

Kuwait Programme on Development, Governance and Globalisation in the Gulf States

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June 2012

Number 23

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The Programme is funded by the Kuwait Foundation for the Advancement of Sciences.

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Council**

**Research Paper, Kuwait Programme on Development, Governance and
Globalisation in the Gulf States**

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Published in 2012.

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‘One Blood and One Destiny’?¹ Yemen’s Relations with the Gulf Cooperation Council

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Abstract

For years Yemen has been the poor, neglected relation of the Gulf Cooperation Council (GCC). Long-promised aid commitments from the GCC have not materialized because of concerns over Yemeni absorption capacity. However, Yemen’s ‘Arab Spring’ protests and political crisis pushed the GCC member-states to grant an unprecedented foreign policy role to the GCC Secretariat. GCC representatives came up with a credible transition plan for Yemen which eventually saw the departure of President Ali Abdullah Saleh and the holding of parliamentary elections at the beginning of 2012. But Yemen’s crisis has also highlighted a more long-term malaise in its relations with the GCC, namely an unwillingness to fulfil a commitment made in 2006 to extend GCC membership to Yemen. Despite the good work of the GCC in 2010 and 2011 to lessen tensions, Yemen’s political crisis may return with a vengeance if governance and the economic outlook of the country are not improved. Indifference is no longer viable; extremist and insurgent groups capitalizing upon and exacerbating weak governance in Yemen are a growing threat to the security of the Gulf. This report argues that Yemen must be given a realistic route to eventual accession to the GCC, not out of a sense of altruism on the part of the current member-states, but as a policy of enlightened self-interest.

1. HISTORICAL BACKGROUND AND REGIONAL CONTEXT

Yemen defies easy categorization. Situated on the strategically vital Bab al-Mandab straits where the Red Sea meets the Indian Ocean, Yemen has for centuries been a meeting place of diverse cultures and trade. Yemeni traders from the Hadhramaut became a byword for industry, founding trading posts along the coast of Africa and the Sultanates as far afield as southeast Asia. Today rulers as diverse as the emir of Abu Dhabi, the sultan of Oman and the sultan of Brunei claim descent from Yemeni families. Yet Yemen’s cosmopolitan ports and diverse coastal population have historically had an uneasy relationship with the country’s mountainous hinterland, still dominated by ancient tribal structures whose leaders have long feared the influence of outsiders. Yemen is often characterized as a ‘failed’ or ‘failing state’. Nevertheless, the patronage system presided over by President Ali Abdullah Saleh endured for almost two decades after reunification, until his removal from office in 2011 following a wave of protests and the loss of support among key tribal and military leaders. Saleh’s grip on the

¹ In a speech during Saudi Arabia’s war with Yemeni tribal insurgents the minister for defence, Prince Sultan bin Abdulaziz Al-Saud, is quoted as observing: ‘We did not seek or wish such things to be happened because what binds us with fraternal Yemen are common elements, shared history, one blood and one destiny’ (*Ain Al Yaqeen*, 2010).

country was steadily eroded by a decline in oil revenues, corruption, rising food scarcity and unemployment linked to a growing population (now at approximately 25 million). Patronage had been crucial to the longevity of the Saleh regime, but it has locked the country into a corrupt system which has proved impossible to reform. A critical question in 2012 and subsequent years will be how Yemen's leaders can reform the country's system of government to make it more efficient, while simultaneously maintaining support among tribes and other networks of influence that are accustomed to working within the old patronage template.

Yemen's problems are primarily seen in the West through the prism of a 'resurgent' Al-Qaeda, although many Yemenis are far more concerned about the impact of more conventional rebel movements in the south and north of the country. Although Yemenis easily make up the largest number of alleged terrorists to be incarcerated in Guantánamo Bay by the US government, Yemen also leads the Arabian Peninsula in terms of a robust civil society, political debate and human rights organizations. Yemen is ostensibly a republic, originally based upon quasi-secular institutions, yet the ascendancy of its more secular-leaning leaders has long been on the wane and today Sharia holds sway as the main source of jurisprudence.

Beguiling in its contradictions and intricacy, Yemen requires a nuanced approach from both its neighbours and interested Western countries. In responding to the 'Arab Spring' protests of 2011, the West has had to adapt to its very secondary role in Yemen compared to other external actors. In terms of political and economic leverage, all roads out of Yemen's woes lead through Riyadh, capital of Saudi Arabia and home to the Gulf Cooperation Council (GCC) Secretariat.²

In 2000 Saudi Arabia put an end to a long and acrimonious border dispute with Yemen, signing an agreement of cooperation. Subsequent years saw Saudi attention shift elsewhere as the Kingdom became more focused on dealing with other pressing problems, such as a domestic rise in terrorist attacks and, regionally, the US-led invasion of Iraq. Such neglect may not have been a deliberate policy choice: to a large degree it reflected the personality-led nature of Saudi governance and was therefore affected by the age and protracted illness of Prince Sultan bin Abdulaziz Al-Saud, the Saudi defence minister with a lead overall responsibility for Yemeni affairs. Despite Saudi Arabia's lack of interest in helping to resolve the myriad conflicts that were destabilizing Yemen, Riyadh was suspicious of attempts by another GCC member-state, Qatar, to intervene in a zone of influence it saw as

² The GCC is made up of Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates, with a secretariat based in Riyadh. The GCC is a loose political and economic alliance. However, its success has primarily been in the establishment of a common market.

its own. The disastrous consequences of the absence of a constructive Saudi and wider GCC policy in Yemen have only become apparent in the last decade or so, as Yemen became a base for attacks by a resurgent Al-Qaeda network on the Arabian Peninsula, and Saudi troops were attacked by Yemeni rebels angered at the military support being provided by Riyadh to Yemeni government forces.

More worryingly for Riyadh, it found itself unable to influence the internal power balance definitively as President Ali Abdullah Saleh's power ebbed away. This was a break with the decisive role played by the Kingdom in the past. Saudi officials were outraged that Saleh had tried to trick them into bombing his rival within the ruling elite, the military commander for the northwest, General Ali Mohsen al-Ahmar (Walker 2011). Despite receiving treatment in Riyadh for wounds sustained in an attack upon the presidential palace in June 2011, Saleh initially refused to leave power even in the face of repeated Saudi ultimatums. The escalating 'Arab Spring' protests, violence and fracturing of the Yemeni military along tribal lines deeply concerned Riyadh, and it was only after the most sustained pressure that Saleh finally resigned the presidency at the end of 2011, handing over power to his deputy, Abd-Rabbu Mansour Hadi, to preside over a transition process that will see the holding of elections and the writing of a new constitution. Hadi also faces the unenviable task of putting the military and other fractured pieces of the state apparatus back together, as well as getting the capital Sana'a and other key regional centres back to the business of government and commerce (Schmitz 2011). The transition process is part of a deal brokered by the GCC Secretariat in 2011, an unprecedented leap into foreign policy by an organization that has normally confined itself to economic affairs. As of early 2012 the deal has only just come into effect; the more complex, practical job of rebalancing power between military factions, tribal coalitions, Islamists and regional separatists in Yemen is still to come. The GCC has moved into uncharted territory, and its ability to wield collective foreign policy influence on behalf of its member-states will be tested as never before.

Although Yemen's political system is overtly republican, in the more populated north of the country the state's fragile legitimacy rests heavily upon religious and tribal structures. The current republic was founded in 1990 as a result of the unification of the Northern Arab Republic of Yemen (YAR), founded in the aftermath of the overthrow of the ruling Hamid al-Din dynasty in 1962, and the southern state, the Socialist People's Democratic Republic of Yemen (PDRY), which had been greatly weakened following years of internecine bloodletting and the collapse of its patron, the USSR. In its early days, the YAR modelled itself upon the anti-colonial but secular example of Gamal Abdel Nasser's Egypt, from which it drew much

of its support. The weakness of the south affected its bargaining position in the new unity government, and led to its main party, al-Hizb al-Ishtiraki (Socialist Party, YSP), being effectively shut out of power following elections in 1993. These elections resoundingly confirmed the predominant position of the north in the new state, despite previous power-sharing commitments. A brutal civil war followed in 1994, during which the government relied upon networks of recently returned *jihadi* fighters from Afghanistan to assist. The crushing of southern resistance led to a period of effective military occupation of the south by the Yemeni army which many southerners believe has never effectively ended; they accuse senior military figures close to the president of trying to run the local economy through the requisitioning of land and control of local industries (Stracke and Haidar 2010; Day 2010).

