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Report RL34170

*Yemen: Background and U.S. Relations*

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June 10, 2008

**Abstract.** U.S.-Yemeni relations have generally been good, though marred occasionally by differences over Iraq and the Arab-Israeli conflict. U.S. officials have welcomed Yemen's support for the war on terrorism since September 11, 2001; however, because the Yemeni populace is ambivalent about any Western military presence, the Yemeni government tends to downplay U.S.-Yemeni military and intelligence ties. The U.S. government has modestly increased aid for Yemen, which had virtually ended in the late 1990s. In 2003, the U.S. Agency for International Development (USAID) reopened its mission in Yemen after a hiatus of seven years. Over the past several fiscal years, Yemen has received on average between \$20 and \$25 million in total U.S. foreign aid. In FY2009, the Administration has requested \$28.2 million in assistance for Yemen, an increase from its \$20.7 million aid package in FY2008.

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# Yemen: Background and U.S. Relations

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## Summary

This report summarizes Yemen's domestic situation, foreign relations, and ties with the United States. It will be updated as significant developments occur.

With limited natural resources, a crippling illiteracy rate, and high population growth, Yemen faces an array of daunting development challenges that some observers believe make it at risk for becoming a failed state in the next few decades. Between 2007 and 2008, it ranked 153 out of 177 countries on the United Nations Development Programme's Human Development Index, a score comparable to the poorest sub-Saharan African countries. Over 43% of the population lives below the poverty line, and per capita GDP is estimated to be between \$650 and \$800. Yemen is largely dependent on external aid from Persian Gulf countries, Western donors, and international financial institutions, though its per capita share of assistance is below the global average.

As the country's population rapidly rises, resources dwindle, and terrorist groups take root in the outlying provinces, the Obama Administration and the 111<sup>th</sup> Congress are left to grapple with the consequences of Yemeni instability. Traditionally, U.S.-Yemeni relations have been tepid, as the lack of strong military-to-military ties, commercial relations, and cross cultural exchange has hindered the development of strong bilateral ties. During the early years of the Bush Administration, relations improved under the rubric of the war on terror, though Yemen's lax policy toward wanted terrorists has stalled large scale U.S. support.

Over the past several fiscal years, Yemen has received on average between \$20 and \$25 million annually in total U.S. foreign aid. For FY2009, the Administration has requested \$28.2 million in assistance for Yemen, an increase from its \$20.7 million aid package in FY2008. Between FY2006 and FY2007, Yemen also received approximately \$31.5 million from the U.S. Department of Defense's Section 1206 account. Section 1206 Authority is a Department of Defense account designed to provide equipment, supplies, or training to foreign national military forces engaged in counter-terrorist operations.

As President Obama and the 111<sup>th</sup> Congress reassess U.S. policy toward the Arab world, the opportunity for improved U.S.-Yemeni ties is strong, though recurring tensions over counter-terrorism cooperation and lack of U.S. interest in Yemen within the broader foreign policy community persist.

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## Overview

The Republic of Yemen was formed by the merger of the formerly separate states of North Yemen and South Yemen in 1990. In 1994, government forces loyal to President Ali Abdullah Saleh put down an attempt by southern-based dissidents to secede from the newly unified state, but some southerners still resent what they perceive as continued northern political economic and cultural domination of daily life. In addition to north-south cleavages based on religious sectarian differences, political rivalries, and disputes over sharing of oil revenue, Yemen faces complex regional issues that have created additional divisions within the population and further complicate efforts by the government to build a unified, modern state.

President Saleh, a former military officer, has governed Yemen since the unified state came into being in 1990; prior to this, he had headed the former state of North Yemen from 1978 to 1990. In Yemen's first popular presidential election, held in 1999, President Saleh won 96.3% of the vote amidst cries of ballot tampering. In 2006, Saleh stood for reelection and received 77% of the vote. His main opponent, Faisal Bin Shamlan, a 72-year-old former oil executive and government minister, ran an effective campaign but was outspent by Saleh and the ruling party.<sup>1</sup> Bin Shamlan was supported by an opposition coalition composed of Islamists, Communists, and powerful tribes.

## A Failed State? Debating the U.S. Approach toward Yemen

Throughout his decades of rule, President Saleh has balanced various political forces—tribes, political parties, military officials, and radical Islamists—to create a stable ruling coalition that has kept his regime intact. However in recent years, a series of events, including increased Al Qaeda attacks, an insurgency in the north, and civil unrest in the south, have led some experts to conclude that Yemen may be on the verge of collapse, particularly given its already precarious economic condition.

As the country's population rapidly rises, resources dwindle, and terrorist groups take root in the outlying provinces, the Obama Administration and the 111<sup>th</sup> Congress are left to grapple with the consequences of Yemeni instability. Some experts suggest that the United States should focus more attention on Yemen because of the risks that state failure would pose to U.S. national security. Some advocates also note that instability in Yemen would affect more than just U.S. interests – it would affect global energy security, due to Yemen's location astride the Bab al Mandab strait between the Red Sea and Indian Ocean. Others assert that, while increased lawlessness in Yemen most likely will lead to more terrorist activity, U.S. involvement in Yemen should stem from basic humanitarian concerns for a poverty-stricken population desperately in need of development assistance. Still other analysts suggest that Yemen is not of major significance to U.S. interests and is far more important to the Gulf Arab States, notably Saudi Arabia. U.S.-Yemeni trade is marginal, Russia and China are its major arms suppliers, and many of its conservative, tribal leaders are suspicious of U.S. policy in the region.

