

POLICY BRIEF:

BEYOND THE SALEH REGIME

THE FUTURE OF THE YEMENI STATE

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Executive Summary

Ali Abdullah Saleh has been Yemen's preeminent political figure since 1978, serving as the President of the unified Republic of Yemen from 1990 to early 2012. However, Saleh's tri-decade reign neither witnessed an increase in national living standards nor a reduction in the country's endemic economic and security challenges, demonstrating that his greatest accomplishment was political survival. Today's Yemen is arriving at a dangerous crossroads, as President Saleh ceded power to his hand-picked successor Abd Rabbuh Mansur Hadi. Hadi now faces the difficult task of maintain power while delicately weighing his regime's security interests against an array of monumental challenges that place Yemen on the brink of state failure.

The predominately Arab country houses a population of over 24.7 million citizens with one of the world's highest natural growth rates.¹ This growth pattern collides with disastrous economic and environmental trends, pulling Yemen inexorably toward state failure. Facing grave water shortages and rapidly diminishing oil reserves, the Yemeni state is fundamentally unequipped to sustain a rapidly increasing population. Profound institutional corruption and poor governance exacerbate these trends and present new challenges of their own. While the convergence of these trends threatens state survival, the emergence and persistence of domestic security threats pose immediate challenges to regime survival.

The ongoing rebellion in the North by Yemen's minority Shi'a ("Houthi") population and the Southern secessionist movement continue to preoccupy the regime's financial and military resources. Responding to domestic disturbances with heavy-handed military aggression, Saleh further inflamed tribal and sectarian tensions in the absence of military victory. The regime's continued inability to either quell these insurrections militarily or reconcile disaffected groups by addressing their grievances demonstrates acute state weakness and regime ineptitude on one hand, and Saleh's preference for divisive, heavy-handed politics on the other.

In recent years, the unstable political environment has given rise to a contingent of al-Qaeda militants operating in Yemen's ungoverned and unmonitored areas. The genesis of al-Qaeda in the Arabian Peninsula (AQAP) upon the merger of Saudi and Yemeni al-Qaeda franchises in January 2009 was the result of profound state weakness and a regime distracted by a host of pressing security challenges. Although Saleh historically cultivated a relationship with Yemen's jihadists, AQAP has recently broken the legacy of a security partnership between the regime and Islamic militants. Seeking to transform Yemen's ungoverned areas into a regional base of operations from which to launch transnational terrorist attacks, AQAP presents an urgent national security concern to the United States more than a direct security threat to the Yemeni government.

Consequently, the U.S. has sharply expanded its strategic involvement in Yemen in the past year, increasing counterterrorism cooperation with the government and ratcheting up military and development aid to bolster Yemen's institutions. Current U.S. strategy, however, is unlikely to succeed in vanquishing al-Qaeda in Yemen, as the emplaced regime's unwillingness and

¹ *Yemen*. (2012, April 5). Retrieved from Central Intelligence Agency World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/ym.html>.

inability to aggressively confront the al-Qaeda threat seriously undermines the cooperative security framework.

- ❖ High levels of foreign aid, regardless of its allocation, strengthened the ruling mechanisms of the Saleh regime and will continue to do so under Hadi
- ❖ Locked in protracted conflicts with the Houthis and Southern Separatists, the Yemeni government is unable to devote sufficient financial and military resources toward battling AQAP
- ❖ Saleh's paternalistic and deeply corrupt method of governance has ensured the continuation of his misguided policies under the new Hadi presidency
- ❖ Saleh has empowered radical Islamist elements in the past at the expense of U.S. security interests
- ❖ The U.S. should work closely with its regional allies to promote national unity and stability in Yemen
- ❖ Yemen's range of seemingly intractable economic, environmental, and security challenges are symptomatic of poor governance and an ineffective political system
- ❖ The grievances of the Zaydi Shi'a population, comprising approximately 40% of Yemen's population, must be addressed through reconciliation and compromise rather than force and repression

Introduction

Overview

Yemen contains the second-largest population in the Arabian Peninsula and occupies an area of vital strategic and geopolitical importance, linking the Arabian Peninsula with the Horn of Africa and presiding over one of the world's busiest shipping lanes. For these reasons, Yemen's stability is a regional and transnational security concern.

The Republic of Yemen's short history has been punctuated by intermittent civil conflicts, frequent violent clashes between the government and disaffected regional populations, and terrorist attacks perpetrated by AQAP. An overwhelming dependence on natural resources combined with the near exhaustion of oil and natural gas reserves place Yemen on the verge of economic collapse, while acute water shortages and a rapidly increasing population may trigger a profound humanitarian crisis. Yemen is not currently a failed state, but a lethal confluence of deepening problems could easily overwhelm the regime's corrupt and ineffective government and precipitate a comprehensive disaster.

Political System

Widely considered the Arabian Peninsula region's most democratic country, the Republic of Yemen boasts advanced democratic institutions in comparison to its monarchical neighbors. Yemen has undergone considerable democratic development since its unification in 1990, hosting a multi-party system with relatively stable and free elections. However, recent periods of political developments and reforms have been severely undercut by the state's persistent economic, governance, and security problems, as well as the political hegemony of the ruling party.

While Yemen demonstrated institutional competency in the competitive and transparent 2006 presidential election, the reelection of Ali Abdullah Saleh reinforced the political status quo and reaffirmed the dominance of Saleh's ruling party, the General People's Congress (GPC).² Despite Saleh's agreement to cede power, he deftly maneuvered to protect himself from persecution as part of the Gulf Cooperation Council-brokered deal.³ (The elections in February 2012 featured only one candidate in spite of Houthi and Southern Yemeni opposition.)⁴ As Hadi was Saleh's choice to succeed him in office, coupled with the fact that the majority of Saleh's cronies remain in power, the election does little to distinguish Yemen from the region's hereditary monarchies. Contradicting the country's democratic foundation, Saleh's heavy-handed 34 year reign plagued the country with the traditional trappings of an unchecked authoritarian regime. Corruption is pervasive at all levels of the bureaucracy, while an insidious network of patronage ensures the predominance of Saleh's allies but seriously undermines internal cohesion and the distribution of state wealth and services.

² *Report on the 2006 Presidential Elections in the Republic of Yemen*. (2006, June 16). Retrieved from National Democratic Institute for International Affairs: http://www.ndi.org/files/2152_ye_report_elections_042407.pdf

³ Yemeni president saleh signs deal on ceding power

⁴ Wells, M. (2012, February 27). *Yemen's Houthi Movement and the Revolution*. Retrieved from Foreign Policy: http://mideast.foreignpolicy.com/posts/2012/02/27/yemen_s_houthi_movement_and_the_revolution

Culture of Corruption

Yemen is infected with a culture of corruption, and the Saleh regime institutionalized its practices for political gain and survival. A 2010 Freedom House report rated Yemen 1.9 out of 7 (0 being the weakest) for anticorruption and transparency, indicating that the recent decrease in oil revenues has amplified the effects of official embezzlement and worsened Yemen's well-entrenched practice of corruption.⁵ In the 2009 Corruption Perceptions Index, Transparency International ranked Yemen 154 out of 180 countries, below the highly patrimonial countries of Libya, Nigeria, and Sierra Leone.⁶ Corruption is a way of life in Yemen, and is reinforced by a paternalistic tribal heritage and a government reliant on patronage and the distribution of institutional positions in exchange for political loyalty.

Reeking of cronyism, the Saleh regime managed its bureaucracy through an extensive patronage system and maintained loyalties by placing family members in key government positions. The patronage system was highly institutionalized, and finances were distributed through major government apparatuses such as the Ministry of Finance and Saleh's ruling political party, the GPC.⁷ Additionally, the armed forces and security apparatuses are still dominated by Saleh's close family members, as nepotistic practices are indispensable toward ensuring regime security. While Yemen's corruption scheme may enhance the personal fortunes of Saleh's family and allies and sustain the survival of Saleh's strategies, it seriously inhibits and diminishes the government's capacity to address the country's host of debilitating problems.

Institutionalized corruption most readily threatens the durability of Yemen's inchoate democratic institutions, undermining the country's representative government and reversing progressive political development. Amidst rapid resource depletion and increasing economic woes, Saleh's patronage network contracted and his legitimacy suffered accordingly. Preoccupied with maintaining his rule over an increasingly unstable political environment, Saleh devoted more resources toward securing political loyalties at a time when resources are rapidly running out. Hadi has inherited this system, and it is likely that he will maintain the policies of his predecessor. Consequently, the country's dwindling resource base is being diverted away from urgent fiscal priorities, like economic diversification and expanding employment, and vital strategic operations, especially combating the growing presence of al-Qaeda.

Yemen's endemic corruption also stifles foreign investment and erodes public confidence in government institutions. Private investors and entrepreneurs are unwilling to invest in weak and corrupt institutions, and are further discouraged by the country's uncertain business environment generated by high levels of instability and rampant corruption. Prompting a vicious cycle, low levels of investment inhibit institutional development and prevent the emergence of a vibrant private sector that may lead to a more diversified economy. While Yemen's culture of corruption preserves the ruling mechanisms of a paternalistic government, it seriously undermines state development and paralyzes the functionality of government institutions.

⁵ Johnson, G. D. (2010). *Country Report: Yemen*. Freedom House.

