

# SPECIAL REPORT



## War in Yemen- A Protracted Threat to Security and Business in the Region

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## 1. EXECUTIVE SUMMARY

- The Houthi insurgency has now accepted the UN-backed 2-month long truce which was made possible with the resignation of the President Hadi, a key demand maintained by the Houthis for any negotiations to succeed, in favour of the formation of a new Presidential Council led by al-Alimi.
- Both ISYP and AQAP have remained silent ever since the beginning of Mar 2022 but could potentially play a disruptive role in Yemen in the upcoming months which could spiral into a wider conflict involving international actors like Russia, United States and China.
- While the international community is now mutely accepting the victory of the Houthis in the North and are willing to negotiate with them, there remains a fundamental problem arising from the division of territory as the Yemen government and the STC hold significant ground in the Southern regions.
- Nonetheless, regional reset in relations between Saudi Arabia and Iran which is perhaps the most important cause behind the truce, could also become a nightmare for the war in Yemen raging since 2014, if tensions ascend.

## 2. INTRODUCTION

On 02 Apr, the civil war in Yemen came to a standstill. The Houthi insurgency conveyed that it had accepted the United Nations backed 2-month truce with the Yemeni government. However, the war in Yemen is not solely a domestic affair. With the Iranian support to Houthis and the Saudi Arabia led coalition assisting the subsequent Yemeni governments, the current truce to the persisting war since 2014 needs to be understood as a war governed by the geopolitics of the Middle East region. And as there are multiple actors present ranging from al-Qaeda in Arabian Peninsula (AQAP), the Islamic State in Yemen Province (ISYP) and the Southern Transitional Council (STC), Yemen's civil war remains a multifaceted one with speculations emerging of the truce not lasting for the stipulated period. This special report will provide a brief explanation of Yemen's decline into multiple civil wars within a larger war and will offer a detailed perspective as to how the war in Yemen remains not only a destabilizing facet for security and business environment within the country but also for the region. Much will depend on the regional reset in relations. The report will end with implications and policy proposals to end the Yemeni conflict and will cover the events specifically from 2014 till 05 May 2022.

## 3. CONTOURS OF THE WAR IN YEMEN

### ❖ *What led to the war in Yemen?*

Since 2014, Yemen is under the grip of a civil war. Although the preliminary reason behind the war was the developing political crisis in Yemen from the point of Arab Spring in 2011, former President Ali Abdullah Saleh's plan of erasing the presidential term limit created conditions for a multilateral conflict. Upon Saleh's resignation, Abdrabbuh Mansur Hadi succeeded him as the President in 2012. But the demonstrations against rising poverty, unemployment, corruption and soaring fuel prices did not stop.



Amidst these protests, the Houthi insurgent group took control of Yemen's capital San'a in 2014 and subsequently the Presidential palace in Jan 2015. With the arrival of Southern Transitional Council (STC) and al-Qaeda in Arabian Peninsula (AQAP) in the south, it turned the war into a conflict between North and South Yemen. In 2016, the emergence of Islamic State as another faction made the existing civil war more complicated as it now involved a government, two terrorist organizations and two insurgent groups. While there are multiple perspectives to study the civil war in Yemen, among them, three strands remain predominant.

➤ ***A Sectarian Conflict***

The divide between Shi'ite and Sunni groups is prevalent in Yemen. Underneath those sectarian divisions is the tribal fight for supremacy in the country. For long, in the history of Yemen, the Zaydi tribe belonging to the Shi'ite sect had held power in North with several Sunni tribes governing the South. But when Houthis from the Zaydi tribe lost power in 1962, they underwent discrimination as *Sunnification* of policies was undertaken by subsequent Sunni dominated governments. Even when the two regions were united to form a modern independent Yemen, both tribal and sectarian cleavages stayed. Until 2014, there were several full-fledged wars between the Houthis and the Sunni government led by Saleh. However, from 2014 onwards, Houthis dominated the fight in the North vis-à-vis the Hadi government. With the growth of other Sunni groups in the South like STC, AQAP, and IS-YP, divisions within the Sunni groups also emerged but the end objective remained the same- to defeat the increasing Houthi control of Yemeni territory.