With so many other, more pressing issues in the region to address (Iraq, Iran, Israeli-Palestinian conflict), Yemen is often overlooked by U.S. policymakers. Nevertheless, the above debate over

<sup>1</sup> Shamlan's campaign slogan was, "A President for Yemen, not Yemen for a President."

the country's relevance to U.S. foreign policy in the region exists and, to a large extent, remains unresolved.

## Domestic Challenges

### Terrorism and Al Qaeda

Yemen is an undeveloped country where, outside of the capital of Sana'a, tribal leaders often exert more control than central and local government authorities. It has long been the scene of random violence and kidnaping; it is rumored that there are an estimated 60 million firearms among a population of less than 20 million. Kidnapings of Yemeni officials and foreign tourists have been carried out mainly by dissatisfied tribal groups pressing the government for financial largesse or for infrastructure projects in their districts.

The prevailing climate of lawlessness in much of Yemen has provided opportunities for terrorist groups to maintain a presence in outlying areas of the country. Many experts believe that, since the 1980s, Yemeni President Ali Abdullah Saleh has tolerated the presence of radical Islamists in the country and has used their presence to bolster his credibility among Islamist hardliners.<sup>2</sup> As the ancestral home of Al Qaeda leader Osama bin Laden, Yemen provided, and then welcomed home, thousands of so-called "Arab Afghan" volunteers who fought alongside the *mujahidin* (Islamic fighters) against the Soviet occupation of Afghanistan in the 1980s. During the 1994 civil war, President Saleh dispatched several brigades of "Arab Afghans" to fight against southern late secessionists. In the mid to 1990s, Yemeni (and many foreign) militants, many with ties to Al Qaeda, began striking targets inside the country. One group, known as the Aden-Abyan Islamic Army, which was formed by a former Bin Laden associate, was responsible for the December 1998 kidnaping of 16 foreign tourists (4 of whom died in a botched rescue attempt) and the 2002 attack on a French oil tanker (*Limburg*) near the southern Yemeni port of Mukalla.

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<sup>2</sup> "Yemen's Deals With Jihadists Unsettle the U.S.," *New York Times*, January 28, 2008.

Figure I. Map of Yemen



Source: Map Resources. Adapted by CRS (9/2007).

## The USS Cole Bombing

On October 12, 2000, an explosives-laden motorboat detonated alongside the U.S. Naval destroyer USS Cole while it was docked in the Yemeni port of Aden, killing 17 U.S. servicemen and wounding 39 others. Nearly 8 years after the attack, many details on the attack remain a mystery. In 2000, agents from the Federal Bureau of Investigation (FBI) uncovered some of the perpetrators of the terrorist bombing. One suspect, Abd al Rahim al Nashiri, a Saudi national of Yemeni descent who served as Al Qaeda's operations chief in the Arabian Peninsula, was captured in the United Arab Emirates in November 2002 and handed over to the Central Intelligence Agency. According to the *Washington Post*, Al Nashiri had spent several months before his capture under high-level protection from the Yemeni government.<sup>3</sup> Another Al Qaeda member, Walid bin Attash (also referred to as Tawfiq bin Attash), has been named by the U.S. Department of Justice as an unindicted co-conspirator in the Cole attack. Both Al Nashiri and Attash have appeared before military tribunals in Guantanamo Bay, Cuba where they have been held for several years under U.S. military custody.

A third organizer of the Cole bombing, Jamal al Badawi, has been, to the frustration of U.S. officials, held under Yemeni custody despite two previous successful escapes (April 2003 and 2006) from his captors. After his second escape in 2006 (along with 22 other Al Qaeda convicts), in what many believe was an officially sanctioned prison break, Badawi turned himself in a year later, pledged his allegiance to President Saleh, and promised to cooperate with the authorities and help locate other militants. In October 2007, soon after his return to custody, the Yemeni

<sup>3</sup> "Probe of USS Cole Bombing Unravels: Plotters Freed in Yemen; U.S. Efforts Frustrated," *Washington Post*, May 4, 2008.

government reportedly released Badawi from house arrest despite vocal protestations from the Bush Administration. Yemen has refused to extradite Badawi to the United States (Article 44 of the constitution states that a Yemeni national may not be extradited to a foreign authority), where he has been indicted in the U.S. District Court in New York on murder charges.<sup>4</sup> According to one former FBI official, Badawi was “the guy who recruited the bombers.... He was the local mastermind.”<sup>5</sup> At this time, it is unclear if Badawi is still incarcerated. According to U.S. State Department Spokesman Sean McCormack, “This was someone who was implicated in the Cole bombing and someone who can’t be running free.” Yemeni officials claim, however, that Badawi is now cooperating with the government in attempts to capture a new generation of more lethal jihadists. According to Rashad Muhammad al Alimi, Yemen’s Interior Minister, “The strategy is fighting terrorism, but we need space to use our own tactics, and our friends must understand us.”

### U.S.-Yemeni Intelligence Cooperation

In the immediate aftermath of the Cole bombing, U.S. officials complained that Yemeni authorities were not cooperative in the investigation. After the terrorist attacks of September 11, 2001, the Yemeni government became more forthcoming in its cooperation with the U.S. campaign to suppress Al Qaeda. President Saleh reportedly has allowed small groups of U.S. Special Forces troops and CIA agents to assist in identifying and rooting out Al Qaeda cadres hiding in Yemen, despite sympathy for Al Qaeda among many Yemenis. According to press articles quoting U.S. and Yemeni officials, the Yemeni government allowed U.S. personnel to launch a missile strike from an unmanned aircraft against an automobile in eastern Yemen in November 2002, killing six alleged terrorists, including Qaid Salim Sinan al Harithi, the leader of Al Qaeda in Yemen and a key planner of the attack on the USS Cole.<sup>6</sup> Yemen then arrested al Harithi’s replacement, Muhammad Hamdi al Ahdal, a year later.