1.1. Yemen's economy: greed and grievance

Since the 1970s, in North Yemen and then later in the united Yemen after 1994, the Yemeni military has played a central role in the economy, initially through the Military Economic Corporation (MECO), later renamed the Yemeni Economic Corporation (YECO). The continued heavy involvement of the military in Yemen's economic affairs remains a source of considerable grievance, not least in the south (Dresch 2000: 208; Siddiqi 2007). Grievance within the military over the distribution of such largesse contributed to the splits that emerged during the rebellion of 2011. Opposition to the government is also exacerbated by the perception that the south has very little say in how the revenues derived from oil extraction there are spent, and that the north of the country receives a disproportionate share.

Nevertheless, despite the pre-eminent position of the military and other members of the regime in the national economy, the government has demonstrated some willingness to try and reform the economy, lowering a dangerously high inflation rate in the early 1990s, stabilizing the riyal for long periods and increasing foreign investment. Because of weak national integration, 'good policies at the national level can be undone by bad policies at the local and regional levels' (Ghoneim 2006: 6)

In the years prior to the 'Arab Spring' a number of plans to reform Yemen's economy were drawn up by the circle of young, Western-educated entrepreneurs linked to the former president's son and commander of the Republican Guard, Ahmed al-Saleh. These were often thwarted by rural tribal leaders whose interests are better served by old ways of patronage or who demand a large share of any ambitious economic project. One of the most significant failures in managing the economy, however, is the continued absence of a strong financial sector 'that can act as an intermediary between savings and investments' (Burgat and

Bonnefoy: 2009). The very fact that the country looked to Ahmed al-Saleh as a patron of entrepreneurs was indicative of a central problem: it is extremely difficult in Yemen to be successful without access to the power and wealth of the ruling elite. Today, the power of former President Saleh and his immediate family may have been eroded but the key tribal leaders with a traditionally powerful say in Yemeni politics are, if anything, in the ascendant. Their commitment to economic reform according to models promoted by the GCC, the World Bank and others cannot be taken for granted. Many of them thrive on monopolies, such as those on mobile technology, and are likely to oppose market liberalization.

The government of Yemen has been highly dependent upon oil and gas revenues in recent decades. However, the capacity of the government to use energy revenue for development projects has generally been limited, as wages and subsidies make up 80 per cent of government spending (MOPIC 2009). Worse, Yemen's very modest oil and gas reserves are running out: from 2006 to 2010 Yemen was running an annual deficit of over US\$2 billion due to a slowdown in oil production. Although oil constitutes 90 per cent of Yemen's total exports, the country's oil reserves are estimated at only 0.2 per cent of the global total (United States Energy Information Administration 2011; Economist Intelligence Unit 2009).

Economic development is a daunting task in Yemen. Over half the population is under the age of 15 and 40 per cent of children suffer severe levels of malnourishment. Illiteracy is widespread, affecting almost half of the adult population (World Bank 2009). Not only do almost two-fifths of the population live on less than two dollars a day; Yemen has long been one of the most ignored Least Developed Countries in terms of levels of international development and humanitarian aid assistance. Yemen imports almost all of its food because of a limited agricultural capacity – only 3 per cent of the country is deemed to be cultivable – but also because of the preponderance of the mild stimulant *qat* as a cash crop, and a water deficit that reached almost 1 billion cubic metres in 2010 alone (MOPIC 2009). Ambitious plans for greatly enhancing foreign direct investment, such as the Aden Free Zone, have failed to deliver because of the precarious security situation. Political unrest and terrorist violence have scared off prospective investors willing to take a risk in Yemen's notoriously poorly regulated economy. With a mounting unemployment problem in Yemen, in the short term there is no serious alternative to increased expatriate employment. The GCC is the obvious destination for young Yemeni migrant workers.

1.2. *The Yemeni threat to the Gulf*

GCC countries remain deeply ambivalent about the prospect of a new wave of Yemeni migrants. The threat from Al-Qaeda in the Arabian Peninsula (AQAP) was made even more apparent by the attempted suicide bombing attack upon the Saudi deputy minister for the interior, Prince Mohammed bin Nayef, in September 2009, and by shoot-outs between Saudi security forces and AQAP affiliates within the Kingdom. The governments of the GCC are aware of Yemen's important role within a diminished Al-Qaeda global network. Al-Qaeda's leading strategist, Abu Mus'ab al-Suri, a Spanish citizen of Syrian origin, in his *Call for a Global Islamic Resistance* noted that Yemen was the 'fundamental pillar' of *jihād* given the 'religious and economic factors which exist there'. Al-Qaeda is also deeply aware of the strategic importance of Yemen, including its proximity to Saudi Arabia and the hydrocarbon-rich Gulf states. Yemen's coastline also butts the narrow Bab al-Mandab straits of the Red Sea and the Horn of Africa, a vulnerability that may now be ripe for exploitation given the recent chaos wreaked on international shipping by Somali pirates (al-Suri 2007). Moreover, Yemen's history of violent conflict has left the country awash with weapons (a conservative estimate puts the number of small arms at 6–9 million in a country with a population of 25 million) as well as a plentiful supply of explosives (Miller 2003).

The tolerance of the Yemeni government towards some *jihadi* networks, as well as the partial turning of a blind eye towards the recruitment of Yemenis to fight against coalition troops in Iraq, has precipitated a 'blowback' effect as a younger generation of *jihadi* volunteers have now taken up a campaign of insurrection against the government in Sana'a (al-Jadabi, 2006; Johnsen 2006). Prior to his death in late 2011, the Yemeni-American militant cleric Anwar al-Awlaki sought to increase support for AQAP by speaking in favour of the protests that led to the demise of the Saleh regime. AQAP's leaders in turn are embedded within, and depend upon, Yemen's tribal system. Gulf leaders, most particularly in neighbouring Saudi Arabia, are acutely aware of the risk of future instability in Yemen feeding the strengthening of a group that still counts its support in hundreds rather than thousands of supporters (Finn 2011).

Inviting Yemeni nationals to move to the GCC may be a necessary part of reversing Yemen's decline, but hesitation on the part of GCC governments and its citizens to do so is evident. GCC states have their own unemployment problems, and deporting south and east Asian workers that are surplus to requirements is much easier than being seen to round up fellow Arabs. A striking symbol of the divergence of GCC policies towards Yemen is the construction of a security fence along the border with Saudi Arabia that is estimated to have

cost up to US\$3.5 billion, which contrasts with long-standing promises by the GCC to integrate Yemen as a full member (Peskin 2009). Yemenis increasingly feel ‘sealed off’, rather than bound more closely to their Arab neighbours.³

2. SAUDI ARABIA: A ‘SPECIAL RELATIONSHIP’

The United States and Europe have long been accustomed to being in the dark about Yemen. Many diplomats admit that they find its politics an impenetrable web of tribal alliances and grievance (Miles 1997). Trying to assess Saudi foreign policy towards its southern neighbour is a similarly daunting task. The term ‘foreign policy’ implies state-to-state relations in the conventional sense, rather than entrenched rivalries and exchanges within competing tribal confederations, which have been limited but not entirely extinguished by the imposition of a state system – with its accompanying ministries and bureaucracy – that is alien to traditional means of governance.

Today, following the attempted bombing of a US airliner on 25 December 2009 by a Nigerian suicide bomber with links to AQAP, Yemen has never been more important to the United States in terms of the ‘war on terror’ that the Obama administration continues to wage in all but name. US Secretary of State Hilary Clinton has referred to Yemen as ‘a top concern’ of US relations with the GCC (Kuwait News Agency 2010). Yemen will no longer be relegated to the bottom of the agenda in bilateral meetings between the United States or Europe and the GCC countries. An understanding of Yemen’s history with regard to its neighbours is, however, imperative to an informed discussion of what the GCC can do to mitigate Yemen’s decline.

There is an apocryphal story that while on his deathbed, the founder of Saudi Arabia, King Abdulaziz bin Abdulrahman Al-Saud, warned his sons that ‘the good or evil for us will come from Yemen’. Even if untrue, this tale underlines an essential component of Saudi Arabia’s relations with its southern neighbour: the fear of a possible threat emerging from Yemen. A wariness of Yemen was preserved until recent times by the minister for defence, Prince Sultan bin Abdulaziz Al-Saud, whose brother, the then Prince Faisal bin Abdulaziz Al-Saud, led an expedition to crush Yemeni claims to the territories of Najran and Jazin, raiding the heartland of Yemen before its ruler Imam Yahya reluctantly – and in his view temporarily – ceded these lands to Saudi Arabia in 1934. The question of the border demarcation soured relations between the two countries and hobbled Yemen’s prospects for GCC accession until President Saleh signed a border agreement with Prince Sultan bin Abdulaziz Al-Saud in 2000.

