salaries, and pensions, has traditionally been politically off-limits. In recognition of the severe budgetary shortfalls, at the beginning of 2009 the Finance Ministry reportedly ordered budget cuts of 50 percent throughout the entire bureaucracy; according to the *Economist Intelligence Unit*, however, cuts of only 4 percent have been implemented. Furthermore, these reductions have not been applied

universally across the entire government; the Defense and Interior ministries, among others, will not be affected. In actuality, the financial straits are much more severe than had been predicted. Data released by the Central Bank of Yemen indicate that revenue from oil exports hit a record low in the first quarter of 2009, down 75 percent from the same period in 2008.

Clearly, Yemen's oil resources are running out, and finding new sources of oil reserves is not a feasible solution. Attempts to cut the budget, meanwhile, have not succeeded. It is imperative that the country prepare for a post-oil economy.

### *Resource Depletion: Water*

While Yemen's dwindling oil reserves are a major concern, ultimately more worrisome is the rapidly depleting water supply. Shortages are acute throughout the country, and Sanaa, whose population is growing at 7 percent a year as a result of increased urbanization, may become the first capital city in the world to run out of water. This crisis is the result of several factors, including rising domestic consumption, poor water management, corruption, absence of resource governance, and wasteful irrigation techniques. Until five years ago, there was no Water and Environment Ministry, and today legal oversight remains limited. According to a 2009 UN Food and Agriculture Organization report, Yemen is among the world's most water-scarce nations, with one of the lowest rates of per capita fresh water availability. Because of an absence of any serious or enforceable legal oversight, water is being extracted from underground aquifers faster than it is being replaced. The water basin in Taiz, one of the largest cities, collapsed in 1998. Water extraction rates in Sanaa are now estimated at four times that of replenishment, and the basin there and in Amran are close to collapse, with the Saada basin estimated to follow shortly thereafter. According to one recent analysis, nineteen of the country's 21 aquifers are not being replenished.<sup>1</sup> In some cases, nonrenewable fossil water is now being extracted.

In recent years, the water table in Yemen has fallen about 2 meters, or 6.6 feet, per year, forcing wells to be dug deeper. This affects the quality of the water—the British think tank Chatham House noted in a sobering analysis that it is deteriorating because of increased concentration of minerals.<sup>2</sup> The falling water table also often necessitates the use of oil drilling rigs. While a legal regime now exists to assure the fair and equitable usage of surface water, there is no such legal regime for groundwater. As a result, anyone who wants water (and can afford to do so) digs a well and draws out as much water as possible. Abdul Rahman al-Iryani, the minister of water and environment, has estimated that 99 percent of all water extraction is unlicensed.

The importation of drill rigs is not subject to any customs duty, licensing process, or taxation. As of January 2009, Water and Environment Ministry

officials estimate that more than 800 private drill rigs are operating in the country. In contrast, there are only three in all of Jordan, and India—whose population is more than 50 times that of Yemen—has just 100.

In an attempt to address the country's water crisis, the central government has sought to decentralize water and sanitation services, in essence making the governorates responsible for themselves. This effort fits within a larger government strategy of devolving control to local governorates to circumvent the fact that much of the territory of Yemen lies outside of central government control. According to al-Iryani, the water and environment minister, fifteen local water corporations have been created to manage local resources. Most of the country's major cities have been covered through this project, including Ibb, Taiz, Hodeida, Aden, Mukalla, Amran, Dhamar, and Sanaa city (administratively, the capital is differentiated from the surrounding governorate, also known as Sanaa). This is important because most of the central government's support comes from these urban areas. According to many observers, the Saleh regime prioritizes the delivery of services to urban areas at the expense of rural governorates. The failure to establish local water corporations in several governorates that historically have not received much support or social services from the central government, and where control is exercised largely by tribal authorities, has raised fear that a resurgent al-Qaeda may seek refuge. Local water corporations have not yet been created in Marib, Jouf, Shabwa, Sanaa, Mahra, and Mahwit governorates. The Water and Environment Ministry has also said that it is in the process of establishing a local water corporation in the northern Saada governorate, ostensibly as a means to advance security and stability amid an ongoing civil conflict. The central government has done little reconstruction work or social service provision there, however, and it is unclear how a local water corporation can be created while the military wages a fierce and often indiscriminate campaign against an increasingly resilient guerrilla movement.

In one bright spot on the water front, an underground water basin was discovered near Mukalla in mid-2009, and estimates suggest that it could supply the region with water for many years. Yemeni officials note that the water was found at depths in excess of 200 meters, or 656 feet, demonstrating the increasingly difficult task of finding freshwater. Much of the water will likely go to the agricultural sector, the biggest consumer in the country. Officials also warn that the new find must be protected from contamination from saltwater, sewage, and the overuse of fertilizers and pesticides.

### *The Impact of Qat*

A large amount Yemen's water consumption is devoted to the irrigation of qat, a semi-narcotic plant habitually chewed by an estimated 75 percent of Yemeni men. Nearly all social interactions in Yemen, from business to government, revolve around daily afternoon qat chews. While exact figures are difficult to come by, a majority of Yemen's arable land is devoted to qat cultivation.

Qat is an especially hardy plant that grows in areas where other crops such as coffee would not. It is favored by farmers for its ability to generate cash quickly; when they are in need of income, farmers simply turn on the taps to irrigate the fields. After just weeks of irrigation, qat leaves can be harvested nearly year-round for same-day sales. Furthermore, it is much more profitable than other crops, such as grapes or potatoes.

Because qat is more productive as it is given more water, there are no incentives to conserve water in irrigation. Farmers will therefore often over-irrigate their fields with little consideration given to the environmental aftereffects, including soil degradation caused by exhausting soil nutrients. The greatest expense for qat farmers is diesel to run the pumps to draw groundwater for their fields. In an example of Yemen's interconnected challenges, qat cultivation thus benefits indirectly from the government's diesel subsidies.