⁶ *Corruption Perceptions Index*. (2009). Retrieved from Transparency International: http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table

⁷ ARD. (2006, September 25). *Yemen Corruption Assessment*. Retrieved from USAID: <http://yemen.usembassy.gov/root/pdfs/reports/yemen-corruption-assessment.pdf>



Institution

Description of Corruption

YEMEN'S CORRUPT INSTITUTIONS

Judicial System	Judicial branch subject to executive control; judges frequently accept bribes; judicial appointees are often connected to the patronage network
Law Enforcement	Police routinely demand bribes and operate with little oversight or accountability
Civil Service	Employs thousands of “ghost workers” (non-working, salaried employees); rewards loyal tribal figures with bureaucracy positions
General People’s Congress (GPC)	Major mechanism for patronage distribution; purchases political allies
Ministry of Education	Employs thousands of “ghost teachers,” which account for 40% of the MoE payroll; teachers and administrators often “bid” for positions
Ministry of Health	MoH officials permit and facilitate the transborder smuggling of fake pharmaceuticals in return for bribes; employs high numbers of ghost workers
Ministry of Finance	Determines the National Budget, the regime’s primary mechanism for patronage distribution, and oversees the allocation of patronage funds without transparency or accountability
Military/Security Forces	Major recipient of patronage; tribal leaders and elites awarded high-ranking military positions; employs thousands of “ghost soldiers”

Table interpreted from: ARD, “Yemen Corruption Assessment,” *USAID* (September 25, 2006).

Renewed Importance

Despite the deadly 2000 terrorist attack on the *USS Cole* in Yemen's Gulf of Aden, U.S. policymakers have paid scant attention to Yemen's chronic instability until the rise of al-Qaeda in the Arabian Peninsula (AQAP) in recent years. Strengthened by the Saleh regime's limited counterterrorism efforts and empowered by the country's expansive landscape of ungoverned areas, AQAP is steadily establishing a base of operations in the unmonitored regions of Yemen. Given Yemen's pivotal geostrategic location, AQAP could use Yemeni soil as a staging ground for attacks into Saudi Arabia and other nearby countries and severely disrupt regional stability. If permitted to solidify its presence in Yemen, AQAP could transform the ungoverned regions of the country into Afghanistan-type terrorist training camps and regain the organizational capacity to plan and execute transnational terror attacks against the United States or other foreign targets.

Understanding the national security imperative presented by the rise of AQAP in Yemen, the Obama administration has implemented strategic drone strikes against AQAP targets, stepping up financial assistance to the Yemeni regime and enhancing bilateral cooperation on counterterrorism measures. American policymakers view U.S.-Yemen relations primarily through the prism of counterterrorism support, especially urgent since the Christmas Day 2009 bombing attempt by Nigerian national Umar Farouk Abdulmutallab, a plot largely conceived in Yemen.⁸ However, America's strategic partnership with the Saleh regime was wildly unpopular in Yemen, fanning the flames of anti-American sentiment and corroding Saleh's domestic political legitimacy. Furthermore, a policy approach predicated on counterterrorism operations fails to address the array of internal stability challenges currently preoccupying the regime's strategic focus and military resources. These stability challenges, based on economic hardships and internal divisions, will not be easily resolved – but a farsighted U.S. approach that cautiously addresses Yemen's range of problems is more likely to curb violent extremism and rescue Yemen from impending state failure.

Legacy of Division

Historically plagued by fierce tribal competition and internal divisions, the newly-unified Yemen – an artificial colonial construct rather than an emergent nation-state – contains a brief, turbulent history rife with instability and civil conflict.

Unification

The 1990 unification hastily joined together the northern Yemen Arab Republic and the southern, Soviet-aligned People's Democratic Republic of Yemen, whose divergent paths of political and economic development since independence in 1967 ensured a tenuous merger and uncertain future. Despite the formation of a unified government, the political dominance of the North and persistence of regional economic disparities provoked widespread unrest in the South. The buildup of tension culminated in a brief, but turbulent civil war in 1994, four years after unification.

⁸ Hosenball, M. (2010, January 2). *The Radicalization of Umar Farouk Abdulmutallab*. Retrieved from Newsweek: <http://www.newsweek.com/2010/01/01/the-radicalization-of-umar-farouk-abdulmutallab.html>

Civil War

The conduct of the civil war highlighted the deep historical animosity between the North and South, featuring the deadly exchange of Scud missiles and a damaging war of attrition. Determined to fully vanquish the secessionist threat, Saleh refused international calls for a ceasefire, remained ambivalent toward negotiations, and continued to prosecute a bloody campaign against the South.⁹ After the North's decisive victory in the two-month conflict, Saleh consolidated his rule over the South at the expense of national reconciliation. The war prevented the South's secession, but resulted in thousands of casualties – many of them civilians – and was overwhelmingly fought in the South, causing widespread damage to an already underdeveloped region and deepening regional divisions. Rather than pursuing a negotiated solution or a pragmatic end to the conflict, Saleh opted for a complete military victory over the South in order to rigidify his heavy-handed rule. Unwilling to surrender his regime's predominance over a unified Yemen, Saleh avoided steps toward conciliation with separatist entities – a policy preference that continues today. Instead, the policy of reconciliation was reserved for the regime's hardline jihadist allies who entered into symbiotic security arrangements with the regime.

During the war, the Saleh regime solidified its relationship with the extremist religious establishment, recruiting thousands of militant jihadists in its campaign against the Southern insurrection.¹⁰ Saleh's conscription of jihadists in the 1994 war advanced the regime's historic partnership with Islamist militants. The regime's dubious relationship with jihadists originated in the late 1980s, when Saleh courted Arab fighters returning from the Afghan Jihad and unleashed them against the South as a military and ideological counterbalance.¹¹

Sa'ada Insurrection

In 2004, longstanding enmity between the northern Shi'a *Zaydi* population and the Saleh government erupted into a wave of anti-government protests. Responding to increasing civil unrest among the embittered "Houthi" inhabitants of the northern Sa'ada province, Saleh provocatively arrested Hussein Badreddin al-Houthi, the Zaydi leader of the *A-Shabab al-Mumin* who publicly assailed the Saleh regime for its ties to Sunni jihadists and involvement in U.S. counterterrorism operations.¹² In addition to these grievances, the Houthis felt politically marginalized from the country's power centers and economically neglected by the regime, which lacked the ability to extend government services to the Sa'dah province and failed to economically integrate the area.¹³

⁹ Ghattas, S. (1994, June 19). *Northern Yemen Takes Hard Line on Ceasefire*. Retrieved from The New York Times.

¹⁰ Worth, R. F. (2008, January 28). *Yemen's Deals with Jihadists Unsettle the U.S.* Retrieved from The New York Times: <http://www.nytimes.com/2008/01/28/world/middleeast/28qaeda.html>

¹¹ Ibid.

¹² Bipartisan Policy Center. (2010). *Fragility and Extremism in Yemen*.

¹³ Ibid.



Damage caused by “Operation Scorched Earth” in 2009 Source: Amnesty International

The government’s call for al-Houthi’s arrest ignited an armed insurgency and revitalized a conflict dating back to 1962, when the Zaydi Imamate was overthrown and forcibly incorporated into the Yemen Arab Republic. The first round of fighting lasted from June until September 2004, resulting in 500-1000 deaths, including Hussein al-Houthi, and thousands more displaced.¹⁴ Despite a government-imposed ceasefire conditional on the rebels’ disarmament, fighting resumed in March 2005 and claimed hundreds of additional lives.¹⁵ A total of six outbreaks have taken place since 2004, the most recent featuring a 2009 “scorched earth”

campaign that witnessed an increase in deadly military bombings of Northern tribal areas.¹⁶ In November 2009, the conflict spilled over into Saudi territory, resulting in aggressive Saudi air and ground strikes against the rebels. Rather than leading to a sustainable ceasefire or peace settlement, the sporadic cycles of violence have only exacerbated tribal divisions and reinforced mutual animosity. Exacting an enormous human toll, the conflict has resulted in thousands of deaths, profound infrastructural damage, and the displacement of over 250,000 people.¹⁷ Unquestionably, the Sa’ada insurgency remains the regime’s most serious security threat, compelling the government to seek outside aid and assurances.

Attempting to win international support, the Yemeni government has consistently branded the Houthi rebels as Iranian-backed Shi’a radicals and placed the rebellion in the broader context of the “war on terror.” Saleh has repeatedly charged Iran with supporting the rebels in an attempt to foment sectarian tensions, and a number of his ministers have echoed the charge. In September 2009, Yemen’s Foreign Minister Abu Bakr al-Qirbi stated, “Houthis aspire to rule Yemen, not only announce their own state in Sa’ada. They receive adequate funding from foreign sources.”¹⁸ The regime’s sustained rhetorical attempt to externalize the conflict is intended to elicit international support, namely from Saudi Arabia and the United States. However, the regime’s accusations of Iranian involvement were unproven, unsubstantiated, and untrue. Aside from condemning Saudi involvement and providing the Houthis with limited rhetorical support, Tehran has refrained from delivering material support to the Houthi rebels, and no evidence of financial or military ties exists. Portraying the Houthis as fundamentalist terrorists driven by sectarianism and aided by an exploitative Iran, the regime has successfully diverted attention away from the actual nature of the conflict.

¹⁴ Bipartisan Policy Center. (2010). *Fragility and Extremism in Yemen*, 56.

¹⁵ Zelin, A. Y. (2010, April 20). *Round Seven in Northern Yemen*. Retrieved from Foreign Policy: http://mideast.foreignpolicy.com/posts/2010/04/20/round_seven_in_northern_yemen.

¹⁶ Bipartisan Policy Center. (2010). *Fragility and Extremism in Yemen*, 56.

¹⁷ *Yemen Says Houthis Violating Truce*. (2010, July 4). Retrieved from Al Jazeera: <http://english.aljazeera.net/news/middleeast/2010/07/201074125913754427.html>

¹⁸ Bin Sallam, M. (2009, September 16). *Houthis Receive Support from Foreign Parties, Says Saleh*. Retrieved from Yemen Times.

