

COUNTRY PROFILE: YEMEN

December 2006

COUNTRY

Formal Name: Republic of Yemen (Al Jumhuriyah al Yamaniyah).

Short Form: Yemen.

Term for Citizen(s): Yemeni(s).

Major Cities: The capital of Yemen is Sanaa. Other major cities are Aden, Taizz, Al Hudaydah, and Al Mukalla.

Independence: North Yemen gained independence from the Ottoman Empire in November 1918, and South Yemen became independent from Britain on November 30, 1967. The Republic of Yemen was established on May 22, 1990, with the merger of North Yemen (the Yemen Arab Republic) and South Yemen (the People's Democratic Republic of Yemen).

Public Holidays: Public holidays other than New Year's Day, International Women's Day, Labour Day, Corrective Movement Anniversary, and National Day are dependent on the Islamic calendar and vary from year to year. For 2007 the holidays are: New Year's Day (January 1); Muharram, Islamic New Year (January 20); Ashoura (January 29); International Women's Day (March 8); Mouloud, Birth of Muhammad (March 31); Labour Day (May 1); National Unification Day (May 22); Corrective Movement Anniversary (June 13); Leilat al Meiraj, Ascension of Muhammad (August 10); first day of Ramdan (September 13); Eid al Fitr, end of Ramadan (October 13); National Day (October 14); and Eid al Adha, Feast of the Sacrifice (December 20).

Flag: Three equal horizontal bands of red (on top), white, and black.



[Click to Enlarge Image](#)

HISTORICAL BACKGROUND

Medieval History: In pre-Islamic times, the area that encompasses the present-day Republic of Yemen was called Arabia Felix—happy or prosperous Arabia—and was ruled by a number of indigenous dynasties in several different kingdoms. The most important cultural, social, and political event in Yemen's history was the coming of Islam around A.D. 630. Following the conversion of the Persian governor, many of the sheikhs and their tribes converted to Islam, and Yemen was ruled as part of Arab caliphates. The former North Yemen came under the control of imams of various dynasties, the most important of which were the Zaydis, whose dynasty lasted well into the twentieth century.

Former North Yemen: By the sixteenth century and again in the nineteenth century, northern Yemen was controlled in the cities by the Ottoman Empire and in tribal areas by the Zaydi imam's suzerainty. The Ottoman Empire was dissolved in 1918, and Imam Yahya, leader of the Zaydi community, took power in the area that later became the Yemen Arab Republic (YAR), or North Yemen. Underground opposition to Yahya began in the late 1930s, and by the mid-1940s major elements of the population opposed his rule. In 1948 Yahya was assassinated in a palace coup, and forces opposed to his feudal rule seized power. His son Ahmad succeeded him and ruled until his own death in September 1962. Imam Ahmad's reign was marked by growing repression, renewed friction with the British over their presence in the south, and increasing pressure to support the Arab nationalist objectives of Egyptian President Gamal Abdul Nasser. From 1958 to 1961, North Yemen was federated with Egypt and Syria in the United Arab States. Imam Ahmad's son Badr assumed power after Ahmad's death but was deposed one week later by army officers, led by Colonel Abdallah al Sallal, who took control of Sanaa and created the YAR. Immediately upon taking power, the officers created the ruling eight-member Revolutionary Command Council headed by Sallal. Civil war ensued between the royalist forces, supported by Saudi Arabia and Jordan in opposition to the newly formed republic, and republicans, supported by Egyptian troops. In 1967 Egyptian troops were withdrawn, and by 1968, following a royalist siege of Sanaa, most of the opposing leaders had reconciled. In 1970 Saudi Arabia recognized the YAR.

Former South Yemen: British influence increased in the southern and eastern portion of Yemen after the British captured the port of Aden in 1839. It was ruled as part of British India until 1937, when Aden became a crown colony and the remaining territory was designated a protectorate (administered as the Eastern Protectorate and Western Protectorate). By 1965 most of the tribal states within the protectorate and the Aden colony itself had joined to form the British-sponsored Federation of South Arabia. Over the next two years, two rival factions—the Marxist National Liberation Front (NLF) and the Front for the Liberation of Occupied South Yemen (FLOSY)—fought for power. By August 1967, the NLF was in control of most areas, and at the end of the summer the federation formally collapsed. The last British troops were removed on November 29. On November 30, 1967, the People's Republic of Yemen, comprising Aden and South Arabia, was proclaimed. In June 1969, a radical wing of the NLF gained power. The country's name changed to the People's Democratic Republic of Yemen (PDRY) on December 1, 1970.