³ Interview with a senior Yemeni official, Sana’a, 17 August 2009.

Prince Sultan held the ‘Yemen portfolio’ from his appointment as minister for defence in 1962 until his death in late 2011. Sultan was critical to Saudi–Yemeni relations and his absence from Riyadh through illness for long periods in the years up until his death created a vacuum at a particularly inopportune time. This has only partially been filled by his son, Prince Khalid, and the increased interest of the king and his inner circle in Yemeni affairs. It was Sultan who engineered support for the deposed Imam Mohammed al-Badr in the 1960s, despite his family’s earlier wars with the imamate. The reason behind such an apparent *volte face* was simple: the republican revolution in Yemen ‘shook the political foundations of the Saudi regime’ (Gause 1990: 4).

2.1. Riyadh trumps Cairo

The military involvement of Nasserist Egypt in North Yemen from 1962 to 1967 in support of the republican cause had a severe knock-on effect in Saudi Arabia. Elements of the Saudi military appeared to be more loyal to Egyptian President Gamal Abdel Nasser than to the Al-Saud family, and four aircraft laden with supplies for the Yemeni royalists defected to Egypt. The indecision of King Saud in the face of such a threat ultimately led to his replacement as ruler by his half-brother Faisal. Eventually, Saudi Arabia and its Yemeni allies prevailed in bringing about a humiliating Egyptian withdrawal from North Yemen and establishing in Sana’a a regime with republican trappings (but dependent upon Saudi patronage).

Saudi Arabia was also caught off balance in the south of Yemen, where a disorderly British withdrawal from Aden and its Protectorates led to a takeover by a Marxist cabal supported by the Soviet Union. Riyadh wavered between military intervention and containment by providing support for those opposed to the government in Aden, eventually opting for the latter as a less expensive means of opposing a regime being quickly undermined by an evident lack of support for its brutal doctrinaire policies (Horton 2011). An invasion could have precipitated resistance, whereas in 1973 the Saudis were successful in pressuring North Yemen’s then prime minister to accept the permanent handover of the provinces of Asir, Najran and areas of Jizan –an unbearable loss of face to many Yemeni nationalists. The Saudi ambassador in Yemen became known as a second court of appeal if petitioners did not get satisfaction from the Yemeni government, and Riyadh convinced the United States to defer to Saudi leadership in shaping its relations with the YAR for much of the 1970s and 1980s.

Following the civil war in North Yemen, there were several attempts to break away from Riyadh’s influence by removing Saudi acolytes from government, not least by Yemen’s

civilian president, Abdul Rahman al-Eryani. However, these proved futile as long as Saudi largesse held sway over a sufficient number of tribal groups. In 1979, the youthful president of North Yemen, Ali Abdullah Saleh, who was in a precarious position following the assassination of his predecessor and fellow officer Ibrahim al Hamdi, tried to secure support from the Soviet Union to ease his reliance upon Saudi patronage and advance his aim of unity with the South. Riyadh's response was swift and unambiguous, including encouraging tribal unrest and threatening to cut off all aid to the government in Sana'a. President Saleh was given a salient lesson in the limitations of his power. The weakness of the Yemeni state during the 1970s and 1980s, its inability to collect taxes, and the continued pre-eminence of Riyadh-influenced tribes in much of the country meant that the government in Sana'a became increasingly dependent on Saudi aid. Even in the late 1980s, this was estimated at US\$60–80 million per annum to the YAR alone (Gause 1990: 26).

2.2. The limitations of Yemeni independence

The momentum of events leading up to Yemeni unification in 1990 appears to have caught Saudi Arabia by surprise. The PDRY was an irritant to a Western-aligned Saudi Arabia and a Marxist abomination to its conservative founders, but residual fears of an even greater threat possibly emanating from a united Yemen meant that Saudi Arabia ultimately preferred to see the country carved into two or more pieces. Ultimately this opposition was overcome by events, not least the end of the Cold War. If unity was Saleh's lasting act of defiance to Riyadh's wishes, his optimism for a new beginning was to be short-lived. Yemen had the misfortune to be the only Arab state on the Security Council following the invasion of Kuwait by Iraq in 1990. At this time Saleh, in a move of daring defiance, refused to support a UN resolution that provided the authority for military action to be used against Iraq to restore sovereignty to Kuwait. Saleh, an avowed admirer of Saddam Hussein, favoured a strong alliance with Iraq and a 'regional solution' to the conflict. The timing could hardly have been worse. Yemen was already struggling to stabilize its currency and to absorb an utterly bankrupt south. Financial aid was immediately cut off by the Gulf states and 800,000 Yemeni migrants were expelled from Saudi Arabia as well as thousands more from Kuwait; a devastating blow to the economy from which Yemen has arguably never recovered (Dresch 2000: 186).

Yemen somehow limped on during the 1990s until Saleh hit upon another means of diluting Saudi influence: democratization. The successful holding of parliamentary elections in 1997, flawed but hitherto unprecedented in the Arabian Peninsula, produced loan facilities

equal to Yemen's entire national debt. By mid-1997 Yemen had secured aid commitments worth US\$1.8 billion over three years. The initial wave of donor enthusiasm for Yemen's 'fledgling democracy' soon flagged, as the limitations of Saleh's experiment in democracy became clear, and the country went back to being a relative afterthought in most states' development budgets. Meanwhile, from the 1970s onwards, Saudi religious institutes established a firm foothold in Yemen, funding the construction of mosques and religious schools (Bonney 2008: 245–63).

2.3. *Saudi realpolitik*

Despite Saudi Arabia's consistent support for conservative religious institutes in Yemen, it would be wrong to view Saudi policy in Yemen as being primarily the spread of its own ideology. Saudi support of different factions in Yemen cannot simply be broken down according to a preference of the Sunni element that made up Yemen's two principal religious sects (Shia Zaydism and Sunni Shafi'ism). Although Saudi Arabia found itself at war against an insurgency led by Zaydi Shia tribesmen in 2009 and early 2010, Riyadh also maintains a large network of supporters among many of Yemen's largest, and predominantly Zaydi, tribal confederations. Saudi Arabia's entrenched patronage of competing Yemeni factions has been more grounded in motives of realism than in ideology. Today Saudi Arabia's support among the Hashid and Bakil tribes, formerly the 'wings of the imamate', are among its most important levers of influence on the Yemeni state. The Hashid in particular have proved to be reasonably dependable allies, even on questions of Yemeni national unity: Saudi opposition to this was consistently echoed by its Yemeni tribal allies during the 1970s and 1980s (Gause 1990).

More recently, the extent of Saudi Arabia's tribal network was clearly demonstrated in a Saudi journalist's interview with the two most powerful tribal leaders in Yemen, widely believed to be principal beneficiaries of Saudi funds. Sheikh Naji al-Shayef and Sheikh Sadiq al-Ahmar, of the Bakil and Hashid tribes respectively, condemned the incursions by Yemeni rebels into Saudi Arabia: 'The Kingdom and Yemen are one country and one people, and our countries and people's brotherly relations go back to the eternal depths of history, and we cannot allow any threats to the security of the Kingdom' (*Al-Okaz* 2010). Although such comments are deeply resented by many Yemeni nationalists, they provide a hint towards the weight and influence of Riyadh in its neighbour's affairs.

Saudi Arabia's main problem in recent years was an absence of a single lever of control over its policies towards Yemen. As Sultan's health declined, no leading member of

the Saudi royal family took undisputed control of Saudi Arabia's interests in Yemen. The annual budget of the Ministry of Defence's Special Office for Yemen Affairs was steadily reduced from a height of US\$3.5 billion at the end of 1990s, following an agreement over the border in 2000 (Hill and Nonneman 2011: 9). Gradually control over Saudi interests in Yemeni affairs slipped to the Ministry of the Interior and the Saudi intelligence services. The intervening period of uncertainty and neglect was to prove costly as Saudi Arabia found itself embroiled in a conflict with Yemeni rebels on its border.

2.4. Saudi Arabia's first war of the twenty-first century

Saudi neglect of Yemen for much of the last decade is an anomaly. If Saudi Arabia can be regarded as having a consistent single underlying objective in Yemen spanning its history, it is to maintain itself as the strongest external actor and, if possible, a kingmaker. When Yemen did irk its neighbour in 1979 and 1990/1, it was brutally punished. The main Saudi strength in achieving its objectives – the weakening of the Yemeni state and military in favour of strengthening the tribes – has paradoxically proved to be a critical weakness in defeating both AQAP and an insurgency, led by the al-Houthi family,⁴ in the north of the country. In 2009, Saudi Arabia found itself dragged into its first war in decades, as Houthi tribesmen rebelling against Sana'a crossed into Saudi territory in response to alleged Saudi military assistance to the Yemeni authorities, killing approximately 110 Saudi troops and wounding hundreds more. The origins of this rebellion in the northern province demonstrated the fragility of Sana'a's rule in many provinces. In Saada particularly, it also highlighted the resistance of more traditional Zaydi Shia adherents to perceived cultural erosion as a consequence of support for Salafi or other conservative Sunni groups in Saada (International Crisis Group 2009).