For all the problems associated with it, however, research has shown that there are also some beneficial aspects to qat cultivation by increasing the availability of local services and generating employment for rural Yemenis from other parts of the country. In an assessment of qat in Yemen, the World Bank noted that the qat trade facilitates regular transfers of money from cities to rural areas. Moreover, the vast majority of income from qat sales remains in the local area, and employment in qat cultivation helps to limit urbanization. Nonetheless, Yemen's qat habit has been identified as one of the main primary causes of poverty in the country, decreasing productivity, depleting scarce resources, and consuming an increasingly larger portion of household budgets.<sup>3</sup>

In fact, so much land is devoted to qat cultivation, which comprises a large part of the Yemeni economy, that the country's ability to grow its own food has decreased to the point that it is now a net food importer. Worse, more than 5 million Yemenis go hungry each day, according to the Ministry of Planning and International Cooperation, and the country's childhood malnutrition rates are among the highest in the world. The UN World Food Programme noted last year that 97 percent of Yemeni households surveyed did not have enough money to pay for food and other essentials, leading family members to forgo meals, reduce protein consumption, seek second jobs, and sell personal belongings in an effort to cope. In May 2009, the UN body said many Yemenis were down to just one meal per day. Two months later, it announced an urgent call for donors for food aid for at-risk groups, in particular women and children.

### *Broader Economic Woes*

Yemen suffers from the effects of the global economic downturn, endemic corruption, and inflation. Individually, each poses difficulties; together, they are a snapshot of an economy in crisis.

The downturn in the global economy has had a dire impact on Yemen. It has been hit hard by decreases in revenue and the dramatic fall in global crude

oil prices. Critically, the global recession and economic slowdown in the Gulf have led to decreased remittances from Yemenis working abroad. Foreign investment, particularly from the Arab Gulf countries, is also down.

Corruption has also taken a toll. In recent years, Yemen has taken steps to curb corruption, enacting laws on money laundering, fiscal transparency, and anticorruption. Its Central Organization for Control and Auditing is recognized as an increasingly competent organization, and the establishment of the Supreme National Authority for Combating Corruption is a positive move, although the organization's impact will be limited until it is granted enforcement capabilities.

Yet despite these efforts, corruption continues to be a serious and continuing problem, and fair and transparent prosecutions are needed. The auditing agency has alleged that nearly 30 percent of government revenue is never deposited in government accounts. The U.S. Agency for International Development noted in its 2006 *Yemen Corruption Assessment* report that corruption in Yemen is a result of weak government institutions. It identified the four main sources of corruption as the national budgetary process; the procurement system; the military-commercial system; and the ruling General People's Congress, or GPC, party apparatus. Allegations of an active black-market trade in refined petroleum products, as well as officially sanctioned or tolerated smuggling, also persist.

The Yemeni economy has suffered from significant inflation for the past several years. Periodic—and often only temporary—decreases in government subsidies have contributed to rising consumer prices. Inflation reached 20 percent last year. It has recently been brought down closer to 12 percent; however, it is expected to go up again because of a cyclical rise in import prices anticipated in the next three years.

## Demographic Challenges

A second major set of challenges confronting Yemen is demographic. Although the population growth rate has decreased slightly in recent years, it is among the highest in the world at just over 3.4 percent per year. As a result, more than two-thirds of the population is under the age of 24. In the next two decades, Yemeni and Western analysts alike expect Yemen's population to nearly double to more than 40 million people. Poverty is severe, with an annual per capita income of under \$900 per year and nearly half the population earning less than \$2 per day. Infant mortality is a major concern, in part a result of extremely limited pre- and postnatal care. Small programs established by European donors have had some success in combating this problem, but Yemeni children continue to die from preventable childhood illnesses.

The difficult terrain and the geographic dispersion of the population exacerbate the demographic challenges. Yemen's 23 million people are spread

throughout roughly 135,000 villages and settlements. Many Yemeni villages are remote, spread across mountainsides and desert wadis, with less than one-third of the population living in urban areas. The central government has been unable to extend either a government presence or more than baseline social services to such a widespread population. As a result, many settlements are forced to be largely self-sufficient, providing their own health care centers, schools, and other social services. In the future, the ability of the central government to effectively exert its control throughout the entire country and provide basic services is in serious doubt, as it struggles to do so now.

### *Education*

An inadequate education system aggravates the demographic challenges. The national literacy rate is about 50 percent, with female illiteracy near 70 percent. Women experience disproportionate difficulty in accessing education, with enrollment rates dropping off by half from primary to secondary school.

According to Minister of Education Abdulsalam al-Joufi, one of Yemen's greatest problems is an insufficient number of qualified teachers. At unification in 1990, more than half of the country's teachers were deemed to be unqualified. For a number of years after unification, the government virtually ceded control of the education system to religious conservatives. The government has since sought to regain control of the education system and introduce modest reforms. As of January 2009, there were 42 programs in place to retrain more than 90,000 teachers. Population growth in the years since 1990 has further strained the education system. There are now only about 16,000 schools for the 135,000 villages and settlements.

Among the efforts to improve the education system, the government has tried consolidating the state schools, independent Islamic schools, and the old socialist school system from the former South Yemen. Another step has been to standardize the curriculum to promote the teaching of a range of core subjects. In May 2009, the *Yemen Observer* reported that a new review would be conducted jointly by the ministries of Education and Religious Endowment and Islamic Affairs to evaluate the curriculum used in the estimated 4,500 religious schools in the country, all of which are ostensibly under some form of government supervision. Details of this oversight, however, remain lacking. Similarly, the discussion of politics in classrooms is officially forbidden by the ministry, and school principals are expected to monitor such activities and reprimand noncompliant teachers. This process, however, has also proven difficult to implement, and it is unclear what measures are available to remove problematic teachers.

Underregulated religious education has been a recurrent problem in Yemen. According to al-Joufi, all "scientific institutes"—a "parallel and separate"

Islamist education system, largely funded from Saudi Arabia and focused on religious and Arabic language instruction<sup>4</sup>—were closed by the government, although several Western analysts doubt this assertion. As part of an effort to reassert the ministry's primacy, the building that previously housed the Sana'a Institute, once the country's largest extra-governmental institute, is now the headquarters of the Education Ministry. Nevertheless, teachers formerly employed at scientific institutes remain in Yemen, and many are still teaching.

