



The Yemen Review

March 2023

Saudi-Houthi Talks Move Toward Ceasefire

March 2023



The Sana'a Center for Strategic Studies

is an independent think-tank that seeks to foster change through knowledge production with a focus on Yemen and the surrounding region. The Center's publications and programs, offered in both Arabic and English, cover diplomatic, political, social, economic and security-related developments, aiming to impact policy locally, regionally, and internationally.

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Saudi-Houthi talks regained traction over the course of March, and the announcement of a ceasefire is expected as Riyadh looks to wind down its direct military involvement in Yemen. At month's end, Presidential Leadership Council chief Rashad al-Alimi and his government were summoned to the Saudi capital to be briefed on the negotiations. Despite the flurry of activity, there has been little information given on how the Saudis intend to resolve some of the longstanding issues that have bedeviled earlier rounds of talks.

The negotiations have not forestalled continued fighting, with clashes escalating across multiple frontlines. The Houthis made gains in southern Marib and along the Al-Bayda-Shabwa border, and heavy fighting took place in Al-Dhalea and southern Hudaydah. Taiz Governor Nabil Shamsan, Minister of Defense Mohsen al-Daeri, and Chief of Staff Saghir bin Aziz survived separate assassination attempts in Taiz governorate believed to have been undertaken by Houthi forces.

The Houthi-controlled parliament in Sana'a has banned the payment of interest as a "usurious transaction," in an attempt to Islamicize the financial sector. Implementation could have disastrous effects on Yemen's faltering economy, contributing to its isolation and discouraging international investment. The law could rapidly limit the ability to finance basic imports and cut off access to foreign financing.



Houthi supporters demonstrate in the capital, Sana'a, on the eighth anniversary of the Saud-led coalition's intervention in Yemen on March 26, 2023 // Sana'a Center photo by Asem al-Posi

Politics & Diplomacy

Saudi-Houthi Talks Move Forward

After weeks of little movement, the bilateral Saudi-Houthi talks **appear to be headed toward** agreement on a comprehensive ceasefire, though resolution of longstanding issues remains elusive. At month's end, Saudi Arabia organized a meeting in Riyadh, framed officially as Presidential Leadership Council (PLC) President Rashad Al-Alimi summoning the leading figures of his government. After the Saudis met individually with each PLC member to discuss the recent talks in Oman, they reportedly agreed in principle to an initiative presented by Saudi Ambassador Mohammed al-Jaber. **The proposal** to the Houthis described a three-stage process for PLC-Houthi talks, to take place over two years. During the first six months, confidence-building measures would be taken, including the payment of salaries to civil servants to include security and military personnel in Houthi-held areas, the reopening of roads, and the expansion of flights from Sana'a airport, followed by three months of preparations ahead of final status talks over a transition period. The issue of public sector payments and the reopening of roads have remained unresolved since their inclusion in last year's truce talks and were the undoing of that agreement last October.

Southern Transitional Council (STC) head Aiderous al-Zubaidi expressed the general sense of unease among PLC members when he left the meeting after an hour, saying the plan was unclear. He insisted on the need to discuss the "national issue" in future talks, in reference to the southern question, and said the idea of placing southern resources at the disposal of the Houthis in Sana'a was "unacceptable." Other STC figures have **voiced similar concerns**. The Islamist Islah party is reportedly extremely concerned about the talks, particularly after the Saudi-Iran **rapprochement** announced on March 10. The UAE has refused to engage with Houthi intermediaries. Other senior government officials have said privately that they agreed to the Saudi proposal, but expect the Houthis to reject it.

Houthi demands, as presented in January, are characteristically maximalist, a tactic they have embraced since the truce negotiations as they are repeatedly rewarded with capitulation. They include Saudi support for a comprehensive ceasefire, cessation of Saudi participation in the conflict, the full reopening of Sana'a airport and all Houthi-controlled seaports, including Hudaydah, and payment of all public sector salaries. Details on how the Saudis would accommodate these demands, or implement them as confidence-building measures, have not been forthcoming. The conditions present a number of obstacles beyond a willingness for their implementation. Security clearance for flights from Sana'a will be a thorny issue for some countries, which may see little benefit in acceding. Many international shippers are unlikely to willingly take on the exorbitant insurance fees to resume commercial imports through Hudaydah, and have had numerous shipping containers stolen by the Houthis without recompense. The provision of unpaid public sector salaries has defied agreement over a series of disputes on who should pay and who should be eligible.

Saudi Arabia reportedly remains focused on enticing a Houthi delegation to attend a public event in the Kingdom, preferably led by Supreme Political Council President Mahdi al-Mashat. The Saudis hope to use the occasion to announce an agreed roadmap, bringing in the internationally recognized government. The Houthis contend that every detail must be agreed in advance so that all remains is the choreography of the visit.

Limited talks between the Houthis and the government moved forward on a prisoner swap, announced on March 20 after ten days of negotiations in Switzerland sponsored by the United Nations and the International Committee of the Red Cross. The sides **agreed** to free 887 detainees and meet again in May. Houthi officials said on Twitter that they would release 181 detainees in mid-April, including fifteen Saudis and three Sudanese, in exchange for 706 prisoners to be freed by the government. Among the high-profile detainees set to be released are former defense minister Mahmoud al-Subaihi, PLC member Tareq Saleh's brother Mohammed and his son Affash, and former president Abdo Rabbu Mansour Hadi's brother Nasser Mansour Hadi. Saleh reportedly paid a substantial sum for the inclusion of his family in the deal. Two other high-profile prisoners, leading Islah figure and negotiator Mohammed Qahtan and military commander Faisal Rajab, were not included in the list of detainees to be released. Other releases still hoped to be made include four journalists kidnapped by the Houthis in 2015 and later sentenced to death.

Saudi Arabia and Iran Restore Ties

Iran and Saudi Arabia **have agreed** to reestablish diplomatic relations and reopen their respective embassies in a landmark deal negotiated by China. The two had severed ties after Riyadh executed a Shia cleric in 2016, and protesters subsequently stormed the Saudi embassy in Tehran. The deal could have far-reaching implications – Iran supports the Houthi movement, **smuggling weapons** in defiance of a UN embargo. This has included increasingly **sophisticated drone technology**, which the Houthis have used to provide air support to their ground forces and target strategic and economic assets of the government and Saudi-led coalition countries. Iranian involvement may at times have been more direct; there are **strong suspicions** that a September 2019 attack on Saudi oil facilities was not carried out by the Houthis, as they claimed, and that missiles were fired from elsewhere.

The effects of the rapprochement on the conflict and peace process are not yet clear. Saudi Arabia appears to be rapidly trying to end its involvement in Yemen, evidenced by its ongoing bilateral talks with the Houthi movement. Its broader aim seems to be winding up its involvement in a series of controversial and largely disastrous military ventures and regional spats in search of the stability necessary for greater foreign investment.

The deal with Iran may best be conceptualized as part of a parallel, complementary process rather than a necessary precursor to peace, though it may yet emerge as a driver of negotiations. Restoring relations could remove some of the Houthis' diplomatic and military leverage – Iran has **reportedly agreed to stop weapons shipments** – but the group has substantial capabilities of its own. The Houthis have been at a technological disadvantage throughout the conflict, but this has done little to mitigate their battlefield successes.

The deal has brought dissonance as well as fanfare: no sooner had Iran's UN mission suggested that the agreement would **"help start a national dialogue, and form an inclusive national government in Yemen,"** than a Houthi **spokesperson affirmed the group's independence, and stated that the agreement would have no impact whatsoever.** It is unclear how much leverage the Iranians have over the Houthi movement or to what extent it could be coerced. It is likewise uncertain how far the Saudis would be willing to accommodate the Houthis beyond serving their own interests in disengagement.

Saudi Arabia Reasserts Power in the South

Political machinations in Wadi Hadramawt continued in March, as the governorate has become **a focal point** in the growing rift between Saudi Arabia and the UAE and their respective Yemeni allies. On March 4, it was **reported** that the Chief of Staff of the Islah-affiliated 1st Military Region, Amer Abdullah bin Hatiyan, submitted his resignation, citing security and administrative imbalance and an inability to form his own brigade. Hatiyan's complaints refer to Islah's long-standing influence among 1st Military Region forces. Bin Hatiyan was appointed last December as a concession to the STC and its Emirati backers, who have been agitating for the removal of Islah-affiliated forces in Wadi Hadramawt since seizing control of Shabwa in August. But Saudi Arabia has reportedly warned the STC not to escalate its involvement in the region – under threat of direct military action. The Kingdom views the governorate as a vital national security interest due to their long, shared border.

Saudi Arabia has moved to shore up the positions of its allies **elsewhere**, presumably with an eye towards entrenching their southern partners ahead of final status talks. As its ties with the STC deteriorate, it has drawn closer to the Islah party, whose political fortunes had appeared to be waning. A Saudi delegation met with Islah-affiliated commanders who were expelled from Shabwa and affirmed its support, and the Saudis are rumored to be providing them arms in preparation for a return to the governorate. This could ease pressure on Hadramawt and interrupt STC attempts to gain control of Seyoun. A Saudi contingent on the Socotra archipelago has also recently relocated to a base near the island's airport. Most consequentially, however, the Kingdom is bankrolling the Nation's Shield Forces, under the direct control of President Al-Alimi, which have taken up positions in Yemen's southwest.

The STC Pushes Back

The STC has responded by seeking broader support. President Aiderous al-Zubaidi made a **visit to Moscow** on March 18 after an official invitation from Russia. The party presented the trip as drawing on former South Yemen's close ties with the Soviet Union, but little came of the visit, which may have been orchestrated by the Saudis to placate the group. Russia is unlikely to willfully antagonize an important OPEC partner during its economic isolation. Saudi ambassador to Yemen Mohammed al-Jaber met in Moscow with Russian deputy foreign minister Mikhail Bogdanov in late February, and Foreign Minister Faisal bin Farhan discussed the situation in Yemen during his own trip to Moscow in mid-March.

Following the trip, Al-Zubaidi returned to Aden, after being based in Abu Dhabi since late last year. Whether this signals the party's desire to escalate or deescalate its standoff with Saudi-backed forces is not yet clear. The UAE is thought to have prevented Al-Zubaidi from returning to remove the risk of clashes in Aden. Al-Zubaidi stirred reaction on social media for attending an online PLC meeting on March 26 with an array of flags beside him, including one of the former South Yemen. Another senior STC figure sounded a defiant note, stating privately that the group intends to raise the stakes in the coming weeks, and is willing to escalate the confrontation rather than submit to political marginalization. On March 20, the tension was on full display in Abyan, where Prime Minister Maeen Abdelmalek narrowly avoided a confrontation with STC-affiliated soldiers during an official visit to Zinjibar.

Briefed in Riyadh on the Saudi-Houthi talks, Al-Zubaidi voiced skepticism, though he may yet use the trip to try to reset relations with Saudi Arabia. He has declared his intention to reorganize the STC's internal structures, apparently with the aim of bringing in new faces. This may include elevating Amr al-Beidh, the son of former South Yemen president Ali Salem al-Beidh, who made a high-profile return to Aden for the **first time in 29 years**, telling Aden TV that he was back for the southern state's return. Based in Oman, Al-Beidh has acted as Al-Zubaidi's personal representative and sits on the STC's presidential council, though he has been judged in some corners as having stayed away for too long. The UAE may also want to boost Al-Beidh as a leading STC figure.