Road to Unification: By 1972 the two Yemens were in open conflict. The YAR received aid from Saudi Arabia, and the PDRY received arms from the Soviet Union. Although the Arab League brokered a cease-fire and both sides agreed to forge a united Yemen within 18 months, the two Yemens remained apart. The following years saw continued unrest and conflict, culminating in the assassination of the president of the YAR in June 1978. A month later, the Constituent People's Assembly elected Lieutenant Colonel Ali Abdallah Salih as president of the YAR. Renewed fighting broke out in early 1979, but in March the heads of state of the two Yemens signed an agreement in Kuwait pledging unification. In February 1986, after considerable internal warfare and bloodshed initiated by the president of the PDRY, he lost all his party and state positions, and former prime minister Haydar Abu Bakr al Attas was named president of a newly formed PDRY government. In October a general election took place for the national legislature. In the YAR's first general election, held in July 1988, President Salih won a

third five-year term. In May of that year, the two governments agreed to withdraw troops from their mutual border, create a demilitarized zone, and allow easier border crossings for citizens of both states. In November 1988, President Salih and the secretary general of the Central Committee of the Yemen Socialist Party (YSP), Ali Salim al Baydh, agreed on a draft unity constitution, which was approved by referendum in May 1991. The Republic of Yemen was officially declared on May 22, 1990. President Salih of the YAR became the president of the new republic, al Baydh was named vice president, and PDRY President Haydar Abu Bakr al Attas was named prime minister. Al Attas led a transitional coalition Council of Ministers whose membership was divided between the General People's Congress (GPC; the party supporting President Salih) and the YSP (the party supporting Vice President al Baydh).

Unrest and Civil War: In late 1991 through early 1992, deteriorating economic conditions led to significant domestic unrest, including several riots. Legislative elections were nonetheless held in early 1993, and in May the two former ruling parties, the GPC and the YSP, merged to create a single political party with an overall majority in the new House of Representatives. In August Vice President al Baydh exiled himself voluntarily to Aden, and the country's general security situation deteriorated as political rivals settled scores and tribal elements took advantage of the widespread unrest. In January 1994, representatives of the main political parties signed a document of pledge and accord in Amman, Jordan, that was designed to resolve the ongoing crisis. But by May 1994, al Baydh had been dismissed from power and the country was in civil war. International efforts to broker a cease-fire were unsuccessful. On May 21, 1994, al Baydh and other leaders of the former South Yemen declared secession and the establishment of a new Democratic Republic of Yemen centered in Aden, but the new republic failed to achieve any international recognition. On July 7, 1994, Aden was captured by President Salih's troops, thus ending the civil war. In August 1994, in an attempt to undermine the strength of southern military units loyal to the YSP, President Salih prohibited party membership within the armed forces; he also introduced amendments to the constitution abolishing the Presidential Council and establishing universal suffrage. In October he was reelected president and named GPC members to key cabinet posts; several ministerial posts were given to members of the Yemeni Islah Party (YIP), which had been loyal to Salih during the civil war.

1994 to Present: Following the civil war, Yemen's currency, the riyal, was devalued; the cost of fuel doubled, water and electricity were in short supply, and food costs rose. Public demonstrations ensued, and the YIP was at odds with the GPC over economic reforms recommended by the World Bank. In the April 1997 parliamentary elections, the GPC garnered 187 seats and the YIP only 53 seats. A new Council of Ministers composed primarily of GPC members was named in May. The country continued to experience unrest due to economic hardship, coupled with increasing lawlessness, particularly against tourists. In September 1999, the first direct presidential election was held, reelecting the incumbent, President Salih, to a five-year term by an overwhelming margin. Constitutional amendments adopted in 2000 extended the president's term by two years; President Salih was reelected in September 2006.

GEOGRAPHY

Location: Yemen is located in the Middle East at the southern tip of the Arabian Peninsula between Oman and Saudi Arabia. It is situated at the entrance to the Bab el Mandeb strait, which links the Red Sea to the Indian Ocean (via the Gulf of Aden) and is one of the most active and strategic shipping lanes in the world.