As opposed to the regime's portrayal of the Houthis as radical group of militants ideologically committed to overthrowing the government and reestablishing the Zaydi Imamate, the Houthi rebellion is driven primarily by political and economic grievances.¹⁹ The regime's partnership with Sunni jihadists and economic neglect of the Sa'ada region contribute to the Houthi perception of a belligerent government indifferent toward its people and intent on marginalizing the country's Zaydi population. Saleh's divisive tribal politics and active promotion of Salafism in Sa'ada were also sources of tension. In particular, the regime's support for Saudi-funded religious missions in the North has inflamed sectarian tensions and hardened Houthi opposition to the regime. Politically, the Houthis bitterly resent the regime's military collaboration with Saudi Arabia and are deeply antipathetic toward the regime's relationship with the United States, illustrated by the frequently anti-American tone of Houthi rhetoric.

Despite American denial, the U.S. supported Saudi forces in their fight with the Houthi rebels. The US provided satellite imagery, and large munitions ordinance to the Saudi army who were struggling against the poorly armed Houthis.²⁰

Southern Secessionism

Despite the South's crushing military defeat by Republican forces during the 1994 civil war, the threat of Southern secession remains among the most serious challenges to state survival. The civil war did not resolve the South's grievances, as the regime failed to incorporate the South in the country's political system or alter the perceived socio-economic imbalance between the North and South regions. Saleh's brutal handling of the civil war left behind numerous open wounds, while the regime's refusal to reconcile factions and inability to remedy the South's political and economic marginalization exacerbated resentment and amplified the Southern population's grievances.

Southerners do not enjoy a level of economic wellbeing commensurate with the economic value of their territory. The South possesses 80% of the country's oil reserves, a resource whose exports constitute 70% of Yemen's annual GDP, yet the Southern population experiences a level of poverty equal to or worse than the Northern population.²¹ The chasm between economic productivity and economic wellbeing perpetuates feelings of deliberate governmental neglect.

Needless to say, most of these revenues never find their way into the Northern economy either, but instead line the pockets of corrupt officials and regime loyalists. Rather than alleviating the South's economic hardships and fostering national unity, oil revenues are used to reward loyal tribal figures and sheikhs in the South, a tactic that comported to Saleh's "divide and rule" strategy.²² Since the South is an economically vital component of Yemen, Saleh was determined to maintain control over the region's lucrative resources. Without the South, Saleh's government

¹⁹ Hiltermann, J. R. (n.d.). *Disorder on the Border*. Retrieved December 16, 2009, from Foreign Affairs: <http://www.foreignaffairs.com/articles/65730/joost-r-hiltermann/disorder-on-the-border?page=show>.

²⁰ Interview with U.S. Ambassador to Saudi Arabia James Smith. (2010, March 26). Retrieved from al-Arabiya: <http://www.alarabiya.net/articles/2010/03/26/104124.html>. (Arabic)

²¹ Horton, M. (2009, December 15). *Why Southern Yemen is Pushing for Secession*. Retrieved from Christian Science Monitor: <http://www.csmonitor.com/World/Middle-East/2009/1215/Why-southern-Yemen-is-pushing-for-secession>.

²² Ibid.

would certainly not be able to maintain the features of his paternalistic regime, as the loss of oil revenues would instantly trigger a financial catastrophe; Saleh could ill-afford to fund his extensive patronage networks while governing a country embroiled in an economic crisis. As a result, Saleh employed the use of violence and repression to subdue Southern discontent, avoiding attempts at conciliation or reform.

Fearing for his regime's survival in an increasingly unstable and uncertain political environment, Saleh forcefully cracked down on opposition and skillfully manipulated tribes and factions, playing one side against the other. Saleh's instincts for repression and brutality only stoked internal divisions, stagnating – or perhaps worsening – the country's development at a critical moment when several inauspicious trends converge.

Convergence of Challenges

While not yet classified as a failed state, Yemen currently faces a multitude of acute security and stability challenges that presents a distinct threat to state survival. Rapid resource depletion combined with a burgeoning population place increasing demands on a weak government and impoverished society. The continuation of these ominous economic, demographic, and environmental trends portends a looming humanitarian crisis.

Oil Dependency

Although dangerous resource dependencies define the political economies of all Persian Gulf states, Yemen's dependence on oil exports is especially foreboding, amplified by a growing population, increasing economic woes, and quickly dwindling oil reserves. Yemen's Gulf neighbors, Qatar, Kuwait, and the UAE, possess substantial oil and natural gas reserves with exceedingly small populations. As a result, these countries are able to provide a wide array of services to their citizens while maintaining a high degree of internal stability and financial solvency. Similarly, the larger Gulf countries of Iran, Iraq, and Saudi Arabia are sufficiently endowed with vast resource wealth that will ensure economic security for decades.

Unlike these countries, however, oil exports cannot sustain the Yemeni economy, and the precarious economic imbalance created by high resource dependence and a low resource endowment indicate an impending economic catastrophe. Nonetheless, Saleh cultivated a deeply paternalistic economy structured around the country's hydrocarbon sectors. Hadi will likely continue this trend in an attempt to maintain his own power. Yemen's economy is driven by the oil industry and dominated by revenues derived from petroleum exports. Oil exports comprise 90% of the country's foreign currency earnings and 25% of Yemen's GDP.²³ Government finances are also heavily determined by oil exports, which constitute 75% of its budget.²⁴ Possessing a miniscule domestic oil supply of less than three billion barrels, Yemen's resource

²³ *Country Analysis Briefs: Yemen*. (2010, March 25). Retrieved from Energy Information Administration: <http://www.eia.doe.gov>, 1.

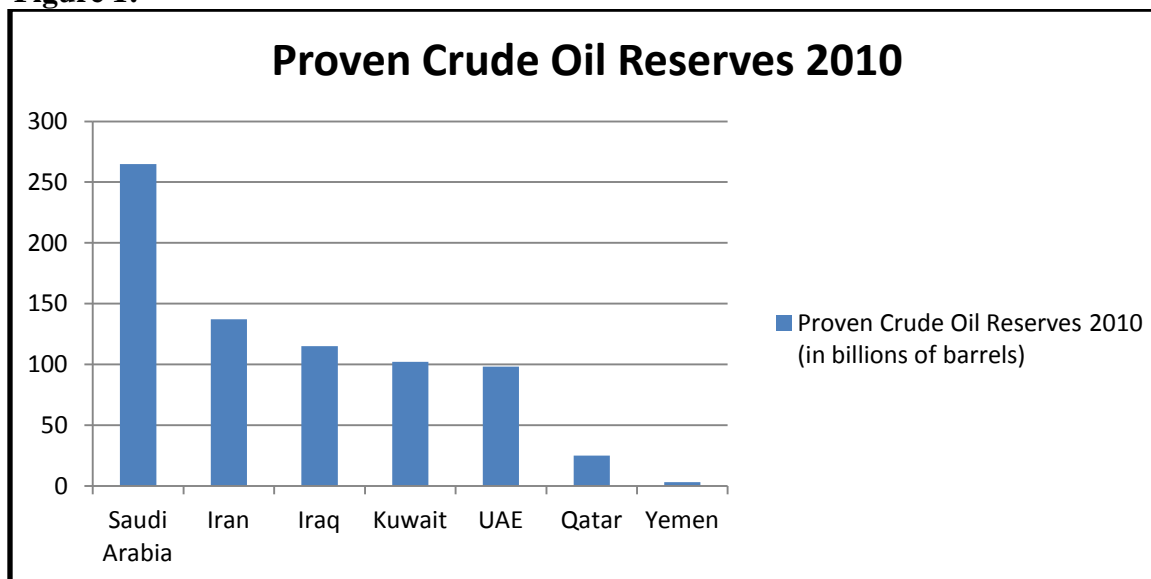
²⁴ Boucek, C. (2009). Yemen: Avoiding a Downward Spiral. *Carnegie Papers* (102), 4.

dependency is particularly problematic, demanding urgent government and international attention.

As evidenced by the chart below (Figure 1), Yemen's oil reserves are dwarfed by neighboring Gulf states and are quickly approaching total exhaustion. Production levels have steadily decreased in recent years, reducing exports and further constraining the government's budget. Declining petroleum exports combined with rising domestic consumption indicates a disastrous trend toward consumption-level production, which would eliminate oil exports as a source of government income and trigger a multi-layered economic crisis in the absence of considerable economic diversification.