Saleh Visits Taiz

Tareq Saleh, a member of the PLC and head of the UAE-backed National Resistance Forces, **visited Taiz city** on March 1, suggesting a possible rapprochement with the Islah party. Islah is the dominant security force in the city, and Saleh was photographed shaking hands with top local military leader Abdo Farhan al-Meklaifi, also known as Salem. The nephew of former President Ali Abdullah Saleh, Tareq had not visited Taiz city since 2012. Though the meeting indicated a degree of growing cooperation between the two groups, some of their respective supporters may be less keen. Forces loyal to an Islah commander stormed the local office of the Political Bureau of the National Resistance Forces just days after Saleh's departure, and his Emirati backers remain committed to actively marginalizing the Islamist group, most notably in Shabwa and Hadramawt.

Saleh reportedly has ambitions beyond his stronghold on the Red Sea Coast, where his forces help secure the Bab al-Mandab Strait on behalf of the UAE. In a speech ahead of his trip, he voiced skepticism about the progress and potential of ongoing Saudi-Houthi talks.

Saleh may seek a new role through the revival of the once-dominant General Peoples' Congress party, but its divided membership exemplifies the challenge of forging allies and supporters out of former military rivals. The **recent opening** of an airport in Al-Makha has strengthened his hand and the reach of his forces, who opened a new Political Bureau office in exile for Houthi-controlled Ibb governorate on March 20.

On March 25, Taiz Governor Nabil Shamsan, Minister of Defense Mohsen al-Daeri, and Chief of Staff Saghir bin Aziz survived two separate attacks on their respective convoys following a visit with Saleh at his base in the coastal city of Al-Makha (see, **Military & Security**). The government has accused the Houthis of carrying out the attacks, which seems probable given their precision. However, concern over a potential political realignment in the governorate has stoked fear within elements of Islah and the STC. Saleh, Shamsan, and Islah leaders have lately

sought closer ties, and there were recent protests against governor Shamsan after he released men accused of working for Houthi forces. PLC President Rashad al-Alimi would reportedly be happy to see Shamsan go and is wary of Saleh's national ambitions.

Rare Protests Against the Houthis in Ibb

Houthi authorities have brought in a new security director for the Al-Mashanah district in the Old City of Ibb **after the March 23** funeral of social media activist Hamdi Abdelrazzaq turned into a mass anti-Houthi protest. Images showed hundreds of angry residents accompanying the body of Abdelrazzaq, who died in Houthi custody, through the streets, shouting slogans such as “no Houthis after today” and “there is no god but God, the Houthis are the enemy of God” and removing Houthi flags and placards. Abdelrazzaq posted videos on YouTube under the name Al-Mukahhal, decrying economic suffering and corruption. Many of the mourners put kohl on their eyes in commemoration of Abdelrazzaq, who was known for wearing the cosmetic, and women ululated in the streets to signify their grief. Houthi forces reportedly fired machine guns in an effort to disperse the crowds, and made dozens of arrests after the protest, while military vehicles sat at the entrances to the Old City, whose streets are too narrow for them to enter.

Though Houthi authorities seemed surprised at the outpouring of popular sentiment, they struggled to provide a convincing narrative of Abdelrazzaq's death, claiming at one point that he was found dead outside the detention site after escaping, and that he had been arrested for insulting an influential Hashemite family. After PLC President Al-Alimi **reportedly ordered** a monthly payment to Abdelrazzaq's family, high-ranking Houthi official Mohammed Ali al-Houthi said on Twitter that prosecutors had set up a committee to investigate. The surprise protests reflect the widespread discontent that occasionally flares up in Houthi-controlled territories, but also a particular problem in Ibb, which has a tradition of political activism.

The new director, Saleem al-Quhaif, was previously head of the Al-Qafr district, where he had a reputation for toughness. The Houthis have also deployed preventative security intelligence agents and masked gunmen from the Ministry of Interior's Rapid Intervention Forces to the governorate. The latter, which Houthi authorities claim are part of a “traffic control unit,” are typically deployed to contain emergency situations and popular unrest. Houthi authorities are also trying to win over neighborhood leaders (auqal) by more than doubling cooking gas rations and handing out food baskets. Auqal play an important role in mediating local disputes, but under the Houthis they have also taken on roles such as distributing aid to families, overseeing conscription, and ensuring attendance at indoctrination programs.

Under Houthi rule, tension has often risen during Ramadan because of extra taxes. Officials have also tried to **limit participation** in the Ramadan evening prayers known as Tarawih by imposing restrictions on the volume of loudspeakers, prompting imams and worshippers to perform the prayers inside their homes. The Houthis view the prayers as a Sunni practice that has spread among the Zaidi population. In Sana'a, Houthi gunmen stormed and shut down a number of mosques to disrupt Tarawih prayers, in part to direct attention toward Abdelmalek al-Houthi's Ramadan lectures, which are broadcast nightly around the same time on TV screens installed in mosques and other communal areas.

Other Items

UN Moves Ahead with Plan for FSO Safer

On March 9, the UN **announced** that it paid US\$55 million for a storage vessel from Euronav, a Belgian shipping company, to receive over a million barrels of oil from the 47-year-old FSO Safer, moored near the port of Hudaydah on the Red Sea Coast. The 332-meter-long, double-hulled vessel is currently being modified in China and is expected to arrive in Yemen in early May. The situation is still extremely risky – the Safer is deteriorating and could do so catastrophically at any moment. A major spill would cause an ecological and economic disaster, jeopardizing international shipping lanes and causing untold damage to fisheries. The salvage operation is currently **scheduled** to begin in May and should take less than two months to complete. While the operation was originally estimated to cost US\$80 million, the UN reports that costs have increased to US\$129 million, due in part to Russia's invasion of Ukraine. To date, US\$95 million has been pledged, US\$75 million of which has been disbursed.

Egypt Imposes New Entry Rules for Yemenis

Egypt has imposed additional visa restrictions on Yemeni travelers, **prompting public criticism** of Yemeni Foreign Minister Ahmed bin Mubarak. The new rules require Yemenis traveling to the country for medical treatment to acquire a report from an Egyptian hospital, which must be certified by the Egyptian Foreign Ministry and others to acquire security approval. The duration of a visitor's visa has been reduced from six to three months and residency permits from one year to six months. Previously, most Yemenis seeking to travel to Egypt would arrange a report from a Yemeni hospital via their travel agent or Yemenia Airways – this was the easiest way to visit, whether or not they had a medical condition. Passengers on an April 1 Yemenia flight to Cairo were refused entry on arrival, which the airline **said** was because the revised Egyptian rules were announced after the flight took off.



Government-affiliated Yemeni military officers march during a graduation ceremony in Marib al-Wadi district on March 16, 2023 // Sana'a Center photo by Abdulmajid al-Khadami

Military & Security

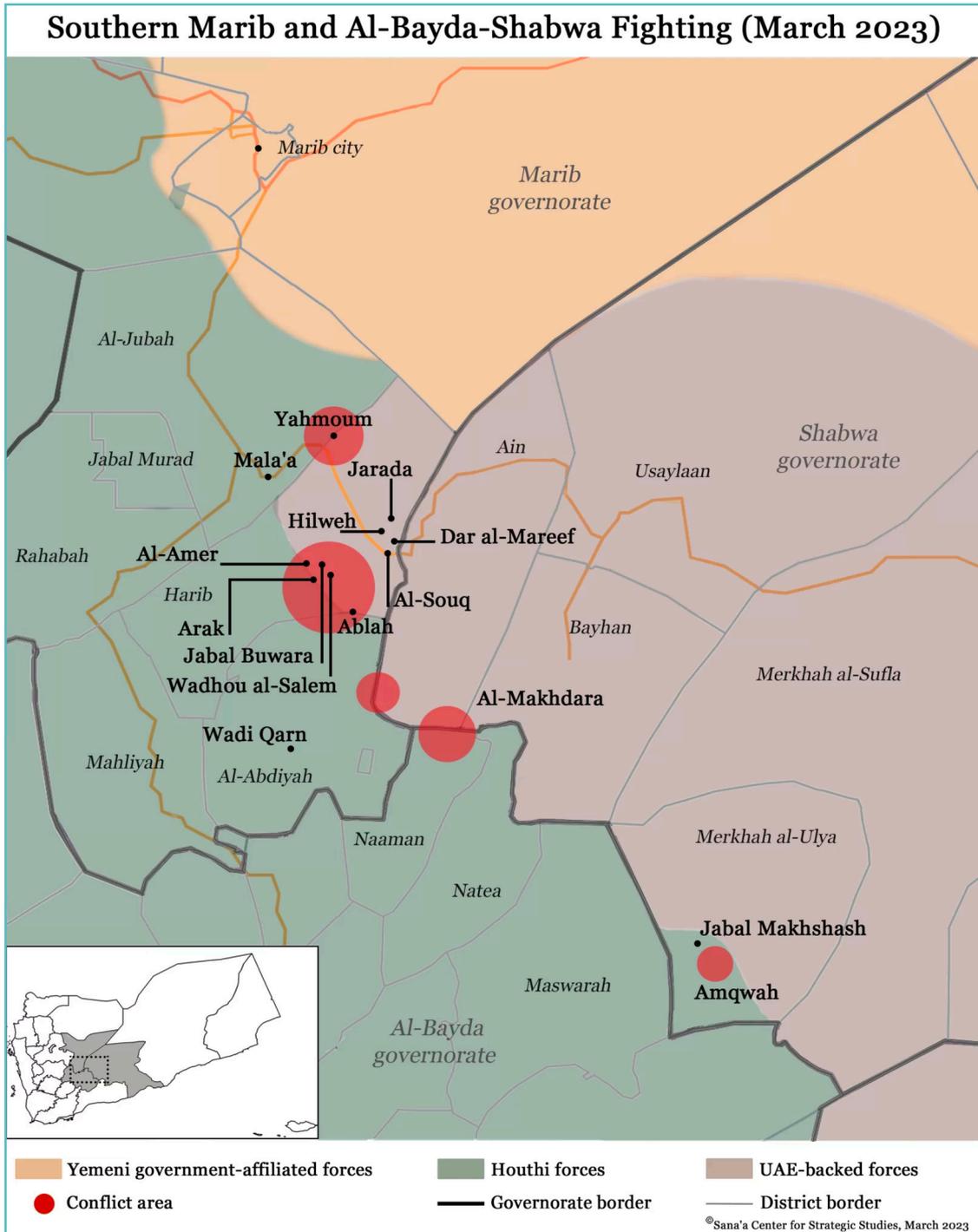
Fighting Escalates on Multiple Fronts

March witnessed increased clashes on fronts across the country, with Houthi forces making gains in southern Marib and along the Al-Bayda-Shabwa border. Heavy fighting between Houthi and mainly Southern Transitional Council (STC) forces in Al-Dhalea claimed dozens of casualties. Southern Hudaydah continued to see clashes between the Houthis and the Joint Forces, during which Houthi forces carried out regular explosives-laden drone attacks. In late March, Taiz Governor Nabil Shamsan, Minister of Defense Mohsen al-Daeri, and Chief of Staff Saghir bin Aziz survived two separate attacks on their convoys while traveling in Taiz governorate. The government accused the Houthis of carrying out the attacks.

Houthi Seize Territory in Southern Marib's Harib District

Fighting between Houthi forces and units from the UAE-backed Saba Axis of the Giants Brigades saw the latter make gains in southern Marib over the last month. Between March 2 and March 17, the sides clashed in the Mala'a area and on the Yahmoum front in the west of the district, resulting in dozens of casualties among Saba Axis forces. Houthi commanders in the Wadi Qarn area of neighboring Al-Abdiyah district mobilized reinforcements to the Ablah front on the Al-Abidyah-Harib district border. On March 18, Houthi forces captured Jabal Buwara, a strategic vantage point overlooking Harib city in southern Marib. The advance was facilitated by the Houthis' opening of secondary roads through the mountains west of Harib. On March 22, Giants Brigades reinforcements arrived at the front and prevented further advances.

