



The Yemen Review

October 2022

Houthi Target Southern Ports

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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.

Cover Photo:

An aerial photo of students at the Naama Rassam School in Taiz city forming the word "Yemen" on October 13, 2022, as part of celebrations marking the October 14 Revolution / Sana'a Center photo by Ahmed Al-Basha

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Summary

The UN-backed truce between the Houthi movement and the internationally recognized government was allowed to expire on October 2. Efforts to secure its further extension failed following a last-minute demand by Houthi negotiators to add military and security personnel to a payroll of public sector employees. The breakdown of the talks was followed by mutual recriminations, even as Saudi Arabia and the Houthis exchanged delegations on October 14, ostensibly to visit prisoners of war and discuss an exchange.

Later in the month, the Houthis targeted two oil ports on Yemen's southern coast with drones, striking the port of Nushayma in Shabwa on October 18-19 and the port of Al-Dabba in Hadramawt on October 21. The drone attacks followed warnings by senior Houthi official Mahdi al-Mashat that foreign energy companies were "looting Yemen's sovereign wealth" and should cease operations. Though the facilities were undamaged, the attacks have disrupted exports as foreign ships stay away from Yemen's coast. On October 31, Canadian oil producer Calvalley Petroleum Ltd. announced a suspension of oil production at Block 9 in Hadramawt due to the "current extremely challenging situation" and a lack of oil storage capacity.

In response to the Houthi drone attacks, the government's National Defense Council officially designated the Houthi movement a terrorist organization on October 23. It is unclear what ramifications the designation will have, as the government currently lacks a mechanism with which to enforce compliance. Saudi Arabia has privately urged caution to prevent derailing ongoing peace talks.



Al-Jawf tribesmen loyal to former Governor Amin al-Ukami gather at a tribal Mafareh on October 31, 2022, to demand his release from house arrest in Saudi Arabia / Sana'a Center photo by Abdulmajeed Al-Khadmi

Politics & Diplomacy

Houthi Strikes Prompt Government Terrorism Designation

Overview

Direct Saudi-Houthi talks intensified in October, even while UN-backed efforts to reinstate and expand the truce that expired October 2 stalled and the Houthis and the Yemeni government escalated their words and actions. Riyadh and the Houthi authorities publicly exchanged delegations on October 12. While both sides portrayed these delegations as technical teams working toward a prisoner exchange, the Sana'a Center has learned that they were composed of more senior officials than publicly reported, including several members of Houthi leader Abdelmalek al-Houthi's inner circle. The Saudis offered what was described as a comprehensive deal, one that would involve Saudi Crown Prince Mohammed bin Salman receiving senior Houthi official Mahdi al-Mashat.

While Saudi Arabia appeared to pursue a more conciliatory approach in October, the Houthis followed the end of the six-month truce with threats culminating in drone strikes October 18-21 at the oil shipping ports of Nushayma and Al-Dabba. Though the facilities were undamaged, such port strikes could further impact oil exports — and the revenues they generate that the government relies on to function. This prompted the Yemeni government to adopt a harder line, with the government's National Defense Council on October 23 officially designating the Houthi movement as a terrorist organization. Yemeni government officials emphasized they would work to minimize the designation's economic impact on people living in Houthi-held areas. The government lacks mechanisms to enforce any sanctions accompanying it, but the designation could inadvertently further fragment the Yemeni state (see *the Sana'a Center's October editorial*).

Although international actors visited various parties in the region, attempting to get a truce back on track, UN-backed negotiations appeared to stall, with Saudi and Houthi leaders refusing to engage in international mediation. On November 1, UN envoy Hans Grundberg departed Muscat, his talks with Houthi officials seemingly having made little progress.

Internally, the government and Saudi-led coalition sought to resolve differences at meetings in Riyadh, with Saudi Arabia displeased about the dissension within the Presidential Leadership Council (PLC). Although rumors persisted of a potential cabinet reshuffle to better represent the makeup of the PLC, the only substantive government change in October was the formation of a new negotiating committee for peace talks with the Houthis, which included representatives from a wider range of parties, including the STC, Islah and the National Resistance forces. At the local level, while Shabwa Governor Awadh bin al-Wazir al-Awlaki made arrangements for a governorate-wide conference to ease tensions following Islah-STC clashes in August, dueling STC- and Islah-backed protests in Wadi Hadramawt escalated over the presence of the Islah-aligned forces in the 1st Military Region.

In Houthi-held areas, authorities arranged mass celebrations for the Prophet Mohammed's birthday. Organized with a view to project unity and normalcy, authorities collected extra-legal taxes on businesses and forced citizens to participate in the events. Separately, multiple clashes were reported in Sana'a governorate during October, with Houthi-aligned forces storming Saref village to the east of the capital amid ongoing attempts to expropriate land in the area, and Houthi leaders clashing in personal dispute in Arhab district.

Peace Talks

Truce Expires, Saudi-Houthi Backchannels Pick Up

Despite expiring on October 2, the Yemen truce effectively continued for much of October as the UN envoy, Hans Grundberg, scrambled to return it to official status. The truce expired after the Saudi leadership rejected last-minute Houthi demands to add military and security personnel to the list of public-sector employees who were to receive salaries in an agreement the UN had spent weeks thrashing out. After the truce expired, both the Saudis and the Houthis refused to negotiate under international mediation, and Houthi leaders threatened to renew attacks on Saudi Arabia and the UAE if their demands for salaries and direct talks with Riyadh were not met. At the same time, Saudi-Houthi backchannel talks reportedly picked up steam.

On October 12, Saudi Arabia and the Houthis exchanged delegations, ostensibly to visit prisoners of war and discuss their eventual release. Saudi state news agency SPA described the move, which saw a Saudi delegation visit Sana'a and a Houthi delegation visit Abha, Saudi Arabia, as a confidence-building measure tied to efforts to extend the recently expired truce. Abdelqader al-Mortada, head of the Houthi-run National Committee for Prisoners Affairs, said a list of prisoners was agreed on during ongoing negotiations in Amman. Sources later revealed the Houthi delegation was of a higher level than widely reported in the media. While Saudi Arabia sent a technical team to Sana'a, the Houthi delegation to Abha included seven men, all from Abdelmalek al-Houthi's inner circle, including military commander Yahya al-Razami. Only one senior Houthi official has been involved in prisoner exchange negotiations. During the talks, the Saudi side offered a deal – the details of which are not clear – that would involve Crown Prince Mohammed bin Salman receiving Mahdi al-Mashat, the head of the Supreme Political Council. The Houthi side was said to be considering its response.

Among international efforts to [restore the truce](#) were US Special Envoy for Yemen Tim Lenderking's travel to the region October 11, immediately following UN Special Envoy Hans Grundberg's visit to the UAE for consultations with Emirati diplomatic adviser Anwar Gargash and Minister of State Khalifa al-Marar. Later in the month, Grundberg traveled to Muscat, where he met with senior Omani officials and chief Houthi negotiator Mohammed Abdelsalam, but Grundberg [announced](#) the end of his visit October 30 without reporting any progress.

Houthi Strikes Prompt Government Terrorism Designation, UN Condemnation

Following Houthi drone attacks on oil facilities at the ports of Nushayma in Shabwa on October 18-19 and Al-Dabba in Hadramawt on October 21 (see, Military & Security, '[Houthi Attack Oil Ports](#)'), the government's National Defense Council, chaired by PLC chief Rashad al-Alimi, said it had designated the Houthi movement a "terrorist organization." According to Sana'a Center sources, Saudi officials were unhappy about the designation, as it could complicate efforts to reestablish the truce. Saudi policy appears partly driven by concern that the Houthis may attack Saudi or UAE territory during the soccer World Cup in late November and December, when global attention will be focused on the region and many visitors will travel to Qatar from within the Gulf. To mollify the PLC, Saudi Arabia has indicated that it is willing to help pay civil servant salaries.

Prime Minister Maeen Abdelmalek Saeed held a meeting October 24 with officials from the Ministry of Finance, the Ministry of Planning and International Cooperation, and the Central Bank of Yemen to discuss the economic and financial aspects of implementing the designation of the Houthis as a terrorist group. Officials grappled with how to enforce the designation without negatively impacting civilians, the humanitarian situation, and the economy. If the government is serious about enforcing its provisions, there could be important political and economic ramifications. Some state institutions are still unified, such as those issuing identification cards, and many businesses, such as banks and money exchange firms, operate in both Sana'a and Aden. Politically, enforcing the designation could undermine the government's claim to represent the entire country, further establishing the Houthi authorities as an independent state entity.

The UN Security Council also condemned the "Houthi terrorist drone attacks" in an October 26 [press statement](#). The UNSC's description of the Houthis as a "terrorist group" first appeared in a February 28 [resolution](#) renewing sanctions against Houthi individuals. In the weeks prior to that resolution, the Houthis had launched a series of drone and missile attacks in the UAE.

Government Politics: Saudis Warn PLC to Reconcile Internally

With no progress on reinstating the truce and under pressure from Saudi Arabia, the PLC focused on getting its own house in order. Saudi Defense Minister Khaled bin Salman expressed displeasure about the state of disarray within the anti-Houthi camp during one-on-one meetings with PLC leaders who had been called to Riyadh, and hinted at an unspecified new approach if things don't improve, according to senior officials who spoke with the Sana'a Center. Efforts to reconcile centered on the return of Islah-affiliated forces expelled from Shabwa in August 2022, but UAE-backed Shabwa Governor Awadh bin al-Wazir al-Awlaki has insisted that four influential commanders, including Special Security forces head Abd Rabbu Laakab, cannot be among them.

