

Will Roadmap Reinforce the Imbalanced Power in Yemen?

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Introduction

On July 23rd, the Yemeni government and the armed Houthi group informed the UN envoy's office of reaching an agreement known as the "Economic De-escalation Agreement". This agreement is supposed to end the economic conflict that has escalated since the beginning of current year between the Houthis and the government regarding the "Central Banks" and the "National Airline".

The agreement also revives discussions about a UN-sponsored peace roadmap, which the Houthis and Saudi Arabia broadly agreed upon at the end of last year. However, progress on this roadmap was disrupted by the Yemeni Houthi group's attacks in the Red Sea and by interventions from the United States. The U.S. fears that the Houthis, after being re-listed as a Specially Designated Global Terrorist (SDGT) group in January, could gain additional funds. The U.S. has conditioned the Houthis' de-listing on their cessation of Red Sea attacks.

The Houthis have accused the United States and Saudi Arabia of indirectly [encouraging](#) the Yemeni government to use the Central Bank of Yemen to isolate commercial banks in Houthi-controlled areas from the international banking system. This move could significantly reduce the group's annual revenue of \$2 billion, derived from taxes and customs. In response, the Houthis initiated a campaign of threats against Saudi Arabia, [publishing aerial photos](#) and coordinates of its ports and airports as potential targets. [The group's leader issued](#) a stark warning, stating "bank for bank, Sana'a airport for Riyadh airport." To demonstrate their capabilities, the Houthis launched a previously unannounced drone attack on Tel Aviv, resulting in the death of one Israeli and injuries to others. In retaliation, Israel conducted airstrikes on Hodeida port, leading to over 100 Yemeni casualties.

These developments raise several critical questions: What is the nature of this agreement? How will this new agreement impact the already imbalanced power dynamics between the Houthis and the internationally recognized government, particularly now that the latter seems to have exhausted its options? What are the future prospects for the peace roadmap under the "Economic De-escalation Agreement"?

Main Turning Point in the War

When the Houthis overran Sana'a in 2014, they seized control of all state institutions, including the Central Bank. This enabled them to manage all financial transactions related to trade, humanitarian aid, and monetary transfers. They imposed a range of non-monetary and [ideological policies](#), along with levies, and launched a war on [the private sector](#) and commercial banks. This led to economic collapse and a sharp decline in financial transactions within areas under their control.

Since the Yemeni Central Bank's headquarters relocated from Sana'a to Aden in 2016, the country's financial and banking system has been divided. The situation worsened in 2019 when the armed group in Sana'a declared that currency printed by the Yemeni government after 2017 would no longer be accepted. This created a dual currency system, with the dollar reaching 1,900 Yemeni Riyals in Aden by July and 530 Riyals in Sana'a.

In October 2022, the Houthis imposed a ban on oil exports from government-controlled areas, demanding that salaries for employees in Houthi-controlled areas be paid. This move increased internal pressure on the group, particularly after the ceasefire, as they threatened and attacked ships and ports that attempted to approach. This effectively halted the government's primary source of revenue. By April 2024, the government's losses amounted to approximately [around \\$2 billion](#), forcing it to rely on [Saudi financial grants](#) to manage its budget. In March, the Houthis introduced a new coin, further complicating the issue.

At the beginning of this year, the Central Bank, leveraging its status as an internationally recognized institution, took a series of legal measures aimed at ending the dual financial system and currency within Yemen. It decided to cease dealings with currency printed before 2016, imposed a unified money transfer network under its supervision, and required commercial banks to relocate their headquarters to Aden (see the timeline below). These actions coincided with the United States designating the Houthis as terrorists and pressuring the group to cease their attacks in the Red Sea, which included efforts to cut off their revenue and sources of foreign currency. These measures marked a significant turning point in the war, with the potential to rebalance the power dynamics between the Houthis, who rely on brute force, and the government, which holds international legitimacy.

The Central Bank's actions in Aden came at a time when Yemen's foreign currency reserves were rapidly dwindling due to the halt in oil export revenues [widespread concern](#) and significantly disrupted the financial and banking sectors, as well as money transfers across the country. Clients, traders, and importers faced difficulties in accessing their deposited funds in banks located in Houthi-controlled areas, leading to disruptions in transfer channels. A severe shortage of US dollars ensued, prompting dozens of contractors with international organizations to protest in front of commercial banks that [failed to deliver](#) their deposited funds in dollars.