Dozens of families **were displaced** in Harib district due to the fighting, fleeing to Al-Souq, Jarada, Darb al-Maareef, and Hilweh, as well as to the Marib al-Wadi district and Marib city. On March 24, residents made a distress call to the Executive Unit for Internally Displaced Persons (IDPs) in Marib, saying that mobile phone communications and internet services were cut off and exit roads closed, according to an IDP and community activist. In particular, civilians near the Sharq, Arak, and Wadhwa al-Salem areas were isolated and vulnerable as a result of the clashes.



Houthis Push into Shabwa from Al-Bayda

The border region between Al-Bayda and Shabwa governorates also saw an escalation in clashes. On March 4, Houthi forces engaged UAE-backed Giants Brigade forces on the Aqabat al-Qantha front, along the border of Al-Bayda's northeastern Naaman district and Shabwa's northwestern Bayhan district, according to local sources. Fighting was reported again on March 10, as Houthi forces clashed with Giants Brigades forces and STC-affiliated Shabwa Defense forces on the Al-Makhdara front, along the border of Naaman district and Shabwa's northwestern Ain district. Fighting expanded to the Ghabr front along the border of Al-Bayda's Natea district and Shabwa's northwestern Bayhan district on March 12, where a soldier in Shabwa Defense forces was killed in a Houthi drone attack.

Fighting along the border expanded further as Houthi forces clashed with Shabwa Defense forces near the Im-Qwah area, between Al-Bayda's eastern Maswarah district and Shabwa's western Merkhah al-Ulya district, on March 17. The fighting was sparked when Shabwa Defense forces shelled an excavator Houthi forces were using to pave a new road overlooking Merkhah al-Ulya district. Following clashes, drone attacks, and the arrival of Houthi reinforcements, Houthi forces seized control of the strategic Jabal Makhshash mountain on the Shabwa side of the border on March 26. In response, Shabwa Defense forces and Giants Brigade forces sent reinforcements to the front from Shabwa's capital, Ataq.

On March 28-29, Houthi forces resumed attacks against the Shabwa Defense forces near Im-Qwah. After gaining control of several strategic locations in Shabwa, including Im-Khashaba, Shamekh, and Al-Hilla, Houthi forces withdrew to their previous positions near the border.

Other Frontline Fighting

In southern Hudaydah, regular fighting continued between Houthi forces and the Joint Forces, concentrated in Al-Garrahi, Jabal Ras, Al-Tuhaytah, and Hays districts.

Heavy clashes were reported on March 14, 15, and 19 in the Al-Sard area in the north of Hays district, as Houthi forces targeted the Joint Forces with 16 explosives-laden drones and employed Katyusha rockets for the first time on this front, according to military sources on both sides. Medical sources said five Joint Forces soldiers were killed, including the commander of the 5th Battalion of the 9th Giants Brigade, Muhyiddin al-Hudhaifi, and 36 others wounded, while 18 Houthi fighters were wounded. Explosives-laden Houthi drones also targeted Joint Forces' positions in Wadi al-Mareer area near Hays city toward the end of the month, with local sources reporting that the explosives carried by the drones seem to be more powerful than those employed in previous attacks.

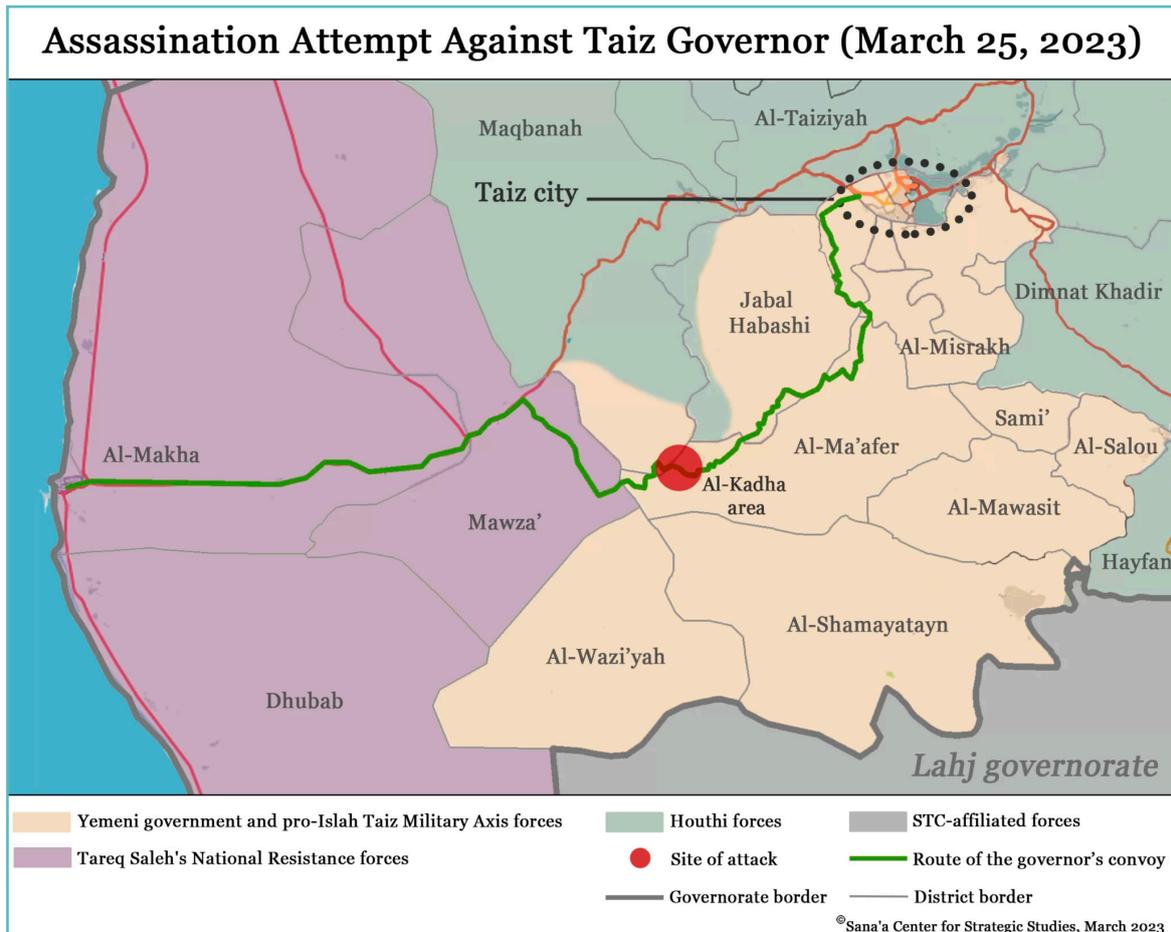
Intense fighting was recorded in Al-Dhalea during March, with approximately two dozen Houthi fighters killed and more than 50 wounded, and six STC and pro-government forces killed and more than 20 wounded in the first week of the month alone. Intense clashes were reported in the Al-Jub Hajar area of northwest Al-Dhalea district, involving Houthi forces, pro-STC Saiqa Brigades, and Southern Resistance forces, as well as in Al-Azariq district and on the Al-Fakher front in the north of Qaataba district. Despite the heavy casualties, there were no major advances by either side.

Weekly clashes also occurred in Lahj between Houthi and pro-STC forces, though at a lower intensity than the fighting in neighboring Al-Dhalea. Further south, regular fighting continued to flare up on the Aqbat al-Tharah and Aqbat al-Halhal fronts, which straddle the border of southern Mukayras in Houthi-held Al-Bayda governorate and Abyan's northern Lawdar district. Notably, fighting expanded along the border to Abyan's Jayshan district, with the Abyan Joint forces repelling a Houthi attack in Al-Muzamar area on March 7 and 14.

Taiz Governor, Senior Military Officials Targeted in Taiz

According to the [Taiz governorate information office](#), Taiz Governor Nabil Shamsan survived an assassination attempt while returning to Taiz city from Al-Makha on March 25. Shamsan's car was hit by an anti-tank guided missile and then shelled at least 20 times in the Al-Kadha area in Al-Ma'afer district from Houthi-controlled areas overlooking the main road linking Al-Makha to areas west of Taiz city. After escaping the initial attacks, Shamsan came under fire from

unidentified gunmen for an hour and a half. A separate explosives-laden drone attack targeted the convoy of Minister of Defense Mohsen al-Daeri and Chief of Staff Saghir bin Aziz, who were traveling through Al-Wazi'yah district after also attending the meeting in Al-Makha with Shamsan and PLC member and National Resistance forces commander Tareq Saleh. The government accused the Houthis of carrying out the attacks, although they occurred during a time of heightened tension within elements of the Islah party and the STC over a potential political realignment in Taiz governorate, as Saleh, Shamsan, and Islah leaders have recently sought closer ties.



Saudi Commanders Hold Meetings Across Southern Yemen

Saudi-led coalition military commanders held a series of meetings during the month across multiple governorates with pro-government and STC-affiliated officials. The talks appeared intended to deescalate tensions in southern Yemen, particularly over the Wadi Hadramawt region, where the STC has been agitating for the replacement of Islah-affiliated 1st Military Region forces. Amer Abdullah bin Hatiyan, who was appointed as chief of staff of the 1st Military Region in December in an attempt to placate tensions, submitted his resignation to the PLC in early March. The PLC has yet to formally respond to the letter as the future of the 1st Military Region remains a focal point of tensions between Saudi Arabia and the UAE and their respective Yemeni allies.

On March 1, a Saudi delegation met with Islah-affiliated security and military commanders, who were driven out of Shabwa by STC-affiliated forces in August. On March 2, Minister of Defense Mohsen al-Daeri, commander of the 4th Military Region Fadl Hassan, and Saudi-led coalition commander Sultan al-Baqmi visited Southern Resistance forces stationed on the Aqbat al-Tharah front. It was the highest-level delegation to meet with Southern Resistance forces during the war. The next day, Al-Baqmi met Tareq Saleh in Al-Makha. Also on March 3, Al-Mahra Governor Mohammed Ali Yasser met with Saudi-led coalition commander Abed al-Qahtani, US Ambassador to Yemen Steven Fagin, and commander of the US 5th Fleet Brad Cooper at Al-Ghaydah Airport. On March 4, the overall commander of the STC-affiliated Security Belt forces, Brigadier General Mohsen al-Wali, met with the Salafist commander of the Saudi-backed Nation's Shield forces, Brigadier General Bashir al-Madrabi, in the Bir Ahmed area of Aden's western Al-Buraiqa district. According to a government security source, a number of dissatisfied Security Belt soldiers have joined the Nation's Shield forces, which are under the command of PLC chief Rashad al-Alimi, after not receiving salaries for five months.

Defense Minister Al-Daeri visited Socotra on March 18 with military Chief of Staff Saghir bin Aziz, the first such trip by senior government officials since STC forces seized control of the archipelago in 2020. Although most government agencies have been in the hands of UAE-backed STC figures since 2018, a small Saudi force on the islands recently moved to a [military base near Socotra airport](#). Al-Daeri met Al-Mahra Governor Mohammed Ali Yasser, alongside Army Chief of Staff Saghir bin Aziz, on March 23, inspecting units of the Al-Ghaydah Axis and attending a military parade in Al-Ghaydah city. On March 23, STC chief and PLC member Aiderous al-Zubaidi received a delegation from the Joint Forces Command of the Saudi-led coalition, headed by Al-Baqmi. Al-Zubaidi later chaired a joint military meeting at the party's headquarters in Al-Tawahi district on March 27, which included Al-Daeri, Bin Aziz, and a delegation headed by Al-Baqmi from the Saudi-led coalition's Joint Forces.

Other Developments in Brief

March 5: STC activists in Al-Mahra [announced](#) the creation of a new militia called the Al-Mahra Defense forces.

March 16: Security units from the Southern Resistance forces at Aden's airport prevented military cadets on scholarship from traveling to Sudan, according to security sources. The students' passports were held until the flight's departure, after which they were asked to leave the airport. The obstruction of travel was reportedly in protest of northern students receiving scholarships over candidates from southern Yemen.