A negotiating team was formed to represent the government in any future peace talks with the Houthis, headed by Foreign Minister Ahmed Awad bin Mubarak and including representatives of PLC President Alimi, Tareq Saleh's National Resistance forces, the STC, Islah, and other parties. Members included Abdulmalek al-Mekhlafi of the Nasserist party; Nasser al-Khobaji and Abdelrahman Sheikh of the STC, Yasmin al-Qadhi, an unaffiliated women's and children's rights activist from Marib, Islah's Ali Ashal, Abdullah Abu Houria of the National Resistance forces, Abdelkhaleq Beshr, and Islah member and committee rapporteur Mohammed al-Emrani. Southern groups, meanwhile, worked toward uniting their constituents to create a unified southern position ahead of any broader peace talks. Members of the STC-aligned Southern National Dialogue Team (SNDT), held meetings throughout October in Shabwa and in Abyan, including with Shabwa Governor Al-Awlaqi on October 6 in Ataq and with local leaders, party heads, and southern political figures two days later. SNDT members also met October 23 in central Abyan with local authority officials, tribal sheikhs and others.

Speaker of Parliament Sultan al-Barakani is working on revamping the former ruling party, the General People's Congress (GPC), and reportedly held a meeting in Cairo in late October to choose new party leadership. Abu Bakr al-Qirbi, who served as foreign minister from 2001 to 2014, condemned the reports in a tweet. The GPC is divided between elements in Sana'a under Houthi control and others in Aden working with the government. Qirbi, based in Muscat, said in his [tweet](#) that the party needs to focus on strengthening its position ahead of any final settlement talks.

In other developments in government-administered areas:

Aden

An urban planning official with the General Authority for Land, Survey and Urban Planning (GALSUP) was assaulted October 2 in Aden's Bir Fadl neighborhood, allegedly by armed men aligned with a land investor. The assault prompted a nearly two-week work stoppage by GALSUP employees in Aden.

On October 19, an Aden man jailed since August was released from Bir Ahmed prison after being cleared of wrongdoing by the public prosecutor. Mayas Maher, whose brother, journalist Ahmed Maher, remained in prison, said the two were taken from their home, tortured and forced to confess to crimes they had not committed; he requested the public prosecutor, Qaher Mustafa, follow up on his brother's case.

On October 20, Emirati troops left the Maashiq Palace in Crater district following a dispute with Saudi forces, only a week after the Emiratis had assumed protection duties there. The troops handed over duties to STC forces at the lower checkpoints around the presidential palace and Saudi forces at the upper checkpoints. Some of the new forces are now called the Presidential Storm Forces, operating under Commander Osan al-Anshli.

Abyan

Local STC officials stopped issuing ID cards to Abyan residents from northern Yemen on October 6, angering many residents who said the move would destroy the social fabric of the governorate. On October 6, Khaled al-Abed, the local STC executive vice president, informed employees of the governorate's Civil Status and Civil Registry in the capital Zinjibar that they were no longer authorized to issue birth certificates or personal identification cards to people from northern

governorates. Abed said Al-Zubaidi, the STC president, ordered the new restrictions to thwart political organizations from trying to change the governorate's demographics. He said Abyan has been inhabited by many people from northern governorates for decades, in addition to the wartime arrival of large numbers of displaced people from Taiz, Hudaydah, and Al-Bayda. Major General Fadel Ba'ish, the STC-aligned commander of the Special Security forces, visited the Civil Status Department in Zinjibar on October 10 to reiterate the STC's ban on issuing identification cards to those originally from northern governorates.

Truck drivers began a general strike October 4 along a coastal road in Zinjibar district, protesting illegal levies imposed by STC-aligned and government forces at checkpoints throughout Abyan. Some drivers reported paying a total of more than 1 million Yemeni rials to pass through the 21 checkpoints along the major coastal road linking Aden with eastern Yemen. On October 17, truck drivers blocked traffic on a main road in Sheikh Salem village, issuing a statement appealing to STC president and PLC member Aiderous al-Zubaidi and Abyan Governor Abu Bakr Hussein to lift the levies. The office of STC Vice President Ahmad bin Breik ordered forces on October 18 to limit levies to 100,000 rials per truck, but Security Belt forces refused to implement the order, and STC-affiliated forces arrested several truck drivers on October 19. On October 27, an agreement to lift the strike was reached at a meeting of the truckers' representatives, Bin Breik, Hussein, and STC military and security leaders. According to the agreement, truckers would be charged only once, paying 200,000 rials at the Hassan checkpoint in Zinjibar district.

Demonstrators in Khanfar district, north of Zinjibar, demanded the dismissal of Al-Razi hospital administrators, alleging corruption and poor services at the hospital. On October 10, STC security forces arrested Dr. Nayef Jowal and attorney Hussein al-Hindi on charges they organized the protests, which were held daily for two weeks.

Hadramawt

In early October, Hadramawt Governor Mabkhout bin Mahdi returned to Mukalla after a three-week stay in the UAE as competing political protests continued to play out in Wadi Hadramawt. These demonstrations included, for the first time in years, rallies for an independent Hadrami state. Organized by leaders of the Al-Kathir tribe, the largest in the governorate, thousands of people who gathered on October 7 in Seyoun raised a flag created in 2013 symbolizing the unity of the Hadrami people and shouting slogans demanding autonomy. The protests were implicitly supported by the Islah party, possibly to counter demonstrations by STC-supported groups. On October 14, thousands of residents gathered at Al-Kathiri Palace in the city of Seyoun in an STC-backed demonstration demanding the expulsion of the Islah-affiliated forces of the 1st Military Region and their replacement by Hadrami Elite forces.

Protests were not limited to Wadi Hadramawt. On October 15, former Hadramawt Governor Faraj al-Bahsani mobilized members of his tribe, the Al-Hamoum, in the Wadi Ain area of the governorate's southeastern Al-Shihr district to demand local power rest with Hadramis. The demonstration may have been an attempt to restore the influence of Al-Bahsani and his former deputy and fellow Al-Hamoumi tribesman, Amr bin Habrish. Both men were sidelined in August with the appointment of Governor Bin Mahdi.

Amid contract negotiation difficulties and Houthi threats to oil exports, oil workers in Hadramawt also have begun to mobilize. On October 11, workers of the contracting companies of PetroMasila went on strike after demands to increase their salaries and benefits were ignored. The strike led to the suspension of work in sectors 14, 10, and 51, some of the most productive blocks in the

governorate. The workers announced they would lift the strike for 72 hours after they received calls from Hassan al-Jabri, head of the Popular Escalation Committee of the Hadrami Uprising, on October 18, and Governor Bin Mahdi met with representatives of workers from Block 14 on October 20. Bin Madi directed the relevant authorities to address workers' demands, including salary increases. On October 31, following reports that the threat of Houthi drone attacks had frozen oil exports, Calvalley Petroleum Ltd. announced a suspension of oil production at Block 9 due to the "current extremely challenging situation" and a lack of oil storage capacity. In a letter addressed to the Hadramawt governor, the company said that management had notified every contractor "to demobilize its personnel and equipment and to consider all contracts and POs terminated."

PLC head Rashad al-Alimi was expected to visit Hadramawt in early- to mid-November, in what would be his first domestic trip outside Aden since the PLC was formed in April.

Al-Mahra

On October 10, security forces in Al-Mahra referred to the courts 16 people accused of weapons and drug smuggling. Seven of the accused allegedly smuggled weapons for the Houthis from Iran to Yemen, and six were Iranian sailors accused of bringing drugs into the country. Later in the month, security forces in Al-Mahra claimed to have captured a major arms smuggler from Al-Shihr. Ahmed Bamuallem allegedly funneled weapons to Houthi forces. He was taken into UAE custody at Al-Rayyan airport in Mukalla.

On October 26, Al-Mahra University was established by presidential decree, and former Minister of Electricity and Energy Anwar Kalashat was appointed its president. Residents of Al-Mahra have had to travel to other governorates or study abroad to attend university, greatly increasing their higher education costs. Al-Mahra residents and local authorities had demanded a university be established in the governorate for years.

After Saudi forces raided his home in July 2022, Al-Mahra protest movement leader Sheikh Ali al-Hurayzi returned to Al-Mahra from Oman in late October. Saudi authorities accuse Al-Hurayzi of arms smuggling and links to military camps concealed in the rugged Oman-Yemen border area.

Al-Jawf

Hussein al-Aji al-Awadhi, who is close to PLC chief Al-Alimi and has maintained good relations with Saudi Arabia, was appointed governor of Al-Jawf on October 10, replacing Sheikh Amin al-Ukaimi, who is under house arrest in Saudi Arabia. Al-Ukaimi fell out of favor with the Saudis after the Houthis began taking over the populated western districts of Al-Jawf in March 2020, and was accused of inflating the number of troops under his command in order to increase the budget for salaries and line his own pockets. Al-Awadhi served as governor six years ago, and appears to have been installed to improve military readiness in case renewed fighting breaks out. He hails from the Al-Bayda tribe of Al-Awadh.

Senior Islah figures were unhappy with Al-Awadhi's appointment, viewing it as a further attempt to sideline the party as its position has come under threat in Hadramawt and Al-Mahra. The Islah office in Al-Jawf released a statement on October 11 denouncing the decision to replace Al-Ukaimi. On October 25, Al-Ukaimi loyalists called on tribes to meet at the Dahm tribe camp in the east of the governorate in an attempt to pressure the PLC to retract its decision.

Tribal unrest in Al-Jawf governorate created problems for Houthi and government authorities in October. On October 11, pro-government military forces at a checkpoint in Al-Hazm district killed Mohammed Shuwail al-Nufi, a member of the Bani Nouf tribe, after a dispute over illegal levies imposed at the checkpoint on private cars. Members of the tribe subsequently killed two soldiers and captured four others at the checkpoint, while the remaining forces fled. On October 24, Bani Nouf tribesmen clashed with Houthi forces in the east of Al-Hazm district near Al-Labanat, with two tribesmen injured and three Houthi fighters killed. The clashes started when the Houthi forces prevented three cars smuggling prescription drugs and cigarettes from reaching Houthi-controlled areas. Bani Nouf tribesmen earn money by facilitating smuggling and have clashed repeatedly with Houthi forces in recent months. The leader of the Houthis' 6th Military Region, Abu Badr Zara'a, is from the Bani Nouf tribe, and intervened to deescalate the situation. But less than two weeks later, fighting resumed. The clashes have blocked the entry of commercial goods, including fuel, cooking gas and cigarettes.