➤ ***A Proxy War***

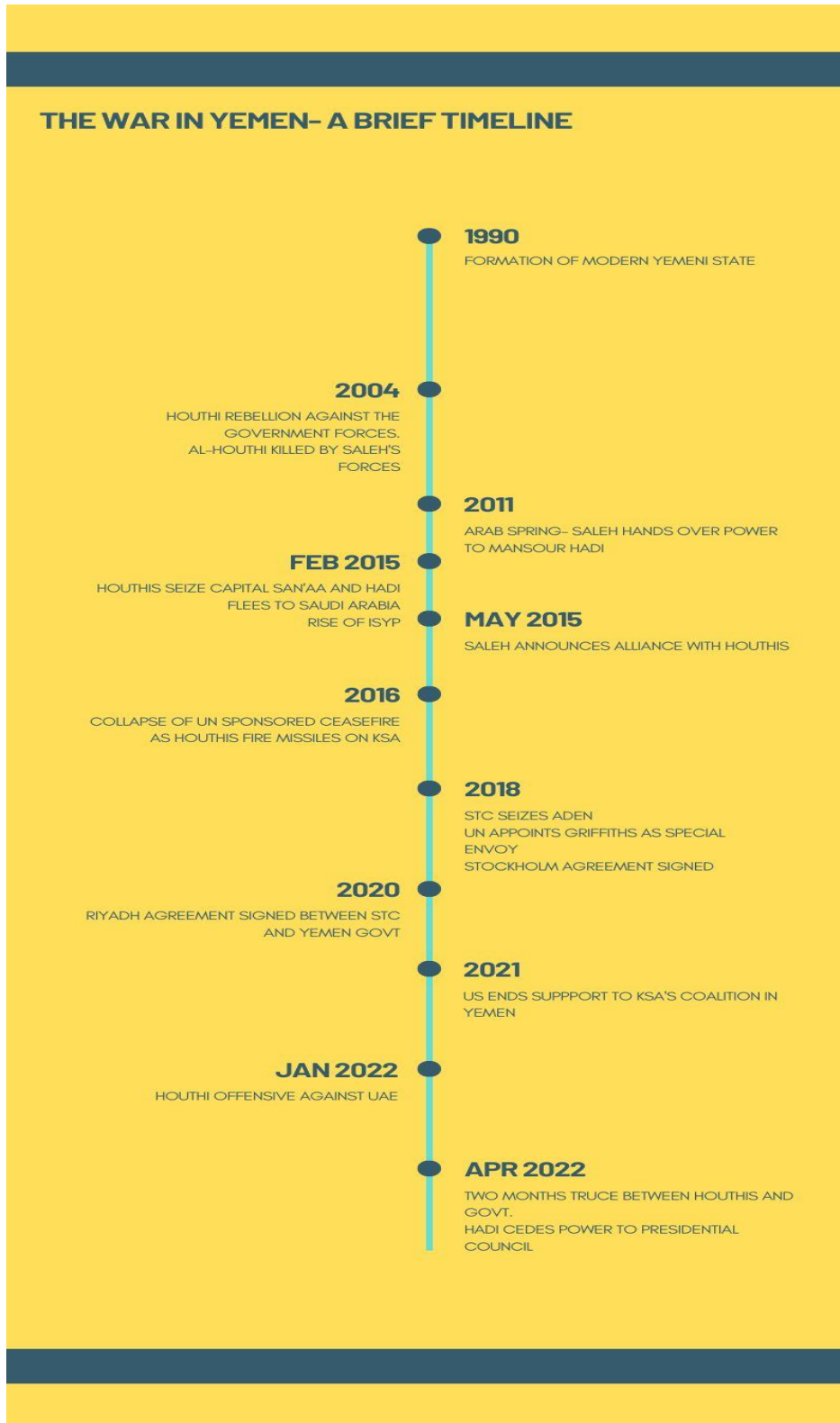
More than the much thought about sectarian differences between Iran and Saudi Arabia in the Middle East, the war in Yemen is understood to be the direct result of the fight for regional supremacy, prestige and installing security between Riyadh and Tehran. Although, sectarian differences cannot be ruled out in the conflict, they have abetted the support from each to their proxies in Yemen. From this perspective, Iran-backed Houthi insurgency, Saudi-backed Yemen government forces and U.A.E-backed STC are pawns in the great game enveloping between the regionally significant state actors. While the Houthi's have received support from Iran aided non-state armed groups like Hezbollah in Lebanon and mercenaries from Syria, both the Yemeni government and the STC have mostly aligned in their war against Houthis though with exceptions of infighting within the coalition. The presence of terrorist groups like AQAP and IS-YP have not made those conducting proxy warfare in Yemen resist, with each exclusively fighting them based on their capability.