March 17: A Liberia-flagged Greek-controlled merchant ship reportedly came under [fire](#) about 70 kilometers south of the Houthi-controlled port of Hudaydah, the United Kingdom Maritime Trade Operations reported. After several gunshots were fired from unidentified men on a small boat, armed guards on the merchant ship returned fire. The confrontation ended without casualties. Following the incident, vessels using the Red Sea route past Yemen have been advised to be on alert.

March 20: Clashes broke out between forces affiliated with Brigadier General Mukhtar al-Nubi, commander of the STC-affiliated Abyan Military Axis, and pro-government General Security forces led by Brigadier General Abu Mishaal al-Kazmi, director of Abyan security, in the governorate capital Zinjibar, according to an eyewitness. The clashes began after Al-Nubi's forces intercepted the convoy of Prime Minister Maeen Abdelmalek Saeed and prevented him from

entering Zinjibar to attend a celebration at the University of Abyan. Several people were injured and the Abyan Security Department's Emergency Forces arrested a number of STC leaders, including Omar al-Harish, director of the public administration, Yasser al-Salahi, director of the financial department, Abdullah Barhout, director of the organizational department, and Saleh Abu al-Shabab, head of the STC in Zinjibar. Prior to the clashes, STC demonstrators held peaceful protests against the prime minister's first trip to the governorate during the conflict.

March 21: The Criminal Prosecution Office in Aden **directed** the 4th Military Region and the Ministry of Interior to issue arrest warrants and place travel restrictions on members of the Islah-affiliated Taiz Military Axis involved in a September 2022 attack on Taiz Judge Mahmoud al-Sabri, which resulted in the death of his son. The accused Islah commanders include Abdo Farhan al-Mekhlafi, also known as Salem, and Shawqi al-Mekhlafi, brother of powerful tribal sheikh and militia leader Hammoud al-Mekhlafi.

March 22: Houthi forces conducted live-fire **military drills** in Al-Khalq district in eastern Al-Jawf, marking nearly nine years since the Saudi-led coalition's military intervention. The drills, which were carried out about 150 kilometers from the Saudi border, included a helicopter, a tank, armored vehicles, and a replica of an explosives-laden drone capable of dropping mortar shells on targets. Later, on March 28, a Houthi pilot **flew** a Soviet-era MiG-29 fighter jet over a military parade in Sana'a, making it the first time a warplane has been seen over the city since the start of the conflict. The Houthis are believed to have a limited number of operational fighter jets and helicopters after the Saudi-led coalition destroyed most of Yemen's air force in the early days of the war.

March 23: S&P Global **reported** that Saudi Arabia had resumed plans to build a 900 km wall along the border between the Kingdom and Yemen. According to the report, plans for a border structure have been in place since 2003, but have yet to be implemented. The proposed wall will likely include radar and security towers and is designed to protect against Houthi attacks on oil infrastructure.

March 31: Unidentified gunmen on a motorcycle **assassinated** the head of operations of the pro-government 3rd Border Guard Brigade, Colonel Yasser al-Hashidi, in the Wadi al-Qadi neighborhood in central Taiz city. Al-Hashidi had returned from the Al-Boqaa front in Sa'ada governorate to spend Ramadan with his family.



Yemenis shop at Arwa Street market in the Crater neighborhood of Aden in preparation for Ramadan on March 20, 2023 // Sana'a Center photo by Rageh al-Omari

The Economy & Finance

Houthi Ban Interest in Banking Sector

The Houthi-controlled parliament in Sana'a passed a controversial law banning "usurious transactions" on March 21. Houthi authorities pushed the House of Representatives to prohibit interest-based transactions in Yemen's banking sector after rejecting amendments proposed by the body's joint legal committee. The law could have disastrous effects on Yemen's economy, exacerbating its isolation and deterioration and discouraging investment. Parliamentarians appeared pressured to pass the legislation, with four MPs choosing to withdraw from the session in protest. One MP, Ahmed Saif Hashed, characterized the law as unconstitutional and said it would have catastrophic consequences for banks and the rights of citizens. Both the Minister of Finance and the governor of the Sana'a-based Central Bank of Yemen (CBY-Sana'a) refused to endorse the law publicly and were absent from the parliamentary session. A Sana'a-based banking official told the Sana'a Center that religious hardliners within the Houthi movement pushed for the legislation to be passed without waiting for the results of a feasibility study, in which experts had reportedly advocated caution and the development of a phased Islamization of the financial system.

The Houthi-controlled Council of Ministers first approved the draft law in September 2022, but it was not ratified by the legislature amid pushback from the Yemeni Banking Association (YBA), economists, private sector actors, and the public at large, who questioned the Islamic jurisprudence upon which the law was based and warned of massive financial fallout should it be enacted. These warnings were renewed ahead of the law's passage in an eight-page letter to the House of Representatives from the YBA, the Chamber of Commerce and Industry, the Union of Drug Producers, and the Yemeni Industrialists Association. Critics of the law contended that banning interest-based transactions threatens the stability of the local currency and the operations of the banking system, most notably the financing of basic imports. Treasury bills and government bonds that Yemeni banks and pension funds have historically invested in would be banned. A further decrease in liquidity would leave banks even less capable of honoring

customer obligations, which would further erode confidence in commercial banking services and jeopardize their financial solvency. The Islamization of the banking sector would also further isolate the Yemeni banking system from the rest of the world, hampering the settlement of payments and the country's ability to access foreign financing. In the letter, the groups also warned of potential bank runs and increased insecurity if the law were to be passed.

Despite these warnings, on March 27, the Houthi authorities published law No. (4) of 2023 in the Official Gazette. Signed by the head of the Supreme Political Council, Mahdi al-Mashat, the law went into effect on March 22. Its 13 articles rely heavily upon provisions from the Yemeni Civil Law No. (14) of 2002. Articles 1 and 2 define transactions involving interest, including debt securities and treasury bills previously issued by the CBY on behalf of the Ministry of Finance. The third article states that “all forms of usurious transactions in all civil and commercial transactions that take place between natural persons or legal entities shall be prohibited,” and declares all “usurious benefits... absolutely null and void.”

Articles 7 and 9 are the most consequential for the banking sector and its customers. Article 7 prohibits the collection of interest on civil and commercial transactions “due before the date at which the law becomes enforceable and [which] has not yet been performed,” obliging the debtor to repay only the principal. This could provide a legal rationale for denying commercial banks payment of hundreds of billions of Yemeni rials in interest due on public treasury bills since late 2016. Banks say the funds are necessary to pay depositors their accrued interest. However, a banker in Sana'a who spoke with the Sana'a Center said that the interest already calculated on treasury bills and deposited as non-cash balances into the banks' accounts at the CBY-Sana'a would remain.

Article 9 cancels “all provisions and rules in ratified international laws and agreements that include the permissibility of working with usurious interest.” Interest-based transactions conducted over the global financial system, such as through foreign correspondent banks or any other international entity, would theoretically be banned, and any international agreements that involve interest-based operations could be canceled. The article also defines legal provisions involving usurious transactions that must be changed in other Yemeni laws, including ones governing the CBY and commercial banks. Houthi authorities remain vague on their proposals to set up an alternative financial system, with the last article of the law mentioning that a “good-lending fund” will be established in a forthcoming presidential decree.

On March 27, the day the law was published, Al-Mashat met with officials from the CBY-Sana'a and bank representatives. After the law's passage, banks in Sana'a reported an increased number of customers seeking to withdraw their deposits. During the meeting, Al-Mashat sought to reassure the sector, saying the deposits of commercial banks and depositors invested in treasury bills before the passing of legislation will be “resolved.” He added that the CBY-Sana'a would develop and issue instructions regarding Sharia-compliant instruments that banks can invest in moving forward, and that it will guarantee merchants and depositors profit on their investments. Al-Mashat also indicated plans to establish a stock market in areas under Houthi control.

The Islamization of the financial system comes as part of Houthi authorities' national economic plan, issued in 2019, which seeks to revamp regulatory frameworks and the institutional setups of key economic sectors, such as the financial industry. Yemen's financial sector has traditionally been structured to finance government investment and spending with depositors' funds. As a result, banks failed to develop modern banking investment tools beyond the public debt market. Given the poor economy and business climate, opportunities for new investment pathways remain limited. Two financial systems will now prevail in Yemen – an interest-based system in Aden and an Islamic finance-oriented one in Sana'a. The split will further deepen the monetary and financial division in the country and complicate how financial institutions operate across Houthi- and government-held areas.

Battle to Control Imports Intensifies

Following the government's announcement of a package of economic reforms in early January, including a decision to raise the customs exchange rate by 50 percent, from YR500 to YR750 per US\$1, there has been widespread criticism against their implementation. Even parties within the government have warned of the reforms' catastrophic effects on citizens, merchants, and the private sector at large, and the Administrative Court in Aden stepped in to halt the customs hike. Capitalizing on the criticism, Houthi authorities began to pressure commercial importers in early February and offered economic enticements in a bid to redirect commercial shipments to the port of Hudaydah and border crossings under Houthi control.

During the course of March, Houthi authorities have continued to pressure commercial importers to redirect shipments to Houthi-held ports. In a [television interview](#) from the port of Hudayah on March 5, Houthi-aligned Minister of Transport Abdelwahab al-Durra reported that the ports of Hudaydah, Salif, and Ras Issa would soon be ready to receive additional traffic. He claimed that 18 ships transporting various commodities and goods were currently on their way to Hudaydah. According to a [report](#) published by the Yemen Red Sea Ports Corporation (YRSPC) on March 7, seven ships were docking at the Houthi-held port and eight others were queuing. Eight of the 15 ships were transporting fuel derivatives, four carrying iron rebar, two carrying wood, and one carrying grain and milk.

Previously during the conflict, the port of Hudaydah only received a limited variety of goods, including fuel, rice, wheat, and other food commodities. [According to](#) the head of the Houthi-affiliated YRSPC, Mohammed Abu Bakr Ishaq, the United Nations Verification and Inspection Mechanism for Yemen (UNVIM) has decided to allow more types of goods to enter Houthi-held ports. The UNVIM team also allegedly agreed to operate 24 hours a day, seven days a week, to clear ships for entry; previously, UNVIM only worked four days a week. Ishaq also claimed during the March 7 interview that vessels are no longer subject to a second inspection by the Saudi-led coalition and could proceed directly from Djibouti to the port of Hudaydah following UNVIM approval. During the same television interview, Houthi Transport Minister Al-Durra noted Hudaydah's limited capacity to receive cargo ships, which he blamed on coalition airstrikes on port infrastructure during the war. In a March 6 meeting with United Nations Humanitarian Coordinator for Yemen David Gressley, Al-Durra demanded that the United Nations Development Programme (UNDP) support infrastructure development projects for the ports of Hudaydah, Salif, and Ras Issa, noting specifically that more bridge cranes were required to receive additional cargo. The UNDP is tasked with providing support to the YRSPC in coordination with relevant governing authorities, the United Nations Mission to Support the Hudaydah Agreement, UNVIM, and the World Food Programme. The government-run Gulf of Aden Ports Corporation has warned against the redirection of imports to Hudaydah, and has threatened to blacklist companies that do so.

