Yemen and the business of war

Peter Salisbury says some are profiting from prolonging the conflict

Yemenis are masters of making do, and the civil war there has done little to dent their capacity for innovation. Sana’a, the capital, now has the greenest energy supply in the world, residents claim, because so much of its electricity is produced by solar panels. The country has all but run out of foreign currency but networks of Yemeni businessmen have been able to jerry-rig a surprisingly effective hawala or informal money transfer system that has allowed workers outside the country to send cash back home, for a fee.

Until recently traders and transport firms had to contend with tribal roadblocks, armed gangs and Al-Qaeda. But now, because so many of the militias earn income from taxing trade, security along the country’s roads is actually as good as it has ever been – as long as you aren’t a combatant involved in the wider conflict.

Several businessmen questioned for this article estimate that the cost of paying ‘tax’ at checkpoints and revenue posts established by Yemen’s rival governments increases the cost of goods by about 10-15 per cent. Wealthier Yemenis are able to absorb the costs, and clearly there is still some money left in the country: as The Economist has reported, while a cholera epidemic rages in the midst of one of the world’s worst humanitarian crises, the Sana’a branch of Baskin-Robbins remains plentifully stocked with ice cream transported to the capital in refrigerated lorries.

The fact that goods still crisscross the country is broadly good news. But there is a darker side to Yemen’s war economy. A businessman, who asks not to be named, says he can get ‘pretty much anything’ from Jebel Ali port in Dubai to Sana’a within 48 hours, 72 if there is fighting along the way. Other goods are being shipped in to ports in Oman, which sits between the United Arab Emirates and Yemen, and from southern and western Yemeni ports, and receive even less scrutiny, as long as the right palms are greased.

Of course, the businessman says, he has nothing to do with bringing arms or other illicit items into the country – but he is sure that others are feathering their nests by doing a little gun-running.

The men guarding the checkpoints along the way rarely search the contents of lorries and are sometimes actively discouraged from doing so by their leaders. The studied disinterest of the average checkpoint guard, argues a Yemeni researcher, is part of a wider trend that has gone largely unremarked upon. ‘All the armed groups, the guys with guns, the politicians in Sana’a and Riyadh, they are actually profiting from the war,’ the researcher says. ‘Diplomats from the West look at the war and the humanitarian crisis and they think they must want it to stop. But big money is being made and if the war ends the money stops. So why stop now?’

My current research on Yemen’s civil war, to be published in a paper for Chatham House later this summer, asks much the same question: why stop? Diplomats working on Yemen and other similar conflicts tend to insist that the different groups involved in these wars must see the benefit of ending the conflict and working together for a peaceful and sustainable future. But the more I speak to Yemenis with insight into the thinking of politicians and armed groups involved in the conflict, the less convinced I am by the diplomats’ optimism.

With the front lines of the Yemen war largely static for the better part of two years, and previously marginal groups now in control of swaths of territory including lucrative trade routes, the incentives for many militia leaders point to sustaining the
conflict — especially since most groups operating on the ground have not been asked to participate in Yemen’s UN-led peace process.

Yemen’s internationally recognized government spends much of its time outside of the country. The President, Abd Rabbu Mansour Hadi, who was ousted in early 2015, is based in Riyadh, the capital of Saudi Arabia, rather than Aden, the southern port city he named as the seat of government after fleeing Sana’a in early 2015. The Hadi administration is said to be happier living in the Saudi-funded comfort of Riyadh than in Aden, where the situation is volatile. They have little in the way of skin in the game, although Hadi allies are said to be profiting from monopolies on fuel supply into Aden, one of the few cities they nominally control.

Then there is the odd-couple alliance that controls much of northwestern Yemen. The Zaydi Shia rebels, called Houthis after the movement’s late founder, Hussein al-Houthi, seized Sana’a in September 2014 before expanding into the rest of Yemen. It soon became clear that they had the backing of military units loyal to former president Ali Abdullah Saleh. Once Hadi had fled the capital, the Houthis formed an uneasy political alliance with Saleh’s former party of government, the General People’s Congress.