Iran has not hesitated to take full propaganda advantage of the image of plucky Zaydi Shia insurgents taking on the Wahhabi monolith. In early 2010, President Mahmoud Ahmadinejad castigated Riyadh for using its mighty arsenal to 'kill brothers' instead of defending Palestinians in Gaza. The Iranian leadership may have consciously echoed the Saudis' own rhetoric during the previous Egyptian military intervention in Yemen, when King Faisal observed that 'We did not send fleets, planes, and tanks to burn villages, houses, children and aged people ... Should Egypt choose to fight the Jews it would find you [the

⁴ For almost a decade the al-Houthi family in the northern Yemeni province of Saada, bordering Saudi Arabia, have led a conglomeration of predominantly Zaydi Shia tribesmen aggrieved at a perceived diminishment of patronage and an infringement of their religious traditions in a stop-start rebellion against Sana'a (International Crisis Group 2009).

Saudis] in the forefront to support the Arabs and liberate Palestine' (al-Osaimi 2008; Mostafavi 2010).

It remains to be seen whether Saudi Arabia will learn the lessons of its errors in Saada. In 2008 Riyadh was widely believed to have urged the Yemeni government not to implement a Qatari-brokered truce with the Houthi rebels and to quell the revolt through renewed use of force. Ultimately, grievances in Saada have led to a widening of the conflict. In order to hold together a fragile truce, Saudi Arabia may well have to revert to Qatar's original proposal to earmark specific development assistance to reconstruct Saada.

King Abdullah is said to be particularly alarmed by the border situation with Yemen, not only with regard to Saada but also concerning the disastrous policies of the former governor of Najran, Prince Mishal bin Saud bin Abdulaziz Al-Saud, on the other side of the border. Mishal naturalized Yemeni tribesmen with extremist links and granted them plots of land, while systematically persecuting the province's 400,000-strong Ismaili population and turning a blind eye to attacks on them. This policy seems remarkably short-sighted given that many of the tribes invited to live in Najran have been the most fertile recruiting ground for AQAP in Yemen (Human Rights Watch 2008). Finally, following a growing domestic and international outcry, King Abdullah removed Prince Mishal as governor of Najran in late 2008 and appointed his son, Prince Mishal bin Abdullah bin Abdulaziz Al-Saud, as governor in his place. He calmed a near rebellious situation by offering redress to the Ismailis for the wrongs suffered at the hands of the previous governor (*Arab News* 2009). The king was said to be similarly concerned at recent mismanagement of the Houthi conflict. However, the convoluted division of power among the Saudi princes means that a coherent strategy that provides for a unity of approach between various government agencies, not least the Ministries for the Interior and Defence, is still difficult to envisage. However, more recently the king has turned to Prince Muqrin bin Abdulaziz al-Saud, the trusted head of the country's intelligence service, to coordinate Saudi Arabia's interventions in Yemeni affairs (Hill and Nonneman 2011: 10).

2.5. A new chapter?

Yemen does have some formal bilateral structures with Saudi Arabia within which to shape future relations, including a limited if erratically implemented trade agreement. There is also a Joint Coordination Council to regulate relations between the two countries. On the Saudi side this was in the past led by Prince Sultan, whose ill-health resulted in the Council's meeting being postponed several times during 2008 and 2009. Its future leadership on the Saudi side is uncertain. In the past, Yemeni leaders have often preferred to circumvent it. For example,

President Saleh travelled to Riyadh on 1 June 2009 within the framework of the Coordination Council. There he presented King Abdullah with details of Saudi funding of southern separatist groups in Yemen, including by Saudi citizens of Yemeni origin but also by senior members of the al-Saud family. Many in the Yemeni government preferred not to do business with Prince Sultan and the Ministry of Defence in Riyadh where possible.⁵

King Abdullah has personally long been perceived as a favourable leader for Yemen to do business with. He has, at least rhetorically, championed Yemen's right to join the GCC, and in 2000 as crown prince ended Saudi circumspection over Yemeni unity by attending a ceremony in Saudi Arabia to celebrate the tenth anniversary of the amalgamation of north and south. Belated Saudi support for Yemeni unity marked a serious shift in policy, reflective of the pragmatic outlook of King Abdullah. However, despite Abdullah's more benevolent personal attitude towards Yemen, both his age and the byzantine nature of Saudi governance mean that royal words frequently do not translate into royal favour or any actionable Saudi policy change. In 2011 King Abdullah decided to end the Ministry of Defence's pre-eminent role in Yemeni policy. This move is welcome to many senior government officials in Sana'a, many of whom have long complained of the negative attitude of the Saudi Ministry of Defence to Sana'a and its inability to lead a cross-government relationship on behalf of other key ministries in Riyadh. But what Yemen badly needs is an interlocutor in Riyadh with real authority across government; such a personality has yet to emerge definitively.

Relations between the Yemeni government and major Saudi merchant families of Yemeni origin are both complex and important to the future development of relations between both countries. These families, such as the bin Mahfouz and bin Ladin, have both the resources and the political weight within Saudi Arabia to enhance both investment and development opportunities for Yemen greatly. However, the southern Hadhrami origins of these families is widely viewed as contributing to a degree of mistrust that has restricted cooperation between them and a Yemeni government dominated by northerners. It is even occasionally rumoured in northern political circles in Sana'a that some diaspora figures in Saudi Arabia are conspiring to resurrect old Saudi ambitions of establishing a vassal state in the Hadhramaut with access to sea. Diaspora figures are frequently formally integrated by Saudi Arabia into its official dialogues with its southern neighbour, but suspicions remain and the Yemeni government has yet to engage in a coherent, constructive dialogue with these

⁵ Diplomatic document in the author's possession.

families. It is a sad irony that Yemen's internal regionalism has conspired to thwart investment from abroad.

After the violent protests of 2011, Saudi Arabia is now coming under increasing scrutiny with regard to its policy towards Yemen. Saudi Arabia's pledge of US\$1.25 billion assistance to Yemen at an international aid conference in 2006 easily dwarfs that of other donors, and its assistance via unofficial channels is much greater over the past decade. Saudi Arabia is known, however, to resent third-party questions as to where and how it spends such assistance greatly. Although repeated interventions by King Abdullah to secure the resignation of President Saleh were appreciated, voices are growing within Washington for the United States to take a firm stance on the need for a coherent strategy with Saudi Arabia on Yemen. The US Senate Committee for Foreign Relations has even gone so far as to blame Saudi misallocation of aid for 'a lack of transparency and enabling the perpetuation of poor governance'. Such complaints are said to have partially influenced King Abdullah's decision to rein in the activities of the Saudi Ministry of Defence in 2010 (United States Senate Committee on Foreign Relations 2010: 15). However, in future Yemen may still become a point of contention between Riyadh and Washington if the Obama administration feels that the Saudi government is not forthcoming enough on its relations with Sana'a, Yemen's tribes and more extremist religious foundations.

3. THE 'OTHER FIVE' AND YEMEN

The bilateral relations of other GCC member-states with Yemen appear to be dwarfed by the relative importance of Saudi Arabia. As in other areas of foreign policy, most GCC member-states (with the possible exception of Qatar) are at pains not to contradict Saudi Arabia in meetings with third parties. This does not mean that they do not matter: on the contrary, the hesitancy of the smaller five member-states to welcome Yemen into the GCC is a critical block on progress towards eventual membership.

Kuwait harbours bitter memories of what it regards as Yemen's betrayal of the country in the Security Council following the Iraqi invasion of 1990. More importantly, the Kuwaiti government remains sceptical that Yemen's accession to the GCC will solve the more intrinsic problems of corruption and violence in Yemen. Kuwait's relatively powerful parliament would also have to ratify any government decision to support Yemen joining the GCC, which would be likely to give way to a populist backlash amid recrimination for the 1990–1 Gulf War. Although Kuwait has made large pledges of development assistance to

Yemen, it has yet to deliver upon these commitments, expressing doubts about Yemen's capacity to spend such aid efficiently (al-Mulla 2010).