Houthis Freeze Yemenia Airways Accounts

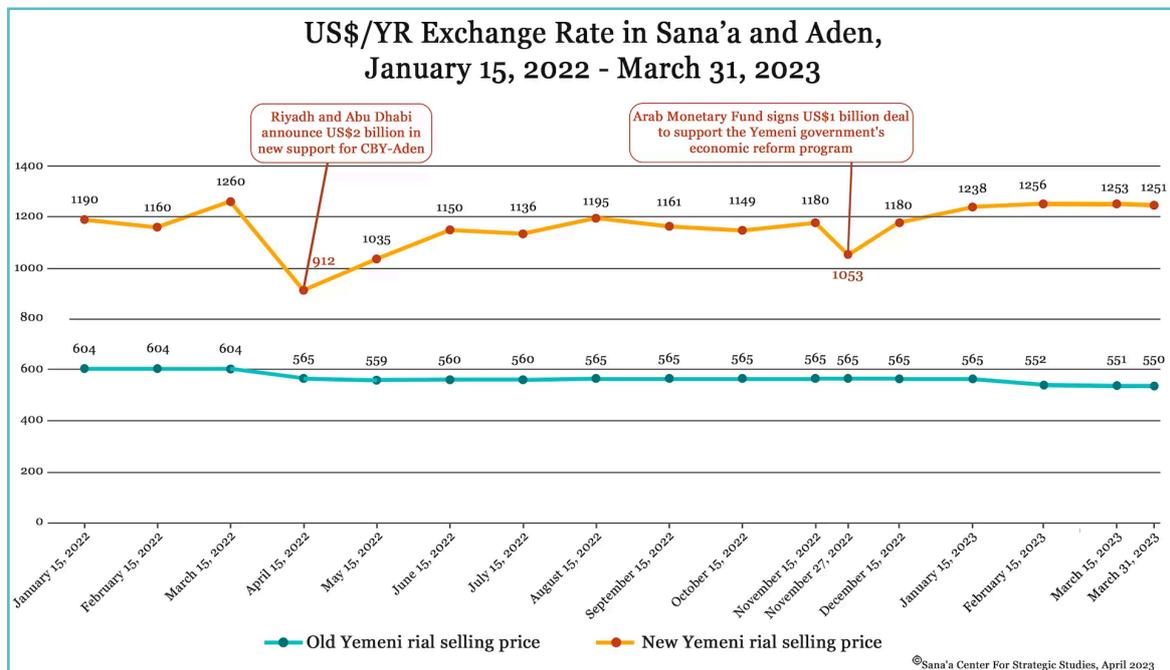
In early March, Houthi authorities froze accounts owned by Yemenia Airways at banks operating in areas under their control. The move came after the Houthi-aligned Ministry of Transportation failed to pressure Yemenia's administration to open flights to additional destinations. On March 8, Houthi-aligned Minister of Transport Al-Durra accused the Saudi-led coalition and the internationally recognized government of intentionally delaying the expansion of flights from Sana'a airport to several destinations, including Egypt and India. Al-Durra also claimed that Yemenia has failed to act impartially and accused its leadership of conspiring to cancel flights to both countries that had previously been approved. As part of the April 2022 truce agreement, Sana'a airport reopened for commercial flights after nearly six years of inactivity. One flight occurred between Cairo and Sana'a in June before the route was halted. Since then, Yemenia has

only flown in and out of Amman, Jordan. According to Al-Darra, Yemenia has completed 119 civilian flights to Amman since the route reopened, transporting an estimated 60,000 passengers. Prior to the conflict, approximately 6,000 passengers flew in and out of Sana'a airport each day, transited by Yemenia and other carriers, such as the Emirates, Qatar, and Turkish airlines.

Though Houthi authorities are pressuring Yemenia to expand its list of destinations, transport and security authorities in countries such as Egypt and India have yet to approve flights originating from the Houthi-held capital. Any expansion of flight destinations will likely require a deal with the Saudi-led coalition and/or the government. The targeting of Yemenia Airways' accounts may be viewed as part of a larger Houthi strategy aimed at pressuring Saudi Arabia to lift restrictions placed on airports, seaports, and land crossings under Houthi control. The account freeze came after the Houthis launched an intensive campaign for pressuring commercial importers to redirect shipments from government-held ports to Hudaydah. On March 8, the head of the Houthi Supreme Political Council, Al-Mashat, threatened military action against the Saudi-led coalition unless the restrictions on Sana'a airport and Hudaydah port were lifted.

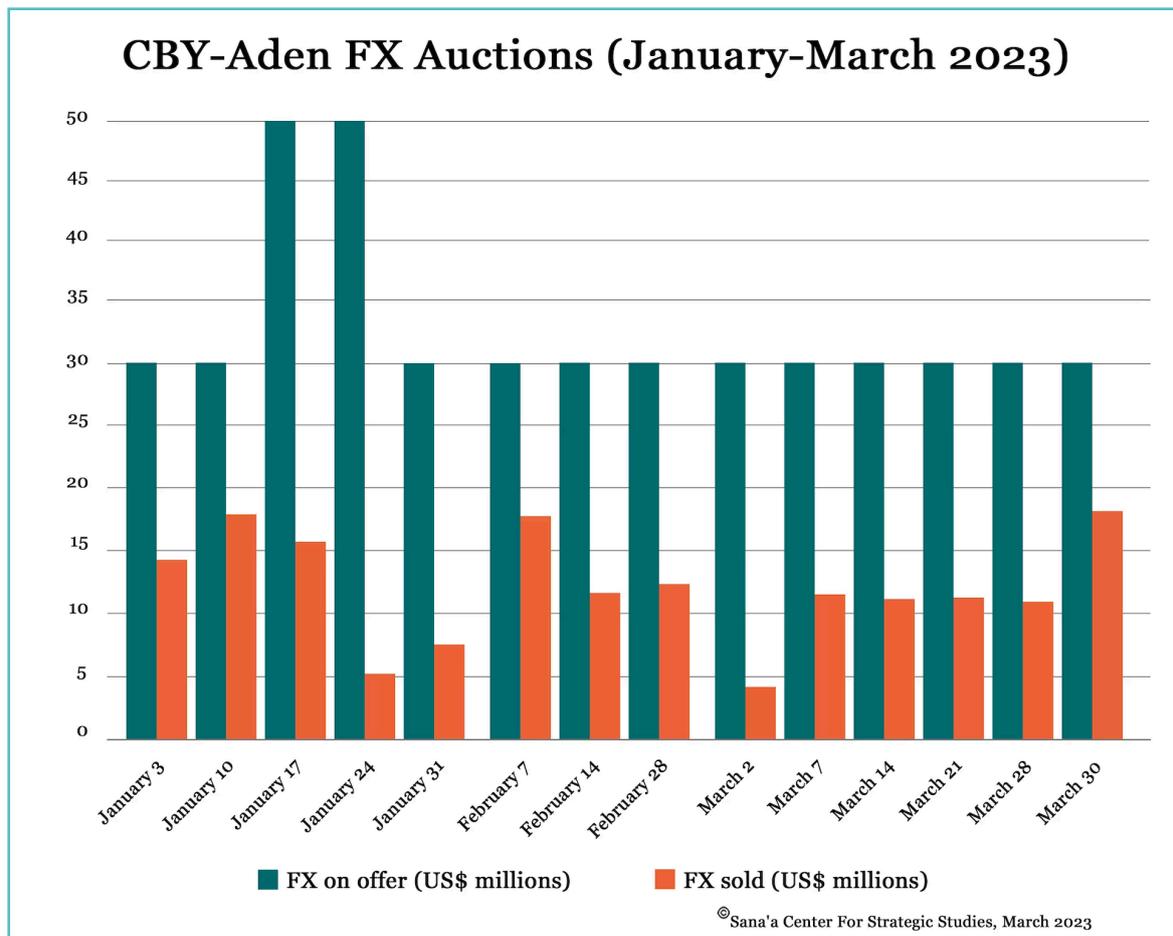
Currency

The exchange rate for new rials in government-controlled areas remained stable in March, trading at YR1,252 on average. This relative stability followed the announcement of a US\$1 billion Saudi deposit earmarked for the government-run Central Bank of Yemen in Aden (CBY-Aden) to replenish its depleted foreign exchange reserves, with the deposit to be mainly handled through the Arab Monetary Fund (AMF). Early in the year, the new rial depreciated by almost 4 percent, from YR1,225 per US\$1 on January 1 to YR1,270 as of February 19. It then regained value to YR1,219 on February 26 before stabilizing at YR1,250 per US\$1 over the course of March. Old rials circulating in Houthi-controlled areas remained stable during the month, trading at YR551 per US\$1 on average.



The CBY-Aden resumed foreign currency auctions following a one-week suspension at the end of February due to a lack of funds. It held five FX auctions in March, with a total of US\$150 million on offer. Only US\$50 million was purchased. The March 2 auction was the second-least subscribed of the year, with only 14 percent of the US\$30 million on offer sold.

The last auction of the month, on March 28, was 37 percent subscribed. Since the beginning of the year, the CBY-Aden has held 13 FX auctions, with a total of US\$430 million on offer, but only 36 percent has been purchased by Yemeni banks. The level of participation has been determined by an array of factors, including the fluctuating value of the rial and the foreign exchange stocks available to the CBY-Aden. Yemeni banks have reacted quickly to any announcement of new financial support and reduced their purchases at FX auctions to avoid losses arising from short-run misalignments of the real exchange rate. Importantly, the limited participation has coincided with an intensifying magnitude of the economic battle between the fragmented branches of the central bank in Aden and Sana'a over control of banking sector data, with the former attempting to regain unlimited access to banks' data records, and the latter threatening increasingly restrictive measures to discourage compliance.



In mid-January, the Houthi-run CBY-Sana'a issued a decree banning banks and commercial traders headquartered in Sana'a from participating in the FX auctions or utilizing Letters of Credit under the CBY-Aden's scheme, hampering demand for hard currency. Despite the ban, Yemeni banks and commercial traders headquartered in Sana'a continue to participate in the CBY-Aden's auctions, according to a source based in Sana'a. This takes place on a limited scale, as officially banks are only allowed to participate in the financing of basic commodities imported, sold, and consumed in areas under the control of the government,

Houthis Increase Official Price of Cooking Gas

On March 8, Houthi authorities announced a 28 percent increase in the official price of cooking gas, from YR6,000 to YR7,700 (in old rials) for a 20-liter cylinder. During the war, the Houthi movement enacted a policy of selling cooking gas primarily through a neighborhood supervisor (aqil) and limiting its sale through official gas stations, giving the group a near monopoly over its provision. Many residents report having to pay bribes to Houthi-aligned aqils to receive gas. Repeated shortages at official stations have occurred in Sana'a and other areas under Houthi control, forcing thousands of households to rely on firewood for heating and cooking, or to purchase cooking gas on the black market at prices ranging between YR12,000-16,000 per cylinder. Profits from the black market are captured by Houthi-aligned traders.

Fuel From Saudi Grant Arrives in Hadramawt

On March 16, a shipment of oil derivatives arrived in Aden and was transported to Hadramawt to fuel power stations in the governorate. The fuel – 5,500 tons of diesel and 13,000 tons of mazut fuel derivatives – was the third shipment under a deal signed in September 2022 between the government and Saudi Arabia, under which the latter would provide US\$422 million worth of fuel via the Saudi Development and Reconstruction Program to operate more than 70 power plants in government-controlled areas.

Houthis Pay Public Sector Employees Half-Month's Salary

The Sana'a-based Ministry of Finance issued orders for the Houthi-controlled CBY-Sana'a to pay public servants a half month's salary, covering the second half of July 2018. The payment, which is currently being disbursed, coincides with the holy month of Ramadan and is the first for civil servants working in Houthi-held areas since December 2022. In 2022, Houthi authorities made three full salary payments to public servants, who are owed nearly five years of back pay.