➤ ***A Great Game between International Actors***

The war in Yemen has increasingly shifted towards a great game being played out in the region between Russia siding with Houthi rebels and United States with the Saudi-coalition. These trans-regional actors have not directly played a role in the conflict but have supported their respective partners through arms supply and financing measures. Their relations in the global arena are said to influence the choices they make in Yemen. China on its part has remained neutral in the conflict by maintaining close ties with all the factions within Yemen.



## 4. TIMELINE





## 5. KEY PLAYERS IN THE YEMEN CIVIL WAR

As a competing group within Yemen, the Houthis are practising Zaydi Shi'ites with a stronghold in Northern Yemen particularly in the North-West province of Sa'daa. Zaydi Shi'ites as a sect within Islam make up to around 35% of the Yemeni population and have known to rule Yemen for around 1,000 years until 1962. Although previously, the Houthi movement have embroiled themselves against a war with the government in 1994, the assassination of their leader, Abdul malik al-Houthi in 2004, made the group turn into a wider insurgency expanding to Yemen's capital San'aa in 2015. Since then, the Houthis have been continuously fighting to control other areas like Mar'ib, Aden and Shabwa, all of which they have intermittently controlled in the ensuing war. Houthis have the support from Iran and Lebanese Hezbollah.

### HOUTHY INSURGENCY



**HOUTHY LEADER MANSOUR AL-HOUTHY**



Since 1990, former President Saleh ruled Yemen until he transferred the authority to Hadi in 2011 owing to the incoming pressure from the Arab Spring. Though internationally recognised, the government is alleged as corrupt, incompetent, and inefficient by many. Ever since the Houthi's captured capital San'aa, the government had to make Aden its working capital with President Hadi administering the country in-exile from Saudi Arabia. With several fissures, and a power-tussle within, former President Saleh sidestepped Hadi and aided Houthis, only to be killed by the insurgency in 2017. At present, President Hadi has resigned from the Premiership and paved the way for the creation of a new Presidential Council led by Rashid al-Alimi to negotiate with the Houthis. The government has been backed by the Saudi-led coalition.

### YEMEN GOVERNMENT



**FORMER PRESIDENT ABDRABBUH MANSUR HADI**



Known as the Southern Movement, it was established in 2007 to fight for the cause of Southern Yemenis. The Southern Transitional Council (STC) emerged out of it with Aidrous al-Zubaydi the head of it on 11 May 2017. Since then, the STC has been battling for autonomy and control of

### SOUTHERN TRANSITIONAL COUNCIL

Southern Yemen with established stronghold in and around Aden. With Houthis as their main adversary, the STC has been consistent in fighting them but ever since the government forces have shifted their base to Aden in 2015, the STC is also known to be fighting them, thereby opening multiple fronts. Within this fight at multiple fronts, the STC has also carried out attacks against AQAP and IS-YP. But in 2020, the STC signed the Riyadh Agreement with the government forces to be able to tackle the coherent Houthi insurgency along with other terror groups operating in Yemen. Though the agreement helped in reducing enmity between them, both STC and the government have continued to fight intermittently when they feel threatened in their areas of domination. Backed by the U.A.E., the STC has emerged as a potent force in Southern Yemen



AQAP is a transnational terrorist organization which owes its allegiance to the broader al-Qaeda movement started by Osama bin-Laden and later carried forward by Ayman al-Zawahari. But in many ways, the AQAP in Yemen is an indigenous organization which was earlier known as Aden-Abyan Islamic Army. It is known to have carried out the Oct 2000 attack on USS Cole Warship in Aden. While AQAP's major enemy remains the Houthis, they have also at multiple instances fought the government, STC and IS-YP. In 2015, AQAP gained control of Mukalla province in Yemen but was rooted out in the following year by the STC. Subsequently, the AQAP launched a full-blown insurgency across the Southern regions from 2017 onwards but its leader Qasum al-Ryami was killed by the Saudi Coalition in 2020. Ever since then, the movement has remained hybrid with their rhetoric of US drone strikes and the government repression of civilians gaining a higher ground than physical attacks. The information warfare has helped the group to remain persistent despite being factitious and weak.