[Click to Enlarge Image](#)

Size: Yemen has an area of 527,970 square kilometers, including the islands of Perim at the southern end of the Red Sea and Socotra at the entrance to the Gulf of Aden.

Land Boundaries: Yemen's land boundaries total 1,746 kilometers. Yemen borders Saudi Arabia to the north (1,458 kilometers) and Oman to the northeast (288 kilometers).

Disputed Territory: A long-standing dispute between Saudi Arabia and Yemen was resolved in June 2000 with the signing of the Treaty of Jiddah. This agreement provides coordinates for use in delineating the land and maritime border, including the section in the eastern desert region of Yemen that potentially contains significant amounts of oil. Friction between the two countries in recent years over security of the borders appears to have been alleviated by the establishment of joint border patrols. Following years of dispute between Yemen and Eritrea over ownership of the Hanish Islands and fishing rights in the Red Sea, in 1999 an international arbitration panel awarded sovereignty of the islands to Yemen. Relations between the two countries remain strained, and Yemen continues to protest Eritrean fishing in the disputed territory.

Length of Coastline: Yemen has 1,906 kilometers of coastline along the Arabian Sea, the Gulf of Aden, and the Red Sea.

Maritime Claims: Yemen claims a territorial sea of 12 nautical miles, a contiguous zone of 24 nautical miles, an exclusive economic zone of 200 nautical miles, and a continental shelf of 200 nautical miles or to the edge of the continental margin.

Topography: Yemen occupies the southern end of the Arabian Plateau. The country's mountainous interior is surrounded by narrow coastal plains to the west, south, and east and by upland desert to the north along the border with Saudi Arabia. The Tihamah is a nearly 419-kilometer-long, semidesert coastal plain that runs along the Red Sea. The interior mountains have elevations ranging from a few hundred meters to the country's highest point, Jabal an Nabi Shuayb, which is 3,760 meters above sea level. The highland regions are interspersed with wadis, or river valleys, that are dry in the summer months. Most notable is the Wadi Hadhramaut in eastern Yemen, the upper portions of which contain alluvial soil and floodwaters and the lower portion of which is barren and largely uninhabited. Both the eastern plateau region and the desert in the north are hot and dry with little vegetation.

Principal Rivers: Yemen has no permanent rivers.

Climate: Temperatures are generally very high in Yemen, particularly in the coastal regions. Rainfall is limited, with variations based on elevation. The highlands enjoy a temperate, rainy

summer with an average high temperature of 21° C and a cool, moderately dry winter with temperatures occasionally dipping below 4° C. The climate of the Tihamah (western coastal plain) is tropical; temperatures occasionally exceed 54° C, and the humidity ranges from 50 to 70 percent. Rainfall, which comes in irregular heavy torrents, averages 130 millimeters annually. In Aden the average temperature is 25° C in January and 32° C in June, but with highs often exceeding 37° C. Average annual rainfall is 127 millimeters. The highest mountainous areas of southern Yemen receive from 520 to 760 millimeters of rain a year. It is not uncommon for the northern and eastern sections of the country to receive no rain for five years or more. The Wadi Hadhramaut in the eastern part of Yemen is arid and hot, and the humidity ranges from 35 percent in June to 64 percent in January.

Natural Resources: Yemen's principal natural resources are oil and natural gas as well as agriculturally productive land in the west. Other natural resources include fish and seafood, rock salt, marble, and minor deposits of coal, gold, lead, nickel, and copper.

Land Use: Only 2.9 percent of Yemen is considered to be arable land, and less than 0.3 percent of the land is planted with permanent crops. About 4,900 square kilometers of land are irrigated. According to the United Nations, Yemen has 19,550 square kilometers of forest and other wooded land, which constitutes almost 4 percent of total land area.

Environmental Factors: Yemen is subject to sandstorms and dust storms, resulting in soil erosion and crop damage. The country has very limited natural freshwater and consequently inadequate supplies of potable water. Desertification (land degradation caused by aridity) and overgrazing are also problems.

Time Zone: Yemen is three hours ahead of Greenwich Mean Time.

SOCIETY

Population: Yemen's latest census, conducted in December 2004, reported a population of 19.72 million persons, reflecting an average annual population growth rate of more than 3 percent. The U.S. government has estimated a population of 21.4 million persons as of July 2006, and the International Monetary Fund estimates 20.3 million persons. Yemen's population has more than doubled since 1975 and has grown approximately 35 percent since the 1994 census, making Yemen the second most populous country in the Arabian Peninsula. Adding to the growth of the native population is the influx of Somali refugees into Yemen—an average of 1,000 per month in 2005. According to the Yemen government, there were more than 80,000 East African refugees in Yemen in 2006. According to the United Nations, Yemen's population in 2005 was 26.3 percent urban and 73.7 percent rural; population density was 40 persons per square kilometer.