Cabinet Approves License for Oil Refinery in Hadramawt

On March 27, the government-affiliated Council of Ministers approved the license of a UAE-funded project to build oil infrastructure in Hadramawt governorate. The license includes the construction of an oil refinery, storage tanks, and a free industrial zone in the Al-Dhabba area of Al-Shihr district. The coastal area already includes an oil terminal, and the building of additional infrastructure would bolster the capacity of the state-owned Petro-Masila oil company to extract, store, and refine oil and liquefied petroleum gas in the governorate. A government **decree** in 2002 approved a plan to establish refineries in Hadramawt with an initial production capacity of 50,000 barrels a day, and in 2004 the Hadramawt Refinery Company **signed** an agreement with the Korean companies Samsung Engineering and SK Engineering & Construction to build the refineries at a total cost of US\$225 million, but the project was eventually abandoned.

The new project comes amid a halt on fuel exports by the government following Houthi drone attacks on oil export facilities in Hadramawt and Shabwa between October and November of the last year, including a strike on the port of **Al-Dhabba**.

Government Revises Fish Export Ban

The government's Minister of Agriculture, Irrigation, and Fisheries, Salem al-Soqtari, issued a ministerial decree on March 27 amending a blanket ban on exporting seafood, carving out an exception for certain fresh fish and other marine life that have limited demand in local markets. Announced in February, the **ban** was rationalized as an attempt to increase the supply of seafood on the local market and to combat declining stocks.



A worker tends to qat trees on a farm east of the capital Sana'a on July 29, 2021 // Sana'a Center photo

In-Focus

Qat in Wartime: Yemen's Resilient National Habit

Laura Kasinof

Early one summer morning, Mohammed^[1] stood among his grove of qat trees in a village south of the capital Sana'a in Sanhan district. Two local men, who work as Mohammed's mubazigheen (pickers), were busy harvesting qat, plucking leaves, and placing them in plastic shopping bags. Every so often, Mohammed would step in to help, hiking up his crisp white thobe to reach the highest branches.

The war has made Mohammed's small qat farm, around 2,640 square meters (.65 acres), less profitable than it once had been. The 45-year-old said he makes around US\$33 a day from qat in the summer, when the harvest is plentiful due to the rainy season.^[2] But this figure does not include his expenses, and Mohammed said he did not feel comfortable sharing his exact income, out of fear of competition. In the winter, a good crop can earn him more, as it fetches a higher price due to less supply in the market. "We tend to keep the trees with the best leaves for the winter," Mohammed said.^[3]

From his earnings, Mohammed pays the mubazigheen US\$2 a day for their work, plus a bag of qat. Twice a year he pays someone to come plow his field.^[4] "Our livelihood used to be really good," Mohammed said of life before the war. He used to build new houses for his family from his qat

[1] A pseudonym. All interview subjects in this piece have been granted anonymity.

[2] Interview, July 29, 2021.

[3] Interview, February 22, 2020.

[4] Interview, February 22, 2020.



income.^[5] Now Mohammed said that he sometimes has to sell small parcels of land in order to provide for his family and cover expenses for his farm.^[6] He needs about 100 liters of diesel a week^[7] to power a water pump to irrigate his qat trees,^[8] and must water them at least three times a month when it doesn't rain: "If you abandon the qat, it'll abandon you."^[9]



[5] Ibid.

[6] Ibid.

[7] As of March 18, 2022, diesel cost approximately US\$2 per liter on the black market.

[8] Interview, July 29, 2021.

[9] Ibid.

Qat farmers also pay zakat tax, which is collected annually and meant for redistribution to those in need, based on one of Islam's main tenants. A 10 percent levy is applied to revenues from crops grown from rainwater, while crops that require irrigation from a pump are taxed at 5 percent.^[10] However, farmers tend to report much lower annual incomes than their true figures, and tax authorities have little recourse in the matter. A zakat tax authority employee in Ibb governorate said that medium-scale farmers often report their annual income in the US\$300-US\$500 range in order to pay less in zakat.^[11]

A deep-rooted tradition

Catha edulis – qat's scientific name – grows on small, bushy trees found across East Africa and Yemen. It is consumed primarily in Ethiopia, Kenya, Djibouti, and Somalia, as well as in Yemen, where the vast majority of adult males consume the drug every day and about a third of the women are daily chewers.^[12]

Qat originated in Ethiopia and was brought to Yemen some 700 hundred years ago,^[13] though its exact origins and history of human consumption remain murky.^[14] At the beginning of the twentieth century, it was considered a luxury and consumed mainly by the wealthy elite. At the same time, Yemen's coffee trade was dwindling, due in part to European colonialism expanding global production. Yemeni coffee now had to compete with coffee from Java and the Americas.^[15] In response, the imamate that ruled northern Yemen encouraged large landowners to replace coffee crops with qat.^[16] Northern Yemen exported qat to what was then British-occupied southern Yemen, where growing qat was not yet common.^[17] The money that could be made selling to the south further encouraged farmers to switch their crops.^[18] As the twentieth century wore on, qat became less of a luxury due to increased cultivation, and its consumption became more popular among the rest of the population.^[19] Soon, the afternoon qat chew would become a ubiquitous part of Yemeni culture, especially in the northern highlands.

[10] Law no 2: Regarding Zakat from 1999 [AR], National Center for Information, Yemeni government, https://yemen-nic.info/db/laws_ye/detail.php?ID=11600#https://yemen-nic.info/db/laws_ye/detail.php

[11] Interview, February 10, 2022.

[12] "Toward Qat Demand Reduction," The World Bank, June 2007, https://www.tni.org/files/publication-downloads/worldbank_qat-demand-reduction_2007.pdf

[13] Serge D. Elie, "State and Qat Consumption in Yemen: A Cultural Means to State Socialization," April 2013, https://www.academia.edu/3391594/State_and_Qat_Consumption_in_Yemen_A_Cultural_Means_to_Political_Socialization

[14] Kevin Rushby, *Eating the Flowers of Paradise*, (Great Britain: Constable and Company Limited, 1998) p. 10.

[15] Anda Greeney, "Yemen's Traditional and Resilient Coffee Sector: Production Totals Steady from 1960 to Present," Harvard University, March 2022, https://dash.harvard.edu/bitstream/handle/1/37370751/Greeney_Thesis_Final.pdf?sequence=1

[16] Serge D. Elie, "State and Qat Consumption in Yemen: A Cultural Means to State Socialization," April 2013, https://www.academia.edu/3391594/State_and_Qat_Consumption_in_Yemen_A_Cultural_Means_to_Political_Socialization

[17] Ibid.

[18] Ibid.

[19] Mustapha Rouis, "Yemen's Qat Addiction Worsens," World Bank Blog, March 20, 2014, <https://blogs.worldbank.org/arabvoices/yemen-qat-addiction-worsens>



Men chew qat and smoke shisha at a gathering on Haddah Street in Sana'a city on July 30, 2021 // Sana'a Center photo

Qat now governs the pace of life in Yemen. Traditionally, especially in cities, there is a lunchtime rush when men run out to markets to buy their daily supply of the drug. After this comes the requisite qat chew, the afternoon hours when people gather together to consume qat, share stories, scheme about the future and, finally, relax, when the effects of the drug lull users into a more tranquil state. Qat is consumed by placing the tender leaves of the plant in one's mouth, briefly chewing the leaves, and then storing them in the cheek for hours on end.

The workday in Yemen is only from 8 am until 2 pm, largely because of the importance of the afternoon qat chew, the *takhzeenah*. Group conversation during the chews often circles back to work issues, even though office hours are over. The genderedness of *takhzeenahs* – traditionally men and women chew separately – means that women are often left out of business conversations. Even during rounds of fighting, activity on the frontlines sometimes pauses in the afternoon so soldiers can chew.^[20]

Qat is now grown in 18 of Yemen's 21 governorates, but some 80 percent of the country's crop is grown in just seven: Sana'a, Amran, Hajjah, Ibb, Dhamar, Taiz, and Al-Bayda.^[21] The majority of cultivation is controlled by a group of elite landowners, the few Yemenis getting rich off the drug.^[22] A 2008 study revealed that 64 percent of qat farms were owned by just 9 percent of farmers.^[23] This upper echelon of elites, which some researchers have referred to as a qat lobby,^[24] wield considerable political influence, and have worked to cement Yemen's qat addiction despite the grave economic toll for many consumers.

[20] Mohammed Mukhashaf, "Despite Conflict, Qat is Out the Bag in Yemen," Reuters, April 14, 2015, <https://www.reuters.com/article/us-yemen-security-qat/despite-conflict-qat-is-out-the-bag-in-yemen-idUSKBN0N51F420150414>

[21] Serge D. Elie, "State and Qat Consumption in Yemen: A Cultural Means to State Socialization," April 2013, https://www.academia.edu/3391594/State_and_Qat_Consumption_in_Yemen_A_Cultural_Means_to_Political_Socialization

[22] Paul Dresch, *A History of Modern Yemen*, (Cambridge: Cambridge University Press, 2000) p. 139.

[23] Cited in Marta Colburn, "Ethiopian Migrant Labourers on Qat Farms in Rada', Yemen," International Organization for Migration, 2014, https://www.academia.edu/59687764/Qat_yemen

[24] Serge D. Elie, "State and Qat Consumption in Yemen: A Cultural Means to State Socialization," April 2013, https://www.academia.edu/3391594/State_and_Qat_Consumption_in_Yemen_A_Cultural_Means_to_Political_Socialization

The drug readily makes its way around the country, even during the current conflict. Most of the qat chewed in Sana'a comes from local farms, or Amran, Dhamar, Sa'ada, and Hajjah governorates. The qat sold in Taiz and Ibb is often grown locally, or in Hajjah and Dhamar, but includes the most popular types of qat from Sana'a governorate, like Arhabi. In Aden and other southern cities, qat typically comes from Al-Bayda and Al-Dhalea. It is possible to find qat from northern regions, like the Arhabi variety, as far away as Seyoun in Hadramawt.^[25]

From farm to market

Mohammed is one of the small-scale qat farmers just trying to make a living. In the summer, each day he sells at most 15 small shopping bags worth of qat to a middleman, known as a mufawid. The mufawid pays Mohammed about 2,500YR, or US\$4 at the time of reporting, for each bag, though this price rises and falls, and during other seasons he does not harvest daily.^[26]

Mohammed sells to different mufawids. On one particular day in July 2021, he sold his qat to a mufawid from his village who was then responsible for transporting the qat to a market in Sana'a. At a checkpoint marking the border of Sana'a city, the mufawid transporting the qat must pay 20 percent of its value to the Houthi tax authority,^[27] for which he receives a receipt.^[28] This 20 percent tax is often manipulated, as mufawids bribe officials to undervalue their qat haul.^[29]

One mufawid said he felt that he had paid increasingly higher taxes in Houthi-controlled Yemen over the past few years.^[30] The man, who sells his qat in a village just outside Sana'a, says that he used to pay about US\$7 in tax daily, but now pays about US\$12 for the same value of qat.^[31] A parliament employee in Houthi-controlled Yemen said the tax rate has not increased, it is simply that the Houthi authority is more effective at collecting taxes than previous regimes, and that mufawids had grown accustomed to corruption and tax avoidance.^[32]

The transport of qat and its taxation at checkpoints works similarly in areas controlled by the internationally-recognized government, where the tax rate is the same,^[33] but the government is less effective at collecting. Houthi authorities run their territory more akin to a police state, which makes collection easier.^[34] Within territory in southern Yemen controlled by the Southern Transitional Council (STC), fees are collected at STC-run checkpoints, but it is not always clear where this money goes.^[35]

[25] Interview with a Seyoun resident who confirmed the presence of Arhabi qat at a market in the city in April 2019.

[26] Houthi authorities generally followed the tax laws from the internationally recognized government, according to Peter Salisbury, then of International Crisis Group, author interview, March 4, 2022. See the following link from the National Center for Information on the Yemeni government's tax law [AR]: https://yemen-nic.info/db/laws_ye/detail.php?ID=11343

[27] Interview, August 24, 2021

[28] Interview, July 29, 2021.

[29] Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen

[30] Interview, August 24, 2021.