**AL-QAEDA IN ARABIAN PENINSULA  
(AQAP)**



IS-YP was formed in 2015 and carried out its first suicide attack in Yemen's Houthi controlled capital San'aa. Their rise coincided with the ascendance of the Islamic State in Syria and Iraq (ISIS) and since then have self-established 7





vilayats (administrative divisions) ranging from San'aa, Aden-Abyan, Lahij, Taiz, Al Bayda, Shabwah, Ataq and Hadhramaut in Yemen. While little is known about the organization, its leader was captured by Saudi and Yemeni forces in a raid in 2019. While they have carried out multiple suicide attacks, the footprint of IS-YP is not as big when compared to other competing powers in Yemen. But they could find their sustenance amidst the fragility security conditions in Yemen if the civil war does not end soon.

### **ISLAMIC STATE IN YEMEN PROVINCE (IS-YP)**

## **6. EXTERNAL INFLUENCES ON THE WAR IN YEMEN- RATIONALE AS DESCRIBED**

### **FIGHT FOR REGIONAL HEGEMONY B/W SAUDI ARABIA AND IRAN**

- Yemen has become another battlefield like Iraq, Syria and Libya for both Iran and Saudi Arabia to increase their regional prestige as well as hegemony. Backing opposite groups within Yemen, much of the negotiations and hopes for peace in the country depends on the stakes held by Tehran and Riyadh. Abu Dhabi is also an important actor with its support to STC. Therefore, regional developments and priorities have the ability to shape the war in Yemen.

### **COUNTER-TERRORISM**

- The presence of terror groups like AQAP and IS-YP has made it pertinent for the international community to respond to the emanating threats from them. In this initiative, the United States has promulgated several drone and airstrikes on the terror hideouts. The Saudi coalition forces along with the Houthis have also managed to find a convergence point to counter the threat from terrorism, at multiple occasions. Occurrences of the two terror groups aligning with several other Sunni Tribes vying for power

### **TRADE AND PORT SECURITY**

- Yemen's geographical location has several choke points which are vital for regional and international trade. While Abud Dhabi appears to wanting to influence the southern Yemeni ports to control the sea lanes in the Arabian sea, Iran and Saudi Arabia would want to maintain their control over the port of Aden and the port of Al Hodeidah. Control does not mean direct access but to safeguard their trade interests from attacks, seizures, pirates and ransom via these ports. Hence, the external actors are supporting the war in Yemen through their proxies to have leverage over the strategic trade route.





## 7. ONGOING SITUATION

- Geographically, the Houthis have complete control of North Yemen with other competing forces and the government embroiled in the South.
- In Apr 2022, as part of the United Nations led peace negotiations, the Houthis and the Government forces have complied to a two-month long truce. During the two-month period, both the parties have assured to allow uninhibited humanitarian access to the already impoverished population.
- As a trust-building measure, prisoners exchange is currently underway with both Saudi led coalition and the Houthis releasing the hostages and detainees in significant numbers.
- Additionally, President Hadi upon his resignation has delegated government authority to the Presidential Council led by Rashad al-Alimi. Hadi's resignation is understood to be a part of the UN-led negotiation process with the Houthis. The Presidential Council includes al-Zubaidi from STC, and the governor of Hadramout governorate al-Bahsani.
- In terms of regional developments, Iran, and Saudi Arabia have backed the UN-led process in Yemen with the recent 5<sup>th</sup> round of talks in Baghdad in Apr 2022 between Riyadh and Tehran signifying the regional level truce playing out in Yemen. Furthermore, U.A.E has asked the STC fighters to support the UN-led process, thereby highlighting its common understanding with Saudi Arabia on the Yemen war.
- However, Saudi Arabia has recently alleged the Houthis of continuing their attacks on the rival forces in Yemen though the Houthi leadership has denied such claims.
- Al-Qaeda has become active again in Yemen as clashes between Yemen's forces and AQAP ranks were reported in Dhale on 05 May.
- IS-YP's position remains yet to be ascertained since the group has not carried out any attack after the signing of the truce.

