

# **Future of Yemen: an Overview**

**Scenarios for the conflict**

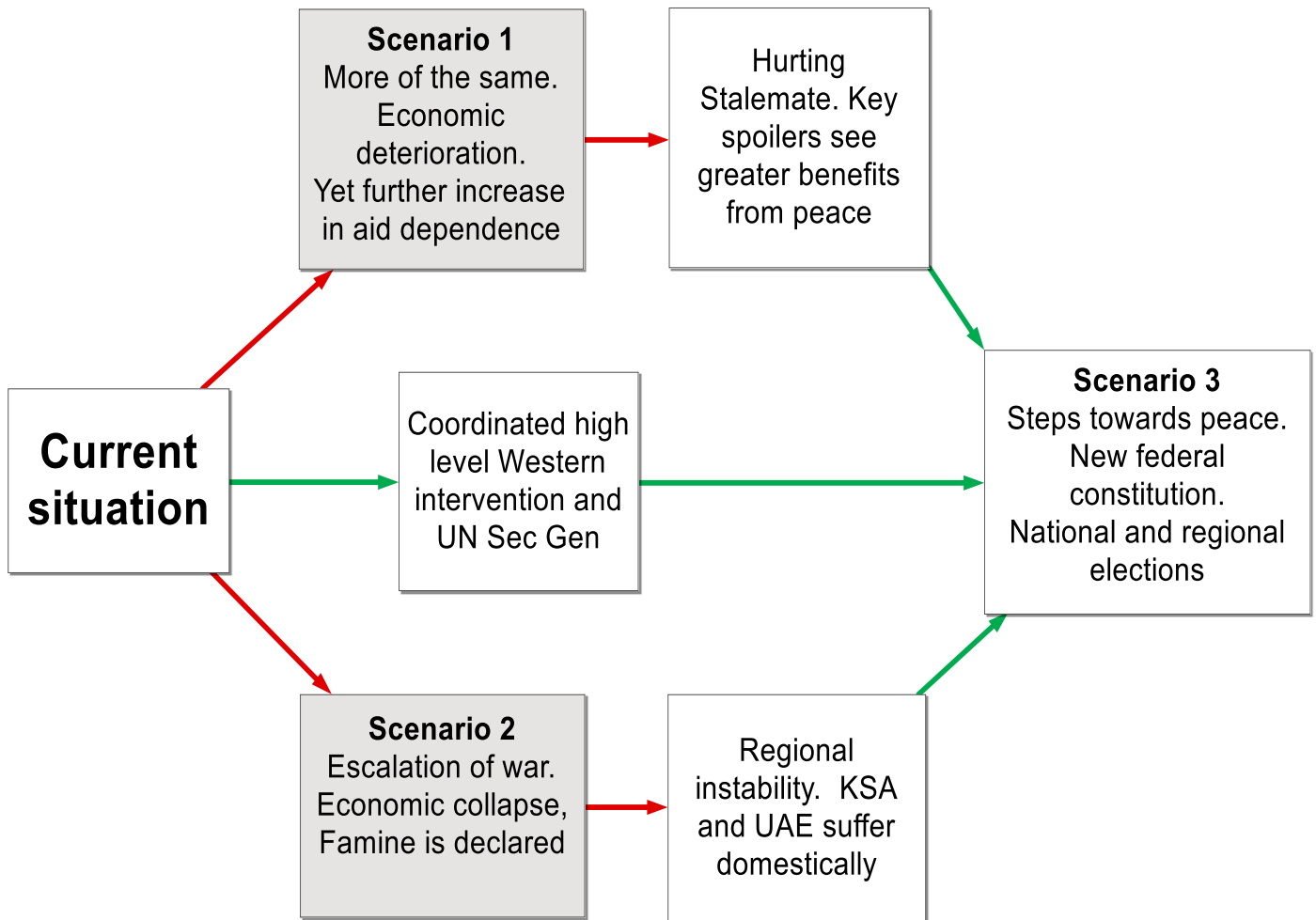
**and**

**Key factors influencing its economic outlook**

James Firebrace  
YSPG Coordinator

29 August 2018

## Scenarios for Future of Yemen



Scenarios look at possible future outcomes - they are not predictions. They are useful because they highlight major threats and dangers ahead, but also opportunities. Three scenarios are picked here – the first where we see a continuation of recent trends but little significant shift in the military balance, a second where Yemen’s plight gets a lot worse, and a third where there are finally more decisive steps towards peace and eventual reconstruction. The first two scenarios start with the Battle for Hodeidah, which is seen as fundamental to these alternative futures, setting in motion a sequence of events, actions and reactions, and specifically ‘vicious circles’ and ‘virtuous circles’ which have the effect of amplifying yet further earlier events in the sequence.