The U-17 Yemeni football team arrives at Aden International Airport on October 20, 2022, after participating in qualification matches for the Asian Junior Championship // Sana'a Center photo by Rajeh Al-Omari

Houthi Politics and Governance

Houthi-led Religious Celebrations: Show of Unity or Sign of Compulsion?

Houthi authorities organized mass celebrations throughout their territories on October 8 to mark Al-Mawlid al-Nabawi, the Prophet Mohammed's birthday. Houthi media extolled the event as not only the largest in Yemen's history but the largest in any Muslim country. In Sana'a, crowds gathered in Al-Sabaeen Square under strict security measures. The cost of staging the Mawlid celebrations – during a time of economic deterioration and sky-high energy prices – was clearly considerable. The celebrations carried two messages, one of strength and unity after the stalled truce talks, and a second suggesting that the event was not only a celebration of the Prophet's birth but of the Houthi movement itself. The events included more youth-oriented music videos than usual, with modern folk-pop singing as well as traditional religious hymns, in an apparent effort to normalize such mass events among the populace. Civil servants were shuttled to parade grounds – a familiar tactic under former President Ali Abdullah Saleh – and Houthi officials advised people to decorate their vehicles, buildings and homes in green lights while demanding financial contributions from individuals, businesses and organizations to offset costs.

Insecurity in Sana'a

Abu Muthanna al-Lajami, an influential pro-Houthi businessman, and members of the Central Security forces and Military Police intercepted Sheikh Adel Abdullah Shubaih al-Sarfi's car at a Sana'a intersection October 11. After shooting Al-Sarfi in his car and killing him, Houthi military vehicles then besieged the village of Saref, to which Al-Sarfi belonged, in the Bani Hushaysh district to the east of Sana'a, and threatened to storm the village. The violence stemmed from the refusal of Al-Sarfi and other tribesmen to allow Houthi figures to seize their land and impose levies on their crops, an ongoing dispute that has often devolved into incidents of looting and murder.

Politician and retired diplomat Major General Dirham Noman was killed October 16 when a gunman stormed the guard's room at his home and opened fire, according to Noman's son, Hamdan al-Hakimi. Al-Hakimi identified the gunman as Fatah al-Aswadi, who was reportedly a mentally unstable retainer, according to Sana'a Center sources. Noman, a military leader during the 1962 revolution in North Yemen, held many government positions, including the governorships of Al-Jawf, Marib, Dhamar, and Shabwa, before serving as Yemen's ambassador to Ethiopia from 2012-2016.

Armed clashes erupted October 25 in Bayt Maran village in Sana'a governorate's northern Arhab district between forces led by Raymah Governor Faris al-Habbari and forces loyal to Justice Minister Nabih Abu Nastan. Two fighters on each side were killed and dozens were wounded. The fighting arose from a dispute over the imprisonment three months ago of two brothers accused of murder. Houthi investigators cleared them and ordered Abu Nastan's office to free them, but he refused. The men's father, Hajj Abdullah Musleh al-Qamadi, appealed to Al-Habbari, a powerful and brutal pro-Houthi tribal sheikh who has mobilized thousands of fighters on behalf of the Houthis. On October 27, Houthi leader Mohammed al-Houthi ordered security forces to Bayt Maran to stop the clashes.



International Relations

On October 4, the UN Security Council [sanctioned](#) Ahmed al-Hamzi, commander of the Houthi Air Force and Air Defenses, which includes its drone operations, for playing “a leading role in Houthi military efforts that directly threaten the peace, security, and stability of Yemen.” One week earlier, the Security Council [placed two other](#) Houthi commanders on its sanctions list: naval chief Mansour al-Saadi, who “masterminded lethal attacks against international shipping in the Red Sea,” and Mutlaq al-Marani, former deputy head of the National Security Bureau intelligence agency and current deputy of Military Intelligence, for overseeing the “torture and other ill-treatment” of detainees and for arresting and detaining humanitarians and diverting humanitarian aid. The US Treasury Department sanctioned Al-Marani in December 2020, and Al-Hamzi and Al-Saadi in March 2021.

On October 11, US President Joe Biden signaled a willingness to reevaluate America’s relationship with Saudi Arabia in response to OPEC+ cuts to oil production over US objections. Some Democratic Party members have accused Riyadh of siding with Russia, which is part of OPEC+ and the target of Western sanctions due to its invasion of Ukraine. Biden said that “[there will be consequences](#)” for Riyadh’s decision. Retaliatory measures could include blocking future arm sales, which could alter Saudi military calculations in Yemen.



Military & Security

Houthi Attack Oil Ports

Overview

Houthi drone and missile strikes on government-controlled oil ports in mid-October marked the first significant post-truce military escalation, although neither the government nor the Houthis immediately launched major ground offensives. Fighting along frontlines nationwide after the truce ended October 2 occurred in southwestern Yemen, in Taiz, Lahj and Hudaydah governorates. In their troop movements and fortification of positions, both sides appeared to be preparing for the ground war to intensify. Saudi Arabia and the UAE, meanwhile, sent more weapons to their respective clients.

No casualties or damage were reported from the October 18-21 Houthi strikes on the Nushayma oil terminal and Al-Dabba port, but the prospect of further attacks in and outside Yemen paralyzed oil exports for more than three weeks, threatening government finances (see, *The Economy & Finance, 'Houthi' Oil Port Attacks Threaten Government Finances*). The presidential palace in Aden is considered vulnerable to attack, even though the PLC remains largely absent; the UAE set up a radar system to detect drones around the palace complex before removing it a week later due to Saudi objections. Beyond Saudi energy and infrastructure, there are concerns among the coalition leadership about ensuring the smooth execution of the 2022 FIFA World Cup, taking place in Qatar in November and December and bringing global attention to the Gulf region.

In southern Yemen, counterterrorism operations against Al-Qaeda in the Arabian Peninsula (AQAP) continued throughout October in Abyan governorate, prompting IED attacks on STC forces in Shabwa that purportedly were carried out by AQAP militants chased out of Abyan. Further counterterrorism operations in Shabwa appeared imminent as part of the STC-led effort to root out AQAP militants.

Houthi Attack Oil Ports

After weeks of Houthi warnings against exporting oil from Yemen, the Houthis launched drone attacks October 18 and 19 on the Nushayma oil terminal at the port of Rudum, where the Tanzanian-flagged oil tanker Hana was docked. On October 21, two Houthi drones crashed into the Al-Dabba oil port in Shahr district as a Greek tanker was preparing to load a shipment of crude oil. While the government reported no injuries or damage, the tanker departed before taking on its intended cargo of 2 million barrels of oil. On October 25, local authorities closed the port of Mukalla after detecting Houthi drones. The port reopened days later for non-oil commercial activities. On October 26, Shabwa Defense forces shot down a Houthi drone near Ataq airport, which is known to host UAE and coalition forces. The Houthi attacks on the Nushayma and Al-Dabba oil terminals apparently aimed to pressure the government as UN mediation continues (see. Politics and Diplomacy, *'Houthi Strikes Prompt Government Terrorism Designation, UN Condemnation'*).



Lahj

Clashes between STC-aligned and Houthi forces in Lahj intensified in October, with Houthi forces reportedly making some advances. Fighting was concentrated in the Al-Hadd Yafa area in the governorate's far northeast and in Musaymir and Qubaytah districts along the border with Taiz governorate. Frequent clashes and artillery shelling resulting in several deaths were reported throughout the month, with senior military commanders of the Yafa Military Axis meeting October 22 in response to the intensified fighting. On October 30, Houthi forces launched a large-scale attack in northeastern Lahj, seizing positions from forces of the STC-affiliated 10th Saiqa Brigade stationed in the Habeel Hanash area of Al-Musaymir district.

On October 20, clashes between Security Belt forces and armed tribesmen affiliated with Sheikh Essam Hazaa erupted in the Ras al-Ara area of southern Lahj. Recent disputes between the two parties centered on the construction of a port in the area near the Bab al-Mandab strait financed by Hazaa, who has been accused by the STC of receiving Islah support for the project.