The Yemeni government is carrying out a fifteen-year plan to address deficiencies in the education system. Current priorities include efforts to improve the overall quality, unify the curriculum, and increase girls' access to education. Despite limited resources, the Ministry of Education has additional goals to amalgamate and harmonize the national education system into one coherent body, increase supervision throughout schools, and implement a nationwide testing system. Throughout all these programs, the ministry is also seeking to recast the learning process away from rote memorization, the traditional model in Yemen.

### *Employment*

More than 25,000 people enter the labor market each year, and the figure is increasing as Yemen's population rapidly expands. Because of the weak economy and lack of development, unemployment is conservatively estimated at 35 percent. Yemeni officials recognize that the central government is not able to hire all those seeking work and the private sector is unable to pick up the slack. Ali Mohammed al-Anisi, the director of the Presidential Office and chairman of the National Security Bureau, observes that unemployed youth are exploited by extremist elements, including al-Qaeda and Houthi rebels. The government acknowledges that the country's economic difficulties contribute to its security problems, and some officials recognize that the government's plans for addressing these issues are inadequate.

With Yemen's population set to double by 2030, the increase cannot be absorbed solely into the domestic labor market. Yemen will need to export labor to wealthy Gulf states. Labor remittances already contribute approximately \$1 billion to the economy each year. The typical Yemeni expatriate worker supports up to seven people back home. However, Saudi Arabia and the other Gulf countries are no longer much interested in importing unskilled Yemeni laborers and it is unlikely that Yemeni workers will displace other third country nationals laboring in the Gulf. To be competitive, Yemen will need to export semiskilled workers, trained and certified in specialized areas. Toward this end, several regional states have launched training programs, and in July 2009, Saudi Arabia announced its intention to finance 69 technical training institutes in Yemen.

## Domestic Security Challenges

The third major set of challenges facing Yemen involves domestic security. Counterterrorism and security concerns are the greatest immediate worries of U.S. and Western officials; in fact, without the fear of terrorism, it is doubtful that developments in Yemen would evoke much alarm in Western policy circles. The major domestic security threats are violent Islamist terrorism; the ongoing conflict in the northern province of Saada; the southern separatist movement; and piracy and border security. These issues all coalesce around a larger fear that a resurgent al-Qaeda will exploit the central government's weakness and will coalesce in under-governed spaces in Yemen to destabilize the region, mounting attacks against U.S. and other Western targets throughout the Gulf.

### *Islamist Extremism*

Islamist extremism in Yemen is the result of a long and complicated set of developments. A large number of Yemeni nationals participated in the anti-Soviet jihad in Afghanistan during the 1980s. After the Soviet occupation ended, the Yemeni government encouraged its citizens to return and also permitted foreign veterans to settle in Yemen. Many of these Arab Afghans were co-opted by the regime and integrated into the state's various security apparatuses. Such co-optation was also used with individuals detained by the Yemeni government after the September 11 terrorist attacks. As early as 1993, the U.S. State Department noted in a now-declassified intelligence report that Yemen was becoming an important stop for many fighters leaving Afghanistan. The report also maintained that the Yemeni government was either unwilling or unable to curb their activities. Islamism and Islamist activists were used by the regime throughout the 1980s and 1990s to suppress domestic opponents, and during the 1994 civil war Islamists fought against southern forces. More recently, similar allegations were made that Islamist fighters have fought on behalf of the government in Saada and against southern separatists. While Islamists of various stripes may have fought in either theater, there is no evidence to suggest that al-Qaeda operatives have fought on behalf of the government.

After several serious terrorist attacks in the early 2000s, such as on the USS *Cole* and the French oil tanker MV *Limburg*, Yemen experienced a brief period of calm. Analysts now believe this was the result of a short-lived "tacit non-aggression pact" between the government and extremists and of enhanced U.S.–Yemeni counterterrorism cooperation. Several years later, however, a generational split by younger extremists, radicalized in part by the global Sunni Islamist revival and the U.S.–led invasion of Iraq, led to the emergence of a group not interested in negotiating with what it viewed as an illegitimate and un-Islamic government. Several prison escapes of experienced and dangerous operatives further energized this younger faction, which launched a new campaign of violent attacks against oil facilities, foreign residents and tourists,

and government security targets. In September 2006, there were two near-simultaneous car bombings at oil facilities. Attacks against energy targets, including bombings of oil pipelines and shootings of oil field workers, have since occurred at a steady pace. (Not all attacks have been carried out by al-Qaeda, and determining responsibility for some attacks in Yemen is difficult. See appendix for listing of recent attacks.) Tourists have been killed in bombings and shootings in Marib in 2007 and in Hadramout in 2008 and 2009. Starting in March 2008, violence moved to the capital, with a series of mortar and indirect fire attacks on the U.S. Embassy, Yemeni government facilities, and a Western housing compound. The offices of a Canadian oil company were bombed, and the U.S. Embassy was attacked again in September 2008 by multiple car bombs and gunmen.

There are increasing indications that al-Qaeda is regrouping in Yemen and preparing to strike at Western and other targets. Recent counterterrorism measures in Saudi Arabia have forced extremists to seek refuge elsewhere, and analysts have observed a steady flow relocating to Yemen's under-governed areas. In spring 2008, al-Qaeda operatives in Saudi Arabia were encouraged by local Saudi commanders to escape to Yemen, and by January 2009, the Saudi and Yemeni al-Qaeda affiliates merged. A video announcing the establishment of al-Qaeda in the Arabian Peninsula featured two Saudis who had been released from the U.S. military detention center at Guantanamo Bay, Cuba, and had assumed leadership positions in the newly formed organization. Following this news, Saudi authorities released a list of 85 most-wanted terrorism suspects. Of them, 26 were believed to be in Yemen, including a total of eleven Saudis who had been detained at Guantanamo.<sup>5</sup>

The emergence of the regional al-Qaeda group marks a major deterioration of security in Yemen. It is feared that Yemen may now be used by al-Qaeda as a base in the Arabian Peninsula to stage attacks in the Gulf and Horn of Africa. For the past several years, there have been reports of Saudi nationals killed or captured by security forces in Yemen. In April 2009, Saudi authorities announced the capture of eleven fighters who had crossed into Saudi Arabia from Yemen. The group allegedly possessed components for more than 30 suicide vests. This was the first concrete indication of Yemeni instability threatening Saudi security.