GPC members have witnessed the rapid destruction of a state they helped build — along with personal fortunes tied to the country’s now-shattered economy. They would like the war to end, but not if it means Hadi and the Saudis rule the roost — nor if their Houthi partners, whom many privately revile, come out on top.

For Houthi militia leaders, however, the war has been a path to expanding power and wealth. Many of the group’s commanders started off as penniless rebel fighters in the Houthi heartlands of Sa’dah in the early 2000s. After the Houthis seized Sana’a, the United Nations announced sanctions against their leader, Abdel-Malek al-Houthi, and their top-ranking military commander, Abu Ali al-Hakem. Neither man, it was said at the time, had a bank account or a mobile phone contract. “Can you sanction play-as-you-go credit?” a Houthi supporter joked.

Today, men such as Abu Ali, barely out of his teens when the Houthi rebellion began and accustomed to a life of war and economic privation, now control militias thousands of men strong across a number of provinces and earn their own cash. It is hard to believe that the Houthis’ military leaders feel that they are losing, particularly the movement’s more religiously motivated members, who genuinely see their path as divinely mandated.

Elsewhere in the country, the local government that controls southern Hadramawt Province is making so much from taxing goods entering Mukalla port that it can pay for infrastructure repairs, basic medical services and electricity, albeit with a little help from the UAE. In Marib, in central Yemen, the governor, an important tribal leader, has been able to fund services by selling bottled gas produced at an oilfield in the province.

While money made in such ways is not enough to prevent Yemen’s poor from inching towards famine, it does provide the resources needed to keep the different militia and political leaders in power. That is problematic because the UN-mediated peace process calls for the Houthi-Saleh alliance to cut a deal with President Hadi’s faction and form a ‘unity’ government, which would almost certainly demand that revenues from taxation and oil and gas sales go to Sana’a. That is likely to be a non-starter for many local groups, who have little love and less trust for the Hadi government, the Houthis or Saleh. And this is before they are asked to give up their guns.

There is a bigger problem though: despite the humanitarian crisis, the current set-up seems to suit most parties, to the extent that they would appear to be quietly cooperating with one another. Fuel imported to Mukalla is transported knowingly to Sana’a. Guns provided to anti-Houthi-Saleh fighters on the ground are sold to the other side.

In Mareb Province, the main highway is cut by a front line, as you might expect in a war zone. But on another, less well maintained road to the south, lorries drive through pro and anti-Houthi checkpoints a mountain pass apart. The war economy has evolved into a system that, for those with guns, is sustainable as long as the status quo is maintained.

This is not to say that Yemen’s civil war has just become cover for cosy cooperation between future cronies. Heavy fighting is still taking place in Taiz city and Al Beidah province. Yet neither battle is likely to be decisive. So the Hadi government and the Saudi-led military coalition that backs it increasingly see the economy as the only way they can gain leverage over the combined military might of the Houthi-Saleh alliance.

In September 2016, President Hadi said that he was moving the headquarters of the Central Bank of Yemen from Houthi-Saleh held Sana’a to Aden. The stated reason was that the rebels had been looting the bank’s supplies of riyals and dollars. But western governments had warned that removing the central bank, and losing its stock of well-trained technocrats, would disrupt the economy and deepen the humanitarian crisis. Many observers wonder if this was not part of the plan.

Since late 2016, the Saudi-led coalition has been considering a military offensive against the Houthi-Saleh controlled port of Hodeidah on Yemen’s west coast. The coalition says that it wants the port because the alliance is using it to bring in Iranian weapons. But it is hard not to see the move as an attempt to squeeze the rebels economically and force them to agree to a peace deal favourable to the Hadi government. About 70 per cent of the country’s imports come in through Hodeidah and aid agencies predict famine if the port is out of commission for more than a few days, while military planners think a successful offensive would last for a few weeks.

The problem is that the Houthi-Saleh alliance can probably survive on the goods that come in overland by lorry. In fact, if Hodeidah is cut off, road traffic is likely to increase exponentially and with it income from checkpoints and the customs collection. ‘The Houthis will survive and the Yemenis will starve,’ the Yemeni analyst says ruefully.

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