Taiz

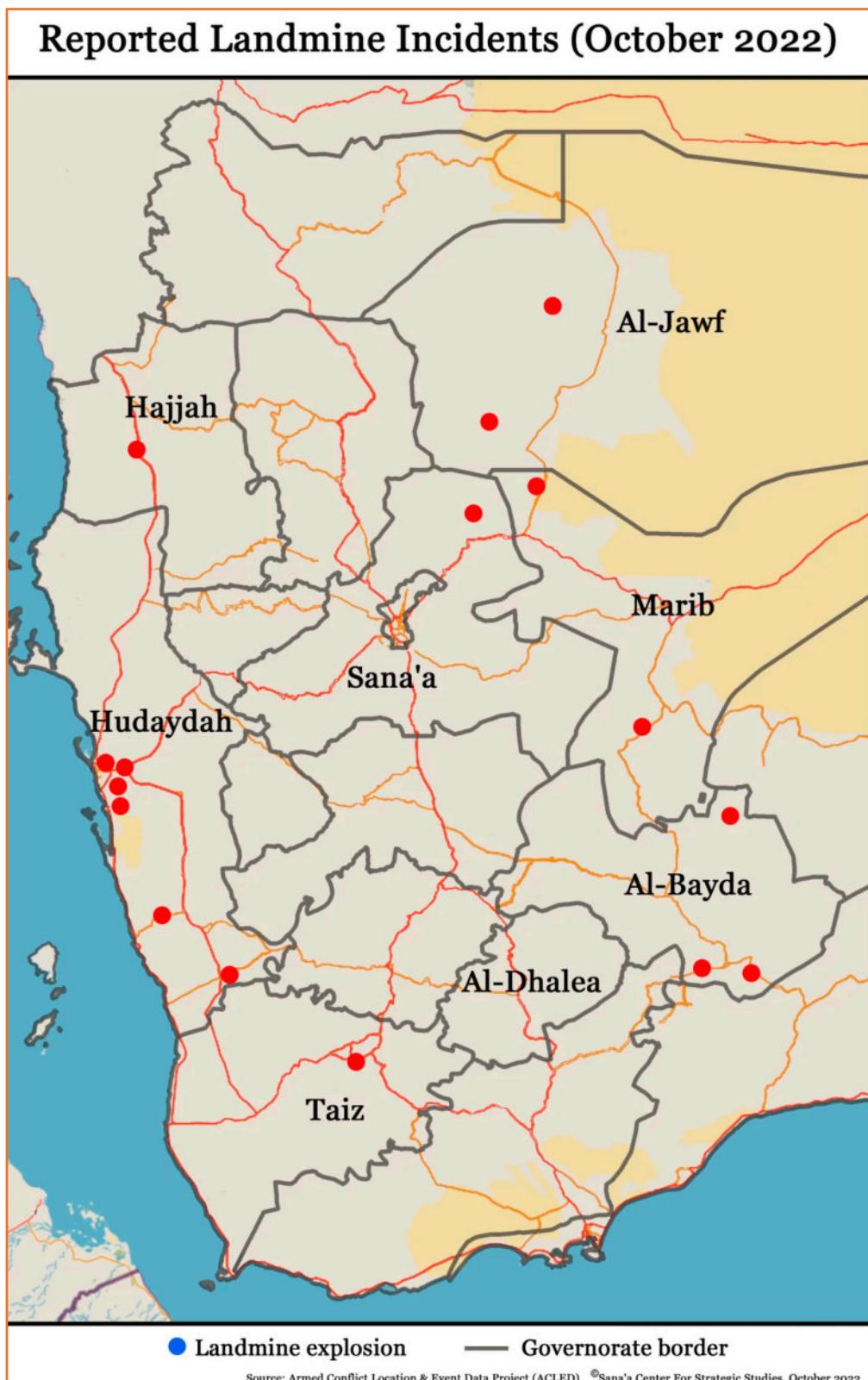
Mirroring increased fighting between Houthi and STC forces in neighboring Lahj, Taiz governorate saw an uptick in clashes between pro-government and Houthi forces following the expiration of the truce. In the Sabir al-Mawadin area to the east of Taiz city, the first clashes between Houthi and pro-government forces since April erupted on October 7. Fighting also occurred around various parts of Taiz city, in Maqbanah district near the Taiz-Hudaydah border, and in Jabal Habashi to the west.

Security incidents and criminal activity in Taiz city included armed clashes that broke out October 23 in the city's northeastern Al-Rawda neighborhood. There, security forces tried to arrest Ghazwan al-Mekhlafi, the nephew of the commander of the 22nd Mechanized Brigade and the leader of an Islah-affiliated armed group known for looting, seizing land, and extorting merchants. The attempted arrest followed a series of killings and other crimes in Taiz city since 2018, allegedly committed by Mekhlafi's followers. One soldier was killed and three civilians were wounded in the clashes. The following day, security forces sent reinforcements and stormed Al-Rawda neighborhood, killing Ghazwan's brother, Suhaib al-Mekhlafi, who also led an armed group and was accused of a number of killings. Despite the Taiz Police Director saying he would pursue Ghazwan and other fugitives, the operation was suspended due to pressure from senior military officers, local authority leaders and prominent sheikhs in the governorate. Ghazwan appeared in a video circulated on social media pledging to rally the support of his tribe to avenge the killing of his brother.

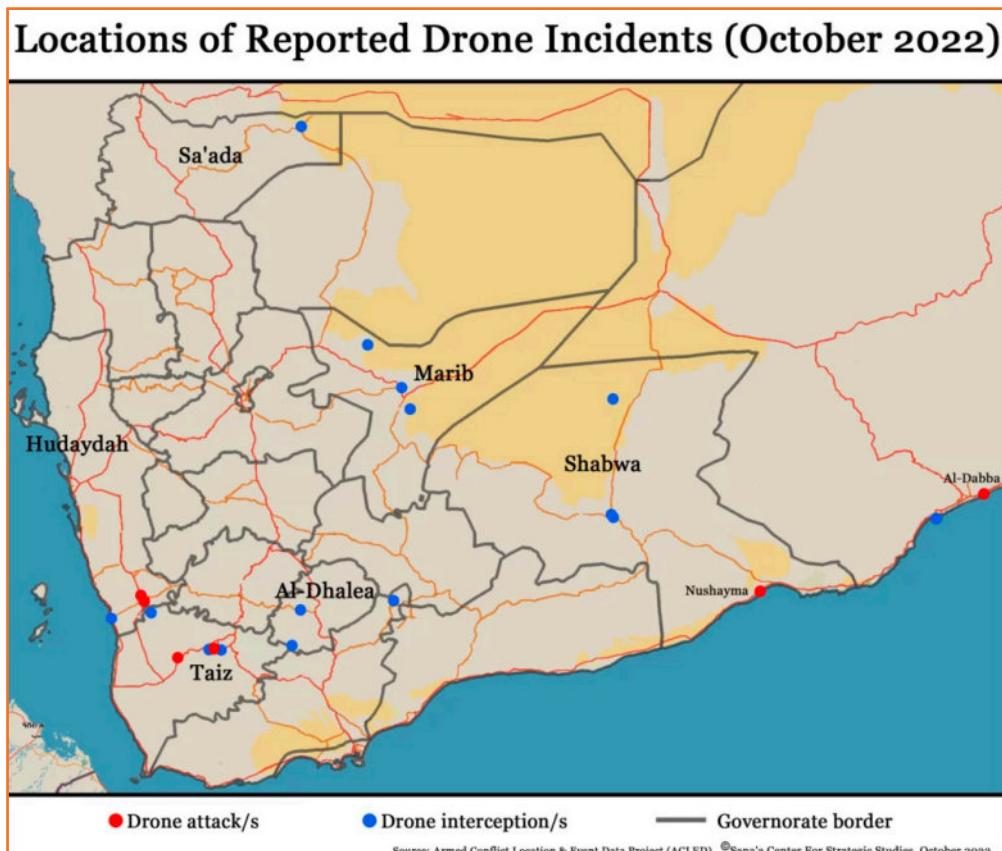
Taiz city also witnessed multiple IED attacks during the course of the month. On October 6, an IED detonated in a jeep belonging to tribal sheikh Munther Abdullah Ghanem al-Najashi, minutes after he parked the car and entered a restaurant. On October 19, an IED detonated near a military vehicle parked in front of a restaurant in Al-Quba neighborhood, in the center of Taiz city, killing two civilians and seriously injuring three others. Taiz city authorities announced on

October 23 that they had captured a Houthi-affiliated cell responsible for the Al-Quba explosion and other IED attacks in the city. An increase in the use of IEDs in the governorate began in September 2022, with the targeting of a passenger bus near Al-Turbah city in southern Taiz.

Hudaydah



Persistent clashes between Houthi and Saudi-led coalition forces in Hudaydah were reported in October, with signs of increased Houthi activity. The clashes, which included frequent Houthi drone strikes on Joint Forces positions, mostly took place in the Hays, Jabal Ras, and Jarahi districts in the southeast portion of the governorate near the Taiz border. On October 22, Houthi forces were seen clearing landmines in the fortified Al-Ghuwairesh area of southwestern Al-Tuhaytah, which residents were ordered to evacuate in early March. The demining efforts coincide with Houthi reinforcement of the nearby coastal area of Al-Hayma, where Joint Forces were also seen constructing and extending fortifications earlier in the month. The developments suggest that Houthi forces may be preparing to advance southward.



Marib

Houthi attacks on government forces in Marib governorate were reported throughout October, with most fighting concentrated to the south of Marib city in the Balaq Mountain range, Marib al-Wadi district, and Harib district. On October 19, Houthi forces undertook military preparations in the Al-Arayref area west of Marib city, apparently in preparation for an operation against pro-government forces. Other Houthi reinforcements were reported in the Jidaan tribal area to the northwest of Marib city and Al-Jubah district to the south of Marib city. Later in the month, Houthi Defense Minister Mohammed Nasir al-Atifi toured the frontlines near Marib. The visit gave the impression that Sana'a was preparing for a possible return to hostilities in the governorate.

Al-Bayda

In October, fighting in Houthi-controlled Al-Bayda took place on multiple fronts, mostly along the governorate's borders. In the northeast, Houthi forces sent reinforcements to Aqbat Al-Qanath'a in Namaan district, bordering Shabwa governorate's Bayhan district early in the month, with clashes breaking out between Houthi and Shabwa Defense forces on October 13. In neighboring Natea district, a tribal mediation committee brokered a deal between Houthi and Giants Brigades forces to open the Aqbat Maleh road linking Natea with Bayhan district one day each week, after fighting between the two sides had kept it closed for a month. In the southwest, intermittent fighting between Houthi and STC forces in Lahj was reported along the Lahj-Al-Bayda border. On October 18, Giants Brigades forces along the Yafa front in northeast Lahj governorate fired a missile at Houthi forces in Al-Bayda's Al-Zahir district, reportedly killing a Houthi field commander. In the south, intermittent fighting was reported on the Aqbat Thara front along the border between Al-Bayda's southern Mukayras district and Abyan's Lawdar district.

Al-Dhalea

Although no major advances were reported, frequent fighting took place in Al-Dhalea governorate between Houthi forces on one side and pro-government and Southern Resistance forces on the other. Most clashes were reported along the Batar Hajar, Bab Ghalq, and Fakher fronts in the northwest. In contrast to other fronts, where the anti-Houthi coalition forces have maintained a more defensive posture, Al-Dhalea witnessed attacks by Southern Resistance forces against Houthi positions.