## Yemen Safe Passage Group

### **Scenario 1. More of the same, economic deterioration, yet further increased aid dependence**

Following coordinated international pressure, Hodeidah remains in a state of uneasy peace. The efforts of the Special Envoy lead to a 'light touch' UN presence in the port, enough for the Coalition, already nervous about the outcome of street fighting in Hodeidah and further accusations of war crimes, to hold back on an attack.

However, the Coalition still controls sea access to Hodeidah and Salif, and the intermittent blockades continue - largely through delays imposed on shipping through secondary inspections, easing only following high-level protestations to Riyadh. These 'blockades' lead to price rises and shortages of staples and add further hardship to a weakened Yemeni population. Figures released by UN-OCHA for those facing famine rise from 8.4 to over 10m, and those dependent on external assistance rise from 22 m to 25m. Yemen sinks yet further into massive aid-dependence, now costing the international community over \$3bn per year in emergency assistance.

The wider war continues with continuing casualties including civilians, but with little change of frontlines. Smuggling, especially of arms, continues as a lucrative component of the war economy. The Houthis get yet more adept, supported by a limited team of advisers trained in Iran, at locally manufacturing long range missiles. Most fail to hit a target, but increased range and accuracy starts to threaten both Saudi and now UAE cities.

Political fragmentation continues into a Yemen of mini-statelets, defined by who holds local military power. There is further decline of the northern economy, but less so in the south and east especially areas with local resources (Marib, Hadhramaut).

### **Scenario 2. Escalation of war, economic collapse, famine is declared**

Hodeidah and later Salif are taken by the Coalition after a prolonged battle, giving them land control of imports into Yemen, with the continued ability to control the flow of imports, but now with more immediate effect. The Coalition continues to reason that the only way to drive the Houthis from the highlands is by economic means – with the further deliberate impoverishment of the population. Blockades continue, with periodic let ups responding temporarily to western pressure.

Severe fuel shortages, lead to massive price rises, water pumping problems and the closure of hospitals and health centres. This in turn leads to health epidemics (cholera) and further economic collapse as farmers are unable to farm and fishermen to fish. Fresh waves of IDPs put further stress on host families barely able to cope. In the absence of alternatives, they are accommodated in schools. Many more schools are now closed, which along with lack of employment, further drives recruitment into militias.

The humanitarian situation takes a nosedive. Famine, despite resistance from the recognised government, is formally declared in the most populated governorates most affected by the fighting or with supplies blocked by military frontlines (Hodeidah and Taiz), but also in more remote governorates where aid agency access is most problematic (Jawf and Al-Baydha).

The Houthis increase repression in the cities to maintain control over an increasingly desperate population. Independent organisations face closure or greater control. Taxation on trade, businesses and those private schools and universities still functioning is increased - to pay fighters and smuggled arms. Increased attacks on shipping and on Saudi / UAE cities raises the stakes yet further.

The political fragmentation of Yemen takes a further decisive and less reversible step. Outlying regions take measures to insulate themselves from the fighting raging to the west. They set up their own ruling councils and trained military, but remain critically dependent on external funders, which compromises their aspirations for increased sovereignty.

### Scenario 3. Steps towards peace, a new federal constitution and elections

#### Three routes lead to this scenario:

- a) Scenario 1 leads to exhaustion and a 'hurting stalemate'. Neither side feels they can gain further from a continued war, and the many previous spoilers calculate there would be benefits from peace, and money to be made from the reconstruction effort.
- b) Scenario 2 leads to increasing regional instability and growing international outrage. Western powers panic about rising oil prices and re-assess belatedly the rebound effect on them from the plight of their allies, KSA and UAE, who now face a severe loss of confidence from investors, a reversal of reforms and an economic downturn. Kuwait and Oman play major roles within the GCC in the search for compromise.
- c) A direct route in which the UN Special Envoy's current mediation efforts find the needed traction, with well-thought proposals on sequencing to address the limitations of UNSCR 2216. This is backed by a coordinated high-level intervention from western powers and the UN. Many analysts feel neither the Houthis nor the Coalition are yet ready to compromise without such a decisive escalation of external intervention to stop the war.