The **United Arab Emirates (UAE)** is particularly aware of Saudi Arabia's sensitivity towards its leadership role in the region with regard to Yemen, with one emirati analyst observing that on this issue, 'Saudi Arabia's mentality has not changed since the 1930s.'⁶ This does not mean that the UAE is indifferent to the problems of its neighbour. The UAE federal government has consistently pledged large sums of development assistance to Yemen, but has admitted to significant problems in disbursing such aid due to corruption and other absorption capacity problems. Nevertheless its commitments are impressive: in 2009 Yemen was the single largest recipient of UAE official overseas aid – over US\$772 million, to be spent across a range of sectors including education, water and electricity projects as well as funding government services, most of which are managed by the Abu Dhabi Fund for International Development. Overall, among the GCC countries, the UAE has a relatively good record in delivering upon its aid commitments, including providing relief to victims of the Saada conflict and of flooding, and providing assistance to communities affected by Yemen's political instability and the consequent downturn in the economy. In late 2009 the UAE Red Crescent Society established an Internally Displaced Persons (IDP) camp, housing up to 7,000 people, in Saada to help those forced to flee the war there. However, the camp proved too much of a success in that it easily outdid the more basic provisions of the UNHCR, and led some to question the wisdom of providing greatly enhanced accommodation that was above the standards the IDPs were used to even at home. 'Dubai Cares' – a new development agency – is beginning to work with a range of international and local NGOs on education projects.⁷

Although **Oman** is an aid contributor to Yemen, it also competes with Yemen for a share of assistance from regional organizations. Despite seeking support for its own development, Oman is committed to a US\$100 million contribution for projects in Yemen, but these funds have been exceptionally slow in terms of disbursement since this original undertaking was made at the London conference in 2006 (*al-Oman* 2010). Although Oman ostensibly supports Yemen's accession to the GCC, Omani diplomats claim that this is a long way off. Muscat believes it is better to offer assistance to Yemen before it joins the GCC rather than after accession, to avoid Yemen lagging behind other member-states. Oman has also jointly completed the Shahn-al-Ghaida highway with Yemen, which has greatly enhanced opportunities for commercial relations between the two countries. In cooperation with Yemen,

⁶ Interviews, Abu Dhabi, 10 February 2010.

⁷ Interviews, Dubai, 9 February 2010, Abu Dhabi, 14 February 2010 and Sana'a, 23 February 2010.

Oman is currently developing a far-sighted plan for an al-Mazunah Free Zone on the border of both countries. Oman has signed over seventy-six agreements on bilateral cooperation with Yemen, and officials in Sana'a have expressed their appreciation of Oman's efforts to keep Yemen on the GCC agenda. However, this assistance does not seem to apply to enabling governance reform in Yemen. Omani diplomats regard this as a form of 'unwarranted intrusion' that damages Yemen's sovereignty. Similarly Oman believes that the GCC should not give Yemen 'stepping-stone' conditions for its accession. Nevertheless, Oman is becoming increasingly watchful of how its development aid to Yemen is spent, verifying contracts and monitoring results.⁸

Another factor in Oman's hesitant approach towards Yemen is that the country has its own growing unemployment concerns, opening offices in Doha and Dubai to lobby for opportunities for its citizens. It is unlikely that Oman, like other GCC member-states, would welcome competing with a new wave of Yemeni migrants. Muscat is greatly concerned that Al-Qaeda insurgents may also seek to infiltrate across its border with Yemen, and has stepped up security arrangements in coordination with the Yemeni government. So far, however, the Omani government has avoided making pronouncements on building elaborate structures akin to the border fence mooted by Saudi Arabia. Oman has been supportive of President Saleh's requests for assistance with regard to southern separatist movements, stripping former PDRY President Ali Salim al-Beidh of his Omani citizenship following his repeated calls for secession. This is a trend generally emulated by the other GCC member-states, which have moved to block support for the southern movement within their countries. All GCC countries have been slow to respond to calls by southern leaders for external mediation (Stracke and Haidar 2010).

Qatar has been the most proactive of the Gulf emirates in seeking to resolve Yemen's internal problems. During 2007 and 2008 Qatar pushed the government of President Ali Abdullah Saleh to agree a truce with Shia Zaydi rebels in the north of the country, dispatching twelve officers from the Qatari military during 2007–8 to lead mediation efforts in a process overseen by Qatar's most senior diplomats.⁹ The process was derailed on several occasions before a final effort in the summer of 2008 succeeded in brokering a ceasefire, which included a generous aid package and exile for the senior Houthi leadership in Doha. However, Saudi irritation over the presence of a Shia militant group on its southern border and suspicions over alleged links between the insurgency and Iran contributed to the collapse of this ceasefire in

⁸ Interview with an Omani diplomat, 27 August 2008.

⁹ Interview with a Qatari official, 29 August 2008.

July 2009. Although Qatari investment, including a US\$500 million real estate development was critical in securing leverage to mediate an eventual ceasefire, this was not enough to prevent President Saleh from breaking off contacts with the Houthi rebels and hostilities starting once more. Saleh's own personal contempt for the Houthi movement mirrored the desire of Saudi Arabia for a definitive military victory.

Qatar's prime minister and foreign minister Sheikh Hamad bin Jassim bin Jabr Al-Thani felt particularly irritated at what he regarded as deliberate Saudi obstruction of his mediation efforts. Saudi Arabia, like other Arab states, has long been concerned about Doha's better ties with Tehran, lest Qatar advance an agenda favourable to Iranian interests in the region. These suspicions deepened when it became apparent that a key leader of the Zaydi Shia-led insurgency, Yahya al-Houthi, had requested that Qatar mediate in the conflict (albeit after failing to secure assistance from the UAE or Oman). The experience of 2007 and 2008 offered a clear example of where Qatari financial leverage was trumped by the influence of Saudi Arabia, with negative consequences for Yemen and the region. Qatari attempts in 2010 at a renewed mediation role were overtaken by the events of the Arab Spring.¹⁰ Moreover, President Saleh appeared to believe that Qatar was actively aiding his opponents (WikiLeaks 2011). In the aftermath of the protests that broke out in Yemen in early 2011, Qatar opted not to play a bilateral role or to push for a high-profile response by the Arab League. Qatar did, however, play an important role in resisting any attempt to dilute the GCC plan to ease President Saleh from power, even temporarily withdrawing its support for the GCC mediation effort at a crucial juncture in May 2011 (Ministry of Foreign Affairs of Qatar 2011).

Although Qatar has voiced its support for Yemen's accession to the GCC, the government is more sceptical about the prospect of greatly enhanced Yemeni migration in the Gulf region. Qatar is also concerned about the potentially destabilizing effect Yemen could have upon the GCC customs zone and prospects for a single currency.¹¹ Nevertheless, Qatar, easily the wealthiest GCC country in terms of GDP per capita, has continued to be a generous humanitarian donor to Yemen, providing assistance to Yemeni IDPs since 2009; but it has been more reluctant to bankroll the central government. However, because of the very limited number of Qatari officials on the ground in Yemen, there have been repeated accusations that much of Qatar's aid is being diverted to the black market (HOOD 2010).

Unlike other GCC countries, **Bahrain** has indicated that it is willing to undertake technical assistance projects in Yemen, most probably through the Social Development Fund,

¹⁰ Interviews, Doha, 8 March 2010.

¹¹ Interviews, Doha, 8 March 2010

as well as providing limited development assistance through multilateral donors. Bahrain is, however, emerging as an important investor in Yemen's underdeveloped financial sector.

4. GULF AID TO YEMEN

From 1990 to 2004 the Arab Fund, the Saudi Fund, the Islamic Development Bank and the OPEC Fund provided over US\$1 billion in aid to Yemen, compared to US\$250 million provided by the EU for the same period. Arab and Islamic NGOs provided US\$51 million for the same period (MOPIC 2010b). This is despite a period of several years when aid was drastically cut because of Yemen's refusal to support the first Gulf War. At the 2006 London donors' conference co-convened by the GCC, Gulf donors pledged US\$2.5 billion, more than half of the total US\$4.7 billion pledged by all international donors. By contrast the largest OECD Development Assistance Committee (DAC) donor pledges were much more modest.