The United States also has helped Yemen build and equip a modern coast guard used to patrol the strategic Bab al Mandab strait where the Red Sea meets the Gulf of Aden and the Indian Ocean.<sup>7</sup> Finally, the United States has provided technical assistance, equipment, and training to the Anti-Terrorism Unit [ATU] of the Yemeni Central Security forces and other Yemeni Interior Ministry departments.

Despite recent U.S.-Yemeni security cooperation, many U.S. officials view Yemen’s counterterrorism policies as inadequate. According to the U.S. State Department’s 2007 Country Reports on Terrorism, “Despite Yemen’s history of terrorist activity and repeated offers of assistance from the U.S. government, Yemen lacked a comprehensive counterterrorism law. Current law as applied to counterterrorism was weak.”<sup>8</sup>

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<sup>4</sup> A Yemeni court condemned Badawi to death in 2004, although his sentence was commuted on appeal to 15 years in prison.

<sup>5</sup> “A Terrorist Walks Free,” *Newsweek*, October 27, 2007.

<sup>6</sup> Before Al Harithi was killed by a U.S. unmanned aircraft, Yemeni forces had failed in their attempt to capture him. Soldiers who were sent to detain him were themselves captured by local tribesmen protecting Al Harithi.

<sup>7</sup> According to the U.S. Energy Information Administration (EIA), the Bab al Mandab strait is one of the most strategic shipping lanes in the world, with an estimated 3 million barrels per day of oil flow.

<sup>8</sup> U.S. State Department, Country Reports on Terrorism 2007, Chapter 2—Country Reports: Middle East and North Africa Overview, Released by the Office of the Coordinator for Counterterrorism, April 30, 2008.

In the spring of 2008, FBI Director Robert Mueller traveled to Yemen in order to discuss counter-terrorism issues with President Saleh, including an update on the status of Jamal al Badawi and other known Al Qaeda operatives. According to a *Newsweek* report, “The meeting between Mueller and Yemeni President Ali Abdullah Saleh did not go well,” according to two sources who were briefed on the session but asked not to be identified discussing it. Saleh gave no clear answers about the suspect, Jamal al Badawi, leaving Mueller “angry and very frustrated,” said one source, who added that he’s “rarely seen the normally taciturn FBI director so upset.”<sup>9</sup>

## Al Qaeda’s Resurgence

Many experts agree that between 2002 and 2004, the Yemeni government, with the assistance of the United States, was able to severely disrupt Al Qaeda-inspired terrorist activity in Yemen. However, in recent years, analysts observe that a new generation of militants has emerged. Many of these Islamist militants either fought coalition forces in Iraq or were radicalized in the Yemeni prison system. Moreover, unlike their predecessors, this new generation of Al Qaeda-inspired extremists may be more inclined to target the Yemeni government itself, in addition to foreign and Western interests in Yemen. According to one analyst:

“The older generation, while passionate about global jihad, was more concerned with local matters, and more willing to play by the time-honored Yemeni rules of bargaining and negotiating in order to keep Saleh from destroying their safe haven. Not so with the new generation—they willingly criticize Saleh harshly, and seem immune to the lure of the negotiation room.”<sup>10</sup>

Overall, Islamist terrorist groups are not strong enough to topple President Saleh’s regime, but most analysts consider them capable of successfully striking a high value target, such as an oil installation or foreign government compound. One group calling itself Al Qaeda in Yemen (aka The Al Qaeda Organization in the Southern Arabian Peninsula) has issued several statements demanding that President Saleh, among other things, release militants from prison, end his cooperation with the United States, renounce democracy and fully implement Islamic law, and permit Yemeni militants to travel to Iraq to carry out *jihad*. The group’s leaders were part of the infamous 2006 jailbreak, in which 23 convicted terrorists escaped from a prison in the capital of Sana’a.

## The 2008 U.S. Embassy Bombing

On September 17, 2008, Yemeni militants attacked the entrance of the U.S. Embassy in Sana’a, killing 17 people including six of the attackers. One American, Susan Elbaneh,<sup>11</sup> was killed. The militants were disguised as soldiers when they attacked a checkpoint outside the front gates. Some of the terrorists exchanged fire with Yemeni guards while two suicide car bombs were

<sup>9</sup> “A Tense Impasse In Yemen,” *Newsweek*, May 5, 2008.

<sup>10</sup> Brian O’ Neill, “New Generation of al-Qaeda on Trial in Yemen,” *Terrorism Focus*, Volume 4, Issue 39, published by the Jamestown Foundation, November 27, 2007.

<sup>11</sup> Susan Elbaneh (age 18), from Lackawanna, New York, is the distant cousin of Jaber Elbaneh, a known militant sought by the FBI. Jaber Elbaneh, 42, has a \$5-million U.S. bounty on his head. He has been indicted by a federal grand jury in New York for allegedly being the seventh member of the controversial Lackawanna Six, a group of Yemeni-American men imprisoned for traveling to an Al Qaeda training camp in 2001.

detonated near the entrance. In addition, three of the attackers were wearing explosive-laden vests, though one of the bombers was shot by Yemeni security forces before he could detonate his explosives.