Timeline of the Central Banks Crisis

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October 2022	The Houthis launched attacks on oil ports in government-controlled areas, demanding an agreement with the government to allow oil exports and establish a mechanism for paying the salaries of all public employees in Houthi-controlled territories.
March 2023	The Houthis enforced anti-usury laws, which disrupted the operations of the Central Bank and limited access to liquidity, prompting depositors to withdraw their funds without earning interest.
January 2024	The United States designated the Houthis as terrorists, leading to the suspension or cessation of numerous international transactions in sanctioned areas. This designation severely impacted financial activities within the territories controlled by the armed group. The Houthis' continued control over financial regulations and transfers also affected financial activities in areas under the internationally recognized government's control.
February 2024	Tensions escalated with the launch of the Unified Cash Transfer Network (UNMONEY) by the Central Bank in Aden, which was established as the exclusive channel for money transfers from government-controlled areas. In June, money transfers from government areas to Houthi-controlled territories were suspended.
March 2024	The Central Bank in Sana'a announced the issuance of a new 100-riyal metal coin to replace old currency notes.
March 2024	To address foreign currency shortages, the Central Bank in Sana'a also banned receiving the incoming remittances in dollars from abroad.
March 20, 2024	The Central Bank in Aden ordered the financial institutions and exchange companies not to engage with five major banks, a decision later revoked by the end of March.
March 21, 2024	The Central Bank in Sana'a similarly banned dealings with exchange companies in government-controlled areas but eventually rescinded this decision.
April 2, 2024	The Central Bank in Aden included ordering all commercial, Islamic, and microfinance banks to relocate their headquarters to Aden.
May 23, 2024	The Central Bank in Aden affirmed the exclusive handling of incoming foreign transfers through licensed companies, and ensuring beneficiaries receive their money in the currency sent.
May 30, 2024	The Central Bank in Aden directed the return of old banknotes printed before 2016 to its main office in Aden
May 30, 2024	The Central Bank of Yemen in Aden issued a directive requesting six major banks to suspend operations in Houthi-controlled areas.

May 31, 2024	The Central Bank in Sana'a imposed a ban on transactions with 13 banks operating in areas controlled by the internationally recognized government.
June 20, 2024	The Central Bank in Aden prohibited travelers from carrying foreign currencies and pre-2016 banknotes into Houthi-controlled areas, imposing a limit of 200,000 Rials for both entry into and exit from government-controlled territories.
June 26, 2024	The Central Bank in Aden banned transactions with unlicensed electronic payment companies.
June 26, 2024	The Central Bank in Aden completely and permanently halted operations of local financial transfer networks owned by banks, financial institutions, and currency exchange companies in the country. Now, all transfers must go through the Unified Financial Network.
July 8, 2024	The Central Bank in Aden revoked the licenses of six major banks operating in Houthi-controlled areas and requested the formation of joint committees to oversee their liquidation.
July 10, 2024	At the Central Bank's request, the SWIFT banking system notified the six banks to disconnect within two weeks.
July 10, 2024	The UN envoy sent a letter to the Presidential Leadership Council, requesting a postponement of the Central Bank's decisions.
July 12, 2024	The Presidential Leadership Council acknowledged the envoy's request to defer the decisions.
July 13, 2024	The Houthis rejected the postponement, demanding the cancellation of the decisions. They also refused mediation by the UN envoy and declined to engage in dialogue.
July 13, 2024	The Presidential Leadership Council informed the Central Bank Governor to reverse the decisions; but, he refused to cancel decisions and threatened to resign.
July 13, 2024	The Leadership Council held meetings and discussions to persuade the Central Bank Governor to reconsider his stance.
July 13, 2024	The Banking Supervision Sector at the Central Bank was informed of the decision's suspension.
July 15, 2024	Mustafa Rajeh, the deputy head of the Banking Supervision Sector, resigned.
July 17, 2024	The resignation of the Central Bank Governor.
July 11-20, 2024	The Houthis received indications through open channels with Saudi Arabia that efforts were being made to compel the government to reverse its decisions.
July 23, 2024	The office of the Special Envoy announced an agreement between the government and the Houthi group to "de-escalate and cancel the banking measures with assurances that such actions would not recur in the future".
July 23, 2024	The Presidential Leadership Council rejected the resignations of the Central Bank Governor and the deputy head of the Banking Supervision Sector. The six banks in Sana'a later
July 24, 2024	received a message from the SWIFT system confirming that the Central Bank in Aden had canceled its directive.