## 8. IMPACT OF THE WAR IN YEMEN

Even before the war started in 2014, Yemen's social, political, and economic conditions were in bad shape. The GDP contracted by 12%, sectarian cleavages were on the rise and political legitimacy of the government remained in question. Additionally, there were repeated attacks by groups like Al-Qaeda, Houthis and Sunni Tribes on Yemen's major power transmission lines which deteriorated not only the overall economic but also the security situation within the country. However, post-2014 the fresh round of conflict has underlined that rather than the conflict directly hindering the business climate and security environment, the change in the nature of the conflict has become a bigger problem for Yemen and for the region. Following are the three points justifying the rationale behind the change in the nature of the conflict.

- a) A Protracted Conflict- In protracted conflicts like these even when one group supersedes the other like in the case of the Houthi insurgency capturing Yemen's capital San'aa in 2015, the conflict often results in stalemate with no outright victory in sight. Additionally, information operations have become a vital part of the war in Yemen with Houthi alleged media networks and the government aligned state-televised



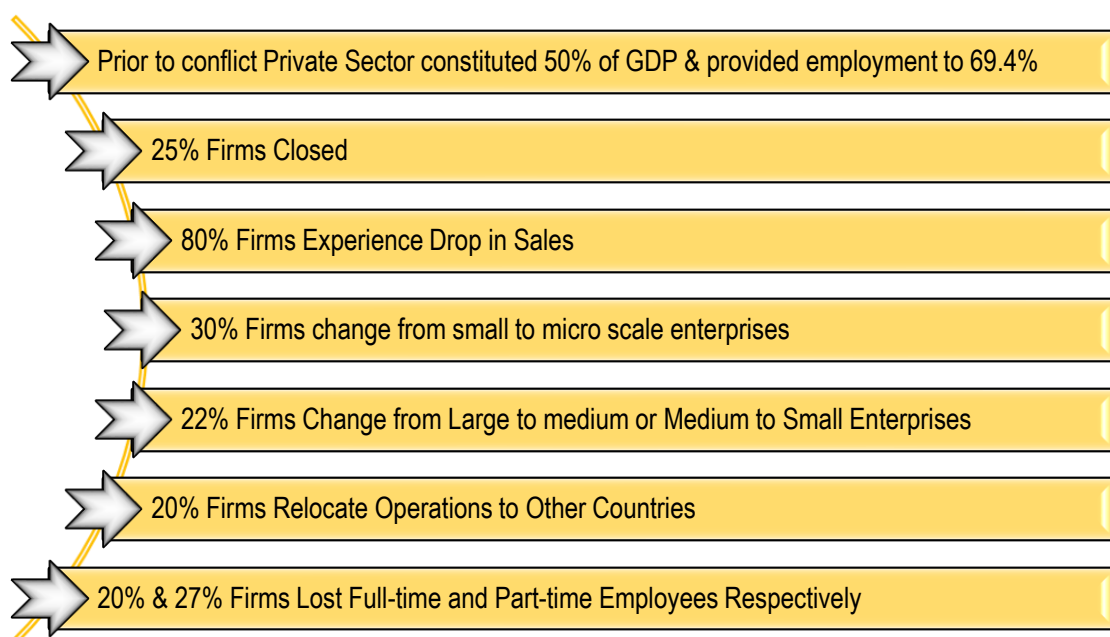
networks along with social media handles shaping the narrative according to the convenience of the group they are aligned with.

In such situations, limited and fabricated information reaches the audience outside the conflict, thereby shaping their perception not only of the actors involved but also of the war in general. This either results in a climate of insecurity for pre-existing and prospective businesses (both state-run and private entities) or them adhering to factions based on their interests or in some cases balancing between factions.

- b) Armed Groups ability to transcend their borders- The case of Yemen depicts that when protracted conflicts are combined with proxy warfare, armed groups like the Houthi insurgency gain ability to transcend their borders and attack regional state actors. This was highlighted by Houthi attacks on Saudi Arabia 2018 onwards and on the U.A.E IN 2022. Instead of exclusively targeting the regional states with an aim of revenge, armed groups target their strategic choke points which also includes businesses and infrastructure to impact their production.
- c) Demographically Divided Country- If you look at the political geography of Yemen, the country is demographically divided between the Houthi dominated North and the Sunni tribes, al-Qaeda and the Government positioned South. In situations like these, 'twin-culture' network spreads rampantly wherein security, business interface and sectarianism or factionalism remains high, making it difficult for those outside the affected country to develop a coherent policy. Geographical conditions can also inhibit trade security for companies operating in the region as either of the groups attempt to make the operations difficult through a range of measures like demanding bribes, harming directly, seizing of logistics and lastly, ransoms.