Two months after the attack, Al Qaeda in Yemen claimed responsibility for the attack. In its message, the group noted that the attack did not take place in Muslim markets or other gathering places, but rather “in the den of cunning and deception, the security quarters of the global Crusade.” Terrorism experts and some U.S. officials have warned of the growing sophistication and lethality of Islamist terrorist groups in Yemen. In a speech to the Atlantic Council of the United States, CIA Director Michael Hayden stated that “Yemen is another country of concern, a place where Al Qaeda is strengthening. We’ve seen an unprecedented number of attacks this year... Plots are increasing not only in number, but in sophistication, and the range of targets is broadening.” Other observers note that despite such a brazen attack, Yemeni militants failed to breach the U.S. Embassy’s outer layer of security and killed almost exclusively all Yemeni civilians rather than Embassy personnel. Nevertheless, simply gaining media coverage of the attack may have been enough to satisfy the attack’s perpetrators, as the U.S. State Department soon after the bombings announced that it would, for the second time in a year, authorize the departure of all nonessential personnel from Sana’a due to the unstable security situation.

In the aftermath of the bombing, Yemeni interior security forces arrested nearly 60 individuals with ties to Al Qaeda affiliates in Yemen. The Yemeni government believes that three of the six terrorist cell members who carried out the attack had recently returned from fighting in Iraq and the rest were trained at Al Qaeda camps in the southern Yemeni provinces of Hadramut and Marib.<sup>12</sup> Perhaps in order to deflect public attention from the attack, President Saleh later announced that an Israeli-linked terrorist cell operating under the “slogan of Islam” had been uncovered.

Over the past two years, Al Qaeda in Yemen has claimed responsibility for other attacks, including:

- On April 10, 2008, an explosion occurred at the headquarters of the Canadian oil company Nexum Petroleum. On April 6, 2008, three explosive rounds struck a housing complex used by foreigners, including American personnel, in an upscale neighborhood of Sana’a. No injuries were reported, but two days later, the U.S. Embassy announced that it was evacuating all non-essential personnel from the country. On March 18, 2008, a group calling itself the Yemen Soldiers Brigades, an affiliate of Al Qaeda in Yemen, fired a mortar aimed at the U.S. Embassy in Sana’a. The mortar missed its target and fell on a school near the embassy wounding 13 Yemeni schoolgirls and five Yemeni soldiers.
- On January 18, 2008, Al Qaeda gunmen opened fire on a tourist convoy, killing two Belgian women and two Yemeni drivers. Reportedly, Yemen’s tourist industry has suffered from the recent string of terrorist attacks.
- On July 2, 2007, a suicide bomber attacked a convoy of Spanish tourists, killing eight Spaniards and two Yemenis. The suicide attack was carried out using a car bomb that exploded in a tourist area near the ancient Yemeni temple of Balqis approximately 100 miles east of Sana’a. Two weeks prior to the attack, the U.S.

<sup>12</sup> “Yemen Identifies Attackers in US Embassy Attack,” *USA Today*, November 1, 2008.

Embassy in Sana'a had issued a warning to Americans traveling in Yemen to avoid visiting the site. Days after the bombing, Yemeni government officials admitted that they themselves had been warned about a possible Al Qaeda attack, but had not considered the temple site as a possible target. Subsequent investigations carried out by the Yemeni security forces concluded that the perpetrators were part of a 10-person cell comprised mostly of Yemenis recruited by hardened militants.

- On March 29, 2007, Al Qaeda in Yemen assassinated the chief criminal investigator in Marib province, a man who they believe was involved in the November 2002 U.S. air strike that killed the group's former leader.
- On September 15, 2006, only days before Yemen's presidential election, Yemeni security forces foiled two near simultaneous Al Qaeda suicide attacks on oil facilities in the northeastern region of Maarib and on the Gulf of Aden coast at Dhabba.<sup>13</sup> Al Qaeda fugitives, who months earlier had escaped from prison, were involved in the planning of the failed attack, which, had it succeeded, would have crippled Yemen's oil industry.
- According to a number of sources, the new leader of Al Qaeda in Yemen is a 32-year-old former secretary of Osama bin Laden named Nasir al Wahayshi. Like other well-know operatives, Al Wahayshi (alt. sp. Wuhayshi) was a member of the 23-person contingent who escaped from a Yemeni prison in 2006. Al Wahayshi's personal connection to Bin Laden has reportedly enhanced his legitimacy among his followers.<sup>14</sup> After the fall of the Taliban in Afghanistan in 2001, he escaped through Iran, but was arrested there and held for two years until he was deported to Yemen in 2003.

## The Al Houthi Revolt in Northern Sa'da Province

Over the past several years, a group of Zaydi<sup>15</sup> Shiites in the remote northern Yemeni province of Sa'da have waged a guerrilla war against the Yemeni government. The revolt has been spearheaded by members of the Al Houthi family, a prominent Zaydi religious clan who claim descent from the prophet Muhammad through his daughter Fatima and her husband, Ali. Shaykh Hussein Badr ad din al Houthi, who was killed by Yemeni troops in 2004, formed the Organization for Youthful Believers as a revivalist Zaydi group for Al Houthi followers who dispute the legitimacy of the Yemeni government and are firmly opposed to the rule of President Saleh, a Zaydi himself, though with no formal religious training or title.<sup>16</sup> Abdul Malik al Houthi, the new leader of the group, has said the Yemeni government is "an ally of Americans and

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<sup>13</sup> This attack followed a general call by Ayman al Zawahiri, Al Qaeda's second-in-command, for Islamist militants to attack oil facilities in the Middle East.

<sup>14</sup> Gregory D. Johnsen, "Al-Qaeda in Yemen Reorganizes under Nasir al-Wahayshi," *Terrorism Focus*, Volume 5, Issue 11, published by the Jamestown Foundation, March 18, 2008.