Situation of Yemeni Banks and UN Envoy Interventions

Since 2016, [the Central Bank](#) in Aden has held international “legitimacy,” enabling it to isolate the Houthis from the global financial system. However, commercial banks in Yemen have struggled to relocate their headquarters to Aden. This is largely due to the armed Houthi group’s control over these banks in Sana’a, where most of their internal investments and funds are tied up in treasury bills. The Houthis have threatened to liquidate the banks, confiscate their assets, and arrest employees if they attempt to move their operations outside of Sana’a.

The Houthis have a notorious track record of confiscating assets and properties from their opponents, selling and liquidating them. They recently reinforced this message by seizing control of two pharmaceutical and industrial companies, Modern Pharma Company and Global Pharma Company, in Sana’a. In June, after these companies decided to relocate their headquarters to Aden, the Houthis kidnapped their managers.

The UN envoy, who sent a message to the Yemeni government on July 10th, has been accused of providing political cover to push through an agreement. Despite these accusations, the United Nations has been working since 2016 to mitigate the impact of Yemen’s divided financial system. Earlier this year, the UN warned about the negative effects this division is having on the country’s economy and trade, particularly on the population’s access to food in Houthi-controlled areas.

However, the Central Bank’s decisions have nearly succeeded in isolating the Houthis and freeing banks, financial regulations, and transfers from the group’s control. The Houthis are now considering a long-term liquidity crisis as a countermeasure. This situation could have enabled the internationally recognized government to achieve a balance of power with the Houthis, using its last remaining leverage before going to negotiations for a roadmap under UN auspices.

This scenario is reminiscent of the Stockholm Agreement of 2018, which halted the Yemeni government and coalition’s offensive on Hodeida port due to concerns about disrupting aid. However, the agreement, which required the Houthis to withdraw from the port and allocate its revenues to public sector salaries, was never implemented.

Moreover, the agreements of 2024 and 2018 share similarities in that they both ultimately maintain the power in favor of the Houthis. Both agreements are characterized by ambiguous and vague language that delays addressing core issues. Although UN envoy Hans Gruenberg has stated that his goal is to unify the Central Bank and the Yemeni banking sector, the wording of the agreement raises several concerns:

-“Canceling recent decisions and measures against banks by both sides”: This phrase is unclear as it does not specify what is meant by “recent” or the dates of those measures. If the unification of the Central Bank is excluded, does this refer to the Houthis’ 2019 decision to stop dealing with currency printed after 2016, the 2023 Houthi enactment of the usury transactions law, or the Central Bank of Aden’s February 2024 measures to regulate the financial and banking sector?

“Calling to stop any similar future actions”: This phrase is vague as it does not specify what actions are to be avoided. Any party could undertake regulatory measures that might be considered a breach of the agreement, even if they are minor.

- ““Resuming Yemenia flights between Sana’a and Jordan and increasing daily flights to three, and operating daily or as-needed flights to Cairo and India”: There is no mention of the four Yemenia planes held by the Houthis at Sana’a airport. Will the flights use these planes, or the remaining Yemenia aircraft?

- “Starting meetings to discuss all economic and humanitarian issues based on the roadmap”: This clause assumes that the “roadmap” is agreed upon and signed by both parties. In early July, the Saudi Foreign Minister stated that “the roadmap is ready, and we hope to sign it.»

Saudi Arabia’s Desire to End the War in Yemen

The Yemeni Presidential Leadership Council supported the decisions of Central Bank Governor Ahmed Ghalib, and demonstrations in favor of these decisions took place. However, there were accusations against Saudi Arabia of pressuring its allies, despite official statements to the contrary. A Yemeni government source told the researcher, “The recent decisions were made by the Central Bank without the knowledge of the Presidential Leadership Council, which is careful not to make decisions that affect people’s economic situation.»

For a long time, Saudi Arabia has been striving to end the war in Yemen and has been willing to engage in direct negotiations with the Houthi rebels, avoiding the risk of returning to war. The Kingdom, which led the internationally recognized coalition supporting the Yemeni government for eight years, is now focusing on becoming a mediator to end the war and get rid of its consequences. During the past two years there were negotiations with the Houthis, resulting finally in a “roadmap”. Although the Yemeni government did not participate in the talk, the United Nations has been communicated regarding this proposed roadmap.