The World Bank predicts a precipitous drop in oil revenues in ensuing years, estimating that Yemen's natural resources will cease to produce revenues by 2017.²⁵ The government is already contending with steep shortfalls in oil production, bracing for sharp declines in the government budget. The situation has worsened to the point where Saudi Arabia had to recently donate two months worth of petroleum products to help Yemen meet its energy needs.²⁶ However, Yemen's undiversified economy and dysfunctional government are fundamentally ill-equipped to handle the transition to a post-petroleum economy. Current efforts by the regime to diversify the economy by promoting foreign investment have failed and merely represent a token attempt to mollify donors and procure consistent flows of foreign aid. And although the Finance Ministry ordered 50% budget cuts in accordance with the expected drop in oil revenues, the regime has accomplished only a 4% cut in the bureaucracy's budget.²⁷

Figure 1:



Data: OPEC (www.opec.org), EIA (www.eia.doe.gov)

²⁵ Plaut, M. (2008, November 20). *Yemen 'Faces Crisis as Oil Ends'*. Retrieved from BBC News: http://news.bbc.co.uk/2/hi/middle_east/7739402.stm

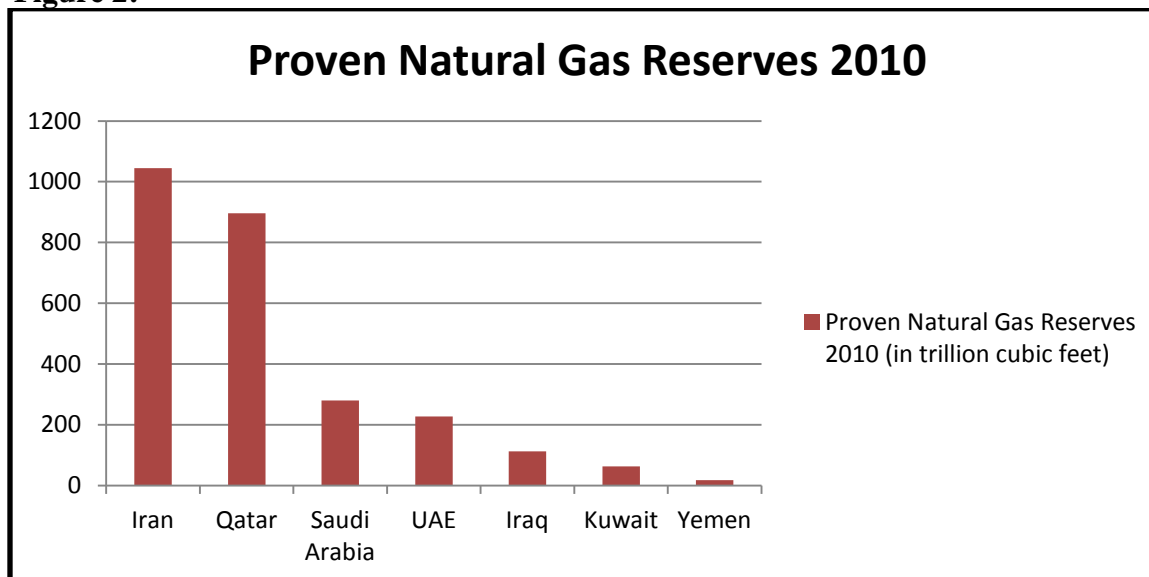
²⁶ *Saudi King Orders Petroleum Aid to Yemen*. (2012, March 27). Retrieved from Yahoo News: <http://news.yahoo.com/saudi-king-orders-petroleum-aid-yemen-105022126.html>

²⁷ Boucek, C. (2009). Yemen: Avoiding a Downward Spiral. *Carnegie Papers* (102), 5.

The regime's undetermined attempt to prepare for a future without petroleum signifies profound economic incompetence and fiscal ineptitude, but more fundamentally reflects the regime's unwillingness to abandon its paternalistic policies. Specifically, the Saleh regime devoted a considerable portion of its financial resources toward maintaining the extensive patronage network that purchases tribal loyalty and sustains the country's nominally functional bureaucracy. Funding this patronage network was unequivocally the paramount political priority of Saleh, who critically depended on the patronage system for his personal survival. Despite animosity between Saleh and Hadi, it is likely that the latter will create his own patronage network in an attempt to wrestle power from Saleh and build his own support base. However, the continued entrenchment of the Saleh apparatus within the government will be the biggest impediment to democratic progress and national consensus in Yemen.

Ultimately, the Yemeni government is less interested in seeking solutions to the country's pressing economic needs, and more focused on preserving its political authority and control. The government's current fiscal initiatives, which perplexingly envision an important future economic role for the country's extractive industries, aim to derive immediate sources of income at the expense of long-term economic diversification. The government is currently seeking foreign investment in its hydrocarbon industries, hoping to enlist the help of foreign companies to develop the Liquefied Natural Gas (LNG) sector.²⁸ However, Yemen's natural gas reserves are not economically significant and cannot compensate for the depletion of Yemen's oil reserves (See Figure 2). The regime's hopeless pursuit of LNG production and foreign investment in the oil sector represents an ill-fated effort to strengthen the regime's economic controls, mislead the international community, and deflect attention away from Yemen's withering resource base.

Figure 2:



Data: BP Statistical Review of World Energy, June 2010 (bp.com/statisticalreview)

²⁸ *Country Analysis Briefs: Yemen*. (2010, March 25). Retrieved from Energy Information Administration: <http://www.eia.doe.gov>

A Dangerous Demography

Yemen's economic troubles are worsened by a rapidly increasing population that places increasing strains on a weak government strapped for resources and a state on the brink of collapse. Increasing at a rate of 2.5% annually, Yemen's population of 24.7 million is the fastest growing in the Middle East.²⁹ Yemen also boasts the region's youngest population, as a staggering 46% of its population is under age 15.³⁰ The government is already failing to adequately deliver services to its population and indeed lacks access to the more remote parts of the country.

Poverty is endemic and plagues 45% of the population, while GDP per capita rests at a mere \$2,500 annually.³¹ By comparison, Yemen's only neighbors, Saudi Arabia and Oman, have a GDP per capita of \$24,000 and \$26,200 respectively. Consistently considered the most economically troubled state in the region, Yemen earns low marks in international poverty assessments. The CIA World Factbook ranks Yemen's GDP per capita at 180 out of 226 countries; and the 2011 United Nations Human Development Index ranks at 154th, which places it well behind every other Middle Eastern state except the war-ravaged Afghanistan.³²³³ Therefore, a population expected to double by 2035 may present insurmountable challenges to the Yemeni state, overwhelming a government contending with multiple economic, environmental, and security crises.

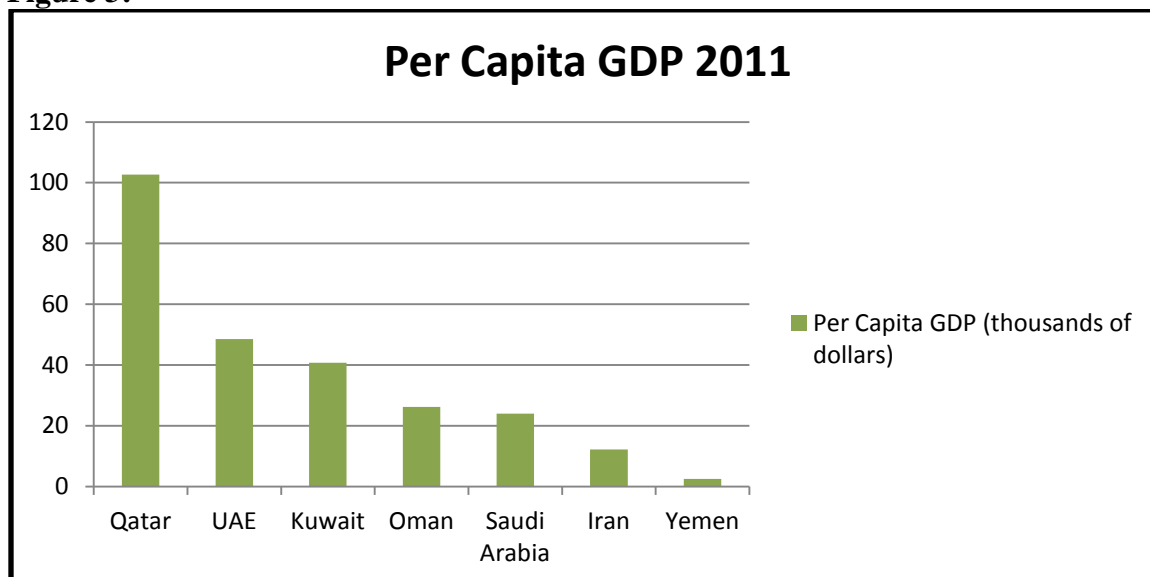
²⁹ *Yemen*. (2012, April 5). Retrieved from Central Intelligence Agency World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/ym.html>.

³⁰ Leahy, E. (2010). *Yemen: At the 'Tipping Point'*. Retrieved from International Relations and Security Network: <http://www.isn.ethz.ch/isn/Current-Affairs/Special-Reports/Demography-and-Development/Case-Study-Yemen/>

³¹ *Yemen*. (2012, April 5). Retrieved from Central Intelligence Agency World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/ym.html>.

³² *Country Comparison: GDP - Per Capita (PPP)*. (2012). Retrieved from Central Intelligence Agency World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>

³³ *International Human Development Indicators*. (2011, November 2). Retrieved from United Nations Development Programme: <http://hdr.undp.org/en/statistics/>

Figure 3:


Data: CIA World Factbook

Yemen's burgeoning population most readily threatens to derail the state's economy, exacerbating poverty and seriously undermining growth and development. Unemployment, estimated at 35% in 2003 with unreliable data since, has likely increased concurrently with the population.³⁴ In particular, the country's youthful population places increasing demands on the government to create jobs, a task ill-suited for an economy suffering from the contraction of its largest sector. The inevitable depletion of Yemen's oil resources combined with the continuation of alarming population growth rates will likely trigger a more profound economic crisis in which the state completely loses the capacity to provide for its population. Moreover, high joblessness accords to increased unrest and discontent amongst an impoverished populace, thereby heightening the internal security threat toward the regime. Yemen's economic and security situations are, therefore, deeply intertwined.

Water Crisis

Among Yemen's most persistent problems, chronic water shortages present the most severe long-term challenge to the viability of a stable Yemeni state. Low freshwater supplies combined with increasing water consumption portend an impending humanitarian emergency. Water consumption now exceeds water renewal, and Sana'a may become the world's first capital city that runs out of water.³⁵ Moreover, Yemen's aquifers are quickly depleting, and existing water sources are projected to dry up by 2015.³⁶ Severely aggravated by human activity, Yemen's freshwater supply is among the world's lowest per capita. While the lack of water in Yemen is certainly a problem, it has been exaggerated by the Yemeni government to win international aid

³⁴ Yemen. (2012, April 5). Retrieved from Central Intelligence Agency World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/ym.html>.