<sup>15</sup> The population of Yemen is almost entirely Muslim, divided between Zaydis, found in much of the north (and a majority in the northwest), and Shafi'is, found mainly in the south and east. Zaydis belong to a branch of Shi'ite Islam, while Shafi'is follow one of several Sunni Muslim legal schools. Yemen's Zaydis take their name from their fifth Imam, Zayd ibn Ali. They are doctrinally distinct from the Twelvers, the dominant branch of Shi'ite Islam in Iran and Lebanon. Twelver Shiites believe that the 12<sup>th</sup> Imam, Muhammad al-Mahdi, has been hidden by *Allah* and will reappear on Earth as the savior of mankind.

<sup>16</sup> "Yemeni Jews Face Growing Sectarian Troubles," *Christian Science Monitor*, April 4, 2007.

Jews,”and there have been reports of threats against the small community of Yemeni Jews in northern areas with an Al Houthi presence.<sup>17</sup> The Yemeni government claims that Al Houthi rebels seek to establish a Zaydi theocratic state in Saada with Iranian assistance, though some analysts dispute Iranian involvement in northern Yemen, asserting that the Yemeni authorities are using the specter of Iranian interference to justify large-scale military operations against the insurgents and calls for assistance from neighboring Gulf states.

After five rounds of fighting, the war between government forces and Al Houthi rebels has quieted, though experts caution that violence could reignite at any time. The fundamental grievances that started the conflict in the first place have not been resolved. Sa’da remains one of the poorest areas of Yemen, and experts believe the Al Houthi family seized upon the desperation of many of the province’s inhabitants to build a religiously inspired insurgent movement capable of fighting guerrilla warfare in the region’s mountainous areas. The conflict, much of which has taken place in civilian areas, has witnessed atrocities on both sides, though some human rights groups have accused security forces of using disproportionate force to quell the rebellion, thereby further enflaming their opponents. According to a recent *Human Rights Watch* report, even though the latest round of fighting ended in July 2008, nearly 130,000 civilians remain displaced and aid agencies are hindered from servicing them. According to the report, “Many agencies must ask separate Interior Ministry permission for each and every trip, an almost impossible operational requirement. By the end of September 2008, the government allowed aid agencies access to a limited number of towns in Sa’da governorate, but well into October this expanded access was insufficient to reach many of those who have long gone without assistance and who remain at risk.”<sup>18</sup>

Although the war against the Al Houthi rebels remains a localized conflict, most Yemen experts believe that the longer it festers, the politically weaker it makes President Saleh appear, particularly to the military establishment. Before he unilaterally ended the recent round of fighting in July 2008, clashes had spread to an eastern suburb of the capital near the airport, and there were rumored reports of an aborted coup and shakeups within the Yemeni military. Qatar has attempted to serve as a mediator between the warring parties and, in July 2007, brokered an 18-point peace plan which neither side has officially accepted.

## Unrest in the South

For years, southern Yemenis have been disaffected by their perceived second-class status in a unified state from which many of their leaders tried to secede during the civil war in 1994. Unemployment in the areas which comprised the former socialist state of the People’s Democratic Republic of Yemen (PDRY) is reportedly high. Many southerners have felt cut off from government services and jobs. In March and April 2008, tens of thousands of protesters, many of whom were angry over inflation and their exclusion from employment in the army, set fire to police stations and army property in the southern town of Dhalae and elsewhere. Some of the protestors were themselves former members of the defeated southern army in Yemen’s 1994 civil war. In response, the government deployed only northern soldiers to southern areas. Several hundred protestors were reportedly detained.

<sup>17</sup> In April 2007, the Yemeni government moved 45 Yemeni Jews to Sana’a after they were threatened by Al Houthi rebels.

<sup>18</sup> Human Rights Watch, *Invisible Civilians: The Challenge of Humanitarian Access in Yemen’s Forgotten War*, November 2008.

Overall, south Yemenis have demanded equality, decentralization, and a greater share of state welfare. The once prosperous and liberal port city of Aden has deteriorated, as most business must now be conducted in the capital of Sana'a. Furthermore, southerners complain of corruption, as each major southern province is ruled by a military governor with close ties to the president.

## The Major Challenges: Water Depletion, Declining Oil Revenues, Rising Food Prices, and Qat

Although terrorism, provincial revolts, and unrest in the south are all serious concerns related to Yemeni stability, they pale in comparison to the long term structural resource and economic challenges facing a country with a rapidly growing population. To an outsider, these problems seem almost intractable, as bad government policies and crippling poverty exacerbate existing shortages, creating a feedback loop. For example, the central government subsidizes diesel fuel at a cost to the treasury of several billion dollars annually (nearly 11% of GDP). The diesel subsidy not only drains government revenue but also distorts commodity prices, and makes water pumping and trucking costs artificially low, thereby giving farmers no incentive to conserve water. Furthermore, the subsidy encourages smuggling, which may be officially sanctioned at the highest levels. According to one recent report, "Diesel smuggling is a facet of elite corruption that has led one international economist working in Yemen to complain that more and more people are being pushed into destitution while a handful of people are living as if there is no tomorrow."<sup>19</sup> However, when the government attempted to lift the diesel subsidy in 2001 and 2005, riots ensued, and the policy was swiftly reversed.