Within Yemen, Track 2 negotiations give additional prominence to non-state actors (prominent Governors and businesses, supported by a slowly emerging 'Track 3' in which major CSOs add further pressure for the compromises that will end the war.

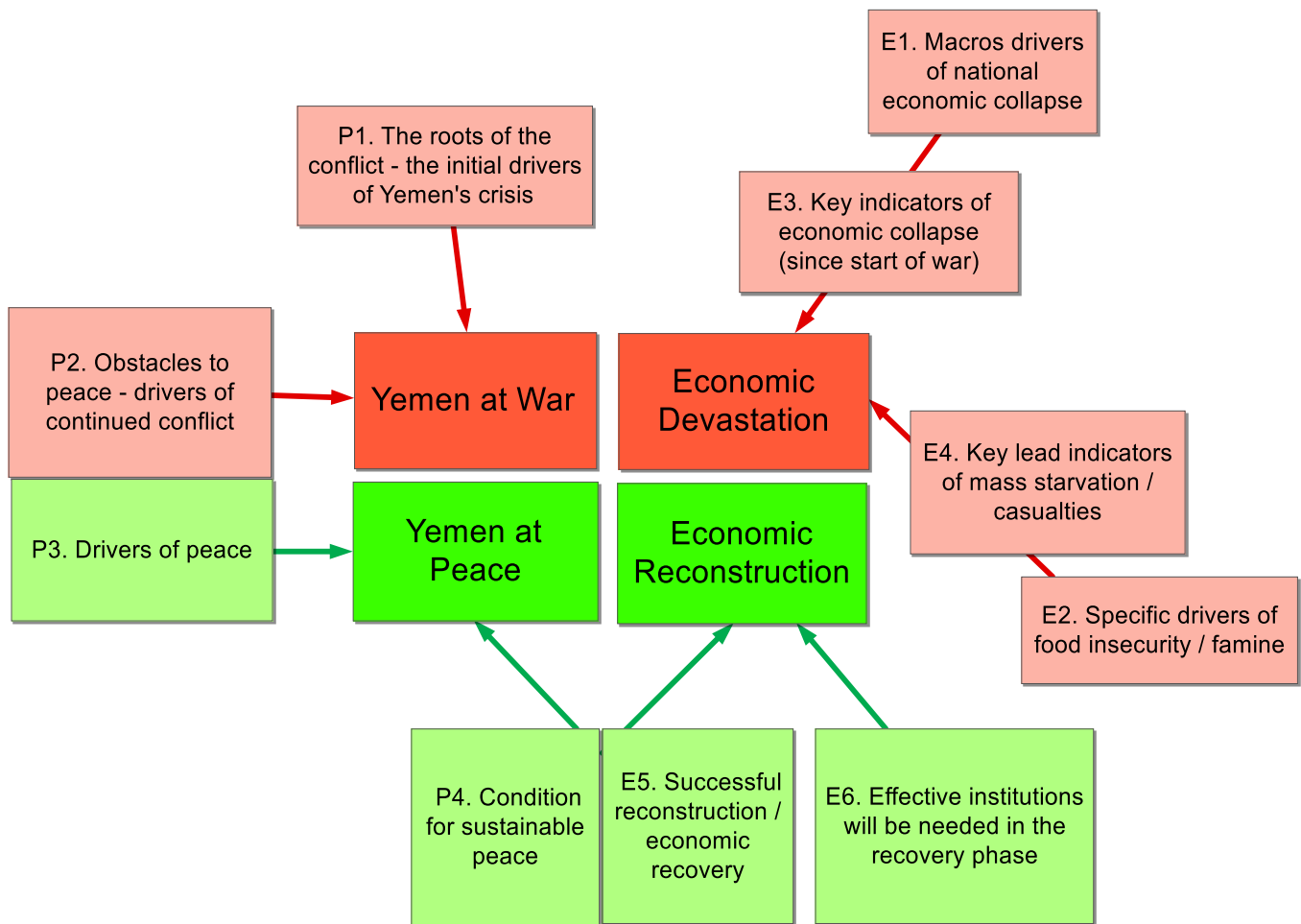
After considerable debate, a national figure emerges with a vision of a central 'unity' government, but highly devolved regional authorities. Regions are based around the battle lines of the war with trading of territory to allow internal consistency. Key issues are the extent of power sharing and the allocation of resources to the regions (and the extent of external financial support).