Dennis Blair, the U.S. director of national intelligence, highlighted the threat of a resurgent al-Qaeda organization in Yemen in testimony before the U.S. Senate Select Committee on Intelligence in February 2009. In his annual threat assessment, Blair noted that Yemen was "reemerging as a jihadist battleground and potential regional base of operations for al-Qaeda to plan internal and external attacks, train terrorists, and facilitate the movement of operatives." General David Petraeus, commander of the U.S. Central Command, echoed this warning in April 2009. Speaking before the House Armed Services Committee, he warned that "Yemen stands out from its neighbors on the

Peninsula. The inability of the Yemeni government to secure and exercise control over all of its territory offers terrorist and insurgent groups in the region, particularly al-Qaeda, a safe haven in which to plan, organize, and support terrorist operations.” Al-Qaeda’s resurgence in Yemen is increasingly becoming a reality.

Yet by most accounts, it appears that terrorism directed or inspired by al-Qaeda is not a first order of concern for the Yemeni government. For the central government, the civil war in Saada and the secessionist movement in the South represent threats to the very survival of the state. There is no disputing that the Yemeni government and its interests have been targeted by al-Qaeda, and in discussions with foreigners, senior Yemeni officials often note that their country is combating terrorism. But U.S. officials express exasperation at Yemen’s seemingly on-again, off-again cooperation on counterterrorism issues. Washington has been particularly frustrated by the perception that accused terrorists in Yemen benefit from a government policy of “catch and release” because a number of high-profile suspects have either been released from custody or have escaped from detention in Yemen, at times allegedly with the help of the security services. The U.S. government is also seeking to extradite two Yemeni nationals on charges of terrorism—Jamal al-Badawi, charged with involvement in the attack on the USS *Cole*, and Jaber Elbaneh, wanted in connection with the so-called Lackawanna Six case, a group of Yemeni-Americans who went to an al-Qaeda camp in Afghanistan in 2001. In part because of a constitutional prohibition on extradition, Yemeni authorities have not turned over either suspect to the United States despite repeated requests. Two prison escapes of suspected al-Qaeda members—ten from Aden in 2003 and 23 from Sanaa in 2006—led many observers to decry the inability of the Yemeni government to keep terror suspects behind bars.

### *War in Saada*

Since 2004, the Yemeni government has been fighting a sporadic civil war against Zaidi Shi’i revivalists in the northern province of Saada. The conflict followed anti-government demonstrations by members of the Believing Youth movement. Militants disrupted mosque services in Saada, shouting anti-government, anti-American, and anti-Israeli slogans. The disturbances spread to Sanaa, with protesters criticizing the Saleh regime for its counterterrorism cooperation with the United States. After an unsuccessful reconciliation effort, the government attempted to arrest Zaidi leader Hussein Badreddine al-Houthi, a former member of parliament. The government accused him of fomenting unrest and seeking to revive the Zaidi imamate that had been overthrown in the 1962 republican revolution. The conflict quickly escalated, and although al-Houthi was killed in September 2004, fighting has continued under the leadership of the al-Houthi family.

Sanaa claims that the rebels seek to overthrow the current government and establish a theocracy. Throughout the conflict, the Yemeni government has sought to link the rebellion to the larger “war on terrorism” and has accused the Iranian government of supporting the Shi’i guerrillas. To date, there is no public evidence to support the allegations of Iranian meddling. The origins of the conflict are in fact a complex combination of competing sectarian identities, regional underdevelopment, perceived socioeconomic injustices, and historical grievances.<sup>6</sup> The conflict is exacerbated by tensions between the indigenous Zaidi Shi’i population and Sunni Salafi fundamentalists who have relocated to the area. Moreover, it has taken on a tribal hue after the regime sought to recruit tribal fighters to combat the insurrection.

By spring 2009, there were five separate rounds of fighting in Saada. The Qatari government in 2007 unsuccessfully attempted to mediate a lasting cease-fire. Over the course of the conflict, fighting has been at times both fierce and indiscriminate, punctuated by periods of relative calm brought about in part when government forces have exhausted munitions. By 2008, fighting had spread outside Saada into other governorates and to the outskirts of Sanaa, leading President Saleh to declare a unilateral cease-fire in July 2008 on the 30th anniversary of his rule. The toll has been severe in Saada, including extensive damage to infrastructure, an estimated 130,000 internally displaced people, and extremely limited humanitarian relief and reconstruction efforts. These factors continue to exacerbate matters, leaving tensions high and further fighting likely.

Over the course of the five-year conflict, much of the Yemeni army has seen combat in Saada. The strain has led to questions about the military’s ability to simultaneously engage in other operations such as combating Islamist extremism. Moreover, the inability of the government to decisively put down the rebellion has prompted concerns that other domestic challengers may be emboldened and perceive the regime as vulnerable. Islamist militants or other disaffected groups could mount attacks on other fronts while the government is distracted by the war in Saada.

### *Southern Secessionist Movement*

A third major security concern is the mounting southern secessionist movement. Since unification, the former South Yemen has complained of economic and social marginalization by the northern-led government. This has recently led to renewed protests and increasing fears that the South may seek independence. Central to southern disaffection are economic grievances, both real and perceived. Oil—Yemen’s primary source of income—is located mostly in the South, yet the region has seen little economic development. While conditions are not much better in the North, there is a popular perception by southerners that their region has been excluded from its fair share of oil revenue. Moreover,

southern tribal networks never fully remerged after being suppressed by the government of the People's Democratic Republic of Yemen prior to unification in 1990. The importation of different northern tribal structures and patronage networks has further inflamed southern separatist feelings.

The southern issue resurfaced in September 2007 following protests by former southern military officers demanding reinstated pensions, along with renewed feelings of political disenfranchisement and exclusion from government jobs and services. Southern leaders have asserted that the North has not followed through on commitments to improve conditions made after unification and the civil war in 1994. Tensions, protests, and sporadic violence followed. What began with demands for reform gradually turned to calls for southern independence. In response, the government has increasingly used greater levels of repression—security crackdowns, arrests, episodes of periodic violence, and closure of several southern newspapers—in an attempt to contain the separatist aspirations. The government has announced plans to try separatist agitators and to create a new court to try members of the press involved in publishing material considered “damaging to national unity.”