The cultivation of qat, a stimulant whose leaves are widely chewed throughout the Horn of Africa, also drains Yemen's scarce underground water resources. Qat is a cash crop,<sup>20</sup> and its harvests surpass local coffee and wheat production, which has led to increased demand for food imports. Qat also may use as much as 40% of water resources consumed by local agriculture. As farmers drill deeper wells to access freshwater, the water table drops and drinking water becomes contaminated with minerals. Yemenis may now be using fossil water to irrigate crops. Most analysts believe that if Yemen's major aquifers are depleted, the only realistic solution to the country's water crisis would be a strategy based on increased water-use efficiency and the construction of several large-scale desalination plants. How such a massive investment in the infrastructure would be financed remains unknown.

Though it is an age old tradition and ingrained in Yemeni culture, qat chewing also cripples attempts at promoting sustainable development. Not only does it deplete the country's water resources and reduce food security, low income chewers spend significant portions of their time and salaries (between 10% and 30%) on qat. According to one Yemeni social critic, "No development can be achieved in Yemen as long as this plant called qat takes up 90 percent of the spare time of the Yemeni people.... Some may argue that this is an old tradition of Yemen just like the arms and *jambiyas* (traditional daggers). But even if that were so, harmful traditions must be thrown away."<sup>21</sup> According to the World Bank, the culture of spending extended afternoon hours chewing qat is inimical to the development of a productive work force, with as much as one-

<sup>19</sup> Ginny Hill, *Yemen: Fear of Failure*, Chatham House, Middle East Programme, November 2008.

<sup>20</sup> The World Bank estimates that qat cultivation employs one out of every seven Yemeni workers.

<sup>21</sup> Lenard Milich and Mohammed Al-Sabbry, "The "Rational Peasant" vs Sustainable Livelihoods: The Case of Qat in Yemen," *Development - Society for International Development*, 1995.

quarter of usable working hours allocated to qat chewing. Chewing qat also suppresses the appetite, and its widespread consumption has been linked to growing child malnutrition rates. Qat chewing also reinforces social and political practices that exclude women, as prominent male politicians and business elites often conduct their business during an afternoon qat chew.

The loss of oil revenue is another major challenge facing Yemen. Revenue from oil production accounts for nearly all of Yemen's exports and up to 75% of government revenue, yet most economists predict that Yemen will deplete its modest oil reserves in 10 to 15 years. Production has fallen nearly 25% over the last six years. In terms of diversifying its economy, though the government has developed alternative strategies, in reality, Yemen may become even more dependent on international assistance and worker remittances in the future. Its tourism industry suffers from chronic instability and frequent tribal kidnappings of foreigners. According to the *Economist Intelligence Unit*, "In 2009-10 the government plans to encourage local private enterprise and attract foreign investors by strengthening the financial sector, increasing the number of microfinance banks, modernizing the local commercial courts, reducing red tape and updating investment regulation. These efforts will continue to be hindered, however, by a poorly educated workforce and an unstable security climate, as well as by the increased risk aversion of banks in the wake of the global financial crisis." A liquefied natural gas operation (operated by the Yemeni government in partnership with Total and Hunt Oil) will come online in May 2009, though experts believe that revenue generated from the project will only slightly stem the hemorrhaging of government funds.

## 2009 Parliamentary Elections

Overall, Yemen has a lively political culture, a history of a relatively free press, and a vibrant civil society. Scheduled for April 2009, Yemen's parliamentary elections are an important barometer for assessing President Saleh's ability to balance competing forces in Yemen's complicated but pluralistic political structure. Although the ruling General People's Congress (GPC) party maintains an absolute majority (238 seats in the 301-member lower house), opposition members can and do reject or delay action on major legislation introduced by the government.

Currently, opposition parties are protesting the composition of the Supreme Election Committee for Elections and Referendums (SCER), a quasi-governmental body responsible for overseeing elections. The tasks of this independent body include drawing constituency boundaries, engaging in voter education and registration measures, and ensuring that elections proceed according to the law. The SCER is composed of seven members appointed by the president from a list of 15 candidates nominated by the House of Representatives. Candidates must receive nominations from at least two-thirds of parliamentarians. Opposition members accuse the GPC of nominating Saleh loyalists to the committee's board.

If opposition parties are not satisfied with election preparations, there is a chance that they could decide to boycott, thereby depriving the government of legitimacy and international support. In August 2008, GPC members in parliament approved the membership of the SCER, keeping the old committee in place and adding 3 new members. The opposition refused to recognize parliament's actions and has called on its supporters to boycott the parliamentary review of the voter registration process. The U.S.-based National Democratic Institute (NDI) reportedly has advised Yemen to postpone the election until agreement with the opposition on the preconditions

and make-up of the electoral committee has been reached. On January 15, 2009, President Saleh reportedly met with Les Campbell, NDI's regional director for the Middle East and North Africa, and pledged that the upcoming elections will "transparent and impartial."<sup>22</sup>

On December 15, 2008, the U.S. State Department issued a press release on the 2009 election. According to the statement, "We are concerned that the lack of consensus and cooperation between the principal political parties in Yemen puts the successful execution of the elections at risk.... We call on all political parties in Yemen to return immediately to dialogue to reach a consensus on the procedures for the upcoming parliamentary elections that are consistent with recommendations made by international elections observers in 2006."<sup>23</sup>

## Foreign Relations

### Piracy and Instability in Somalia

As a failed state, Somalia is a source of hundreds of thousands of refugees who flee to Yemen each year over treacherous waters, and now a haven for pirates threatening the vital international shipping lanes of the Bab al Mandab strait, which oil tankers traverse carrying an estimated three million barrels per day. Yemen's ability to combat piracy close to its shoreline is extremely limited. Although the United States helped build Yemen's coast guard after the 2000 Cole attack, the country's shoreline is vast, and the number of patrol and deep water vessels in its fleet is limited. Though President Saleh has pledged to deploy 1,600 specially trained soldiers to fight piracy, in essence, the piracy issue is more of an opportunity for the Yemeni government to appear engaged to Western and fellow Arab states on an issue in which all parties have shared interests. While it is possible that Yemen could secure additional pledges of foreign support in the name of combating piracy, it also is possible that smugglers could be selling subsidized Yemeni diesel in East African markets where pirates refuel, though this is merely speculation without open source confirmation.