Abyan

On October 8, STC-aligned and local security forces deployed throughout the southern and eastern regions of Al-Mahfad district in northeastern Abyan governorate, setting up checkpoints along the main road. AQAP militants were suspected in multiple IED attacks during the operation, including an October 9 roadside bomb in Wadi Omayran that killed four men of the Security Belt forces. On October 10, Mukhtar al-Nubi, commander of the STC's Abyan Military Axis, said most of Abyan's northeastern Al-Mahfad district had been secured. Still, security operations against suspected AQAP strongholds continued throughout the month, with a raid on a site in the Al-Sawad area reportedly killing two alleged members. Suspected AQAP attacks against STC-aligned forces also persisted: Two roadside bombings in Al-Mahfad killed three soldiers on October 14; and an IED attack on an STC-affiliated ambulance killed four on October 22.

Clashes between Houthi and anti-Houthi forces in Abyan along the mountainous Aqabat al-Tharah front appeared to result in no substantive territorial shifts. Houthi forces on Aqabat al-Tharah, along the border with Al-Bayda governorate's Mukayras district, overlook pro-government and Southern Resistance forces in Abyan governorate's Lawdar district. Despite multiple Houthi attacks, anti-Houthi forces claimed to have prevented any major advances. Throughout the month of October, residents in Abyan's northern districts of Lawdar, Mudiya, and Al-Mahfad districts reported seeing what appeared to be the same drone, believed to belong either to US forces tracking Al-Qaeda elements or the Houthis. The district has seen US drone strikes targeting Al-Qaeda in the past.

Shabwa

Al-Qaeda elements fleeing the STC-led operation in Abyan reportedly entered the mountains of neighboring southern Shabwa. Several IED attacks on STC-aligned forces were reported throughout the month in Shabwa, including multiple explosions in the southeastern Al-Saeed district, where Giants Brigades and Shabwa Defense forces targeted Al-Qaeda members in September. The frequency of IED explosions in Shabwa has increased since August, when the Islah party was expelled from the governorate by the Giants Brigades and other UAE-backed forces. Local security sources accuse Al-Qaeda of engineering the attacks, while STC supporters blame the Islah-affiliated security leaders who were removed in August. The attacks may be part of a strategy to distract security forces and demonstrate that the Shabwa Defense forces and the Giants Brigades are unable to establish security and stability.

Governor Awadh bin al-Wazir al-Awlaki appointed his son, Ahmed Awadh al-Wazir al-Awlaki, as commander of the 1st Brigade of the Shabwah Defense forces on October 26. Soon after, on October 29, local military and media sources said that coalition forces had agreed to a proposal presented by Governor Al-Awlaki and the head of the STC's executive body in Shabwa, Ali Ahmed al-Gabwani, to absorb 700 Shabwani Elite soldiers into the Shabwa Defense forces. Remaining members of the disbanded Shabwa Elite forces would be absorbed at a later date.

Although less substantial than fighting elsewhere, clashes between UAE-backed and Houthi forces were reported in northwest Shabwa's Bayhan district along the border with Houthi-controlled Al-Bayda governorate. On October 13, Houthi forces used heavy weapons in an attempt to penetrate the Aqbat al-Qantha front, where the 3rd and 6th Brigades of the Shabwa Defense forces were stationed. Although there were no casualties or advances by either side, sources from the 6th Brigade said that Houthi forces had recently reinforced their positions on the front, which due the presence of a strategic road was a major center of fighting during the Houthi offensive in Marib in late 2021 and early 2022.



Women shop for spices and foodstuffs at the popular Al-Shenini market in Taiz city on October 4, 2022 // Sana'a Center photo by Ahmed Al-Basha

The Economy & Finance

Oil Port Attacks Threaten Government Finances

Overview

Houthi drone attacks on Nushayma and Al-Dabba oil terminals in the latter half of October paralyzed oil exports and threatened to undermine government finances. Although its effects were not felt in October, prolonged loss of oil revenue would cut the government off from by far its largest source of revenue, which would have widespread knock-on effects, including eroding the ability of the Central Bank of Yemen in Aden (CBY-Aden) to continue financing basic commodity imports, support the value of new rials and keep inflation subdued.

Representatives from the government-aligned Central Bank of Yemen in Aden (CBY-Aden) met with officials from the International Monetary Fund (IMF) and the US Federal Reserve in early October, with IMF officials praising recent CBY-Aden policies to stabilize the rial and predicting reduced inflation in late 2022. In Houthi-held areas, the Central Bank of Yemen in Sana'a (CBY-Sana'a) and other agencies continued efforts to digitize commerce and payment systems, as Houthi restrictions on rials printed by the CBY-Aden after 2017 have resulted in fewer and fewer circulating banknotes.

Despite the truce's expiration on October 2, fuel ships reportedly continued to visit the Houthi-held port of Hudaydah. In government-controlled Aden, fuel shortages emerged in the first half of October, resulting in increased prices and electricity outages throughout the month. Although its effects were not apparent in October, the first shipment of the new Saudi fuel grant arrived October 26 in the city.

Houthi Oil Port Attacks Threaten Government Finances

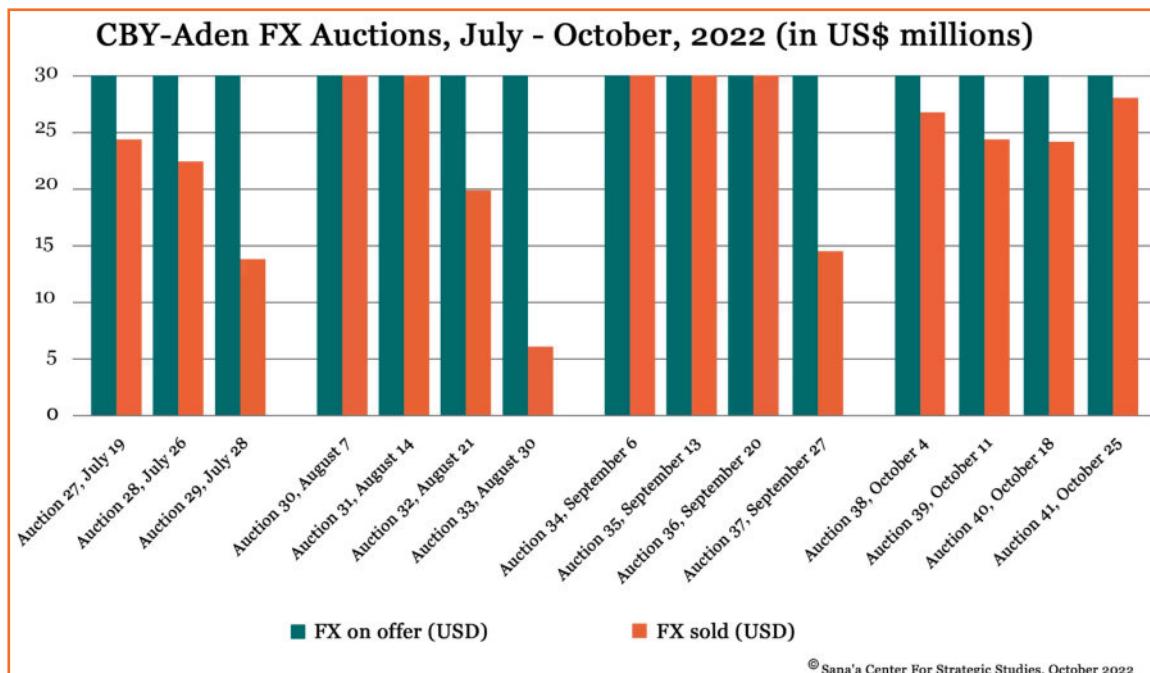
The Houthi attacks at the port of Rudum in Shabwa governorate and the port of Shihr in Hadramawt aimed to pressure the government as UN mediation continues, including talks to address the four-years-worth of salary arrears owed to public employees in Houthi-controlled areas. Houthi demands have expanded to include the payment of salaries of military and security personnel in areas the group controls, however the government has refused to acquiesce. In 2014, before the Houthis took over Sana'a and much of northern Yemen, the salaries of military and security personnel constituted almost half of all salaries on the government payroll, with salaries overall making up roughly a third of total government spending. Were the Yemeni government to agree to pay all state salaries nationwide, it would quickly drain government finances while propelling a jump in economic activity in Houthi-controlled areas, which would allow the group to raise more revenue for itself through the ability to extract more taxes and levies.

Until the drone attacks, the government had been on track to continue the remarkable recovery of oil export revenue in recent years. Between 2020 and 2021, the value of Yemen's oil exports rose from US\$710.5 million to US\$1.418 billion. The CBY-Aden reported in August that in the first six months of the year, oil revenues increased 34 percent over the same period of 2021, from US\$551.7 million to US\$739.3 million, mainly driven by higher global fuel prices. A continued Houthi threat to the government's oil export infrastructure could prevent the latter from being able to bring its oil to market. Without its largest source of revenue, the government would struggle to meet its critical spending needs, such as the provision of public services and the payment of civil servant salaries. A loss of oil revenue would threaten the CBY-Aden's ability to continue holding its weekly foreign currency auctions, which in turn would put downward pressure on the value of new rial banknotes, invite renewed exchange rate instability, spur inflation, and lead to a further deterioration of the humanitarian situation.

CBY-Aden Meets with Int'l Officials, Houthi Scam Company Goes Under

On October 6, following a series of meetings with representatives from the CBY-Aden, the IMF estimated that the Yemeni economy would grow 2 percent this year and 3.2 percent in 2023, but noted that the evolving conflict and availability of external donor financing could influence these projections. In a [statement](#), the IMF called for various reforms, including liberalizing the exchange rate for customs revenues, reassessing electricity subsidies, and improving transparency and accountability in the management of financial resources. The statement noted several positive developments, among them that the government has implemented a credible foreign exchange auction platform mechanism, eliminated the administratively set exchange rate for the public budget, and reduced its budget deficit. Looking ahead, the IMF said further exchange rate stability and the recent decline in international food prices are expected to lower inflation by the end of the year.