³⁵ Laessing, U. (2010, February 17). *Yemen's Water Crisis Eclipses al-Qaeda Threat*. Retrieved from Reuters: <http://www.alertnet.org/thenews/newsdesk/LAE656628.htm>

³⁶ Bipartisan Policy Center. (2010). *Fragility and Extremism in Yemen*.

and support. The numbers that have been released are provided by the government itself, which leads to questions of accuracy.

Urbanization, uninhibited population growth, and the improper usage of water resources have amplified the effects of water scarcity and greatly intensified the severity of the threat. Agriculture demands over 90% of the country's water resources, leaving very small rations for public use.³⁷ And although a number of area experts point to the cultivation of the non-nutritious, semi-narcotic "Qat" plant as the chief culprit for Yemen's water scarcity, a mere reallocation of water resources is unlikely to resolve this mounting crisis. Yemen's fast-growing and highly urbanized population, which is expected to double to over 40 million by 2025, dangerously accelerates water depletion and accentuates tensions resulting from resource competition.

Fighting over water resources has deepened tribal conflicts, while government attempts to procure new water sources has inflamed tensions between the government and disaffected populations.³⁸ Because water competition frequently escalates into violent fighting and tribal disputes, water security represents a formidable challenge to the state. However, the regime is unable to locate new water supplies or enforce laws governing water extraction. Yemen's acute water crisis may be the harbinger of state collapse, as the weakness and administrative ineptitude of the current regime impedes an effective government response.

Regime Response

The Yemeni government possesses neither the institutional capacity nor the political legitimacy necessary to address the country's range of seemingly intractable problems. Principally concerned with staying in power, Saleh devoted the bulk of his country's resources toward eliminating threats to his personal survival. As a result, the Saleh regime directed considerable human and financial resources toward a protracted series of military operations against the Houthi rebels in the North, the Southern separatists and the maintenance of tribal loyalties throughout the country.

One problem that Saleh opted not to prioritize, however, is the rise of al-Qaeda in Yemeni territory. Although the proliferation and empowerment of al-Qaeda militants ostensibly presents a noteworthy danger to the regime, combating AQAP was hardly a political imperative for Saleh. Amid the multitude of security threats currently confronting the state, the regime devotes a comparatively small amount of resources toward counterterrorism operations against AQAP, which it considers only a nominal threat to regime security. Only recently, in the upsurge of al-Qaeda attacks against the regime, has the government acquired a greater sense of urgency in combating the al-Qaeda threat.

³⁷ Yehya, Q. (2005, June). *Water Resources Information in Yemen*. Retrieved from United Nations Statistics Division: http://unstats.un.org/unsd/environment/envpdf/pap_wasess3a3yemen.pdf.

³⁸ Laessing, U. (2010, February 17). *Yemen's Water Crisis Eclipses al-Qaeda Threat*. Retrieved from Reuters: <http://www.alertnet.org/thenews/newsdesk/LAE656628.htm>

The Next Afghanistan?

Yemen is reemerging as a jihadist battleground and potential regional base of operations for al-Qaeda to plan and execute internal and external attacks, train terrorists, and facilitate the movement of operatives.

Former Director of National Intelligence Dennis Blair

February, 2009

The January 2009 merger of the Saudi and Yemeni branches of al-Qaeda signaled a sharp improvement in al-Qaeda's organizational structure and recruitment capabilities in the Arabian Peninsula. Strengthened by the merger and empowered by a favorable operational environment in Yemen, al-Qaeda has regained the capacity to attack foreign targets, demonstrated by the attempted Christmas Day bombing plot and recent small-scale terror attempts. Yemen has long served as a haven for Islamist militants, and extremism continues to flourish in Yemeni territory due to a number of historical, territorial, and political factors.

Sanctuary for Jihadists

Yemen's enclave of militant jihadists predates the formation of al-Qaeda and AQAP. In the 1990s, the regime of Ali Abdullah Saleh welcomed foreign fighters returning from the Afghan Jihad, establishing Yemen as a safe haven for jihadists ostracized from their home societies.³⁹ Yemenis were heavily represented within the ranks of the *mujahidin* and many continued to train in Afghanistan after the war, eventually joining the ranks of al-Qaeda and other Salafi-jihadist groups.

Desperately seeking political allies in the face of persistent domestic opposition, Saleh eagerly entered into a "partnership of convenience" with the *mujahidin*, who were granted refuge in Yemen's unmonitored, sparsely populated regions. The symbiotic arrangement resulted in a military-political alliance, whereby the jihadists aided Saleh's fight against the Houthis and the separatists in exchange for safe haven and, in some cases, land ownership or de facto territorial autonomy.⁴⁰ Saleh augmented his security forces with jihadists during the 1994 Civil War and has incorporated jihadists in his relentless offensive against the Houthis since 2004.⁴¹ For decades, jihadists have enjoyed a mutually beneficial security partnership with the Saleh regime, which has sustained the "benign" presence of militant jihadists while neglecting the dangerous transition of Yemen's ungoverned space from *mujahidin* sanctuary to al-Qaeda stronghold.

Consequently, Yemen has evolved into an epicenter for terrorist recruitment and represents the most viable regional base of operations for al-Qaeda. As the second most populous country in the Arabian Peninsula, Yemen's vast recruitment pool and militant tribal culture facilitates alliance-building between al-Qaeda and local tribes seeking redress, augmenting AQAP's ranks with sympathizers and supporters.⁴² According to the research of Murad Batal al-Shishani, Yemenis constitute 56% of AQAP and Saudis form 37%, indicating the organization's mostly

³⁹ Barfi, B. (2010). *Yemen on the Brink? The Resurgence of al-Qaeda in Yemen*. New America Foundation.

⁴⁰ Bipartisan Policy Center. (2010). *Fragility and Extremism in Yemen*, 26

⁴¹ Ibid.

⁴² Ibid.

indigenous composition.⁴³ However, Yemenis have always been disproportionately represented in the ranks of al-Qaeda and powerfully represented in the organization's leadership structure. Yemenis also accounted for over half of the prisoners detained at Guantanamo Bay, illustrating the disproportionate Yemeni presence in al-Qaeda.

Today, Yemen represents an optimal location for al-Qaeda militants to establish a regional base of operations. Yemen's rugged and mountainous geography coupled with an exceedingly weak central government provides vast expanses of ungoverned space conducive to housing militants and terrorist training camps. Isolated rural areas containing impoverished, disaffected populations aid recruitment, while uncontrolled weapon proliferation assists arms acquisition. AQAP is further strengthened by its proximity to Somalia, an area for potential expansion. To the north, Saudi Arabia's porous borders strengthen AQAP's regional funding and recruitment. Saudi Arabia and other Gulf countries have been the main source for AQAP's funding since its inception. The presence of al-Qaeda in Yemen has enhanced its ability to access global transportation and financial networks, as evidenced by the 2009 Christmas bombing attempt. Altogether, this dangerous confluence of factors greatly enhances the operational capacity of al-Qaeda in Yemen, enabling the augmentation of al-Qaeda's ranks in a pivotal geopolitical area.

The lack of stability in Yemen, coupled with the government's relative hesitancy to fully tackle the al-Qaeda threat, has also prompted al-Shabab militants from Somalia to cross the Gulf of Aden in an attempt to join the AQAP. This migration will not only bolster AQAP's numbers in the region, it will also be an important test for Hadi's presidency. If the government does not quickly stifle this jihadist migration, extremists throughout the Middle East will feel comfortable moving to Yemen to continue their operations, further adding to the instability throughout the state.⁴⁴

Unlike other franchises of al-Qaeda, which have sought militants from foreign lands, AQAP draws its ranks locally with a leadership structure composed of former Guantanamo Bay detainees and veteran jihadists from Afghanistan and Iraq.⁴⁵ Whereas prior, foreign-based al-Qaeda franchises have maintained a distance from the societies in which they operated, AQAP is thoroughly integrated within the tribal societal structures of Yemen. Rather than a radical entity distinct from society, AQAP is a local actor with transnational aspirations.

AQAP further differentiates itself from other franchises by virtue of its aims and goals. Content to operate extraterritorially in Yemen, AQAP prefers to preserve the weak governing structure that enables its existence and, therefore, does not represent an existential threat to the Yemeni state. While AQAP has recently escalated instances of domestic attacks, its ability to strike against the regime internally is limited, as the organization ill-desires the collapse of the current impotent regime in favor of a stronger regime more willing and able to forcefully act against al-Qaeda. Such a reaction is untenable for the Yemeni government, which understands that a menacing al-Qaeda presence accrues to substantial amounts of foreign aid and support. Foreign

⁴³ al-Shishani, M. B. (2010). An Assessment of the Anatomy of al-Qaeda in Yemen: Ideological and Social Factors. *Terrorism Monitor*, 8 (9), 6.

⁴⁴ Straziuso, J. (2012, February 23). *Somalia: A Year of Progress, as 300 al-Shabab Flee*. Retrieved from Boston: http://www.boston.com/news/world/africa/articles/2012/02/23/300_al_shabab_fighters_flee_toward_yemen/

⁴⁵ *Al-Qaeda in Yemen and Somalia: A Ticking Time Bomb*. (2010, January 21). Retrieved from United States Senate Committee on Foreign Relations: <http://www.foreign.senate.gov/imo/media/doc/Yemen.pdf>

aid, rapidly growing in size and scope, is increasingly vital for regime survival. In 2010, the United States doubled military aid to Yemen from \$67 to \$150 million.⁴⁶ In 2012, the Department of Defense has stated that it will likely provide \$75 million in military aid.⁴⁷ That does not include direct aid such as training, certain military equipment, and intelligence and logistical support. Saudi Arabia has given Yemen unspecified amounts of weapons and monetary aid, believed to be in the hundreds of millions of dollars. It seems, therefore, that both actors share a unique codependency, whereby the fate that befalls one will impact heavily on the other. The peculiar symbiosis that characterized Saleh's previous relationship with former jihadists remains applicable to the regime's current relationship with al-Qaeda militants. Beneath the façade of a regime outwardly committed to cooperating with its Western benefactors on counterterrorism matters, therefore, lies a regime hesitant to move squarely against an organization whose vitality ultimately bolsters the government's ruling mechanisms.