Like the war in Saada, conditions in the South pose an existential threat to the Republic of Yemen but with a greater and broader appeal. Moreover, it is an extremely delicate issue and one that recalls previous crises, including unification and the civil war. The potential scope of the separatist challenge to the Saleh regime was made evident in spring 2009 when an important regime supporter defected to the southern movement. Tariq al-Fadhli, a former *mujahid* who had fought in Afghanistan, has family roots in the South including claims to hereditary lands. According to some analyses, the withdrawal of al-Fadhli's support for the government is symptomatic of the southern issue's propensity to challenge the status quo.

### *Piracy and Border Security*

Yemen has been unable to secure its borders, and as a result it has become a key transit point for guns, drugs, and other smuggling, from East Africa through Saudi Arabia to the Gulf states. Saudi border guards note the large quantities of drugs seized at the border with Yemen, in addition to the continual influx of illegal laborers. Weapons from Yemen have allegedly been used in attacks within Saudi Arabia, including explosives employed in a Riyadh bombing and assault rifles used in the attack on the U.S. consulate in Jiddah.

The recent surge in piracy has also had a major impact on Yemen. In the first six months of this year, 130 piracy incidents occurred in the Gulf of Aden and off the coast of Somalia, compared with 111 attacks in all of 2008. According to Yemeni government figures released in July 2009, piracy in the Gulf of Aden has cost the country an estimated \$150 million in security expenses and increased insurance premiums and roughly \$200 million in lost fishing and other revenue.

## Addressing the Convergence of Problems

The interlocking challenges outlined in this paper have the potential to overwhelm the Yemeni government. At the heart of the problem is the central government's failure to exercise full control and authority throughout the entire national territory. A critical paradox is that expanding the presence of the government throughout the country potentially means delegitimizing the government, because expanding state control has long been synonymous with imposing northern, Sanaa control. This also touches on sensitive issues related to tribal identity. Much of the population outside major highland urban areas associates the Saleh regime with corruption, cronyism, nepotism, and blocked economic and social opportunities; therefore, expanding central government control risks alienating more of the population. This inverse relationship between levels of central government control and regional resistance and resentment has historically frustrated governance efforts in Yemen.

The Yemeni government and major international donors have sought to address Yemen's rapidly converging problems, with varying degrees of success. Sanaa has outlined an ambitious yet vague approach centered on strengthening the government's control through decentralization. Major donors have increased financial assistance and implemented programs designed to reduce the impact of Yemen's problems, although more needs to be done. Ultimately, the interconnected problems facing Yemen will require domestic, regional, and international coordination to resolve.

### The Government of Yemen's Efforts to Date

Despite facing severe financial limitations, the Yemeni government has identified several broad focus areas, including efforts to boost the economy and to expand government control. For instance, the Ministry of Planning and International Cooperation wants to increase the Social Welfare Fund and expand the number of beneficiaries of government assistance. The planning minister, Abdulkarim al-Arhabi, also advocates incentivizing government assistance programs by offering temporary assistance based in part on certain conditions, such as keeping children in school or successfully completing adult skill training courses.

While addressing the economy merits urgent attention, little is known about how the government plans to go about this. Broad goals have been set, although it is not clear how any of them would be implemented. According to several senior officials, Yemen's strategic plans for dealing with the economy are made up of seven interconnected goals: integrating Yemen in the Gulf Cooperation Council; encouraging oil and gas exploration; promoting non-hydrocarbon foreign investment; increasing aid and development assistance; reforming the business environment; addressing population growth; and expanding education opportunities. These ambitious objectives seek to address

many of the issues discussed in this report, although specific measures to advance these goals have not yet been enumerated.

In the near term, the Yemeni government will need to address the economic status quo, the rise of under-governed spaces, and the looming water crisis.

### *A Post-Oil Economy?*

Yemeni officials have done little serious planning to prepare for a viable post-oil economy. Options being discussed include mineral exploitation, tourism, and maritime shipping and trade services. The mining of gold, silver, zinc, granite, and marble are under consideration by the Ministry of Oil and Minerals as potential projects, although infrastructure concerns have been noted about all such mining. The *Economist Intelligence Unit* reports that a major zinc project began in February 2009, with exports scheduled for 2010. It estimates that the twelve-year project will contribute \$600 million to the national economy and employ more than 350 Yemeni nationals. Commercial fishing also has potential, although according to senior Yemeni officials, marine resources would require judicious management to prevent over-fishing and depletion.

Senior officials have also proposed tourism, noting Yemen's rich cultural heritage. Such plans would be subject to security considerations, because several recent incidents of terrorist attacks have been directed against foreign tourists visiting historical sites. Eight Spaniards were killed in a July 2007 bombing at Bilqis Temple in Marib, and two Belgians and four South Koreans were killed in separate attacks in Hadramout in January 2008 and March 2009, respectively.

With more than 2,200 kilometers, or 1,367 miles, of coastline alongside one of the world's busiest shipping lanes, on paper Yemen would seem to be perfectly positioned to offer shipping and related services. The port of Aden is one of the world's greatest natural deepwater harbors and currently includes a container terminal, oil harbor, and other facilities. Originally used as a coaling station for the British Royal Navy, it could potentially service commercial and other traffic. Plans to develop the port suffered a major setback following an attack on the USS *Cole* during a refueling stop in October 2000 that killed seventeen U.S. sailors. (An attempted attack a few months earlier against another American warship refueling at Aden, USS *The Sullivans*, failed when the small boat carrying the explosives sank under its own weight.) Security concerns were again highlighted after the October 2002 attack on the MV *Limburg* that killed one crew member and spilled 90,000 barrels of oil. After the *Limburg* attack, insurance premiums for ships using the Port of Aden soared, traffic dropped off, and the foreign operator, Port of Singapore Authority, ended its contract. It has been suggested recently that Aden could host cruise ships, but security concerns and exorbitant insurance premiums make this an extremely unlikely prospect.