### Relations with the Gulf Cooperation Council (GCC)

Yemen desires to join the 24-year-old Gulf Cooperation Council (GCC), a sub-regional organization which groups Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman in an economic and security alliance. GCC members have traditionally opposed accession of additional states. Currently, Yemen has partial observer status on some GCC committees, and observers believe that full membership is unlikely. Others assert that it is in the GCC's interest to assist Yemen and prevent it from becoming a failed state, lest its instability spread to neighboring Gulf countries. In November 2006, an international donors' conference was convened in London to raise funds for Yemen's development. Yemen received pledges totaling \$4.7 billion, which are to be disbursed over four years (2007-2010) and represent over 85% of the government's estimated external financing needs. Much of these pledges came from Yemen's wealthy Arab neighbors.

<sup>22</sup> Open Source Center, "President Saleh Meets NDI's Director," *Sanaa SABA Online in English*, January 15, 2009, p. Document ID# GMP20090115950026.

<sup>23</sup> Robert Wood, Deputy Spokesman, *Yemen: Parliamentary Elections*, U.S. State Department, Washington, D.C., December 15, 2008.

The impediments to full GCC membership are steep. Reportedly, Kuwait, still bitter over Yemen's support for Saddam Hussein during the first Gulf War, has blocked further discussion of membership. Meanwhile, Yemen needs to export thousands of its workers each year to the Gulf in order to alleviate economic burdens at home. Foreign remittances are, aside from oil exports, Yemen's primary source of hard currency.

## Arab-Israeli Conflict

Yemen has usually followed mainstream Arab positions on Arab-Israel issues, and its geographic distance from the conflict and lack of political clout make it a minor player in the peace process. Yemen has not established any bilateral mechanism for diplomatic or commercial contacts with Israel. The Yemeni Jewish community (300 members) continues to dwindle, as many of its members emigrated to Israel decades ago. On December 11, 2008, Moshe Nahari, a Jewish teacher, was murdered in a market in Raidah, home to one of the last Jewish communities in Yemen. After the attack, President Saleh pledged to relocate Yemeni Jews to the capital.

Yemen supports the Arab Peace Initiative, which calls for Israel's full withdrawal from all occupied territories and the establishment of a Palestinian state in the West Bank and Gaza Strip in exchange for full normalization of relations with all Arab states in the region. In the spring of 2008, President Saleh attempted to broker a reconciliation agreement between the competing Palestinian factions Hamas and Fatah. During a March meeting in Sana'a, Palestinian representatives from both groups signed a declaration (the Sana'a Declaration) calling for the creation of a national unity government, but the talks fell apart over the issue of Hamas's role in a unified Palestinian Authority.

## U.S. Relations and Foreign Aid

Traditionally, U.S.-Yemeni relations have been tepid, as the lack of strong military-to-military ties, commercial relations, and support of President Saleh has hindered the development of strong bilateral ties. During the early years of the Bush Administration, relations improved under the rubric of the war on terror, though Yemen's lax policy toward wanted terrorists has stalled additional U.S. support.

Yemen continues to harbor a number of Al Qaeda operatives and has refused to extradite several known militants on the FBI's list of most wanted terrorists. (Article 44 of the constitution states that a Yemeni national may not be extradited to a foreign authority) According to a report in the *Washington Post*, three known Al Qaeda operatives (Jamal al Badawi, Fahd al Quso, and Jaber A. Elbaneh), sought under the FBI's Rewards for Justice program, are in Yemen.<sup>24</sup> Before his incarceration, Elbaneh was roaming freely on the streets of Sana'a despite his conviction for his involvement in the 2002 attack French tanker *Limburg* and other attacks against Yemeni oil installations. In 2003, U.S. prosecutors charged Elbaneh in absentia with conspiring to provide material support to a foreign terrorist organization. One expert, Ali H. Soufan, a former FBI supervisory special agent, argues that "If Yemen is truly an ally, it should act as an ally. Until it does, U.S. aid to Yemen should be reevaluated. It will be impossible to defeat Al Qaeda if our

<sup>24</sup> "Bounties a Bust in Hunt for Al-Qaeda," *Washington Post*, May 17, 2008.

“allies” are freeing the convicted murderers of U.S. citizens and terrorist masterminds while receiving direct U.S. financial aid.”<sup>25</sup>

## Yemenis in Guantanamo Bay

As of November 2008, 101 Yemeni prisoners were still being held at the U.S. military prison in Guantanamo Bay, Cuba. Among this group, four men have been charged ;two have been convicted in military commissions and two are charged with war crimes for participation in the September 11, 2001, terrorist attacks. According to one report, “The remaining 97 are an eclectic group of intentional unrepentant combatants and accidental warriors.... Yet separating the detainees into two groups and determining where different individuals fall on a spectrum of past and potential violence is a nearly impossible task.”<sup>26</sup> In December, Salim Hamdan, who was convicted in August of aiding Al Qaeda and sentenced to five and one-half years in prison, was released and handed over to the Yemeni authorities. He was returned to Yemen and subsequently released after serving the remainder of his sentence. Among those held at Guantanamo who have not been charged are the brother of the deputy commander of Al Qaeda in Yemen.