But within the emerging regions, competition for power persists, spilling at times into renewed hostilities. The southern question, with increasing demands for independence, is temporarily resolved by five-year trial period leading to a binding Southern referendum. There is increasing recognition of the difficulty of turning back the historical clock, with Mahra and Hadhramaut, demanding greater autonomy within a southern region.

There is however a new sense of urgency to find solutions, and a recognition, unlike in the final days of the NDC, both that nothing can be imposed, and that resources and genuinely devolved powers are pre-conditions for legitimacy and lasting peace. The immediate priority is to attract the massive investment and capital grants to finance the country's reconstruction, and to build the local capabilities to manage this.

# Key Factors influencing the Political and Economic Future of Yemen

**Political on left side of diagram**  
**Economic / Development on right side of diagram**



## Drivers for the boxes in the diagram Political side

<b>P1. The roots of the conflict – the initial drivers of Yemen’s crisis</b>
<ul style="list-style-type: none"> <li>• Historical grievances of those marginalised by Saleh, especially Houthis (against whom Saleh fought six wars) and Southerners (many lost jobs and land)</li> <li>• Arab Spring (2011) drivers: nepotism, unemployment, lack of basic services, growing poverty, corruption</li> <li>• Identity politics questioning the legitimacy of the central regime in Sana’a, whether by regional actors, tribal groupings, religious affiliations</li> <li>• Limitations of National Dialogue Conference Outcomes (2014) and opposition of both Houthis and Southern separatists to proposed boundaries of new federal states</li> </ul>
<b>P2. Obstacles to peace - drivers of continued conflict</b>
<p>Internal drivers</p> <ul style="list-style-type: none"> <li>• Failure to address root causes</li> <li>• Spoilers: groups / individuals benefiting from the war economy (illicit trade, smuggling), or those with little political future after a peace settlement</li> <li>• Revenge / resentments of those who’ve lost family, homes, livelihoods, relatives of victims of assassinations and torture in detention camps</li> </ul> <p>External drivers</p> <ul style="list-style-type: none"> <li>• Concerns and ambitions of external players: <ul style="list-style-type: none"> <li>○ KSA: containing Iranian influence, domestic security, MBS need for a ‘sufficient victory’</li> <li>○ UAE: regional ambitions, control of key ports</li> <li>○ UK, US, France: wider trade interests, including arms with wealthy allies, intelligence cooperation with KSA ‘keeping terrorists off British streets’</li> <li>○ Iran: war ties up resources of regional foe and inflicts reputational damage</li> <li>○ Kuwait, Oman: potential mediators, with contacts with Houthis</li> </ul> </li> <li>• Structural blockages to peace, including UNSCR 2216 which requires Houthis to hand in all heavy weapons and retreat from all cities</li> <li>• Managing the complexity of a conflict with multiple armed / political players</li> <li>• The ‘war of narratives’, through media channels and social media</li> </ul>
<b>P3. Drivers of peace</b>
<ul style="list-style-type: none"> <li>• Recognition of need to address Houthis in their own right rather than just as Iranian proxies</li> <li>• ‘Hurting stalemate’, when neither party sees further likely gain</li> <li>• Effective UN Special Envoy intervention, including around sequencing</li> <li>• Higher level intervention of UN Sec Gen + backing of major western powers</li> <li>• Change of calculation by key external powers <ul style="list-style-type: none"> <li>○ Saudi, UAE: cost of war now over \$5bn/m, Houthi attacks threaten national income / investor confidence</li> <li>○ UK, US, France: concerns within Parliament / Congress, legality of arms sales licences, declared ‘famine’ would trigger serious reputation concerns</li> </ul> </li> <li>• Emergence of national figure of stature and political skills to drive through an acceptable power and resources balance with the regions</li> </ul>
<b>P4. Condition for sustainable peace</b>
<ul style="list-style-type: none"> <li>• Jobs and employment, so youth less likely to join militias, restarting conflict</li> <li>• Effective local political leadership, with local trust</li> <li>• Police and security, drawn from local population reducing abuse of power</li> <li>• Regional Governments with sufficient powers to be effective, backed by sufficient share of national resources</li> <li>• Measures to limit water use (irrigation), and in future transfers between regions</li> </ul>