On October 14, CBY-Aden Governor Ahmed Ghaleb met with a delegation from the United States Federal Reserve. The talks, which occurred in Washington, DC, during the annual IMF–World Bank meetings, focused on technical assistance provided by the US central banking system to CBY-Aden and a potential expansion of support in the future. Current Federal Reserve support in banking services and human resource training aims to help the CBY-Aden keep pace with

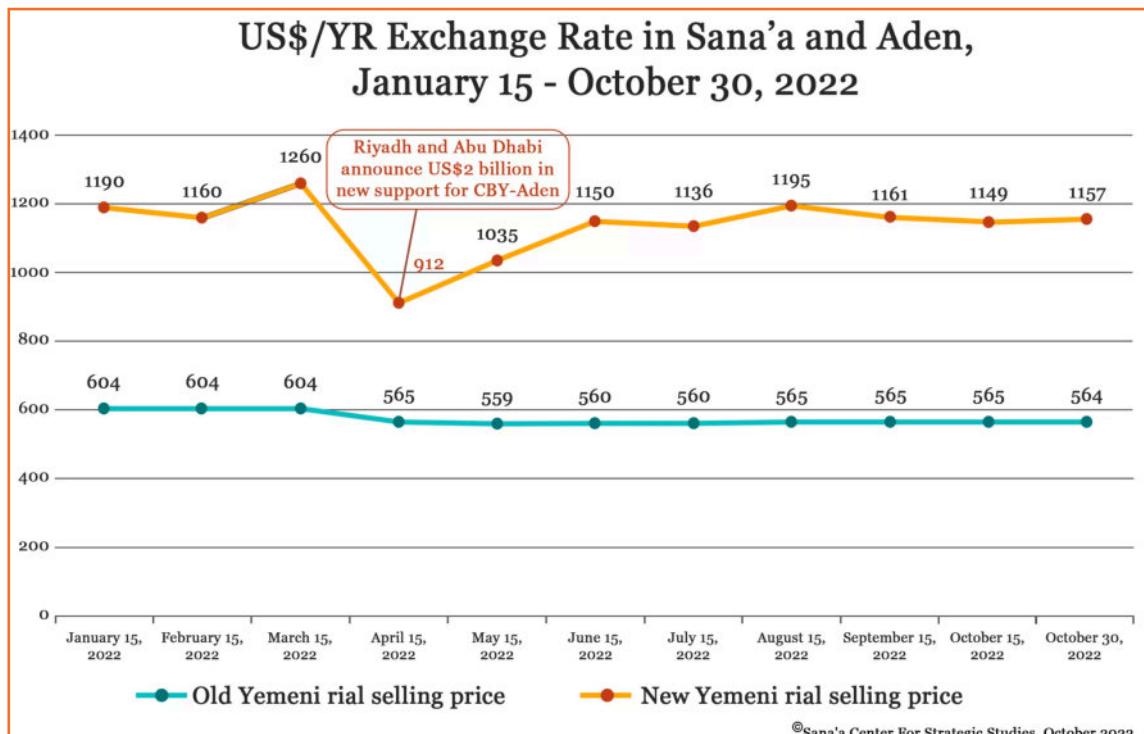


developments in modern banking and strengthen its capacity to carry out monetary functions and effectively serve the Yemeni banking sector. Other topics of conversation included expanding Federal Reserve support for the CBY-Aden in facilitating US dollar transfers between Yemeni banks and their correspondent accounts outside the country, and Yemen's compliance with anti-money laundering and counter-terrorism financing statutes.

On October 20, local media reported that the company Thama Flavor, reportedly owned by Fathiya al-Mahweti, was refusing to allow investors to withdraw their assets as it prepared to declare bankruptcy. The company had reportedly amassed some YR150 billion in capital by offering investors returns of as much as 25 percent on real estate deals the company was involved in. Scam companies have been on the rise recently in Houthi-controlled areas. This has been facilitated by the mass migration of money from formal to informal networks during the conflict, where the lack of official regulation and oversight has allowed predatory behavior to flourish. The last large-scale investor scam to become public in Houthi-controlled areas involved Al-Sultana Palace, registered to a Bilqis al-Haddad. The Sana'a-based Public Funds Prosecution accused the company of defrauding some 100 investors of more than YR62 billion before announcing bankruptcy in 2020.

Rial Remains Stable, Houthi Authorities Push Currency Digitization

The exchange rate of new Yemeni rial banknotes remained relatively stable in government-held areas during the month of October, with the currency depreciating with slight fluctuations from YR1,125 per US\$ at the beginning of the month to YR1,152 at the end of the month, a change of less than 3 percent. The CBY-Aden continued to support the value of new rials through its weekly foreign currency auctions to Yemeni banks to finance basic commodity imports. In Houthi-controlled areas, old rial banknotes remained stable trading within a narrow band around YR560 per US\$1 throughout the month.



In response to the increasing shortage of cash liquidity in Houthi-controlled areas, the authorities there have been undertaking a broad campaign to digitize commerce and aggressively move public finance management away from the use of cash. On October 29, the CBY-Sana'a launched its first four-day national conference for financial technology (Fintech), with the participation of government bodies, the private sector, the banking sector, financial and technology institutions, and industry experts. The conference delved into the current state of Fintech in Yemen, and future prospects and challenges, with the aim of developing a national strategic framework to improve technological infrastructure, build the national payment system, develop regulatory frameworks, and regulate e-commerce. The event followed another conference, held October 10-12, that Houthi authorities launched under the banner of "Promoting Financial Inclusion," at which they pushed for a national strategic plan for the digital transformation of commerce. According to a senior official at the Sana'a-based Ministry of Finance, the ministry has been taking aggressive measures to digitalize the public financial management system. The official stated that currently most government dues, including customs fees from commercial traders, are collected through e-cash transfers. Another government official said that the Houthi authorities had developed a digital payment system for the fuel derivatives market. Through this system, the CBY-Sana'a granted authorization to more than 30 money exchange companies to manage and collect funds from fuel traders and distributors and deposit these amounts digitally with the Sana'a-based Yemeni Petroleum Company's (YPC) account at the CBY-Sana'a. According to the official, between YR3 billion and YR4 billion is deposited daily in the YPC account to purchase fuel derivatives.

Yemen is still overwhelmingly a cash-based economy, but since 2020 there has been an increasingly critical shortage of physical banknotes circulating in Houthi-controlled areas. This is a result of the Houthi authorities banning the circulation of 'new' rial banknotes, issued by the CBY-Aden since 2017, while bills issued prior to 2016 have been increasingly rendered unusable through normal wear and tear. In 2020, Houthi authorities altered the legal framework for the provision of e-money and digital financial services, allowing for minimally regulated financial

service providers such as money exchange companies, traders, and non-financial institutions to obtain a license for the delivery of e-rial services. In 2021, Houthi authorities further expanded the digital currency system by granting licenses to financial institutions to establish e-wallets and participate in payment systems with interoperability among banks and other financial service providers. In late 2021 and early 2022, the Sana'a-based Ministry of Finance began to enforce a gradual migration to an e-payment system for disbursing public salaries and receiving government dues.

Fuel Shortages Drive Extended Electricity Outages in Aden

On October 4, a fuel crisis erupted in Aden with both government and commercial fuel stations shuttering because of a lack of petrol and diesel. While a new shipment of petrol arrived at the port of Aden on October 5, due to the time it took to offload and distribute the fuel, shortages in the market continued for several days, with petrol prices increasing from YR1,350 to YR1,750 per liter and the price of diesel rising from YR1,800 to YR2,500 per liter. On October 7, the General Electricity Corporation of Aden announced the diesel shortage had forced it to cut electricity production at several power stations, with regular blackouts continuing through mid-to-late October. The government's import bill for diesel to run power stations is roughly US\$90 million per month, but due to a lack of revenue and foreign currency reserves the government has racked up significant debts with commercial fuel traders, who have become increasingly reluctant to supply diesel on credit.

On October 26, the Saudi Press Agency announced that the kingdom's first fuel delivery under the renewed Saudi fuel grant program had arrived at the port of Aden, which could potentially help address the city's electricity outages. The fuel delivery amounted to 45,000 metric tons of diesel and 30,000 metric tons of mazut, worth US\$30 million, and was intended to support the operations of more than 70 power plants in government-held areas. On September 29, the Saudi Development and Reconstruction Program for Yemen (SDRPY) and the Yemeni Ministry of Electricity and Energy [signed a new fuel grant](#) agreement for 250,000 metric tons of fuel derivatives, worth \$200 million, to help the latter keep the lights on in government-held areas.



Residents of Shammar district in Hajjah governorate trek a mountain path on October 30, 2022. Torrential rains in recent months washed out the main road to the district center, forcing people to walk long distances to obtain food and water // Sana'a Center photo by Ghader Murad

The Environment

Flooding Eases as Taiz Contends with Dengue Fever Outbreak

Flooding and flood-related displacement eased in October compared to previous months. However, authorities continued to battle a mosquito-spread dengue fever outbreak in Taiz governorate that has infected over 8,000 people and led to five deaths. Hospitals in Taiz governorate documented nearly 1,000 patients with the illness in October alone, according to medical workers and a source in the Taiz Health Office. Transmitted via mosquitoes, dengue fever causes flu-like symptoms, including fever, and in some cases can be fatal. On October 13, a health education official said that the number of infections has so far reached more than 8,400 in 2022, including 4,300 since mid-July, and caused five deaths. The outbreak has been exacerbated by the deterioration of the healthcare system, leaving local authorities struggling to contain it.

Infrastructure and Natural Disasters

Flooding closed a road October 5 in Wadi Ahwar, in eastern Abyan's Al-Ahwar district, cutting the Aden-Hadramawt road. Torrential rains pounded the area through October 10.

In Shabwa governorate, multiple oil leaks were reported in the pipeline linking the Ayad oil field to the port of Nushayma, causing concern among locals of larger spills. An October 6 oil leak in the pipeline transporting crude oil from the Ayad field to the port of Nushayma on the Arabian Sea was tracked down in the Malbujah district of Mayfa'a in southern Shabwa. Residents of the Gharir area of Al-Rawda district in southeast Shabwa reported another oil leak in the Ayad pipeline on October 27.