The most promising source of near-term potential revenue appears to be sales of liquefied natural gas. An ambitious and large-scale natural gas liquefaction project has been under way in Yemen since the mid-1990s. After numerous false starts and other obstacles, it was scheduled to begin operation in mid-2009. Experts have raised several concerns about the Total S.A.–led project, ranging from human capacity and technical issues to doubts about physical infrastructure security and market viability. According to a report by the World Bank, the government of Yemen would earn about \$10.8 billion in royalties, bonuses, and taxes from the project over a twenty-year period through 2028.<sup>7</sup> Several billion dollars in other income from dividends and operating fees are also likely during that period. To be sure, this is revenue that Sanaa badly needs. But even in a best-case scenario, income from exports of liquefied natural gas would only offset the drop in revenue from oil exports and not replace oil income. This is because, among other reasons, global liquefied natural gas prices have dropped and there are no guaranteed customers. Furthermore, it is very likely that the Yemeni government will experience a period of curtailed revenue between the end of oil exports and the onset of new income from the sale of liquefied natural gas during which Yemen's other crises will worsen. In the end, even Yemen's natural gas reserves are limited, and they, too, will eventually run out. Revenue derived from liquefied natural gas thus will only postpone the inevitable—shifting to a post-hydrocarbon economy.

### *Planned Decentralization*

One potentially critical policy being developed by the Yemeni government is to transfer control from the central government to regional governorates. This decentralization strategy seeks to recognize the *de facto* autonomy that exists in several areas of the country. By granting more responsibility to such areas, Sanaa asserts that local governments will in turn perform more professionally. This is a gradual and ongoing process, and Yemeni officials have noted that not all governorates are up to the task. According to officials, large national functions such as enacting legislation and setting and monitoring strategic goals would be retained by the central government, while localities would be responsible for building roads, schools, and health care centers. This is to be financed through a combination of local resources, such as unspecified fees collected by local authorities and central resources that the regime would distribute to local authorities.

In essence, this strategy institutionalizes the informal patronage systems that have served in lieu of durable national governance bodies, and it encourages the further development of regionalism at the expense of the central government. It is also a tacit recognition that outlying regions operate outside of central government control. Government officials argue that the capital will be able to manage the governorate through such tools as the ruling General

People's Congress party apparatus, thereby enabling Sanaa a say in who leads local governorates. The state also plans to use the party apparatus to combat what it has identified as the biggest challenges to decentralization: poverty, illiteracy, and tribalism.

Ultimately, it appears that such a policy would involve the central government's selecting a local leader who would then be granted limited autonomy in exchange for certain levels of governance and provisions of social services. This is to be controlled through local council elections and the eventual elections of regional governors, in processes largely guided by the ruling party.

Official government-directed decentralization merely grants the state's imprimatur on the status quo throughout much of the country. It is unclear how localities would fund social services when the central government is unable to do so now. Given that the primary objective vis-à-vis state stability in Yemen is to instill some control over what are now under-governed territories and to prevent the emergence of other under-governed territories, officially limiting the central government's role is counterproductive at best. Building robust institutions able to deliver social services and safeguard local populations is essential.

### *The Pending Water Crisis*

The rapidly decreasing availability of water also demands immediate attention. The urgency of the pending crisis is obscured by the fact that water resource depletion is a gradual process that will occur throughout the country at different times. The immediate onset of Yemen's water crisis may therefore go unnoticed by the regime and by international policy makers as outlying regions and governorates experience chronic shortages and high prices for water before other, more central, urban population areas.

Despite government recognition of the problem, the issue is not a priority for Sanaa. Al-Iryani, the water and environment minister, has observed that until the state elevates water conservation to be a national concern—as was done in 2007 to ban weapons in Sanaa—little movement will be made. Addressing the issue of water will require broad coordination among ministries, as well as tackling a number of sensitive subjects such as corruption, government priorities, budgetary subsidies, and societal norms.

There are no easy solutions. Other Gulf states have resorted to the desalination of seawater; that is unfeasible in Yemen, however, because fuel costs are so high (Yemen's hydrocarbon reserves are far more modest than elsewhere and are already slated for export) and because the desalinated water would have to be pumped up more than 7,000 feet to reach the capital and other major population centers in the highlands.

More feasible for Yemen would be the reintroduction and modernization of traditional methods of agriculture and irrigation. Curbing government subsidies and purchases of qat for official functions could also be effective.

Encouraging the importation of qat from East Africa and helping farmers transition to growing cereals and foodstuffs would also help curtail water usage, though admittedly that would prove difficult because growing qat is far more profitable for farmers. Enacting a legal regime to govern the use and distribution of groundwater is also an imperative. If such measures are not taken in the near term, more dramatic steps will be required in the future, such as stopping rural populations from moving to overcrowded cities, and, more drastically, relocating population centers from the center of the country to the coasts.

### **The Efforts of Major Donors**

Since the 1970s, Yemen has been dependent upon foreign aid. According to Yemeni government officials, the country receives on average \$13 to \$15 per capita in total foreign aid money—less per capita, they point out, than many sub-Saharan Africa countries receive. While the veracity of these figures may be in doubt, they demonstrate the perception among senior Yemeni officials that their country receives inadequate international attention, considering Yemen's critical strategic importance and the risks to regional stability and security that are associated with the many problems facing the country. In apparent recognition of Yemen's challenges, the United Kingdom recently increased its aid to the country by 400 percent. Its Department for International Development's commitment of £50 million (or \$83 million) per year for the next five years makes the UK the single largest foreign donor in Yemen.<sup>8</sup>

Several other European nations run modest development assistance projects in Yemen focusing on reproductive health issues, acute maternal care, obstetric education and training, and small-scale family planning projects. Rural education programs administered by Yemen's Social Fund for Development have also received funding, as have water management programs. By comparison, Arab countries and Islamic funds have contributed significantly more total funds in both grants and smaller loans. Saudi Arabia has been one of the largest total donors, providing investment, grants, and nearly annual direct budgetary support. According to Ministry of Planning and International Cooperation officials and others, European donors tend to support soft projects, while Arab donors more often support capital infrastructure development.