Pledges, however, can be deceptive. Most of the aid committed by international donors at the 2006 London donors' conference on Yemen has yet to be disbursed. Therefore, GCC countries' statements on aid targets made at the Friends of Yemen conferences in 2010 in London and 2012 in Riyadh should not be regarded as 'additional' to earlier commitments since these funds have largely not been disbursed. The most impressive pledge by a single country – US\$3.25 billion – made at the 2012 Friends of Yemen meeting was made by Saudi Arabia, which failed to deliver even half of the US\$1.2 billion it promised at the 2006 donors' meeting on Yemen (Al-Jazeera 2012). By early 2010 the Yemeni government reported that only 7 per cent of the GCC pledged aid from the 2006 London conference had been spent (MOPIC 2010b). However, Yemen received additional funding in response to the devastating floods that swept the country in 2009 – the Arab Fund for Development gave US\$135 million, Saudi Arabia US\$100 million and the UAE US\$35 million. In response to the food crisis of 2008, the UAE alone leveraged a further US\$50 million, compared to US\$27.3 million by the EC (MOPIC 2010b). Furthermore disbursement figures from the 2006 London conference also exclude funding provided outside conventional aid mechanisms familiar to Western donors..

The failure to translate pledges into actual disbursement on the ground, whether due to concerns over absorption capacity, a lack of prioritization or capacity on the part of donors, has greatly frustrated the Yemeni government. However, a growing sense of urgency over Yemen's deteriorating security situation has focused the attention of GCC member-states. In February 2010 the Saudi–Yemeni Coordinating Council agreed to begin the implementation of wide-ranging projects, predominantly new roads and other infrastructure such as building

hospitals and educational facilities. Saudi Arabia is also exploring the establishment of a joint economic zone in the border city of al-Wadiah, for which it has allocated US\$200 million. Abu Dhabi has announced that it is holding an ongoing dialogue with the Yemeni government on infrastructure projects to be undertaken as soon as possible (al-Dowsh 2010). In 2011 progress on implementing these commitments was complicated by the violence that broke out in response to the Arab Spring protests.

4.1. A lack of capacity

Donors have long complained that Yemen lacks sufficient absorption capacity to enable them to disburse their pledges. This argument has some merit but is losing traction as Yemen develops additional capacity to manage projects. The Technical Aid Unit in the Ministry of Planning and International Cooperation (MOPIC) has grown in capability and the Social Development Fund has won considerable praise for its transparent use of funds (Fielding-Smith 2010). MOPIC has also developed a GCC Project Monitoring Unit and has urged the development funds of respective Gulf countries to set up representative offices in Sana'a to improve coordination, a commitment that has since been made by the Abu Dhabi Fund for Development. Abu Dhabi has committed as well to working regionally in Yemen rather than through the central government, supervising twelve out of fourteen projects directly in coordination with local governorates.¹² Gulf donors complain that aside from 'islands of competence' in MOPIC, the Ministry of Finance and the Yemeni Social Fund there is scant capacity within government departments to manage the disbursement of funds.

In general senior Yemeni civil servants have openly accepted the limitations of their own bureaucracy and have repeatedly asked for more training opportunities to improve project management capacity. The government has also offered to permit aid disbursement through 'direct implementation mechanisms by donors and their respective implementation arms' (MOPIC 2010a). Yet some donor countries remain sceptical of the claim that existing fund management units can absorb US\$600 million a year (Economist Intelligence Unit 2009). European donors are concerned that the overwhelming GCC preference for funding large infrastructure projects cannot be matched by sufficient OECD DAC funds to build the technical capacity to absorb and sustain such developments.

Western donors remain unwilling to pay for countering pressing crises that threaten government stability, such as funding the gaping wage deficit to pay Yemen's swollen civil service. Much of the Yemeni military and the civil service are notoriously corrupt, with

¹² Correspondence with an adviser to the UAE government, 13 March 2010; Stracke and Haidar (2010).

alarming rates of absenteeism, but both are integral to the fragile patronage system that maintains tribal support for the state. The Yemeni government has occasionally been forced to request assistance from Saudi Arabia to pay government salaries and maintain existing services (Economist Intelligence Unit 2009). Although Saudi Arabia's leaders are well aware that a lack of oversight over the management of funds perpetuates the corrupt practices of the status quo, they are even more concerned lest a weak Yemeni state diminish even further if such support is not forthcoming. Saudi Arabia is stuck in an uncomfortable catch-22; corruption is a known driver of conflict in Yemen, but withholding funds while trying to reform the system may be more dangerous than bankrolling the government while seeking to curb its worst excesses. This will be a key question challenging Saudi policy in future years.

The 'carrot' of GCC membership places the GCC in a situation of unique leverage to improve governance in Yemen through the setting of criteria for accession, should it wish to seize such an opportunity. Improved delivery of services and the easing of corruption will do much to improve the writ of the Yemeni government and, by extension, reduce threats to regional security. Reform is therefore the less dangerous option than the status quo.

In addition to bilateral and regional arrangements, the GCC states also belong to the Friends of Yemen Group formed in the aftermath of the 2010 London conference. Following on from London in January, the GCC hosted a conference on Yemen in late February 2010. Most of this meeting was dominated by discussion over why much of the aid pledged to Yemen by the GCC remained unspent and who was at fault for not following through on proposed projects (Mahjoub 2010). Yemen insisted that it was now possible for it to implement a greatly enhanced number of projects and presented a five-year development plan which would need over US\$44 billion in funding. However, GCC member-states have yet to give a clear indication of future funding beyond implementing previous pledges.

4.2. The potential for cooperation with European donors

Western diplomats and development officials have assiduously courted GCC donors in an attempt to formulate a joint response to Yemen's crisis. Such cooperation would seem to make sense; the GCC has long invested in 'hardware' infrastructure projects while Western donors have concentrated more on capacity building. However, efforts to establish a productive working dialogue have met with serious obstacles. GCC member-state projects are usually above a minimum threshold of US\$20 million, an amount that Western donors can rarely match in terms of potential co-financing of projects. GCC donors are also unwilling to place stringent oversight and monitoring criteria upon aid, often working directly and discreetly with

the president's office and the Ministry for Finance rather than MOPIC. GCC diplomats complain that Western, particularly European, donors are overbearing: 'The EU chooses what it wants to do. Gulf donors choose what Yemen wants to do.'¹³ There is also some scepticism towards the US and European democratization and human rights agenda in Yemen as a form of unacceptable interference in Yemen's internal affairs. This has been heightened by the GCC's adamant rejection of a human rights clause as part of a proposed EU–GCC Free Trade Agreement.

Within Yemen, opportunities for cooperation have been limited by the lack of country representatives from the GCC member-state development funds. Relations between European and GCC member-state embassies in Sana'a are frequently less than constructive. One European official complained that several of the GCC ambassadors 'simply have no respect for us'.¹⁴ A possible mechanism to improve donor coordination between GCC and Western countries is the Friends of Yemen Development Fund proposed by the government in Sana'a and given added impetus by Yemen's political crisis of 2011. However, it is not clear what structures could be put in place to agree on the co-financing of projects between donors or, more importantly, whether there is a will to do so (Mahjoub 2010).

The EU particularly would do well to recognize that, at least for now, a region-to-region dialogue with GCC countries is unlikely to yield results in terms of practical cooperation on the ground in Yemen. Much-trumpeted regional or international conferences tend to be exercises in consummate Gulf diplomacy: pleasantries are exchanged but little concrete progress is made on the issues. Instead, Europe should focus on developing bilateral, high-level and discreet contacts with individual GCC member countries in their home capitals. Germany and the UK have already begun to do this, but the EU remains locked into a region-to-region approach that sees it paired with the comparatively weak GCC Secretariat and is unable to deliver assistance to Yemen in a manner similar to that of the EC, for example. But the GCC does have exceptional value as a forum for policy coordination. The EU and its member-states should adopt a practical as well as an aspirational strategy: encouraging GCC member-states to take decisions collectively through the GCC Secretariat, while at the same time deepening its engagement in the six respective capitals on the practical issues of delivering aid to Yemen.

Germany has shown considerable leadership in building a dialogue on mutual aid interests with the GCC member-states. The German government has exchanged high-level

¹³ Interview with a Gulf diplomat, Sana'a, 5 August 2008.

¹⁴ Interview with a European official, Sana'a, 16 February 2010.

contacts with Qatar and Saudi Arabia on the future co-financing of projects in Yemen. The German development agency GTZ has previously partnered GCC member-state development funds in implementing projects in the Sahel and Ethiopia and is now expanding such cooperation to include Yemen. GTZ also works with emerging Gulf semi-state and charitable institutions such as AGFUND and SILATECH on microfinance initiatives in Yemen. The patient dialogue by GTZ to win such support could be emulated by other donors. However, it is equally important that Western countries do not treat the GCC as a monolith, instead concentrating on working with those donors, such as Qatar and the emirates of Abu Dhabi and Dubai, that have shown themselves to be more open to developing a joint approach to spending aid more effectively in Yemen. The EU delegation in Yemen has been particularly engaged in seeking to collaborate with the GCC Secretariat and individual GCC countries. However, actual interlocutors on the ground are thin as neither the GCC Secretariat nor the Gulf development funds maintain a permanent presence in Sana'a.