[31] Ibid.

[32] Interview, September 7, 2021.

[33] Law No. (70) of 1991, On taxes on production, consumption and services [AR], National Center for Information, Yemen government, https://yemen-nic.info/db/laws_ye/detail.php?ID=11343

[34] Interview with Peter Salisbury, then of International Crisis Group, March 4, 2022. <https://sanaacenter.org/the-yemen-review/march-2023/20009>

[35] Interview with Peter Salisbury, then of International Crisis Group, March 21, 2022.

When goods are transported from Houthi-controlled territory to areas controlled by the internationally recognized government or the STC, traders and merchants often avoid the different banknotes used in the two parts of the country by exchanging goods using Saudi riyals or US dollars.^[36] Qat is no exception.^[37] Qat that crosses the frontlines is often more expensive, as mufawid's charge for transportation and the possibility of repeat taxation from the various authorities. A bag of Arhabi qat from northern Yemen often costs twice as much in Aden as it would cost in Sana'a.^[38]

In places of active conflict, qat trucks cross frontlines early each morning with relative ease.^[39] Their cars and trucks are known as the green crescent car, a play on Red Crescent, the humanitarian organization that has red crescents painted on their vehicles and are supposed to be left untouched by warring parties.^[40] A mufawid from Sa'ada said that he continues to send large amounts of qat to Marib on a daily basis via a driver, who pays bribes and sometimes gifts qat at armed checkpoints along the way.^[41] He delivers enough qat for approximately 100 chewers a day (approximately 60 kilograms of qat).^[42] The vehicle sets off from Sa'ada around 9 pm and arrives at noon the next day in Marib, where the qat is distributed to two or three sellers.^[43] The mufawid said it costs US\$15 per 30 kilograms to get the qat to Marib, including taxes and bribes at checkpoints.^[44] These costs are then passed on to the customer.



A popular qat seller in Souk al-Qaa in Sana'a city on July 31, 2021. // Sana'a Center photo

[36] Ibid.

[37] Interview with a middle man who operates between the farmer and qat sellers in Sa'ada governorate, February 5, 2022.

[38] Interview with an Aden-based journalist, March 17, 2022.

[39] Interview with a middle man who operates between the farmer and qat sellers in Sa'ada governorate, February 5, 2022.

[40] Ibid.

[41] Interview with a mufawid in Sa'ada governorate, March 4, 2022.

[42] Ibid.

[43] Ibid.

[44] Ibid.

Mohammed's qat is sold at Al-Hindiwanah market,^[45] one of the dozens of qat markets in Sana'a, with outlets ranging in size from small shops to a large outdoor market that covers a city block. The qat sold at Al-Hindiwanah comes from Sanhan district, where Mohammed's farm is located, and Khawlan district. At the market, one of the largest in Sana'a, around a hundred men sell bags of the leafy green plant. They sit on the backs of pickup trucks and on tops of tables inside small covered shacks. Those selling the cheapest qat sit on the ground. The mufawid sells Mohammed's qat to whichever merchant, or muqawit, offers the best price.^[46] A 23-year-old muqawit who maintains his own small stall at Al-Hindiwanah said he earns a net profit of around YR10,000 a day (approximately US\$17) in the summer and 7,000YR (approximately US\$12) a day in the winter.^[47]

The future of qat

As the war continues and the country remains divided, Yemen's reliance on the mild stimulant has only increased.^[48] Qat depletes families' meager incomes,^[49] uses much of Yemen's dwindling water supply,^[50] and is one of the few goods allowed to cross frontlines.^[51] As a cash crop, it represents a large portion of agricultural production in the country,^[52] even if it's not officially exported outside Yemen's borders.^[53] It has remained a prominent feature of daily life, at a time when little else is guaranteed. As beloved Yemeni poet Mohammed Mahmoud al-Zubairi wrote in 1958, "Qat is the first ruler of Yemen."^[54]

While the qat industry may be doing considerably better than other parts of the economy, addiction has left many families in terrible financial straits. Fathers marry off their daughters to settle qat debts.^[55] Husbands frustrated by their inability to afford qat have turned to domestic violence.^[56] Young men join militias, knowing that they'll be compensated partly in qat.^[57] Payment in qat is quite common in Yemen, especially by armed groups. The majority of Yemenis lack the financial means to afford both qat and daily necessities. A 2013 study found that some 20 percent of Yemeni families are in debt because of money spent on the drug.^[58] Families' financial situation has worsened with the economic crisis brought on by years of war, and qat prices have risen due to increasing diesel costs and a collapsing currency.

[45] Interview, July 29, 2021.

[46] Interview, July 29, 2021.

[47] Interview, February 12, 2022.

[48] Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen

[49] Ibid.

[50] Ibid.

[51] Interview with a middle man who operates between the farmer and qat sellers in Sa'ada governorate, February 5, 2022.

[52] Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen

[53] Qat is regularly smuggled into Saudi Arabia and, less commonly, into Oman.

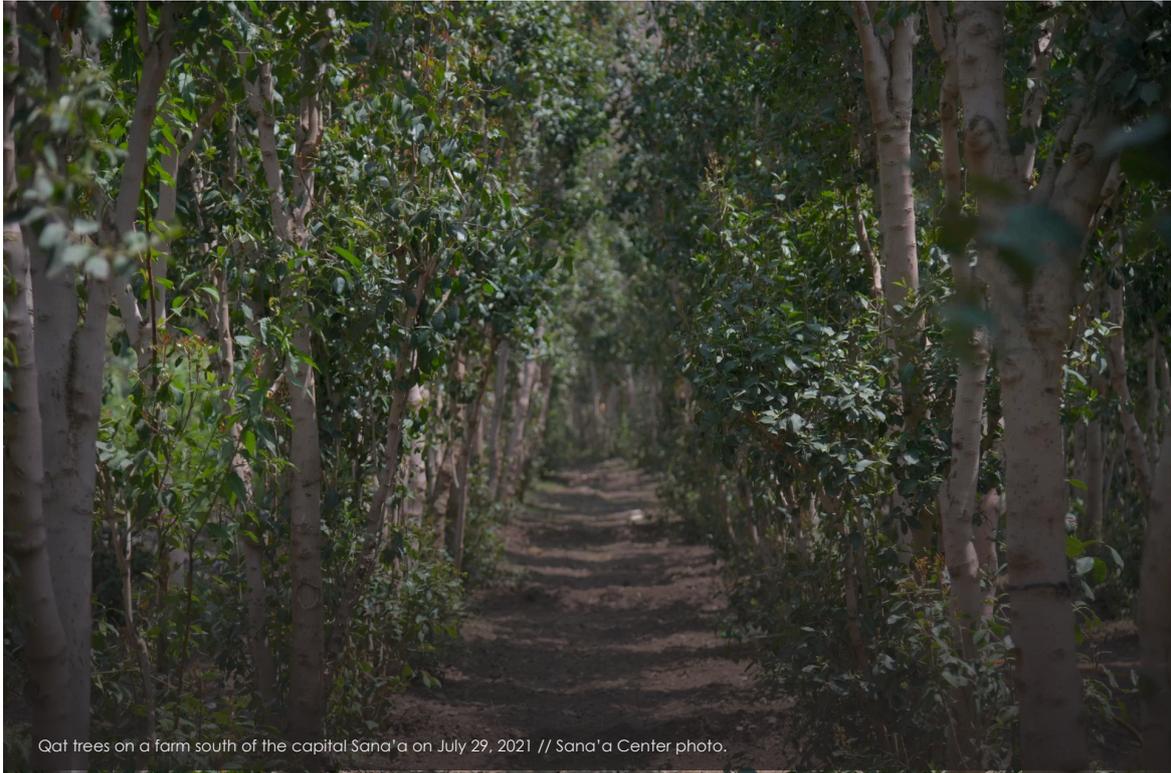
[54] Muhammad Mahmoud Al-Zubairi, "Satan in the Image of a Tree [AR]," Al-Arabi magazine, December 1, 1958.

[55] Dr. Fawziah Al-Ammar, Hannah Patchett and Shams Shamsan, "A Gendered Crisis: Understanding the Experiences of Yemen's War," Sana'a Center for Strategic Studies, December 15, 2019, https://sanaacenter.org/files/A_Gendered_Crisis_en.pdf

[56] Ibid.

[57] Ibid.

[58] Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen



Qat trees on a farm south of the capital Sana'a on July 29, 2021 // Sana'a Center photo.

Despite the societal, economic, and environmental ills attached to Yemen's qat dependence, extricating the drug from its prominent position in Yemeni culture is exceedingly difficult. Even though qat, as a daily habit, drives many individuals into poverty, it is its role in the larger economy that entrenches it as an important part of Yemeni life. This has not changed as the state has fractured.

In the 1980s, before oil production and exportation began in earnest, qat production made up 30 percent of North Yemen's GDP.^[59] A 2007 paper published by the World Bank noted that qat cultivation made up a third of Yemen's agricultural GDP.^[60] A 2000 study found that the qat sector provided income to about 1 in 7 Yemenis, especially those that live in rural areas.^[61] Moreover, with the downward spiral of Yemen's economy after years of war and dwindling government salaries, people from other professions, such as teachers, have turned to the qat industry for work.^[62]

Just as the future of the Yemeni state and the shape of its government remain in question as the war drags on, the outlook of qat production appears problematic given the country's environmental woes, particularly its severe water crisis. Yemen has used more than one-third more water than is sustainable over the past few decades.^[63] Qat uses more water than any other

[59] Lamina RM and Lamina S, "The Chewing of Khat (Catha Edulis) in the Horn of Africa and Arabian Peninsula: Economic Overview," *Arabian Journal of Business and Management Review*, September 2013, [http://arabianjbm.com/pdfs/OM_VOL_3_\(2\)/9.pdf](http://arabianjbm.com/pdfs/OM_VOL_3_(2)/9.pdf)

[60] "Yemen Toward Qat Demand Reduction," The World Bank, June 2007, https://www.tni.org/files/publication-downloads/worldbank_qat-demand-reduction_2007.pdf

[61] Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen

[62] Dr. Fawziah Al-Ammar, Hannah Patchett and Shams Shamsan, "A Gendered Crisis: Understanding the Experiences of Yemen's War," Sana'a Center for Strategic Studies, December 15, 2019, https://sanaacenter.org/files/A_Gendered_Crisis_en.pdf

[63] Helen Lackner and Abdulrahman al-Eryani, "Yemen's Environmental Crisis Is the Biggest Risk for Its Future," The Century Foundation, December 14, 2020, <https://tcf.org/content/report/yemens-environmental-crisis-biggest-risk-future/?agreed=1>

crop in Yemen, and accounts for 30 to 37 percent of consumption in the country.^[64] A 2010 World Bank study predicted that Yemen's groundwater reserves may be completely depleted in a few decades' time.^[65] Water scarcity, compounded by the effects of climate change,^[66] has contributed to Yemen's ongoing conflict.^[67] This casts major doubts on the sustainability of qat production in its current form.

Yet qat's significance in Yemen's culture and economy remains steadfast. Qat addiction may be primarily psychological,^[68] as opposed to the physical withdrawal symptoms of a narcotic, but its place in Yemeni society is paramount. To not chew qat means to not participate in what has become a fundamental part of Yemeni culture, particularly in the northern highlands. Meanwhile, farmers may earn far less from their qat farms than they used to, but there are few alternatives for employment – and so the trade continues.

A local journalist in Yemen contributed to this reporting.

Laura Kasinof is an award-winning journalist and filmmaker who has worked in and around Yemen since 2009. Her book, *Don't Be Afraid of the Bullets: An Accidental War Correspondent in Yemen*, is an account of her time as the New York Times Yemen correspondent during the Arab Spring. Kasinof has reported from a dozen or so countries across the Arab world, East Africa, and eastern Europe.