Yemen critically needs assistance in making sure that projects receive ongoing funding. For example, from a public health standpoint, the country needs greater education, training, basic medical supplies, and continued support for existing projects. In the future, Yemen will need to better coordinate international donors to maximize the impact of foreign assistance.

Total U.S. aid for Yemen in fiscal 2009 is \$27.5 million, of which \$21 million is development assistance. The remainder includes Foreign Military Financing, counterterrorism and related programs, and International Military and Education Training.<sup>9</sup> Although the total aid package is about \$7 million

more than in fiscal 2008, it is disproportionately small considering the strategic importance of Yemen to U.S. foreign policy and national security interests and the magnitude of the problems facing Yemen. By comparison, in fiscal 2008 Pakistan received an estimated \$1.8 billion in combined security and economic assistance. This disparity exists even as U.S. officials increasingly cite Yemen as a terrorism and security priority second only to Afghanistan and Pakistan. The Obama administration has requested that U.S. aid to Yemen more than double for fiscal 2010 to more than \$50 million, excluding military and security funding. U.S. military and security funding for fiscal 2010 will jump to more than \$66 million for counterterrorism, anti-piracy, and border security assistance—more than double the amount for the two previous years combined.

Foreign assistance to Yemen is hampered by concerns related to domestic corruption and capacity limitations. A major question for foreign donors is whether Yemen has the capacity at present to absorb more aid money. There is consensus that Yemen desperately needs more financial assistance to address stability concerns and to help provide public services. These concerns are compounded by perceptions that Yemen lacks educated professionals to run more programs. The deteriorating security conditions complicate matters; the inability to guarantee the safety of Westerners working on development projects is a significant concern.

## Ways to Help

It is essential that Washington take a holistic approach to Yemen. Although the major U.S. foreign policy concern with regard to Yemen since 2001 has been security and counterterrorism, the country's deteriorating security is a result of problems unrelated to security. As such, in many cases development assistance, education and technical cooperation, capacity building, institution strengthening, and direct financial assistance can better address the interconnected challenges facing Yemen than can military and security aid.

Framing the U.S.–Yemeni relationship as based solely on security and counterterrorism issues, to the near exclusion of all other issues, has meant that movement on all other issues have been subject to Washington's perception of progress and cooperation from Sanaa on counterterrorism issues. As a result, a lack of movement on counterterrorism issues has stalled all other interactions (and the fact that Yemen is slated to receive more U.S. military and security assistance funding than development assistance in fiscal 2010 demonstrates a continued misallocation of priorities). The United States has ongoing foreign policy and national security interests with regard to Yemen that extend beyond counterterrorism issues, and so it is in Washington's interests to engage Yemen on other issues that will contribute indirectly to improving domestic security.

Yemen should be viewed as part of the Horn of Africa *and* the Arabian Peninsula. While geographically part of the Arabian Peninsula, Yemen in fact has little else in common with the Gulf Cooperation Council states. To be sure, there are many deep connections between Yemeni and Saudi society, but the income disparity and differences in public service provision between Yemen and the Gulf Cooperation Council states clearly point to their differing problems, challenges, and capabilities. In many respects, Yemen's problems more closely approximate those of neighboring East Africa. Yemen's deep ties with the Horn of Africa and role in a greater East Africa smuggling and security complex further underscore the need to view Yemen with a broader lens.

Looking forward, there will be a greater need to improve donor coordination and assistance programs—all the more so because the ongoing global financial crisis will further strain international assistance programs. The Yemeni government currently does a poor job of managing international assistance, and international donors need better synchronization to maximize their impact.

Increased financial assistance to Yemen, such as that currently proposed for fiscal 2010, is required. Assistance can be used to support and offset the difficult economic choices that will need to be made in Yemen, such as curbing government subsidies on diesel and introducing agricultural diversification. Local capacity-building efforts, such as English language instruction, teacher training courses, micro-finance enterprises, and exchange programs for judges, members of parliament, journalists, government workers, and academics can help fill voids left by reduced state capacity.

On security issues, strengthening border guard units so that the central government can better secure its own national borders is a first-order priority. This must be done in coordination with other regional neighbors including Saudi Arabia and Oman. Since 2001, the United States has taken steps toward this objective by supporting the establishment of the Yemeni coast guard and conducting needs assessments of the border guard units. However, senior Yemeni officers report that there has been little follow-through, and both the coast guard and border guards are in desperate need of equipment and training—something the bulk of U.S. security assistance for fiscal 2010 is intended to provide. Increased military-to-military training and exchanges with both the United States and other regional partners should also take place.

Yemen's ability to combat terrorism must be bolstered through efforts to build local capacity in law enforcement and in the legal and judicial systems. Enacting counterterrorism legislation and terror finance laws would help build state resilience. Greater policing training and programs to professionalize the prison service can help staunch one of the greatest concerns held by Western counterterrorism officials. In areas where it is not feasible or desirable to partner with the United States, such efforts can utilize the unique assets of European nations and other regional states.

Ultimately, a regional approach is needed to help improve stability in Yemen. The threats posed to Yemeni security and stability will jeopardize interests well beyond Yemen's borders, and as such there is not solely a U.S., European, or regional solution to Yemen's many challenges. The only way to mitigate the impact of these problems is through the active involvement of all stakeholders. Saudi Arabia and other Gulf Cooperation Council states need to be encouraged to take greater action because failure to address Yemen's looming challenges would hit the regional states first and hardest. Washington should encourage the Gulf states to hold out membership in the Gulf Cooperation Council for Yemen in exchange for tough steps, including progress on curbing government subsidies, addressing corruption, and enacting measures to curtail security concerns. The council should also open trade with Yemen and formalize labor movements to help create a viable and durable future for the country. Yemen should establish high coordination commissions (like the one that exists with Saudi Arabia) with other Gulf states. The international community will also need to help mediate the southern secessionist issue, support a cease-fire in Saada, and begin reconstruction and development assistance to these regions.