5. YEMEN AS A MEMBER OF THE GCC?

GCC accession offers Yemen a means of leveraging itself out of its current economic downward spiral. For the GCC, putting Yemen on a course to reform via an accession process offers a means of stabilizing the security threat from Yemen to the rest of the Arabian Peninsula. Economists at the IMF predict a substantial increase in productivity for both Yemen and the GCC as a consequence of a reduction of tariffs and other border restrictions upon Yemen's entry (Chami et al. 2004). They argue that the absorption of Yemen's almost 25 million population will imply larger markets and enhance competition in the region, leading to more consumption and a larger demand for regional exports. The study concluded that enhanced access to GCC and Yemeni markets would lead to an output increase of 14 per cent in Yemen and 5 per cent for the GCC, with a correspondingly significant increase in living standards and employment (2004: 4). There is a strong argument to be made that the loosening of a rigid Gulf labour market and of a similarly static, monopolized goods market in Yemen would have mutual benefits, even if they do not reach the dizzying heights predicted by some. Ironically, Yemeni businessmen could initially lose out because of increased competition from more efficient Gulf rivals. This potential setback would be more than compensated for, however, by opportunities for a new generation of Yemeni entrepreneurs to benefit from greatly enhanced access to the Gulf market, taking advantage of improved services and credit opportunities from the Gulf as well as low labour costs in Yemen. However, convincing GCC citizens who fear the erosion of protectionist employment

practices of the merits of Yemen's accession is an entirely different matter. Realistically, border controls with Yemen will have to remain in place, perhaps in a way akin to the refusal to allow Bulgaria and Romania to join the Schengen travel area upon these countries' accession to the EU.

Yemen currently suffers from a trade imbalance with the GCC. The GCC ranks first in terms of the origin of Yemeni imports, whereas southeast Asia is the primary recipient of Yemeni exports. The government in Sana'a is frustrated that GCC member-states do not focus more on the advantages of expansion to include Yemen. Yemen's government cites the example of Spain and Portugal joining the EU to argue that enhanced markets for goods end up benefiting richer countries as well as the applicant. There are also expansive opportunities for investment in Yemen's under-exploited fisheries industry, in which Saudi investors are now beginning to show an interest (*Gulf Daily News* 2010). Meanwhile Sana'a hopes to undertake significant regulatory reform vis-à-vis its application to join the World Trade Organization. Yemen has also applied to join the Gulf Patent Office, Specifications Board and Federation of Gulf Chambers of Commerce and Industry.

5.1. Thwarted ambition

Yemen has expressed a desire to join the GCC since 1996. Unresolved border issues with both Saudi Arabia and Oman, combined with resentment arising from the first Gulf War initially hindered prospects for an application from Sana'a being readily received. Following the subsequent warming in relations between Sana'a and Riyadh, Yemen was permitted to join the GCC Education Bureau, the Health Ministers Council, the Labour and Social Affairs Ministers Council and the Gulf Cup tournament. However, the refusal to permit Yemen to join the powerful economic instruments of the GCC prompted President Saleh to observe bitterly that perhaps the next step for Yemen's integration with its neighbours would be being permitted to play in a regional basketball tournament in addition to football (Johnsen 2007). Saleh's disappointment, while understandable, obscured the benefits that membership of such GCC committees can bring. For example, there has been a highly welcome upsurge in the number of Yemeni students studying within GCC universities, many of whom are enabled to do so by GCC member-state scholarships.¹⁵

In March 2005 the General Secretariat of the GCC visited Sana'a and offered the tantalizing prospect of a GCC–Yemen free trade and investment area. Yemeni hopes were raised further at the Abu Dhabi GCC Summit of the same year when a decision was taken

¹⁵ Interview with a former GCC education official, Dubai, 9 June 2010.

regarding the process of integrating Yemen into the GCC by 2015. The Secretariat announced that there would be successive stages to this process: (1) a Consultative Group Meeting, (2) alignment of Yemeni legislation and regulations with those of the GCC, and (3) the steady expansion of Yemen's membership of the respective GCC bodies. Yemen's accession costs were estimated at US\$10 billion, much of which was to be covered by the original six member-states. There were reasons to be encouraged that such assistance would be forthcoming. Prior to the summit, the GCC member-state development funds held a meeting with the Yemeni government to agree a programme to enable Yemen's accession (Ghoneim 2006: 14). Later, at a joint meeting between the GCC Secretariat and Yemen in 2006, a technical committee comprised of the GCC Ministries of Finance and MOPIC was formed. The first meeting of this technical committee included Yemen's deputy minister for planning and representatives from the GCC member-state Ministries of Finance, the Saudi Development Fund, the Kuwaiti Development Fund, the Islamic Development Bank, the OPEC Fund, the Arab Fund for Economic and Social Development and the GCC Secretariat General.

Ultimately, a concrete plan to integrate Yemen steadily into the GCC never materialized, not least because of an absence of agreed criteria for integrating new members, the weak capacity of the GCC Secretariat and member-state 'cold feet' on Yemen's membership. Yemen was permitted to join other Gulf bodies such as the Gulf Standardization and Metrology Organization, the Organization for Industrial Consulting, the Accounting and Auditing Organization, the regional telecommunications body and the Gulf Railway Project (al-Dowsh 2009). However, Yemen has continued to be left out pointedly of the critical economic bodies of the GCC, and most importantly not given a path towards joining the Customs Union. Meanwhile, mistrust between GCC member-states, as evidenced through a failure to agree a location for a Central Bank and common procedures to facilitate a single currency for the GCC, have also drawn the focus away from proposed plans to strengthen the Secretariat's capacity. Much-needed additional resources for the Secretariat have been withheld and hard-pressed GCC officials lack clear political direction from the member-states on how to proceed with Yemen's GCC candidacy. Moreover, the institutional weakness of GCC governments, for example in allocating a clear departmental lead on relations, have compounded difficulties in negotiating a coherent regional approach towards Yemen.

Ministers and technocrats in the Yemeni government have been at pains to demonstrate its commitment to taking the required measures to join the GCC, establishing a GCC unit within MOPIC as well as restructuring the Ministry for Finance to respond to requests for

information from the GCC Secretariat to prepare for Yemen's accession to the GCC. Such a communication from the GCC Secretariat was not forthcoming. In 2007 Yemen tried to break the Secretariat's inertia by sending a ministerial letter to the GCC Secretary General, Abdulrahman al-Attiyah, proposing that the Secretariat hold a series of workshops in Sana'a to go through the necessary steps that Yemen would have to undertake to qualify for accession to the GCC. The Yemeni government followed this up with a paper outlining Yemen's 'vision' of its path to membership including possible reforms concerning financial regulation, the labour market, fiscal policy, and new structures that could be put in place to undertake these and oversee ties with the GCC. However, Yemeni officials claimed that, in contrast with their specialized 'GCC unit' in Sana'a, the Secretariat in Riyadh had no permanent equivalent 'Yemen unit'. As in the apocryphal tale about Henry Kissinger and Europe, Yemeni officials longed for 'one number' to call in the GCC Secretariat to get answers to their requests for information.

When it became clear that the Secretariat was adopting a cautious approach in its relations with the Yemeni government because of the lack of clear political guidance from the member-states, Yemen switched its strategy to lobbying the member-states directly. Here they also hit a dead end. In the case of Saudi Arabia, Yemeni officials found that while the king himself was an enthusiastic supporter of the concept of Yemen's membership, other princes in key ministries were not.¹⁶ Specific questions on timetables or accession criteria were swatted aside with royal panache and a talent for obfuscation. Yemen was rebuffed. Other member-states were not supportive enough to raise the matter at GCC meetings, so Yemen effectively remained in limbo.

Tellingly, by 2008 the GCC unit at MOPIC was desperately searching for an external donor in order to remain operational. Funding from a GCC member-state or the Secretariat for the GCC unit did not materialize, and the promised GCC ambassador and delegation office in Sana'a were not forthcoming (MOPICc 2008). A glimmer of hope emerged at the 2009 meeting of foreign ministers of the GCC and Yemen, when delegates committed themselves to developing a mechanism to promote private sector investment in Yemen, and urged the respective GCC Chambers of Commerce and the Federation of the GCC Chambers of Commerce to promote business partnership between both sides. But, overall, lofty rhetoric about Yemen being a natural constituency of the GCC has not been matched by results.