On October 7, earthquake-like vibrations were reported in Shabwa's Ataq district. The tremors were first reported in mid-July and continued intermittently in August and September. Local authorities have remained silent on the issue, despite residents' demands to reveal the source. Residents of Ataq fear the recurrent tremors may damage or collapse their homes.

A fire broke out October 8 at Ataq's central power station in Shabwa, causing an electrical outage for about three hours. There had been extensive armed protests and popular discontent over revenge-linked violence in the city. However, it wasn't clear whether the fire, its cause not yet known, was a politically motivated act of sabotage.

The Sana'a Center Editorial

Deescalate the Economic War

After weeks of warnings, Houthi authorities followed through on their threat to target Yemen's oil and gas industry, striking near oil terminals in Shabwa and Hadramawt. There was no damage from the drone strikes, but they did result in a temporary halt in oil exports, diminishing revenues for the already cash-strapped government. If the attacks achieve their intended effect of preventing oil sales, the government will find itself unable to meet crucial fiscal obligations, including the payment of the salaries that support both populations and financing the food imports that find their way to both territories.

The country's economic deterioration has already been exacerbated by the war in Ukraine and its effects on food and public service provision, and the timing of the strikes is particularly bad: the global spike in oil prices had promised the government some respite from its financial woes. Although these hydrocarbon revenues go primarily toward paying the salaries of Yemenis in areas under government control, some salary payments are distributed to civil servants in Houthi territory or make their way to support family members in the north. Energy sector salaries could also be affected: the two state oil operators, Safer and PetroMasila, run the most important producing blocks in Hadramawt, Shabwa, and Marib, and have continued regular salary payments to thousands of employees and their family dependents in Houthi-controlled areas. The Houthis have cause to fear the end of this arrangement: they govern a restive population that has shown an increasing willingness to speak out against the regime as economic conditions deteriorate. Houthi leader Abdelmalek al-Houthi has already been forced to warn against protest and disobedience.

The financial entanglement of Houthi- and government-controlled territories further links their economic fortunes. While the internationally recognized Central Bank of Yemen (CBY) [relocated](#) to Aden in 2016, maintaining international connections and the authority to issue new currency, Sana'a has kept its purview over the country's largest consumer markets and financial centers. Since [January 2020](#), the Sana'a authorities have refused to recognize money issued from Aden over concerns about inflation and seigniorage. Old rials have remained relatively stable, while new rials issued by the CBY-Aden have plummeted in value, creating a dual currency regime that complicates trade and opens the doors to arbitrage and profiteering. Recently, the government has supported new rials through weekly foreign currency auctions for Yemeni banks, who are mandated to use the funds to finance private sector imports.

If the government can no longer afford to hold the auctions, the knock-on effects will be felt across the country, as the basic imports they finance are sold nationwide. Without import financing, food prices would increase. The impact in government-held areas would be especially profound, as the value of new rials would dive again. The gradual recovery of oil and gas exports during the conflict has also allowed the government to resume some servicing of external debt obligations and begin restoring confidence among foreign creditors. The loss of natural resource revenues could erase this progress and increase the country's exposure to external shocks and capital flight.

The seriousness of the port attacks was not lost on the government, which responded by designating the Houthis a terrorist organization. This may only make matters worse. There is still hope the designation will amount to no more than rhetoric, as the government has no mechanism with which to enforce it. The move has been met with silence and disinterest from regional and international actors. Saudi Arabia privately urged caution to prevent derailing ongoing peace talks, and the United States – which repealed its own terrorism designation in January 2021 – has made no public comment. But the Presidential Leadership Council appears to be moving ahead.

Attempting to enforce the edict in the current circumstances would play into the Houthis' hands. It would be tantamount to completing the division of Yemen, undermining the government's claim to represent the entire country and further establishing the Houthi authorities as an independent state actor. This is a project the Houthis themselves have sought to advance. The Houthi war on the oil and gas sector amounts to a war on Yemeni citizens, which will only bring more pain and suffering to people across the country. The situation will become critical if no agreement is reached within the next two months on the resumption of oil exports. The government also needs to shelve its rash decision to designate the Houthis as terrorists, which will only hinder any future negotiations to end the conflict. The matrix of social and economic bonds holding Yemeni society together has been worn thin. These crucial ties must not be targeted for political gain.



Commentary

The Saudi Overture to the Houthis

Abdulghani Al-Iryani

In the second week of October, the Saudi government made a bold proposal to the Houthis. They invited the nominal leader of the de facto authorities in Sana'a, Mahdi al-Mashat, President of the Supreme Political Council and Supreme Commander of the armed forces, to visit Riyadh, meet Crown Prince Mohammed Bin Salman, and discuss a peace deal. This was the breakthrough that the Houthis have been working for since they overthrew the internationally recognized government in 2014. Direct talks with the Saudis would confer a degree of international legitimacy to the Houthi government, but they also represent a recognition of the legitimacy that the Houthi authorities themselves have established in eight years of consolidating their rule over most of Yemen's population.

The Houthis have played their hand strategically. Unable to defeat their disparate enemies outright, they have been wise enough to wait, giving them the rope to hang themselves. The diversity of interests and allegiances in the anti-Houthi coalition has limited its military capabilities and impeded coordination. During the fall of 2017, when government forces were within a stone's throw of Sana'a airport, coalition air strikes forced them to pull back. The government's credibility has been eroded by years of kowtowing to the Saudi-led coalition and senior officials living abroad. All the while, the Houthis tightened their control over state institutions and developed their offensive capabilities.

The Houthis leveraged their military successes into shrewd deal-making when the conditions were right. They agreed to negotiate with the "mercenaries" – the term they use to disparage the pro-government coalition – on several occasions: in Switzerland (2015), Kuwait (2016), and Sweden (2018). But since pushing the government forces to the gates of Marib in early 2020, they have refused to enter serious negotiations on a final settlement, instead biding time for the population under their control to accept their position as the state (Al-Dawlah). The long closure of Sana'a airport kept thousands of Yemen's leading political, social, economic, and military

figures from returning home. Perpetual Saudi-Emirati intrigue and the incompetence of the internationally recognized government have forced the majority of Yemenis, who live under Houthi control, to acknowledge that their situation is unlikely to change. Houthi control over Sana'a now appears irreversible. The group couldn't have achieved this on their own, not without the help of the best **enemies** they could wish for.

Hopes that the Houthis will willingly join a national government are misplaced. The Houthis have shown no willingness to enter into a credible power sharing agreement. Their "Vision" document, which describes how they plan to share power and build a democratic state, was specifically produced for the consumption of international diplomats. Domestically, Houthi designs have focused on building the "Zaidi Taliban" state that their founder, Hussein al-Houthi, advocated for. This has notably involved the introduction of militant Zaidi views to the educational curriculum, which has been forced upon the non-Zaidi majority. Military successes have empowered the most militant factions of the movement, sidelining moderates who advocated compromise and concessions. The indiscriminate bombing of civilian targets and the weaponization of the economy have been the coalition's greatest gifts, empowering the extremists and delegitimizing a complicit government.

When the Saudis invited Al-Mashat to Riyadh, the Houthis felt they were already well placed to extract concessions. Their response was conditional: that they would not engage in any talks with Saudi Arabia until it lifts all sanctions and pays the salaries of all civilian and military state employees, as per the 2014 payroll list, out of the oil and gas revenues controlled by the government and deposited in Al-Ahli Bank in Riyadh. While the government should fulfill the promise it made to pay salaries when it transferred the central bank from Sana'a to Aden, this is unlikely to be the end of Houthi pre-conditions for peace talks. The Houthis are negotiating from a position of strength, and based on their track record, they will push for more concessions. Looking for an exit, the Saudis will likely give in, encouraging the Houthis' worst instincts and making the fragmentation of the Yemeni state inevitable. The government, led by Rashad al-Alimi and the Presidential Leadership Council, will likely be offered a meaningless power-sharing deal that the Houthis can renege on at will, enshrining the status of their Zaidi Taliban fiefdom.

The Houthis believe that they have defeated the coalition of 17 states and their backers, including the US and the United Kingdom, by divine intervention. They talk about self-sufficiency in food production, a practical impossibility. They still hold on to their religious mission of "liberating" Mecca and Medina. They fail to see that their fiefdom will not be viable for the long term. It will not be recognized by the international community, and will have no access to international banking, direct foreign investment, or significant development aid. They cannot maintain police control over a population that was largely subdued by excessive sanctions and a perception that the Houthis were defending Yemen from external aggression. If the Saudis make a unilateral deal with the Houthis, or force their Yemeni allies to sign a non-implementable power sharing agreement, that day will be the effective end of the Yemeni state. The immediate result will be a militant ideological force on the Saudi border, emboldened by their apparent victory and now short of an enemy. But in time, the economic situation will deteriorate and the Houthis' control over the populace will start to crack, with chaotic and likely violent results. The day the Saudis sign a separate deal will complete a transition: they will no longer be the Houthis' "Enemy from Heaven," but their "Friend from Hell."

Abdulghani Al-Iryani is a senior researcher at the Sana'a Center for Strategic Studies where he focuses on the peace process, conflict analysis and transformations of the Yemeni state. Al-Iryani has more than three decades of experience as a political and development consultant.

This analysis is part of a series of publications produced by the Sana'a Center and funded by the government of the Kingdom of The Netherlands. The series explores issues within economic, political and environmental themes, aiming to inform discussion and policymaking related to Yemen that foster sustainable peace. Views expressed within should not be construed as representing the Sana'a Center or the Dutch government.



Commentary

The Mandatory Celebration of Hardship

Maysaa Shuja Al-Deen

In the past, the Yemeni state celebrated only holidays that held national significance. These included the anniversaries of several major political moments in Yemen's history: September 26, marking the ousting of the Imamate and the establishment of a republican regime in the north; October 14, commemorating the start of the uprising against British colonial rule in the south; November 30, marking the south's declaration of independence from the United Kingdom; and May 22, commemorating the unification of north and south and the birth of the Republic of Yemen. Other public holidays included religious occasions such as Mawlid al-Nabi (the Prophet Mohammed's birthday), the beginning of the Islamic new year, and the two Eid festivals, Eid al-Adha during Hajj and Eid al-Fitr marking the end of Ramadan. Celebrations of these holidays typically involved simple official ceremonies. Wider celebrations were held only to mark a notable milestone, such as a 10th, 25th, or 50th anniversary. Otherwise, such days usually passed quietly. On other religious and social occasions, the state generally did not participate.