## Conclusion

Senior Yemeni officials have acknowledged that the country's economic challenges complicate and worsen its security concerns. Development plans, poverty limitation efforts, employment schemes, and public service provision have all been adversely affected by the linkages between the economy and security. Furthermore, domestic unrest and Islamist terrorism have done much to damage the reputation of Yemen as a foreign investment location.

The challenges and problems facing Yemen are not unique in the region. Throughout the Middle East, an increasing number of countries face similar problems of deteriorating state capacity and rising economic and demographic instability. However, in Yemen these challenges threaten to disrupt not just local stability, but also regional and international stability, including the flow of vital hydrocarbons. If left unaddressed, Yemen's problems could potentially destabilize Saudi Arabia and the other Gulf states. The inability of the Yemeni central government to fully control its territory will create space for violent extremists to regroup and launch attacks against domestic and international targets. The international community must be realistic about the limitations of intervention in Yemen. In the near term, however, inaction is not an option.

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## Notes

- 1 Eurasia Group, “Yemen Outlook,” December 9, 2008, p. 3.
- 2 Ginny Hill, “Yemen: Fear of Failure,” Chatham House briefing paper, November 2008, p. 10.
- 3 World Bank, “Yemen: Towards Qat Demand Reduction,” June 2007, p. 2.
- 4 Bernard Haykel, “Rebellion, Migration or Consultative Democracy? The Zaydis and their Detractors in Yemen,” in R. Leveau, F. Mermier, and U. Steinbach, eds., *Le Yémen Contemporain* (Paris: Karthala, 1999), p. 196.
- 5 One of the Guantanamo returnees featured in the video, Muhammad al-Awfi, was repatriated to Saudi Arabia in mid-February 2009. Two other of the 85 most-wanted suspects are believed to have been apprehended in Yemen.
- 6 See recent International Crisis Group report for a comprehensive overview of the conflict.
- 7 World Bank, “Republic of Yemen: A Natural Gas Incentive Framework,” June 2007, p. 5.
- 8 Department for International Development, “Yemen: Our Current Program,” 2008.
- 9 Jeremy Sharp, “Yemen: Background and U.S. Relations,” Congressional Research Service Report, January 2009, p. 15.



## Appendix

### Timeline of Recent Attacks

1992	December	Bombing of 2 Aden hotels billeting U.S. troops en route to Somalia for Operation Restore Hope
	December	Militants arrested for targeting American aircraft at Aden airport
1998	December	Militants associated with the Islamic Army of Aden–Abyan (IAAA) detained for planning attacks against British Embassy and other targets
	December	16 Western tourists kidnapped by IAAA; four tourists fatally shot during gunfight with government forces
1999	October	IAAA founder Zain al-Abidan abu Bakr al-Midhar hanged
2000	January	Failed attack against USS <i>The Sullivans</i> in Aden harbor
	October	USS <i>Cole</i> attack in Aden harbor kills 17 sailors
	October	Explosion at UK Embassy in Sanaa
2002	April	Small explosion near U.S. Embassy in Sanaa
	October	French oil tanker MV <i>Limburg</i> bombed
	November	Abu Ali al-Harithi, a senior al-Qaeda leader linked to attacks on the USS <i>Cole</i> and the <i>Limburg</i> , killed in U.S. Predator attack
	November	Shots fired at Hunt Oil Company helicopter in Sanaa
	December	3 U.S. missionary doctors killed in Jibla
2003	March	Marib oil field shooting
	April	10 prisoners, including several alleged USS <i>Cole</i> bombers, escape from Aden prison
	December	Yemeni security official assassinated
2006	February	23 prisoners, including suspected al-Qaeda members, escape from Sanaa prison
	September	Synchronized car bombings of oil facilities in Marib and Mukalla
	October	Aden pipeline bombing

## Timeline of Recent Attacks continued

<b>2007</b>	<b>February</b>	Shootout foils attempted pipeline bombing
	<b>March</b>	Assassination of chief investigator in Marib
	<b>June</b>	Shabwa oil field shooting
	<b>July</b>	Bombing at Bilqis Temple in Marib kills 8 Spanish tourists and 2 Yemenis
	<b>August</b>	Attack on power station and government building in Marib
	<b>November</b>	Pipeline bombing southeast of Sanaa
	<b>December</b>	Pipeline bombing southeast of Sanaa
	<b>December</b>	Bombing of 2 security locations in Hadramout

<b>2008</b>	<b>January</b>	Fatal shooting of 2 Belgian tourists and 2 Yemenis in Hadramout
	<b>March</b>	2 bombings in Abyan
	<b>March</b>	Mortar attack near U.S. Embassy in Sanaa
	<b>March</b>	Alleged mortar attack on Chinese oil facility in Hadramout
	<b>March</b>	Bombing in Aden
	<b>March</b>	Bombing of oil pipeline
	<b>April</b>	Mortar attack on Western housing compound in Sanaa
	<b>April</b>	Bombing at Canadian Nexen oil company office in Sanaa
	<b>April</b>	Bombing at security facility in Sayyoun
	<b>April</b>	Mortar attack on Italian Embassy and Yemeni Customs Authority
	<b>April</b>	Japanese tanker <i>Takayama</i> hit by rocket-propelled grenade (pirates suspected)
	<b>May</b>	Bombing at Saada mosque kills 15
	<b>May</b>	Mortar allegedly fired at presidential palace in Sanaa
	<b>June</b>	Failed rocket attack on Aden refinery
	<b>July</b>	Suicide bombing of police station in Sayyoun
	<b>August</b>	Mortar attack in Mukalla
	<b>September</b>	Attack on U.S. Embassy in Sanaa kills 16, including 6 attackers

<b>2009</b>	<b>January</b>	Release of video announcing merger of Saudi and Yemeni al-Qaeda affiliates
	<b>February</b>	4 South Korean tourists and Yemeni guide killed in suicide bombing in Shibam; subsequent suicide bombing targets motorcade in Sanaa carrying victims' relatives
	<b>June</b>	Kidnapping of 9 foreign aid workers in Saada, 3 of whom appear to have been executed after their abduction
	<b>July</b>	Pipeline operated by South Korean firm bombed in Shabwa
	<b>July</b>	Pipeline attack east of Sanaa thwarted





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