Facing challenging choices due to the significant advancement in the military capabilities of the Houthis since 2015, with Iranian assistance in advanced weaponry, Saudi Arabia is reluctant to confront the Houthis and Iran in a highly volatile situation. This was most evident days before the signing of the “de-escalation agreement” when the Houthis sent a drone nearly 2,000 kilometers (1,242 miles) from Yemen to the heart of Tel Aviv. Moreover, the lack of confidence in the U.S. leadership supporting Israeli occupation and refusal to sign a mutual defense agreement similar to the one with Japan adds complexity to the situation. With uncertainties about the future U.S. policy towards Iran under a potential President Donald Trump after the upcoming November elections, Saudi Arabia is cautious about implementing the roadmap.

Additionally, the Saudis are reluctant to implement the roadmap under a US administration expected to see Donald Trump as President after the upcoming November elections. Predicting Trump’s policy towards Iran and its proxies in the region is extremely difficult. Although proceeding without US approval and conflicting with their measures to dry up Houthi revenues is not new for Saudi Arabia, which has shifted its foreign policy over the past two years, from its positions in OPEC to its stance on the Russian war in Ukraine, or regarding its relationships with Iran, China, and Russia.

The global geopolitical situation appears highly turbulent; there is an ongoing trade war that may worsen if Trump is re-elected. The Houthis could become embroiled in this increasing turmoil if Russia decides to support them with advanced missiles, a move Saudi Arabia previously prevented in [Vladimir Putin's plans](#) to arm the group. This could have all sorts of consequences for the Gulf region. Saudi and Gulf politicians believe that the Houthis and Iran are present in the region and must be dealt with.

In the Gulf, there is a perception of American deterrence failure in dealing with Iran and the Houthis in the attacks on Saudi oil facilities in 2019 and Abu Dhabi in [2021](#). There is also a concern about [US and Western failure](#) in addressing Houthi attacks in the Red Sea.

Therefore, stakeholders must mitigate the security threats in this ever-changing geopolitical and geo-economic context, akin to obtaining an insurance policy by quelling neighboring threats and building good relations with Russia and China.

Impact on the Balance of Power

The “de-escalation” agreement reveals the difference in priorities between external powers and the internationally recognized government, as Saudi Arabia was accused of pressuring its allies to back-track on the measures related to “Yemeni sovereignty” and the sovereignty of the Yemeni financial center. [Reports indicate](#) that Saudi Arabia is worried to implement economic actions against the Houthis, fearing that it could provoke a war, leaving the government to face the Houthis alone.

Since the suspension of oil exports, the government and the Presidential Leadership Council have depended on Saudi support to manage their operational budget. In February 2024, [Saudi Arabia announced](#) \$250 million to cover the salaries, wages, and operational expenses of the internationally recognized government. As a result, the government is unable to engage in a war against the Houthis without Saudi backing.

The agreement exposes the government's weaknesses and the Houthis' influence through their enhanced military capabilities acquired during the war. We can point out some areas of impact of this agreement on the balance of power between the two parties:

- The economic decisions would have increased the government's advantage over the Houthis, but the lack thereof may undermine it.
- The Presidential Leadership Council needed to legitimize its existence by restoring the trust of Yemenis, and these decisions were a gateway/means to achieving that.
- The agreement widens divisions within the anti-Houthi camp and may lead to conflicts and an attempt by a single party to impose its authority on the decision, with the Leadership Council losing a card it could use to pressure the common enemy.