## ❖ FOR BUSINESS

### ➤ PRIVATE SECTOR





## ➤ ENERGY SECTOR AND PORT FACILITIES

**ENERGY SECTOR** Total petroleum production fell from an average 125,000 barrels per day in 2014 to 61,000 barrels per day in 2020.

Natural Gas production fell from 328 billion cubic feet to 3 bcf in 2020.

Current oil production is totally dependent on the Masila Basin's Block 14 and 10 and is now being operated by state-owned PetroMasila.

Yemen's only liquefied natural gas (LNG) plant was shut down in Apr 2015 when France's Total closed its operations.

**PORT FACILITIES** Port facilities have been attacked and disrupted repeatedly.

Aden refinery was shutdown in Apr 2015.

Hodeidah Al Hudayah has remained out of service since 2016.

Bir Ali and Ash Shihr Terminals have become major ports ever since the fighting began in 2014.

## ➤ Banking Sector

### *Central Bank of Yemen (CB-Y)*

- The Central Bank of Yemen was Split in 2016 between the Houthis Dominated San'aa and the Government in Aden.
- The Houthis continued the usage of old currency and the Government issued circulation of new currency.
- It resulted in Conflicting Monetary Policies and divergent exchange rates and led to 55% rise in food crisis, and more than 40% public debt.
- Ended up in weakening the authority of the banking sector as exchanges via black market and forex exchange fraud augmented.

### *Commercial Banking Sector*

- In Yemen, commercial banks have limited participation in economic activities of the country as the loans to the private sector only accounted for 8% of GDP versus 43% in other Arab Countries.
- However, the fragmentation of CB-Y also had an impact on commercial banks like CB-Y San'aa and CB-Y Aden freezing cash balances collected prior to the Central Bank's split and imprisonment and kidnapping of bank staff if they don't comply with the orders given both in Aden and San'aa.
- Additionally, the uncertainty and volatility due to the conflict has constrained banks from extending longer-term loans for economic activities as depositors are reluctant to keep their money in the banks.

### *Wider Implications*



- The conflict has further weakened the already fragile banking system of Yemen due to the lack of confidence in formal financial institutions. This has resulted in increasing reliance on informal financial institutions and agents for services.
- The conflict has also extrapolated to becoming an economic war over differential public salary distribution, revenue mobilization, exchange rate management and transactional costs. Adding to it is the demographic divide within Yemen which has resulted in division and insecurity of assets.
- As a direct consequence of the war on the financial institutions, remittances of more than \$1.5 billion per annum have also been impacted.
- Lastly, the conflict has also created a negative knock-off effect on food security with erosion of purchasing power parity, inadequate capacity to import food and discouraged production of food supplies.

## ❖ **FOR REGIONAL SECURITY**

- Escalations in the Yemen war has led to regional countries embroiling in conflict with groups within the country. U.A. E's decision to send a militia called Giants Brigade (part of Saudi-led coalition backing the government) to San'aa to fight the Houthis led to the insurgency launching missiles on Abu Dhabi's airport extension infrastructure. The Houthis have also been attacking Saudi Arabia particularly its oil reserves since 2018. This has not only dealt a blow to the regional security but also their domestic production.
- MENA is highly volatile with multiple insurgent groups and terror entities operating in the region. The victory of the Taliban in Afghanistan in Aug 2021 has acted as a source of motivation for non-state armed groups in MENA. With the Houthis making triumphant inroads into the conflict, the war in Yemen has re-energized other armed groups in the region to fight internationally recognised governments and thus promote instability further. This will lead to regional countries focusing more on security challenges rather than welfare policies for much of the impoverished population and expanding the domestic inequality divide.
- Because of the war in Yemen, refugee crisis has become pertinent in the region with more than 1.7 million people leaving the conflict-prone country. The large-scale displacement has ended up creating border security challenges for countries in the region and a fertile ground for armed groups to recruit the refugees.
- The conflict also can stimulate security challenges for Europe as countries like France and Germany are understood to be complicit in the Yemen war due to their support to Saudi Arabia via export of arms to defeat the Houthis and terrorist groups. There are probabilities of terror groups like IS-YP and AQAP indulging in lone wolf attacks in the Europe owing to their perception of foreign intervention in Yemen which they stand against and use it to mobilize the masses against foreign forces.