Saleh Regime: Help or Hindrance?

Although the Yemeni government has numbered AQAP in the hundreds, some analysts estimate that al-Qaeda's numbers may currently number in the thousands.⁴⁸ The regime's long history of collaborating with jihadists and enlisting extremist militants in government campaigns against domestic insurgencies ultimately suggests that Saleh promoted a system more interested in empowering these elements than defeating them. Nevertheless, the regime loudly and frequently proclaims its commitment to battling extremism and defeating al-Qaeda in Yemen, citing the "successes" of its counterterrorism military operations and strategic dedication to destroying AQAP.

Saleh and regime officials loudly boasted their government's firm military and strategic commitment toward battling al-Qaeda, but regime rhetoric is carefully calibrated toward foreign aid appeals. In a public statement, Saleh affirmed such an intention: "The funds we get are very low in comparison to how much money we lose due to al-Qaeda."⁴⁹ The regime is also prone to exaggerating its capability when it comes to combating al-Qaeda. On one hand, Saleh downplayed the size and strength of the organization while confidently proclaiming his security force's counterterrorism aptitude, estimating the size of Yemeni-based AQAP at only 200-300 recruits and asserting his military's keen ability to destroy it – naturally with the appropriate amount of funding.⁵⁰ On the other hand, Saleh noticeably promoted counterterrorism as one of his regime's top strategic priorities, placing counterterrorism aims and discussions of the al-Qaeda threat at the forefront of his rhetoric and international outreach efforts. However, the juxtaposition of these two rhetorical strategies reveals a glaring contradiction that suggests a dissembled attempt to foster the illusion of government commitment. If al-Qaeda in Yemen

⁴⁶ Entous, A. (2010, February 22). *Gates Backs Big Boost in U.S. Military Aid to Yemen*. Retrieved from Reuters: <http://www.reuters.com/article/idUSTRE61L4L120100222>

⁴⁷ *U.S. Preparing to Restart Military Aid to Yemen*. (2012, March 10). Retrieved from USA Today: <http://www.usatoday.com/news/world/story/2012-03-10/us-yemen-aid/53452878/1>

⁴⁸ Harris, A. (n.d.). *Exploiting Grievances: al-Qaeda in the Arabian Peninsula*. Retrieved from Carnegie Endowment for International Peace: http://carnegieendowment.org/files/Harris_executive_summary1.pdf

⁴⁹ Jamjoom, M. (2010, October 2). *Counterterrorism Chief Says Yemen Is Open to Help Fighting al-Qaeda*. Retrieved from CNN: <http://edition.cnn.com/2010/WORLD/meast/10/04/yemen.us.involvement/index.html>

⁵⁰ Ibid.

truly numbered as small as 200-300 recruits, as Saleh suggested, then the failure of Yemeni security forces, at 65,000 soldiers, to defeat the meager al-Qaeda presence indicates a combination of profound state weakness, military incompetence, and outright deception about regime security priorities.⁵¹

In addition to the dubious strategic commitment offered by the regime, Saleh also equivocated on major issues of counterterrorism cooperation with the U.S. Specifically, Saleh refused to pursue the arrest of Yemeni terrorist suspect Anwar al-Awlaki in spite of mounting American pressure, possibly fearing tribal backlash that might result from such an action. Although al-Awlaki was allegedly connected with Major Nidal Malik Hasan, the U.S. Army psychiatrist accused of killing 13 people at Fort Hood in November 2009, and Umar Farouk Abdulmutallab, President Saleh vehemently rejected al-Awlaki's relationship with AQAP and downplayed his significance as an extremist threat. According to Saleh, "[al-Awlaki] is not a problem for Yemen...He's a problem for America."⁵² This complacent attitude toward dangerous extremist personalities is not without historical precedent, as Saleh authorized the release of al-Qaeda mastermind Jamal al-Badawi from police custody in 2007 upon his declaration of allegiance to the regime, despite his leading role in the 2000 attack on the *U.S.S. Cole*.⁵³ This evidence suggests that the Yemeni government's image as a committed U.S. counterterrorism partner is cultivated through specious rhetoric and, therefore, does not match reality.

The Imperative of Regime Survival

Survivalist

One popular narrative painted Ali Abdullah Saleh as a political juggernaut and survivalist, skillfully navigating Yemen's deadly tribal politics and swiftly co-opting threats to his regime. Constantly battling internal enemies and quelling domestic insurgencies, Saleh miraculously held power for 34 years through brutal civil conflict and political turbulence. Saleh maintained the integrity of the state, safeguarded the foundations of his rule, and prevented Yemen from plunging into state collapse.

⁵¹ Walt, V. (2010, September 29). *Yemen's al-Qaeda Fight Raises Complex Challenges for the U.S.* Retrieved from Time: <http://www.time.com/time/world/article/0,8599,2022117,00.html>

⁵² Jamjoom, M. (2010, October 2). *Counterterrorism Chief Says Yemen Is Open to Help Fighting al-Qaeda.* Retrieved from CNN: <http://edition.cnn.com/2010/WORLD/meast/10/04/yemen.us.involvement/index.html>

⁵³ Walt, V. (2010, September 29). *Yemen's al-Qaeda Fight Raises Complex Challenges for the U.S.* Retrieved from Time: <http://www.time.com/time/world/article/0,8599,2022117,00.html>

A Man to be Trusted?

By funneling millions of aid dollars into the Yemeni state apparatus, the U.S. tacitly entrusted Ali Abdullah Saleh with responsibly allocating substantial amounts of development funds to the appropriate institutions. Moreover, the regime is expected to appropriate U.S. defense and military aid for counterterrorism operations against al-Qaeda – not his domestic political opponents. Can the Yemeni regime be trusted as a committed U.S. partner against terrorism? Saleh's historical choice of domestic and foreign allies suggests otherwise. Saleh's support for Saddam Hussein during the Persian Gulf War (1990-91) represented a rebuke of U.S. regional interests, stemming from a close partnership with Saddam Hussein. Although Saleh's alignment with Iraq was likely motivated by an effort to balance against meddling Saudi Arabia, the alliance ultimately resulted in the eviction of nearly 750,000 Yemeni workers from Saudi Arabia and seriously damaged Yemen's international standing (F. Gregory Gause, 2010). Similarly, Saleh's historical alliances with hardline jihadists were deeply divisive and undercut Yemen's relationship with the U.S. Saleh's partnerships seemingly benefitted his personal rule, but ultimately worked against his country's political and economic interests and critically undermine U.S. regional security interests.

Saleh notorious history earned him the title “little Saddam.” Saleh rise to power is similar to that of idol Saddam. Both started their career as assassins. Surprisingly Saddam failed to kill late Iraqi President AbdulKarim Qasim in 1959, but Saleh was successful in killing late Yemeni President Ibrahim AlHamdi in 1978.

According to several Yemeni sources and the former Presidents of South Yemen Ali Salem Albeed and Ali naser Mohamed, Saleh pulled the trigger that ended the life of one of Yemen's progressive and respected presidents.



Presidents Ali Abdullah Saleh & Saddam Hussein
Baghdad, 1980: www.presidentsaleh.ye



Saleh with Hamas leader Khaled Mishael and
Abdulmajeed Zandani

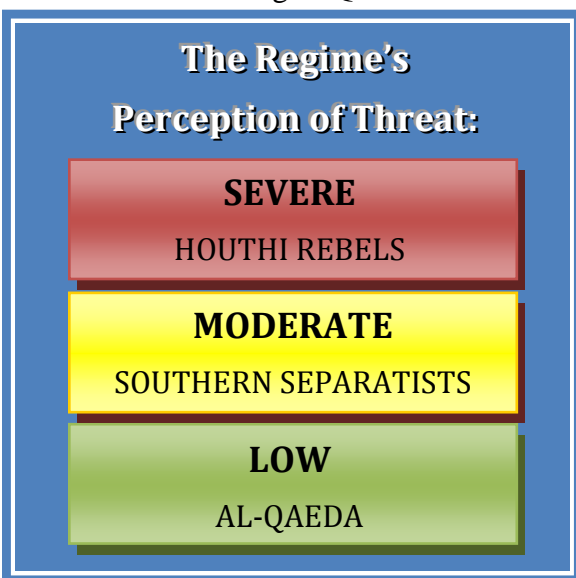
In the present state of economic and political decay, however, a different narrative emerges. This picture reveals a widely disliked leader who lost his grip on power, but somehow deftly managed to ensure his own protection from persecution while keeping the infrastructure of his

regime intact.⁵⁴ This fight for regime and personal survival occurred largely at the expense of the state's economic and political condition. Diverting massive amounts of financial and military resources toward fighting domestic insurgencies and securing extensive patronage networks, Saleh's neglectful and shortsighted actions ignored the country's myriad of stability challenges and seriously jeopardize the future of the Yemeni state. Throughout his 34 year reign, Saleh narrowly conducted domestic policy through the prism of regime security, singularly focused on preserving his ruling base.

Saleh's determination to ensure the continuation of his legacy is further evidenced by the election of Hadi, who is Saleh's hand-picked successor. Hadi, a southerner, was picked because of his weakness and lack of a support base. The choice of Hadi serves to ensure Saleh's continued influence over the government through his cronies and patronage network, who answer only to Saleh. This effectively makes him the president outside the palace. The creation of a ruling group loyal to Saleh in Yemen could render permanent a regime whose scant domestic legitimacy and corrupt institutions deepen internal divisions and foster instability.