- The de-escalation agreement sparked disagreements within the Arab coalition, as the UAE was absent from the agreement. More than 24 hours after its announcement, Abu Dhabi issued a brief statement welcoming the agreement, avoiding mentioning Saudi mediation. Abu Dhabi was absent from the Houthi-Saudi consultations on the “roadmap” and repeatedly expressed dissatisfaction to Western diplomats and the United Nations about being ignored.
- The agreement undermines the independence of the central bank as a monetary authority – this was the government’s justification for transferring it to Aden in 2016. The central bank loses credibility with local banks and exchange facilities, undermining its organizational work, and pushes the war economy to operate more independently from their concerns about the central bank. This increases the central bank’s standing in Sana’a, managed by the Houthis, who wield power to carry out their ill-reputed threats.
- The agreement grants the Houthi group the ability to control Yemen’s financial and legal center externally. It undermines international recognition of the Yemeni central bank as the sole legitimate entity representing Yemen. Additionally, the agreement on flights from Sana’a Airport to new international destinations with passports issued by the Houthis grants them [legal recognition](#).
- The Presidential Council, excluded from the “Roadmap” negotiations, aimed to leverage international pressure on the Houthis and isolate them financially to secure concessions in the Roadmap. However, it found itself under pressure to commit to its goal of reaching an agreement with Ansar Allah (the Houthis), as announced in April 2022.
- From the outset of the Central Bank Governor’s measures in Aden to reform the country’s financial system, the Houthis accused the United States of standing behind that and initiating an “economic war” against the group, pressuring the Saudis to enforce it, due to their stance on the brutal Israeli war on Gaza. This reveals the tactics the Houthis will use to justify their wars and campaigns against their adversaries. Under these justifications and others, the Houthis might seize control of oil and gas fields in eastern Yemen from their opponents.
- Looking back at the Stockholm Agreement of 2018, this is the second time the Yemeni government has been praised for de-escalation and attempting to rebalance power in Yemen with the Houthis. In contrast, the international community has failed to extract similar concessions from the Houthis, leading to a significant imbalance of power in favor of the Houthis.
- The agreement serves as a reminder of how the Houthis use their threats as a political lever. This will shape the tactics of the Houthis in the upcoming phase.
- The agreement fortifies the Houthis against the financial isolation that the Americans sought to achieve with the group. If the United States wants to maintain its plans to isolate the Houthis from the global financial system, it may expedite efforts to fully designate the Houthis as a terrorist organization.

- Governor Ahmed Ghaleb's measures aimed to protect the Yemen's financial system, especially after the re-classification of the Houthis as a global terrorist group in January. Following the recent agreement, measures linked to the Houthis or suspected ties to Houthi finances may be part of international financial sanctions, particularly if the U.S. administration decides to designate the Houthis as a terrorist organization on par with Al-Qaeda.

The Prospects of the Roadmap and its Stages:

The “de-escalation” agreement, which significantly tilted the balance of power in favor of the Houthis, represents the nature of “Roadmap” agreement expected to be sponsored by the United Nations. This naturally reveals the status of both parties after years of ongoing war since 2014. The weak government, consisting of various parties and political and social entities, lacks sovereignty over its decisions to maintain its financial and legal centers of legitimacy. The armed Houthi group, presenting itself as a unified force, aims to transition from being a local power to a regional force competing with major world powers in the highly turbulent geopolitical landscape of the region.

Despite the undisclosed nature of the roadmap, and the unknown extent of modifications or signatures by the Houthis and the Yemeni government, reports at the end of last year indicated that it consists of four stages:

First Stage: - Building Trust

This stage includes:

- Complete cessation of military operations within Yemen and cross-border attacks.
- Full Re-opening of airports, particularly Sana'a Airport.
- Full lifting of restrictions on ports for maritime navigation.
- Re-opening all roads and crossings throughout the country's governorates.
- Payment of salaries to public sector employees (civilian and military personnel), initially paid by Saudi Arabia as a temporary measure, followed by funding from oil and gas exports.
- Release of all prisoners and detainees under the principle of “all for all.”
- Unification of the Central Bank of Yemen.

Second Stage: - Political Process and Forces

This stage includes:

- Launching a comprehensive Yemeni political process under the supervision of the United Nations and with the participation of all parties.
- Foreign forces beginning to withdraw from Yemen within a year as the political process commences.
- Yemeni parties discussing the status of military and security forces, determining the type, form, and numbers of forces that each party can temporarily retain.

Third Stage:

This stage involves negotiations on the form of the state and focuses on the southern issue.







Conclusion

The proposed peace roadmap represents a solution to end the war in Yemen, but it does not meet the ambitions of Yemenis for the future of their state. Instead, it merely postpones future conflicts by maintaining a dysfunctional Yemeni financial system that is problematic and troubling to global economies. Like the “de-escalation agreement” and the Stockholm Agreement of 2018, this roadmap primarily serves the vision and ambitions of the Houthis. The consultations that will follow are likely to be a prolonged process aimed at advancing the goals of the armed group. However, the Houthis are likely to breach the agreement, as they do not seek power-sharing. A Houthi leader has previously stated that “his group does not recognize the Presidential Leadership Council.»

Neutralizing Saudi Arabia is one of the Houthis’ strategic objectives before they move on to seize control of all provinces, starting with the oil-rich ones. Since the beginning of the ceasefire, the Houthis have repositioned themselves and recruited fighters, all with the aim of escalating their efforts to take control of the entire country. For the Houthis, remaining in a state of war is a survival strategy, and their ultimate ambition is to control all of Yemen to achieve a greater goal of becoming a significant regional power capable of challenging Saudi Arabia.



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