What to do with the remaining Yemeni prisoners is a subject of debate within the United States government. The Yemeni government has a poor track record of keeping known terrorists with U.S. blood on their hands in prison, as President Saleh has instead opted to negotiate with hardened militants in order to use them against more lethal Jihadists or to secure pacts of non-belligerence from Al Qaeda affiliates.

On January 22, 2009, President Obama signed a series of executive orders to close the U.S. detention facility at Guantanamo Bay, Cuba. With Yemenis composing nearly 40% of the remaining prison population, U.S. policymakers will now be tasked with reviewing their individual cases. According to initial reports, “listed options include repatriation to their home nations or a willing third country, civil trials in this country, or a special civil or military system.”<sup>27</sup>

The Yemeni government is pressing U.S. officials to fund a rehabilitation program for prisoners, similar to a Saudi Arabian government program that uses clerics and social support networks to de-radicalize and monitor prisoners. Between 2002 and 2005, Yemeni Religious Affairs Minister and Supreme Court Justice Hamoud al-Hittar ran an unsuccessful “dialogue” program with Yemeni Islamists in which he attempted to convince prisoners that Jihad in Islam is for defense, not for offensive attacks. More than 360 militants were released after going through the program, but there was almost no post-release support, such as helping the detainees find jobs and wives, key elements of the Saudi initiative. Several graduates of the program returned to violence, including three of the seven men identified as participants in the September bombing of the U.S. Embassy in Yemen. Other observers have suggested funding a Supermax-type prison in Yemen, though costs are uncertain, and there is little U.S. faith in the Yemeni authorities’ ability to maintain security.

<sup>25</sup> “Coddling Terrorists In Yemen,” *Washington Post*, May 17, 2008.

<sup>26</sup> Gregory D. Johnsen and Christopher Boucek, *The Dilemma of the Yemeni Detainees at Guantanamo Bay*, Combatting Terrorism Center at West Point, CTC Sentinel Volume 1, Issue 12, November 2008.

<sup>27</sup> “Obama Orders Guantanamo’s Closure Within a Year,” *Washington Post*, January 22, 2009.

## U.S. Foreign Aid to Yemen

Over the past several fiscal years, Yemen has received on average between \$20 and \$25 million annually in total U.S. foreign aid. For FY2009, the Administration has requested \$28.2 million in assistance for Yemen, an increase from its \$20.7 million aid package in FY2008. Between FY2006 and FY2007, Yemen also received approximately \$31.5 million from the U.S. Department of Defense's Section 1206 account. Section 1206 Authority is a Department of Defense account designed to provide equipment, supplies, or training to foreign national military forces engaged in counter-terrorist operations. The primary recipients of the 1206 support are the Yemeni Special Operations Forces [YSOF], the Yemeni Army 11th Brigade, and the Yemeni Ministry of Defense's primary logistics support command known as the Central Repair Base.

U.S. economic aid to Yemen also supports democracy and governance programming. For almost five years, the National Democratic Institute (NDI) has run programs in Yemen's outlying provinces to support conflict resolution strategies designed to end revenge killings among tribes.

In November 2005, the Millennium Challenge Corporation (MCC) suspended Yemen's eligibility for assistance under its threshold program, concluding that, after Yemen was named as a potential aid candidate in FY2004, corruption in the country had increased. Yemen became eligible to reapply in November 2006 and had its eligibility reinstated in February 2007, nearly six months after it held what some observers described as a relatively successful presidential election.

Yemen's threshold program was approved on September 12, 2007. However, after reports of Jamal al Badawi's release from prison surfaced a month later, the MCC canceled a ceremony to inaugurate the \$20.6 million threshold grant, stating that the agency is "reviewing its relationship with Yemen." Since then, there have been no reports on the status of MCC assistance to Yemen.

## Future Prospects

As President Obama and the 111<sup>th</sup> Congress reassess U.S. policy toward the Arab world, the opportunity for improved U.S.-Yemeni ties is strong, though recurring tensions over counter-terrorism cooperation and lack of U.S. interest in Yemen within the broader foreign policy community persist. On the security front, Yemen has been unwilling to extradite wanted militants, and it is doubtful that the new Administration could secure new pledges of cooperation on this issue.

Overall, U.S. policymakers face a series of difficult questions: should the United States engage the Yemeni government on security cooperation alone? Or, should U.S. policy focus on development and reform irrespective of the level of President Saleh's cooperation on counterterrorism issues? If the United States does increase its aid to Yemen, how much can the country realistically absorb given corruption and lack of infrastructure and security? Finally, if policymakers show an interest in Yemen, are there opportunities for cooperation and coordination with Saudi Arabia and the rest of the GCC on formulating strategies to support sustainable development in Yemen?

**Table I. U.S. Foreign Aid to Yemen**  
(current year \$ in millions)

<b>Aid Account</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009 Request</b>
Economic Support Fund (ESF)	7.920	12.000	2.777	—
Foreign Military Financing (FMF)	8.415	8.500	4.676	3.000
Development Assistance (DA)	—	—	7.796	21.000
Non-Proliferation, Anti-Terrorism, De-mining, and Related Programs (NADR)	1.441	3.751	4.034	2.525
International Military Education and Training (IMET)	.924	1.085	.952	1.000
<b>Totals</b>	<b>18.700</b>	<b>25.336</b>	<b>20.325</b>	<b>27.525</b>

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<http://wikileaks.org/wiki/CRS-RL34170>