Prioritization of Security Threats

Saleh devoted an inordinate amount of resources toward Yemen's military and security establishments, as annual military expenditures currently amount to \$1 billion or approximately 17% of annual government spending.⁵⁵ While the regime's maintenance of a large and extensive military-security apparatus is not inconsistent with the security-minded fiscal policies of other Middle Eastern autocrats, it is highly incongruous with the pressing financial needs of the state. Despite the regime's enormous military expenditures, however, Saleh directed comparatively few military resources toward battling al-Qaeda. Saleh's inability to vanquish the al-Qaeda threat and confront AQAP leaders in Yemen raises fundamental questions over the regime's commitment to battling al-Qaeda.



The situation is simple: the regime security threat posed by al-Qaeda pales in comparison to the acute security and stability threats posed by formidable rebellions in the North and South. Periodically fighting large-scale insurgencies, the Yemeni government is easily able to endure limited domestic attacks and overlook the nominal al-Qaeda threat. Beyond the logic of prioritizing security threats the government also possesses compelling political motives that deter an aggressive government response to the al-Qaeda threat.

⁵⁴ *Yemeni President Saleh Signs Deal on Ceding Power*. (2011, November 23). Retrieved from BBC News: <http://www.bbc.co.uk/news/world-middle-east-15858911>

⁵⁵ ARD. (2006, September 25). *Yemen Corruption Assessment*. Retrieved from USAID: <http://yemen.usembassy.gov/root/pdfs/reports/yemen-corruption-assessment.pdf>

Paradoxically, the interests of both the government and AQAP converge on maintaining the latter's presence in Yemen. While AQAP's interest in its own survival is self-evident, the regime benefits politically and strategically by sustaining a potent al-Qaeda presence that directs international aid and attention to the Yemeni state. The United States, Yemen's most important foreign ally and security benefactor, has steadily increased its financial and military involvement in Yemen in the past decade. Coinciding with the recent growth of al-Qaeda in Yemen, the U.S. has sharply ratcheted up its economic and military aid to the Yemeni government. In February 2010, Secretary of Defense Robert Gates approved a doubling of U.S. military assistance to Yemen, totaling \$150 million for Fiscal Year (FY) 2010 compared to \$67 million in FY 2009.⁵⁶ U.S. development and security assistance also is expected to increase from \$40.3 million in FY 2009 to \$63 million in FY 2010, which represents a 225% increase from FY 2008 levels.⁵⁷ The current trend of rapidly increasing U.S. aid to Yemen indicates that military and development assistance has increased drastically over the past 5 years.

As a massive recipient of foreign aid and military support, the government necessarily formulates a political approach that maximizes international financial and strategic interest in the Yemeni state. Seeking to maximize foreign aid and attract security-minded donors, the government opportunistically frames its fight against domestic opponents as anti-terror campaigns. Most notably, senior government officials routinely label Houthi rebels as extremist Islamist militants, hoping to secure international support for its prolonged northern campaign and legitimize its heavy-handed tactics against Houthi guerillas. Securing stable inflows of foreign aid is, therefore, a principal political priority of Saleh's legacy. Representing a short-term solution to the country's institutional and economic weaknesses, foreign aid bolsters the regime's failing institutions and strengthens its military-security apparatus, which enhances the regime's ability to wage war against domestic insurrectionary elements. These benefits easily exceed the minimal costs imposed by al-Qaeda attacks and factor prominently in the regime's strategic decision-making calculus.

Recent Developments

Yemen's Arab Spring

The protests in Yemen following the onset of the Arab Spring took on a different dimension than those throughout the rest of the Middle East. Protesters turned out in force throughout Yemen only to meet fierce resistance from the Saleh's security forces, including those trained and armed by the U.S.

⁵⁶ Entous, A. (2010, February 22). *Gates Backs Big Boost in U.S. Military Aid to Yemen*. Retrieved from Reuters: <http://www.reuters.com/article/idUSTRE61L4L120100222>

⁵⁷ Carmichael, L. (2009, December 30). *US Sharply Steps Up Military, Economic Aid to Yemen*. Retrieved from French Press Agency.

Yemen's Ministry of Human Rights claims that at least 2000 people have been killed since the beginning of the protests, but this number is still likely lower than reality because of the isolation of some protests and difficulties in reporting.⁵⁸

Protesters and opposition groups led massive demonstrations against the state, with all parties involved calling for constitutional reform and the ousting of Saleh. Saleh rebuffed these attempts and tried to make small concessions, including promises for a referendum concerning a parliamentary system of government. The opposition rejected these offers, rightly concerned that Saleh would not follow through with his promises, as he did in 2006 when he announced he would not seek reelection.

Following an assassination attempt in June of 2011, Saleh received medical attention in Saudi Arabia, leaving the opposition hopeful that he would not return to Yemen. However, once Saleh returned, he continued his seeming defiance to the opposition's wishes, trying to extend the life of his regime. He offered to pass power to a care-taker government, which the opposition soundly rejected, claiming that his concessions were not enough.⁵⁹

Saleh eventually signed the Gulf Cooperation Council brokered deal, endorsed by the U.S., which called for presidential elections in February 2012 and the removal of Saleh from office. The opposition rejected the deal, claiming that it did not do enough to change the system of government in Yemen. Despite these reservations, Saleh signed the deal and effectively agreed to transfer power to his hand-picked successor, Mansour Abdah Hadi.

With Hadi now in control, protesters have taken to the street again to demand the ousting of Saleh's cronies entrenched throughout the government and army. Hadi will likely continue his predecessor's anti-protest practices for a variety of reasons. Hadi has inherited a government dominated by Saleh's beliefs and followers, and maintaining power and stability will be among Hadi's top priorities in the near future. Increased activity from AQAP has threatened the government's position, forcing Hadi to strengthen his resolve against all opposition, be it peaceful or violent. The powerful security forces augmented by American money will likely be used to crush the protests in an attempt to consolidate Hadi's own power.

The Arab Spring in Yemen is far from over, considering the lack of fundamental change to the government. Although Saleh is now out of power, he remains a powerful part of the Yemeni government, with the majority of army and government officials having served under him in the past. The opposition will continue to protest until their demands are met, but it remains to be seen how the new government will respond.

International Response to Yemen's Arab Spring

Following the onset of protests in Yemen, the world reacted with seeming indifference. Where protesters in other states throughout the Middle East experienced intervention at the hands of the United States, Yemen remained relatively untouched. The United States and Saudi Arabia had a vested interest in the survival of the Saleh regime, with American officials claiming that Saleh's

⁵⁸ Al-Haj, A. (2012, March 18). *Yemen Death Toll: Over 2,000 Killed in Uprising*. Retrieved from The Huffington Post: http://www.huffingtonpost.com/2012/03/19/yemen-death-toll_n_1361840.html

⁵⁹ *Yemen's Saleh 'Makes New Offer to Protesters'*. (2011, March 30). Retrieved from Al-Jazeera: <http://www.aljazeera.com/news/middleeast/2011/03/201133014584368624.html>

regime is their best partner.⁶⁰ Saudi Arabia also looked nervously at the protests, concerned with stability on its southern border.⁶¹

The Saudi response to Yemen's protests stems partly from their long-standing obsession with the imagined spread of Shi'a power in the region, and the emergence of democratic governments in the region. Saudi Arabia's foremost concern is the expansion of Iranian influence near its borders, and it views the protests in Yemen as a product of Iranian meddling, largely ignoring the multitude of domestic issues perpetuated by the Saleh regime that prompted the protests in the first place.⁶² The Saudi government's intense fear of internal opposition and Iranian expansion helped ensure Saleh's survival even in the face of massive protests, with Saudi Arabia nursing Saleh back to health following the attempt on his life.⁶³

The United States adopted the Saudi narrative in Yemen and placed too much weight on the Saleh regime's ability to combat AQAP. The U.S. went as far as supporting Saleh and the Saudi army in their fight against the Houthis by providing satellite images, intelligence, and advanced munitions. The U.S. also surrendered its position and adopted to the false Saudi claim of a direct Iranian role in Yemen.

Operating from the belief that a complete governmental collapse in Yemen was imminent, the United States and Saudi Arabia supported the continuation of Saleh's rule as they believed it to be the best scenario attainable. While both states expressed general concern about the instability in Yemen, both had a vested interest in maintaining Saleh's rule at the time.

GCC Power-Transfer Deal

The Saudi government eventually realized that the protests in Yemen were strengthening, and, concerned with its own stability, helped push for a Gulf Co-operation Council power transfer deal. The GCC offered Saleh many opportunities to sign a power-transfer deal, but it wasn't until September of 2011 that he officially signed a deal calling for his abdication of the presidency. The GCC deal was designed to avert a collapse of the Saleh regime and limit protesters' gains. While Saleh is gone, his regime is alive and well through his son, nephews, brothers and other cronies who remain unscathed.

By signing the deal, Saleh was officially granted immunity from any crimes committed during his autocratic tenure.⁶⁴ The GCC deal also completely ignored the interests of the opposition groups that prompted the power-transfer in the first place. Rebel groups and protestors were not granted any concessions. The agreement put forth the referendum ensuring an easy win for the uncontested candidate Hadi. In essence, the GCC-brokered deal was said to prevent the protests

⁶⁰ Kasinof, L., & Shane, S. (2011, March 1). *Radical Cleric Demands Ouster of Yemen Leader*. Retrieved from The New York Times: http://www.nytimes.com/2011/03/02/world/middleeast/02yemen.html?_r=2

⁶¹ Ibid.