¹⁶ Interview with a senior Yemeni official, Sana'a, August 2009.

The main concern restricting Yemen's prospects of joining the GCC appears to be fears over a large influx of Yemeni migrants. This legitimate concern over security and GCC countries being swamped by Yemeni labour could be addressed by permitting Yemen to join the GCC, allowing it entry into the Gulf economic zone while not extending the freedom of movement enjoyed by citizens of other member-states. However, such an agreement should be accompanied by a commitment to easing visa restrictions for Yemeni businessmen and significantly increasing the number of scholarships provided to Yemeni students at vocational schools and universities. The GCC could also put in place a model of assistance to Yemen that would draw on the strengths of individual member-states, similar to the Industry Modernization Programme employed by the EU in Egypt. Bahrain could advise Yemen on developing its financial sector; the UAE on ports; Saudi Arabia on hydrocarbon management, irrigation, desalinization, etc. Addressing a profound electricity shortage is also a sine qua non for Yemen's economic development. Some moves in the right direction have been made by a number of Gulf states for example, Saudi Arabia and Qatar have increased scholarships to Yemeni students since 2010 – but assistance remains disproportionate to Yemen's development needs.

5.2. Yemeni labour in the GCC

Yemeni officials were disappointed in their request for implementation of a robust Yemen–GCC Free Trade Agreement as a halfway stage towards full membership. Hopes were raised that the GCC would make concrete moves towards implementing a preferential agreement to recruit Yemeni labour. However, although there has been a small increase in the number of Yemeni migrants, Gulf rhetoric has not been matched by action. This is not entirely surprising. All GCC countries, particularly Saudi Arabia, have existing agreements giving preference to the recruitment of Arab workers, yet these are seldom implemented. Most GCC member-states' sponsorship systems remain unreformed and work visas for Yemeni nationals in Saudi Arabia are prohibitively expensive (MOPIC 2010a). In 2008 King Abdullah called for preferential treatment for skilled Yemeni labour in the GCC. Subsequently the GCC foreign ministers decided to 'give priority to programmes designed to qualify Yemeni labourers by increasing funding programmes for technical education and training'. Yemenis complain that this is still not enough to deal with rising unemployment in a stagnant economy (al-Dowsh 2010).

Although the Yemeni government expressed its appreciation for the personal support for preferential treatment by King Abdullah, it rejected suggestions that Yemeni workers were

under-skilled for employment in the GCC, pointing out that 81.5 per cent of the expatriate workforce in the GCC have limited skills and do not hold a secondary school certificate. Yemen views the vast GCC diversification projects as an obvious opportunity to employ Yemeni labourers. The construction of industrial and economic cities will generate thousands of expatriate job opportunities and the Yemeni government had originally hoped to enable the migration of 50,000 Yemeni labourers to the GCC annually. Currently Arabs make up only 23.2 per cent of the total expatriate labour force in the Gulf (al-Dowsh 2010). The vast majority of Yemeni expatriate labour is currently in Saudi Arabia (approximately 800,000). The other five member-states have been less welcoming of Yemeni labour, currently employing approximately 60,000 Yemeni nationals. However, since the increase of the Al-Qaeda threat to Saudi Arabia from Yemen, some Yemeni expatriates have complained that Saudi Arabia has markedly increased (allegedly arbitrary) deportations and imposed stringent visa restrictions (al-Kibsi 2010).

There is a clear divergence in perspective between GCC member-states and the government in Sana'a over whether to absorb greatly increased numbers of Yemeni migrant workers within the Gulf. Although Bahrain's minister for labour, Majeed al-Alawi, cautioned that 'non-Arab workers constitute a strategic threat to the region's future', the view that Yemeni nationals pose a security threat to the Gulf carries much weight in GCC capitals, and can override fears over cultural erosion presented by large groups of south and east Asian migrants (Kapiszewski 2006: 6–8). Yemenis' Arab identity can actually be a hindrance in this regard: strong cultural and tribal linkages put them in a much more powerful position to engender sympathy and influence with GCC nationals, including for ideologies which pose a threat to respective host governments. Yet the Yemeni government has made migration a cornerstone of its 'Strategic Vision 2025', anticipating US\$20–30 billion investment from remittances and returning migrants. Yemeni Deputy Foreign Minister Ali Muthna Hasan has described how 'opening labour markets is one of the best means to protect our national security' (Hassan 2008). His government has yet to convince GCC member-states that it is emphatically in their best interests to allow such an increased migration. On balance, given Yemen's teetering economy, its government has a point: GCC governments should make a greater commitment to increase work visas to a diverse range of young Yemenis. Given the absence of employment in the short term, expatriate labour is a vital component of any strategy to stabilize Yemen in the coming years.

6. THE FUTURE OF GULF RELATIONS WITH YEMEN

The most important divergence of views between Yemen and the GCC is not whether Yemen should be a member of the GCC, but rather when it should become one. Governments of GCC member-states now prefer to view Yemeni candidacy for membership as an aspiration rather than a binding commitment. Yemen believes that its 2015 accession date should be adhered to, whereas GCC officials increasingly perceive such a timescale as a goal which will not be reached. The GCC is right; Yemen is completely unprepared for membership – its political and economic structures are unbalanced and have been weakened further by the turbulent events of 2011. But the government in Sana'a is also right to believe that joining the GCC is critical to the stabilization of Yemen. The two sides have yet to agree a vision for a constructive path that at least gives Yemen a route, however arduous, towards membership, offering incentives for governance reform and removing trade barriers along the way. The GCC was originally envisaged as a regional political and security union. Yemen has once again raised the question of whether the GCC is capable of acting as a coherent polity to deal with a mounting security threat from within the Arabian Peninsula.

Moreover, the debate over Yemeni membership of the GCC should not be perceived in all-or-nothing terms. The GCC badly needs to revitalize a neighbourhood policy similar to that of the EU and its relations with, for example, Morocco. Yemen should be the first country to be accorded 'advanced status', enjoying comprehensive tariff reductions and increased access to GCC agencies and tailored development programmes, as long as it meets basic criteria on transparency and technical oversight. The development of funding instruments for the Middle East and North Africa region (similar to the European Neighbourhood Policy Instrument, for example) by the GCC is now overdue in the aftermath of the Arab Spring. These instruments would give badly needed political weight to collective statements and actions taken at GCC meetings.

The GCC member-states have invested over US\$1 trillion in domestic projects aimed at gradually weaning the region off its profound dependence on energy on a source of revenue (Janardhan 2007). These initiatives have been at least partially successful and the Gulf has steadily become a hub for a diverse range of industries. The GCC is becoming increasingly capable of thinking big about its future and planning accordingly, whether in relation to education, finance or infrastructure. Yet, in its relations with Yemen, the GCC continues to act as a parody of its former self, promising to inject large sums of financial aid without a clear strategy on how to meet that country's mounting challenges. There are many positive and imaginative steps that the GCC could take to stabilize Yemen.

Yemen has exposed the GCC to an array of challenges that it has avoided confronting in the past. Institutional weakness and incoherence of policy among member-states have often paralysed the GCC Secretariat in its relations with Yemen. The political crisis of 2011 – the need to oust President Saleh as a first step towards stabilizing Yemen – helped to focus attention briefly within member-state capitals, leading to an unprecedented political mandate for the GCC Secretariat to negotiate externally on behalf of the six member-states. It is important that this momentum is not squandered and that the GCC Secretariat receives the necessary political and financial capital to guide the transition process in Yemen. GCC member-states need to ensure that future aid is spent transparently and effectively. A clear mechanism, such as the Friends of Yemen, should be embraced as a means of coordinating future aid commitments. Finally, the GCC should also appoint, and empower, its first overseas Special Representative to be based in Sana'a to engage on the question of Yemen's political and economic development, also liaising with the UN, the United States, the EU and other key donors.

Yemen is a critical test of the GCC's capacity to reform and its resolve to meet emerging challenges to its security. Yemen should be given a detailed road map, laying out criteria to be met, if it wishes to join the GCC. This should be done, not out of a sense of altruism on the part of the current member-states, but as a policy of enlightened self-interest in order to curb support for extremist groups. That route may be long and the conditions arduous, but if Yemen musters sufficient political will to make the necessary reforms to meet such criteria, then the GCC should be on hand to provide whatever technical assistance is required and reward Yemen for its efforts. Yemen may not make it – but at least the opportunity would be there for a country that badly needs an alternative to a difficult past and a bleak future.

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This research paper was written under the auspices of the Kuwait Programme on Development, Governance and Globalisation in the Gulf States at the London School of Economics and Political Science with the support of the Kuwait Foundation for the Advancement of Sciences.