# Yemen Safe Passage Group

## Economic side

<p><b>E1. Macros drivers of national economic collapse</b></p> <ul style="list-style-type: none"> <li>• Lack of oil and gas sales / exports</li> <li>• Slump in business, and so taxes</li> <li>• War economy and a divided country</li> </ul> <p>Leads to</p> <ul style="list-style-type: none"> <li>• Slump in government revenues and expenditure, meaning</li> <li>• Collapse (and splitting) of CBY, two Ministries of Finance</li> <li>• No government salaries, no resources for education, health, utilities and social welfare payments</li> </ul>
<p><b>E2. Specific drivers of food insecurity / famine</b></p> <p>Affordability of food and water = loss of income + increased prices</p> <p>Demand side (family incomes)</p> <ul style="list-style-type: none"> <li>• Destruction of livelihoods – air attacks, loss of infrastructure</li> <li>• Unpaid civil servant salaries, most for over 2 years</li> <li>• Mass displacement away from farms and fishing</li> <li>• Increases in price of fuel: agriculture, fishing, industry less profitable; water more expensive</li> <li>• Business closures lead to staff lay-offs</li> <li>• Reduced remittances from abroad with expulsions from KSA</li> <li>• No backup for the poorest – collapse of Social Welfare Fund</li> </ul> <p>Supply side (price of staples - 90% imported)</p> <ul style="list-style-type: none"> <li>• Blockades / delays on vessels entering Hodeidah and Salif</li> <li>• Falling value of YR, largely due to lack of liquidity at CBY</li> <li>• Taxes and bribes at checkpoints</li> <li>• Destruction of roads and bridges - so longer travel times for trucks</li> <li>• Rising insurance costs for shipping into war zones</li> </ul>
<p><b>E3. Key indicators of economic collapse (since start of war)</b></p> <ul style="list-style-type: none"> <li>• 45% reduction in GDP; 40% loss of primary income source</li> <li>• 22m in need of humanitarian assistance</li> <li>• 25% + road network partially / fully destroyed; 50% reduction in power production</li> <li>• 50% water, sewage and sanitation infrastructure damaged</li> <li>• 2,500 schools closed due to air damage, unpaid teachers, use as IDP shelters</li> </ul>
<p><b>E4. Key lead indicators of mass starvation / casualties</b></p> <ul style="list-style-type: none"> <li>• 8.4m at risk of starvation</li> <li>• 16m without access to safe water, and at risk of cholera; 16m with limited or no access to healthcare</li> </ul>
<p><b>E5. Successful reconstruction / economic recovery</b></p> <ul style="list-style-type: none"> <li>• Jobs and employment, so youth less likely to join militias, restarting conflict</li> <li>• Effective local political leadership, with local trust</li> <li>• Police and security, drawn from local population reducing abuse of power</li> <li>• Regional Governments with sufficient powers and share of national resources</li> <li>• Measures to limit water use (irrigation), and in future transfers between regions</li> </ul>
<p><b>E6. Effective institutions will be needed in the recovery phase</b></p> <ul style="list-style-type: none"> <li>• Key Ministries: corruption and lack of implementation capacity addressed, willing to support capacity building at lower levels</li> <li>• Regional Government and Local Authorities: capable leadership for both, backed by sufficient resources</li> <li>• Yemeni businesses: able to attract investment, provide jobs and contribute to skills training</li> <li>• Parastatals: SFD, PWP and SWF all played major role in Yemeni development in recent past</li> <li>• CSOs: provide link with social groups affected by the conflict, can locally represent women, youth, the marginalised</li> <li>• Donors willing to support with funding and capacity building at the different levels, and to support the component parts of a potentially politically fragmented Yemen (with differing international sponsors)</li> </ul>