## 9. POLICY GOALS

The following policy goals are tentative and are subject to change based on the road ahead of the war in Yemen.

- ❖ For Pre-Existing and Prospective Business Investments



As the business sector remains in shambles within Yemen, **long-term, medium-term, and -term plans** are needed to revitalize the economy and generate confidence in forthcoming investors. The findings of this report suggests that rather than suggesting a peace-based approach for the conditions in Yemen, economy as well as security centred approaches are needed with peace acting as a fulcrum to sustain the two.

- *Provide grants, lines of credit and partial credit guarantees as part of the Immediate Rescue Financing Provision (short-term)*- it will help to enable local business networks in restoring their existing economic activities which would help in providing essential goods, services, and jobs within Yemen. These should be based on the existing UN sponsored emergency projects. It will help to boost trust in the Yemeni market as the financing facility will be ascertained based on physical damages, liquidity and risks perceptions.
- *Assist Yemen's Banking Sector Recovery (short-term)*- The provision of grants depends on boosting the confidence of the people in Yemen's banking sector rather than the reliance on cash payments. This requires targeting the resilience of commercial intermediaries and boosting of enterprise capital as well as refurbishment of Information and Communication Technology (ICT). ICT will help to facilitate diverse range of business operations which would in turn help the banks in generating finances.
- *Establish Investment Guarantee and Financing Facility (short-term, medium-term)*- The following will help in mobilizing private sector capital for high-risk projects and enable Foreign Direct Investment (FDI) for the restoration of public goods. This should be dependent upon reconstruction activities in energy, transport, agriculture and urban construction sectors.
- *Coordinate with region-specific Think Tanks and Risk Analysis Companies (long-term)*- Extensive amount of Research and Development for investment security as region-specific think-tanks and risk analysis companies would provide details and analysis based on the evolving conditions within the country and in the region. They can also assist in making the forthcoming investors understand the problems concerning logistics and the way they should be traversed.
- *Public-Private Sector Partnership (long-term)*- This remains difficult in Yemen due to the divided demographic control. However, companies can create regulatory forums in which discussions can happen between the domestic rival actors and a consensus could be formed. It will require the help of intermediaries which can assist in strengthening coordination.

#### ❖ Domestic and Regional Security

- *Develop an understanding of the Yemen war beyond a sectarian conflict*- This could only be pursued if domestic and regional actors rather than fomenting religious divides, understand the importance of finding a common ground between the Houthis and the government. It remains an important pre-condition for peace in Yemen because the rise of terrorist entities can in the longer run turn Yemen into another Syria or Iraq with the control of groups having the expectation to establish a caliphate.



- *Restrict Fake News and Misinformation from Yemen-* It is significant to have a proper knowledge of what was and is currently enveloping in the country as fake news and misinformation expands the conflict into uncontrollable turmoil. This could be actively pursued by developing official channels with the competing groups in the country and analyse and re-validate the information before promoting the narrative forward.
- *Remove the Stigma-* The current state-based world order though expects the armed groups of performing state-like functions in the areas under their control as per the International Humanitarian Law, they don't recognise the *de facto* control. To challenge the security implications arising from Yemen for the region, it is vital for regional state actors to be able to develop if not amicable then transactional relationships with the Houthi insurgency. The transaction should be based on Houthis abiding by international humanitarian law, like what is being currently done in Afghanistan under the Taliban. Although there remains minute possibility of armed groups maintaining their assurances, efforts need to be conducted with the joint support from International Organizations like the UN-sponsored bodies. For Houthis, economic greed supersedes religious propensity, and this could act as a starting point in assuring them of investments in their controlled region which could not only help them in sustaining their local support but also in expanding peace with their rivals.
- *Consensus Among Regional Rivals is Crucial-* Lastly, consensus building among regional rivals remains important to resolve the crisis in Yemen. As is being witnessed now, both Saudi Arabi and Iran with support from the U.A.E are trying to find an end to the long conflict. This would eventually help in forming a political compromise among competing rivals within Yemen as much of their assistance is dependent upon their regional patrons. In this process, trans-regional actors having the ability to resurrect the war should be avoided and ignored and the peace process should flow from regional to domestic actors.