⁶² Voller, Y. (2011, November 23). *The Kingdom's Quandary: Saudi Arabia's "Iran Complex"*. Retrieved from The London School of Economics and Political Science: <http://blogs.lse.ac.uk/ideas/2011/11/the-kingdom%E2%80%99s-quandary-saudi-arabia%E2%80%99s-%E2%80%99Ciran-complex%E2%80%99D/>

⁶³ *Yemen President Ali Abdullah Saleh Returns to Sanaa*. (2011, September 23). Retrieved from BBC News: <http://www.bbc.co.uk/news/world-middle-east-15030899>

⁶⁴ Almasmari, H. (2012, January 21). *Yemeni President Saleh Granted Immunity*. Retrieved from CNN: http://articles.cnn.com/2012-01-21/middleeast/world_meast_yemen-saleh-immunity_1_saleh-supporters-immunity-law-president-ali-abdullah-saleh?_s=PM:MIDDLEEAST

from escalating into civil war, but it marginalized various opposition groups, including the politically relevant Houthis, who are justifiably concerned that Saudi Arabia's support for the Yemeni government will promote anti-Shia policies.⁶⁵

On the surface, it appeared that Saudi Arabia wanted to rid itself of Saleh, but the truth is not as apparent. Both Saudi Arabia and the United States could find no viable alternative to Saleh, and Saudi Arabia pushed for the passage of the GCC deal to remove Saleh from the public light. By forcing Saleh to step down, Saudi Arabia believed that Saleh could remain relevant as the leader of the General People's Congress (GPC), while appeasing the public's demands for change. The GPC is the largest political party in Yemen and holds the majority of seats in parliament. Saleh has still yet to leave Yemen despite his assurances otherwise, and he continues to wield power in the government. Hadi's weakness is obvious limited power acting as the token president. Saleh has already proven himself to be a nuisance to Hadi by opposing many of his decisions and publicly questioning his ability to rule.⁶⁶

With the ascension of Hadi, the international community hopes that fresh faces will help stabilize the fractured state. However, Yemen is in no better shape now than it was at any point in recent years. Saleh's strategic placement of family and cronies into governmental positions diminishes the power of the already weak Hadi. President Hadi and Prime Minister Basindawa are both South Yemenis, who do not hold the necessary tools to rule Yemen and lack the tribal backing and governing experience. The weakness of Hadi/Basindawa might ultimately play into Saleh's hand and usher his family's return to direct power.

Recommendations

Since the escalation of U.S. involvement and interest in Yemen in 2008, U.S. policy has consisted of a two-pronged aid strategy aimed at strengthening political and military institutions. While military aid seeks to bolster the government's fight against al-Qaeda, U.S. developmental assistance is calibrated toward building political institutions, improving governance, and fostering a more diversified economy.⁶⁷ Departing from an aid strategy limited to counterterrorism support, U.S. policy toward Yemen has grown increasingly dynamic and currently addresses a comprehensive array of political and economic challenges. However, increased levels of U.S. aid will have the effect of strengthening a regime that does hold any modicum of national consensus.

Earning the title "Little Saddam" as both an admirer and practitioner of the deposed dictator's methods, Ali Abdullah Saleh alienated large segments of the population through his ruthless suppression of dissenting factions and myopic political tactics aimed at preserving his traditional mechanisms of control. Possessing neither the authority nor the legitimacy to govern all parts of the country, the Saleh regime increasingly relied on its paternalistic rule and tight control over essential state institutions to maintain its grip on power.

⁶⁵ Habboush, M. (2011, November 26). *Yemen Presidential Election Set for February 21*. Retrieved from Reuters: <http://www.reuters.com/article/2011/11/26/us-yemen-fighting-idUSTRE7AP0E920111126>

⁶⁶ *Office of Saleh Denies Accusations*. (2012, March 26). Retrieved from Official Website of President Ali Abdullah Saleh: <http://www.president-saleh.gov.ye/shownews.php?lng=ar&nsid=9777>. (Arabic)

⁶⁷ Benjamin, D. (2010). U.S. Institute of Peace.

Rather than improving governance and promoting economic development, the influx of U.S. aid dollars may simply fill the coffers of a new regime seeking desperately to hold onto the little power it has as its disposal. Given the paramount nature of regime survival and state power, Hadi is likely to appropriate prodigious amounts of foreign aid for defense and security institutions, while neglecting the imperative of economic diversification. Moreover, anti-corruption measures will be met with stiff regime resistance, as institutionalized patronage and nepotism are vital components of the regime's paternalistic power structure. Aid will doubtlessly be ineffective – or counterproductive – unless it is carefully monitored, highly conditional, and contingent on regime cooperation.

In addition to the projected inefficacy of institutional and economic aid, large amounts of military and defense aid are unlikely to be effectively implemented by the regime, given the poor performance of Yemeni security forces in the past. In particular, Saleh prosecuted six brutal military campaigns against the Houthi rebels in the past decade, repeatedly failing to score a military victory and unable to prevent recent Houthi military advances against government positions in the North. These heavy-handed military offensives have failed to achieve any measure of success, despite the quantitative and technological advantages held by Republican security forces, and have only inflamed tribal tensions and weakened the regime. The regime has categorically failed to quell the insurgency, which was met with enormous military and strategic commitment, and thus will invariably fare similarly when waging a lesser war against al-Qaeda with fewer resources and limited strategic focus. Although the \$150 million military aid package is intended to strengthen Yemeni counterterrorism forces, the regime could deploy these forces against domestic enemies other than al-Qaeda.⁶⁸

Indeed, it may be difficult to monitor the utilization of this aid without direct U.S. military oversight and cooperation with Yemeni security forces. However, American military involvement tends to exacerbate rather than ameliorate internal strife and instability. Heavy civilian casualties resulting from these strikes further alienate the population from its government and increase the number of disaffected citizens susceptible to terrorist recruitment. U.S. drone strikes and counterterrorism operations in Yemen have notably failed to extirpate or incapacitate al-Qaeda's presence, as the government's pronounced relationship with the U.S. has solidified al-Qaeda's determination to challenge the regime and establish a foothold in Yemen. Highly provocative and destabilizing, U.S. involvement in Yemen has inflamed public opinion and widened the gulf between the government and the population.

Current U.S. strategy, predicated entirely on large quantities of aid, is destined to achieve suboptimal results. Ultimately, this aid-centric strategy will assuredly improve the regime's capacity to strike against domestic enemies and expand the reach of its patronage network, while failing to promote stability and unity. The politics and institutions of the government, therefore, seriously hamstring U.S. efforts to bolster the functioning of the Yemeni state. As a result, the U.S. should reevaluate its relationship with the Yemeni government and reconsider its foreign aid strategy. With Hadi now in control of the government, it is imperative for aid to be reallocated more effectively in the future to prevent the continuation of Saleh's policies. If aid continues to flow in unabated, Hadi will continue to use the same strategy of exaggerating the threat of Islamic extremism in Yemen for personal gain. While the threat of Islamic extremism

⁶⁸ Entous, A. (2010, February 22). *Gates Backs Big Boost in U.S. Military Aid to Yemen*. Retrieved from Reuters: <http://www.reuters.com/article/idUSTRE61L4L120100222>

is undoubtedly growing in the Gulf with the rise of AQAP, it is the government's strategies that have allowed AQAP to gain a foothold in the tribal areas of Yemen. By cutting aid to the Yemeni regime, the United States will have leverage to push for meaningful governmental change in Yemen.

A more effective foreign aid strategy would focus on supporting the Yemeni citizens instead of the government. Humanitarian aid to all Yemenis would serve two purposes: it would foster good will with the population, and it would be a relatively non-controversial method of supporting all opposition to the Yemeni government equally without making formal overtures. In the mean time, the U.S. should increase its serious dialogue with regional countries and work to develop a regional approach toward enhancing stability in Yemen that includes building concrete relationships with tribal and religious leaders as well as Houthi and separatist elements. The U.S. should work to assume the roles of an impartial arbiter, mediator, and peacemaker in Yemen.

Regional states should be consulted and encouraged to take a more proactive role in mediating internal disputes and serving as interlocutors between Yemen's various factions. Neighboring Saudi Arabia and Oman, along with nearby GCC states, have a substantial stake in Yemen's political durability and economic functionality, as instability in Yemen impacts regional stability as a whole. As an increasingly dangerous breeding ground for al-Qaeda militants, Yemen most readily presents an acute security threat to neighboring states and threatens to seriously undermine the anti-terror operations of GCC regimes. More severely, a humanitarian crisis triggered by economic or state collapse may displace millions (in a country of 24.7 million) and precipitate a refugee crisis of grave proportions. A refugee crisis would engender massive regional instability and potentially overwhelm the Gulf monarchies, while violent factional fighting originating in Yemen could easily spillover into adjacent states. These shared concerns should be converted to sustained regional involvement in Yemen. Though Saudi Arabia has historically involved itself in Yemeni internal affairs, the Kingdom's recent destructive military campaign against the Houthis in Northern Yemen reaffirmed Yemeni suspicion of subversive Saudi intentions.

Qatar, eager to assume the mantle of regional interlocutor and expand its diplomatic and political influence, may play a more viable and credible role in Yemen.

A reworking of foreign aid strategy combined with proactive regional involvement are crucial components of a sensible international effort to build a stable political, economic, and societal environment and rescue Yemen from failure. However, the future of Yemen lies beyond the scope of foreign aid and beyond the remnants of Saleh's rule, which has handicapped state development for the last three decades. Reliance on the weak and corrupt Yemeni government to enact broad reforms in governance, mitigate the effects of resource depletion, and preclude economic disaster will only seal the country's fate as a failed state and epicenter of regional instability. Stability can be established only by a Yemeni government that reconciles the country's disparate tribal factions, consults disaffected groups in a more democratic system, fights institutionalized corruption, and transitions the economy away from oil dependence toward a more dynamic, diversified economy.