However, under Houthi rule, celebrations of national events have been minimized in favor of marking important events in the history of the group. Special Houthi commemorations now include the anniversary of the takeover of Sana'a (September 21), and the anniversaries of the deaths of Houthi founder Hussein al-Houthi and his father, Badreddine al-Houthi. Religious occasions have taken on new importance, including sect-specific commemorations such as Ashoura, marking the killing of Hussein, grandson of the Prophet, and Eid al-Ghadir (Wilaya Day), when Shias mark the Prophet naming his cousin and son-in-law Ali as his successors. The number of annual Houthi-mandated commemorations in Yemen now exceeds 20, and the group spends lavishly on these new occasions.

Like any totalitarian regime seeking to reshape society, the Houthis use these celebrations to perpetuate their ideological message and demonstrate their authoritarian power. The end goal is an attempt to impose their religious and political ideology on the whole country. In their efforts, the Houthis martial every instrument of their power, including control over media, education, and state finances.

The **lavish spending** at these events flies in the face of the economic situation facing many Yemenis and the country at large. Extravagant decorations were on display during the recent celebration of the Prophet's birthday, including a fireworks show in Sana'a that lasted almost 45 minutes, at a time when the group claims it is unable to pay the salaries of state employees or provide basic services to citizens. According to a Sana'a-based economist, the cost is borne not only by the state budget (generated from zakat and tax revenues) but through compulsory levies collected from ordinary citizens as "contributions" to the celebration. People are even forced to provide in-kind gifts such as honey. For the Prophet's birthday, additional expenses are incurred as the group forces residents and business owners to light and decorate their shops and homes in green. While the Houthis claim such contributions are **voluntary**, one bank was reportedly forced to pay 5 million rials directly from its budget, according to the Sana'a-based economist.

Levies collected by Houthi officials have become one of the most prominent features of the group's rule, with different justifications given throughout the year, including frequent celebrations. However, some of these funds go directly into the pockets of the officials themselves, who enjoy legal immunity, further impoverishing the population while Houthi loyalists amass more wealth.

The Houthis not only exacerbate and insult people's poverty by spending lavishly on these celebrations; many are forced to attend and participate in such events. Authorities claim that participation is voluntary and that attendance reflects the magnitude of their popularity, but use various means to compel residents to turn up.

Based on accounts from residents of Sana'a, public events under the Houthis have taken a drastically different form than those during the tenure of longtime former president Ali Abdullah Saleh – under Saleh, large-scale commemorations were held irregularly, often carried out by officials or social figures trying to curry favor with the president. Ahead of the Prophet's birthday, the Houthis distributed envelopes to a neighborhood chief (*aqil*), who was responsible for distributing them to the houses in their neighborhood and collecting financial contributions. *Aqils* are also responsible for distributing aid and cooking gas cylinders, creating an additional inducement to comply. Tribal sheikhs are also forced to engage in mobilization for the events, just as they are compelled to recruit fighters to send to frontlines. Consequences for non-compliance have included harassment and imprisonment. Employees of an organization for people with disabilities complained that the Houthis had forced members to participate, despite warnings that their disabilities made it difficult and dangerous to do so.

The issue is not just the lavish spending or the imbalance of priorities in a country experiencing economic collapse – the political messages accompanying these celebrations are politically divisive. The Prophet's birthday is no longer cast as a religious event but rather a political occasion to underscore the legitimacy of Houthi rule. According to the Houthis' theocratic theories of governance, those who claim their descent from the Prophet, so-called Hashemites, have been chosen by God to lead the nation under their "**divine rule**." The occasion is now less a celebration of the Prophet than it is a celebration of Abdelmalek al-Houthi. On social media, some commentators have even accused the Houthis of **demoting the Prophet from a messenger of God to an ancestor of Abdelmalek**.

Despite Houthi attempts to dominate the public sphere and repress dissent, Yemenis resist in low-cost and non-confrontational ways, the most prominent example being recent commemorations of Revolution Day on September 26. These involved [individual and group celebrations](#), including gatherings in squares, the lighting of homes, the playing of revolutionary songs, and setting off fireworks. Such acts have taken on additional political significance, as many Yemenis believe that the Houthis' choice to enter Sana'a on September 21, 2014, was a deliberate attempt to overshadow the anniversary of the fall of the Imamate. The marking of the anniversary of the founding of the republic reflects a widening gap between people's convictions and the Houthi authorities and their imposed ideology.

The problem of replacing national events with religious celebrations lies not just in their representation of religion as the only basis of legitimate governance. They undermine adherence to the concept of an inclusive national state. The Houthis' attempt to transform Yemen into a homogenous society has alienated the overwhelming majority of Yemenis who remember the pre-Houthi era. They fear the impact on their children and future generations, and the transformation of the country into a place they do not recognize and where they can see no future.

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An Aramco oil depot in Jeddah, Saudi Arabia, burns on March 25, 2022, following a Houthi missile strike coinciding with a Formula 1 race // Photo by dpa/Alamy Live News

Commentary

Failed Truce Reflects Houthi Willingness to Leverage Gov't Divisions, Global Needs

Omar Munassar

The UN-brokered truce in Yemen that collapsed October 2, despite efforts to prolong it, disappointed Yemenis and those in the international community who had hoped it could be the groundwork for a lasting peace agreement ending more than seven years of war.

During the preceding six months, the truce lessened some of the conflict's devastating effects. Economically, it allowed for restrictions to be lifted on foreign fuel shipments entering the Hudaydah port as well as on commercial flights from and to Sana'a International Airport. Politically, it quieted frontlines, especially in flashpoint regions like Marib, and increased popular optimism for lasting peace. Aside from that, it shielded Saudi Arabia from energy security threats that had been prevalent for years due to Houthi missile attacks.

As the truce ended, however, the Houthis signaled a new escalation, threatening Saudi and Emirati oil companies, as well as those under Yemeni government control. Even prior to making good on some of these threats, the Houthis showed signs they intended to escalate the situation again, and it is worth exploring the local and international dynamics that influenced the failed talks and will impact efforts to restore a truce.

Locally, two factors stand out. First, the Houthis carried out three major military parades during the previous truce, signaling their willingness to escalate. They bet on the impotence of the internationally recognized government, given the division between its various parties and power imbalances. Second, the Houthis' demands and catchphrases in the most recent negotiations shifted from a political underpinning of resisting foreign aggression to economic and legal demands that seek a share of oil revenue on the basis that they control two-thirds of the country's population.

The US special envoy for Yemen, Tim Lenderking, described the Houthi position as **maximalist**. Still, it is clear that any peace accord in Yemen will help alleviate the country's dire economic condition by resuming oil and gas production and exports, especially given rising global demand. It is equally clear that the Houthis interpret this as a financial opportunity that would be useful to imposing their agenda.

Internationally, peace in Yemen is peace in the region. And even a peace temporarily attained in the form of continuous truces reduces risks to global energy security in the Gulf region. The increasing demand for Gulf energy resources since the Ukraine war began in February became evident in the visits of some of the world's leaders to the Gulf region to conclude deals to compensate for Russia's oil and gas at reasonable prices.

The Houthis calculate that a deepening of the West's energy crisis as relations with Moscow worsen will prompt western nations to focus on finding an appropriate way to permanently end the war in Yemen and contribute to the stability of the whole region. The Houthis' use of global energy shortages as a strategic bargaining card was apparent when local allegations surfaced in September, prior to the expiry of the truce, accusing the UAE of trying to **sell** Yemeni gas to Germany. Houthi authorities **warned** the UAE and threatened to target any foreign company working or planning to invest in Yemeni oil and gas, **saying** they would be deprived of these resources just as the Yemeni people have been deprived of their wealth. Weeks later, the Houthis **attacked** the oil terminals at Al-Nushayma in Shabwa governorate and Al-Dhabba in Hadramawt.

Internationally, failure to extend the truce also bears implications on regional rivalries and on any further talks aimed at restoring the truce itself. First, Iran may benefit anew from Yemen's complex political scenario, particularly in light of its **accusation** of Saudi Arabia fueling the current protests in Iran. At the least, a resumption of fighting could dilute the international community's focus on current protests in Iran. Tehran also could use the Houthis to **retaliate** against Riyadh, especially if the Houthis resume the war by focusing on Saudi Arabia rather than Marib or elsewhere in Yemen.

Second, the Houthis may see the November-December World Cup in Qatar as a leverage point similar to the energy situation if they are free of the constraints of a truce. Any Houthi strike on Saudi Arabia or the UAE would spoil the GCC countries' desire to see this event go smoothly, especially since many attendees are expected to stay in Saudi Arabia and other nearby Gulf countries during the tournament.

Coming late to a truce is better than not coming at all. Favorable opportunities are being offered to Yemenis to solve their conflict, but fluid regional and international equations — especially those involving Riyadh and Tehran — mean further Houthi delays could have grave repercussions.

The Yemen crisis will likely be impacted soon by the Saudi-American diplomatic feud that followed the October 5 **OPEC Plus** decision to slash the rise in oil output. Past controversies between Washington and Riyadh, such as the 2018 murder of journalist Jamal Khashoggi, human rights, the Yemen war, and, most recently, the oil crisis, may all be used to twist Riyadh's arm. If the truce cannot be restored, the Houthis will intensify their words and actions, pushing Saudi Arabia to re-launch a military offensive in Yemen; this, in turn, will be met by US media pressure and a reluctance to supply Riyadh with military equipment.

Although many Yemenis consider dealing with the Houthis a waste of time, they also hold out hope for a truce that ultimately will end the war. That hope fades a little more each time the Houthis bargain to buy time, reorganize themselves and demand more concessions from the other side.

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