## 10. FORECAST

- ❖ The April 2022 truce is unlikely to hold between warring parties in Yemen. On-ground fighting is likely to resume in Ma'rib, Taiz and Shabwa provinces due to the ground advances by the Houthis. Renewed airstrikes by the Saudi-led Coalition, especially around Houthi controlled San'aa would likely lead to renewed attacks against Riyadh and Abu Dhabi's infrastructure. Fighting for the control of Mar'ib is likely to be protracted with Mar'ib airport and energy infrastructure in the province expected to face a severe risk of damage. This would likely come from heavy fighting in its proximity and from Houthis use of ballistic missiles and weaponised drones in their offensive operations.
- ❖ Overall marine risks in Yemen are currently severe, especially for coalition related ships. Such risks vary significantly between locations, depending on the faction in control of each port and the nature of fighting in the local area. The main risk to vessels along the Red Sea coast continues to stem from the improved offensive and defensive maritime capabilities of the Houthi insurgency which extends outside the 11 nautical-mile limit delineating Yemeni territorial waters.
- ❖ The persisting security vacuum in Yemen, the erosion of central authority and the fragmentation of the Yemeni army are likely to continue to benefit Al-Qaeda in the Arabian Peninsula (AQAP) and Islamic State



in Yemen Province (IS-YP). AQAPs main bases of operations are scattered across Abyan, Shabwa, al-Bayda, Lahij, Taiz, Hadramawt and Mukalla, where cooperation with local Sunni tribes has enabled the group to maintain its influence despite military setbacks. IS-YP remains a key consideration to look out for in the near future as they might propel attacks particularly targeting strategic reserves of Yemen to weaken the competing powers in Mar'ib, Aden, Abyan and San'aa. The likelihood of defections from the Yemeni government forces to either AQAP and IS-YP remains, making the conflict more complicated.

- ❖ For 2022, Yemen's economy is expected to expand to about 2% owing to higher financial support from other countries and stronger hydrocarbon production from fields in Southern Yemen. Nonetheless, expansion is limited by Yemen's continuing civil war which will deter foreign investment while productive infrastructure has been destroyed after several years of conflict.
- ❖ In the case of the truce continuing for the rest of 2022, the geopolitical game between Iran and Saudi Arabia will play a significant role in influencing the developments in Yemen. As Saudi Arabia's Vision 2030 for economic productivity and diversification remains its primary goal, Riyadh will seek to try finding an end to this conflict. With the United States, Germany, France and the United Kingdom also withdrawing from Saudi's war in Yemen, it will become relevant for Riyadh to find alternatives to resurrect direct talks with Houthis. But for this to succeed, Tehran's support to finding a resolution to the conflict will reign supreme and for this to occur, a necessity of regional alignment between the two countries remains important. Abu Dhabi backed STC is likely to remain substantial for any such reconciliation to accomplish.

## 11. ASSESSMENT

Overall, the likelihood of Yemen remaining divided into two halves is high and for political reconciliation to succeed, the recognition of autonomy of both Houthis and Yemen government's regions of control is important by the regional countries. It will help the two factions develop a coherent policy to counter terrorism emanating from al-Qaeda in Arabian Peninsula (AQAP) and the Islamic State in Yemen Province (ISYP). This makes peace in Yemen more significant than ever because more tensions could lead to easy recruitment by terror groups and defections from the stronger actors as is being currently noticed in Afghanistan wherein the Taliban despite being in full control of the country, is witnessing defections to the Islamic State of Khorasan Province (ISKP). What is currently happening in Yemen, has previously occurred in Afghanistan under Taliban 2.0, Palestine specifically in Hamas controlled Gaza Strip and Hezbollah in Lebanon. While the conflict will remain in motion for the upcoming years with the country already under the embroil of the worst humanitarian crisis, Yemen's vital geography and untapped resources puts it at a better position than other mentioned examples for business preparedness as well as security solutions. Regional state actors should not try to promote the collapse of either the Houthis or the government because it will then make a fertile ground for terror networks and should help stimulate political reconciliation between the factions.





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