[64] Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen Stean Tshiband, "Qat, War and the Political Economy of Aid in Yemen," Peace and Conflict Resolution Conference, 2019, https://www.academia.edu/43285460/Qat_War_and_the_Political_Economy_of_Aid_in_Yemen

[65] "Assessing the Impacts of Climate Change and Variability on the Water and Agricultural Sectors and the Policy Implications," The World Bank, April 22, 2010, <https://openknowledge.worldbank.org/bitstream/handle/10986/2943/541960ESWoGray1OFFICIALoUSeoONLY191.pdf?sequence=1&isAllowed=y>

[66] Helen Lackner and Abdulrahman al-Eryani, "Yemen's Environmental Crisis Is the Biggest Risk for Its Future," The Century Foundation, December 14, 2020, <https://tcf.org/content/report/yemens-environmental-crisis-biggest-risk-future/?agreed=1>

[67] Ibid.

[68] Michael Odenwald, "Khat use and related addiction, mental health and physical disorders: the need to address a growing risk," Eastern Mediterranean Health Journal, 2017, https://www.academia.edu/72770919/Khat_use_and_related_addiction_mental_health_and_physical_disorders_the_need_to_address_a_growing_risk



Iranian Foreign Minister Hossein Amir-Abdollahian (left), Chinese Foreign Minister Qin Gang (center), and Saudi Foreign Minister Prince Faisal bin Farhan al-Saud (right) pose together following a meeting in Beijing on April 6, 2023 // Photo credit: Embassy of the Peoples Republic of China In the Islamic Republic of Iran

Commentary

Mending the Saudi-Iranian Rift: A Prelude for a Chinese Role in Yemen?

Elham Babukair

The agreement between Saudi Arabia and Iran to **resume diplomatic ties** on March 10 was surprising to many, but not entirely unexpected. Important signposts, including rounds of Saudi-Iranian talks in **Iraq and Oman** since 2021, and a Saudi desire to disengage from the war in Yemen, pointed to an engagement with Iran at some point. The wildcard, however, was the role of China as broker, as it demonstrated Beijing's willingness to further its direct involvement in Gulf politics. Could this foreshadow an increased diplomatic role for China in Yemen?

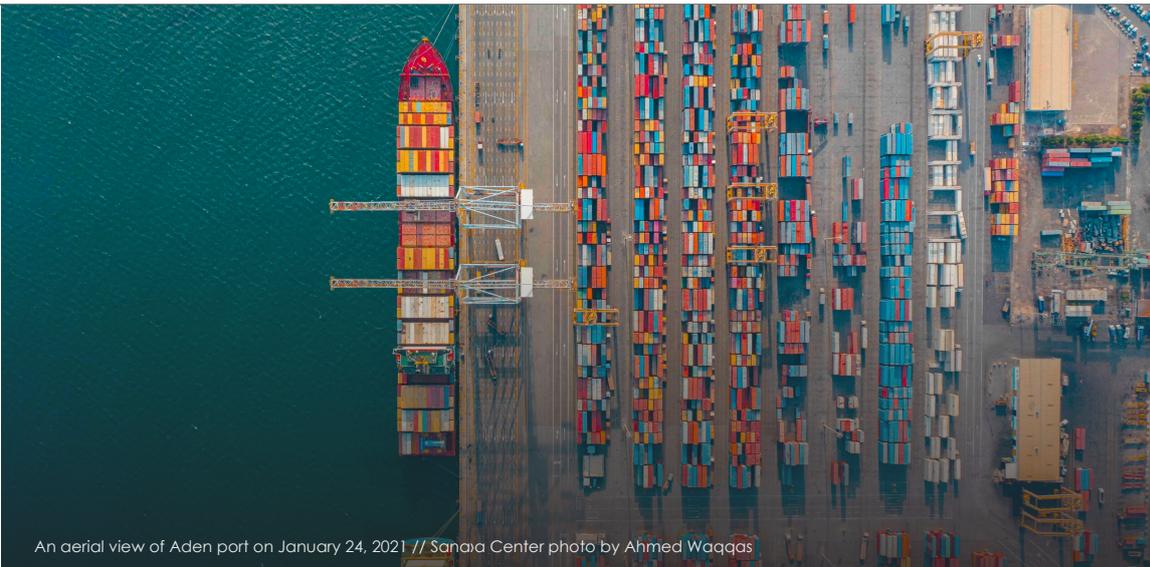
China has a long history of relations with Yemen, beginning in 1956, when the Mutawakelite Kingdom of Yemen became the first country in the Arabian Peninsula to **recognize** the People's Republic of China. Over the following three decades, Beijing **cultivated diplomatic and economic ties** with both North and South Yemen and helped fund critical infrastructure projects. China began a **project** to build North Yemen's first asphalt road in 1958, linking Sana'a and Hudaydah, which was completed in January 1962. **Support** to communist South Yemen during the 1970s included the largest Chinese aid program in the Middle East and long-term interest-free loans to finance multiple development projects. Its balanced relationship between North and South facilitated constructive relations after unification, focused on bilateral trade, investment in infrastructure, and access to oil. Then-President Abdo Rabbu Mansour **visited China** in November 2013 and received pledges from Beijing to fund major development projects in Yemen over two decades, including signing a US\$500 million deal to expand and develop the Aden port; these plans were scrapped following the Saudi-led coalition's intervention in Yemen in 2015. At this point, China converged with the Saudi position, showcased by its **support** for UNSC Resolution 2216 and the 2019 **Riyadh Agreement**, but it **remained** open to engagement with all parties.

China's historic ties with Yemen and its positive relations with Gulf countries could position it as an acceptable mediator in the current conflict among both regional and local actors. Regionally, both the Saudis and Iranians are willing – or obligated – to engage with China. Riyadh and Beijing have agreed to **investment deals** worth tens of billions of dollars since December, while China is Iran's most important economic ally and number one trading partner, giving Beijing **strong leverage** with Tehran. For Yemen's internationally recognized government, Chinese development and economic investments have the potential to rehabilitate road networks, revitalize ports, and revive the oil sector, in which China has heavily invested since the second half of the **1990s**. The Houthis have also demonstrated a willingness to engage with China, sending a delegation led by chief negotiator Mohammed Abdelsalam to **Beijing in early December 2016**, shortly after they **formed a government** in Sana'a. Another player, the Southern Transitional Council, may try to hark back to the strong ties that existed between South Yemen and China in its push to recreate an independent southern state.

China could play a pivotal role in the reconstruction of post-war Yemen, weaving the country into its vast Belt and Road Initiative. This project, the centerpiece of China's vision to economically connect over 150 countries from Asia to Europe, has had **difficulty gaining traction** in oil-rich countries in the Gulf Cooperation Council, which are capable of investing in their own infrastructure projects. The opportunity to rebuild roads, ports, and airports and revitalize the energy sector in Yemen offers China an enticing new foothold in the region that could be difficult to pass up. There is also a security rationale for increased investment in Yemen: China has already established a presence in the Horn of Africa, opening its **first** overseas military base in Djibouti in 2017 and **ramping** up its naval presence since 2018. Strategic engagement with Yemen could promise China further influence in the Red Sea, through which over **US\$700 billion** worth of trade flows each year region, including near the Bab al-Mandab Strait.

China's motivation and ability to negotiate the détente between Iran and Saudi Arabia make it an international actor to watch in Yemen. Moving forward, it will be necessary to assess not only how China interacts with Saudi Arabia and Iran, but also its relationships with local Yemeni actors.

Elham Babukair is the Translation Coordinator at the Sana'a Center for Strategic Studies. Before joining the Center, her more than 10 years of work experience as a professional translator focused primarily on reports for international organizations dealing with migration, economic, humanitarian, and peace and security issues in Africa. Babukair also holds an MBA from Lincoln University in Oakland, California.



An aerial view of Aden port on January 24, 2021 // Sana'a Center photo by Ahmed Waqqas

Commentary

Back Yemen's Private Sector to Promote Economy Recovery

Abdulwahab Alkebsi

In light of ongoing **negotiations** between Saudi Arabia and the Houthi movement and **reports** of progress toward a permanent ceasefire, the need for a comprehensive and integrated approach to peace and reconstruction in Yemen is more urgent than ever. Any political solution must be paired with a robust economic strategy in order to tackle underlying economic and social issues, and prevent a surface-level fix to the conflict. Here, Yemen's private sector can play a crucial role.

The **Center for International Private Enterprise** (CIPE), a Washington-based organization where I serve as Managing Director for Programs, sees the Yemeni private sector as a key driver of economic growth, poverty reduction, and the promotion of social stability in a post-conflict Yemen. The need is clear: Yemen's economy has contracted by roughly **half** since the conflict began. The value of the local currency has dropped precipitously, and the banking system, with two competing central banks, is on the **brink of collapse**. The conflict's impact on the population has been devastating, with over 23 million people (of a total population of 33 million) in need of humanitarian assistance, and over 17 million at risk of famine, according to the World Food Programme.

Despite these difficult conditions, the Yemeni private sector has shown remarkable resilience in its efforts to support those in need. It **continues** to play a critical role in providing goods and services to the population, and in job creation and livelihood opportunities, particularly for women and youth. Small and medium sized enterprises **comprised** about 90 percent of the economy in Yemen as of 2020. Corporations have also taken action to support the most vulnerable communities. For example, the telecommunications sector provides critical communication services to remote and hard-to-reach areas, while simultaneously **providing employment** to youths and those who have lost existing jobs because of the conflict. Transportation companies have also played a vital role in supporting besieged communities and rural settlements, despite road transport costs **increasing** 145 percent. These enterprises are essential in facilitating the provision of school supplies and other equipment to cities like Taiz, where community members have **engaged private sector actors** to create alternative routes to reach citizens. Other major businesses have supported the education sector through the **rehabilitation of schools**.

Still, Yemen's private sector faces significant challenges. The conflict has long disrupted **supply chains**, making it difficult for firms to access raw materials and distribute products. The banking system's collapse has **limited** firms' ability to access credit and manage their finances. Currency devaluation has **increased** the cost of imported goods, and high inflation has reduced consumer purchasing power. The **Yemeni Economic Reform Team** (ERT), another CIPE partner that brings together business leaders and local economic experts, has proposed several measures to combat these problems. These include **policy recommendations** to stabilize the currency, reform the banking sector, and increase investment in infrastructure. The ERT has also called for easing restrictions on the entry of goods and commodities into Yemen and facilitating their distribution across the country by opening all roads without restrictions.

The international community, including the United Nations and the US special envoy for Yemen, can play a key role in supporting economic de-escalation and recovery. It should expand the technical assistance it already provides and be prepared to contribute funds in collaboration with Gulf countries to support reconstruction. In turn, Yemeni and Gulf leaders should approach reconstruction as a strategic investment in rebuilding the country, improving the economy, creating jobs, promoting regional stability, and realizing the long-term benefits of a peaceful, prosperous Yemen. It is crucial that political leaders engage the private sector, and carefully consider its input during the planning process, so that business leaders can be real partners in implementation. This need not wait for a final settlement: efforts to pair international support with local Yemeni expertise, and support economic development and recovery, should begin now.

Abdulwahab Alkebsi is the Managing Director for Programs at the Center for International Private Enterprise (CIPE).

This issue of the Yemen Review was prepared by (in alphabetical order): Ryan Bailey, William Clough, Casey Coombs, Yasmeen Al-Eryani, Andrew Hammond, Khadiga Hashim, Abdulghani Al-Iryani, Yazeed Al-Jeddawy, Maged Al-Madhaji, Elham Omar, Ghaidaa Al-Rashidy, Osamah al-Rawhani, Miriam Saleh, Maysaa Shuja Al-Deen, Lara Uhlenhaut, Ned Whalley, and the Sana'a Center Economic Unit.



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