Demography: Yemen's population is predominantly young. According to U.S. government and United Nations estimates, in 2006 about 46 percent of the population was under age 15; slightly more than half the population, 15–64; and less than 3 percent, 65 and older. The population was almost equally divided between males and females. In 2006 the birthrate and death rate were

estimated to be 42.9 per 1,000 and 8.3 per 1,000, respectively. The infant mortality rate was estimated to be higher for males than for females—more than 64 male deaths per 1,000 live births, as compared with about 55 female deaths per 1,000 live births. The overall rate was almost 60 deaths per 1,000 live births. Despite an increase of 14 years in the last decade, life expectancy at birth in Yemen has remained low compared with other developing countries—60 years for males and 64 years for females, or 62.1 years overall. The country's fertility rate was almost 6.6 children per woman in 2006.

Ethnic Groups and Languages: Yemen's population is predominantly Arab, but it also includes Afro-Arabs, South Asians, and Europeans. Arabic is the official language; English is also used in official and business circles.

Religion: Virtually all of Yemen's citizens are Muslims; approximately 30 percent belong to the Zaydi sect of Shia Islam and about 70 percent follow the Shafii school of Sunni Islam. A few thousand Ismaili Muslims, who adhere to Shia Islam, live in northern Yemen. Fewer than 500 Jews (a fraction of the former population) also live in the northern part of the country.

Yemen's constitution declares that Islam is the state religion and that the president of the republic must "practice his Islamic duties." The constitution also provides for freedom of religion, which the government generally respects but with limitations. The government prohibits the conversion and proselytizing of Muslims, requires permission for the construction of new places of worship, and permits non-Muslims to vote but not hold elected office. Public schools provide instruction in Islam but not in other religions, although Muslim citizens are allowed to attend private schools that do not teach Islam. In an effort to curb ideological and religious extremism in schools, the government does not permit any courses outside of the officially approved curriculum to be taught in private and national schools. Because the government is concerned that unlicensed religious schools deviate from formal educational requirements and promote militant ideology, it has closed more than 3,000 of these institutions and deported foreign students studying there.

The free practice of religion has met with some government opposition. In 2004 the government used military force to quell an armed insurgency led by a Shia cleric in the northern governorate of Sada. In early 2005 and 2006, the government banned the observance of a religious holiday that is celebrated there by some Shia Muslims and reportedly limited the hours that mosques were allowed to remain open, reassigned imams thought to espouse radical doctrine, and increased surveillance and detention of members of the insurgent group. According to the U.S. Department of State, Yemen's government, in an effort to curb extremism and increase tolerance, monitors mosques for inflammatory sermons and threatening political statements and uses police and intelligence agencies to screen the activities of Islamic organizations tied to international organizations.

Education and Literacy: According to the United Nations, the adult literacy rate for Yemen in 2003 was 29 percent for females and 70 percent for males. The overall literacy rate for the population age 15 and older was 49 percent. By comparison, low-income countries in the aggregate average an adult literacy rate of approximately 60 percent.

There is a direct correlation between the very high rate of illiteracy and the lack of basic education. Although Yemen's laws provide for universal, compulsory, free education for children ages six through 15, the U.S. Department of State reports that compulsory attendance is not enforced. This deficiency is confirmed by United Nations statistics. In 2002 only 72 percent of Yemen's school-age population was enrolled in primary school; enrollment was even lower for the female population—only 59 percent. In that same year, only 35 percent of the school-age population was enrolled in secondary school, including only 21 percent of eligible females. These low enrollment numbers (the lowest in the Middle East and North Africa region) are in turn a reflection of the countrywide shortage of the requisite infrastructure. School facilities and educational materials are of poor quality, classrooms are too few in number, and the teaching faculty is inadequate. In September 2004, the World Bank approved a US\$65 million project to improve the quality of basic education (grades one through nine). Under this program, classroom facilities will be expanded and upgraded, curricula and educational materials improved, and the Ministry of Education's capacity to implement new programs and resources strengthened. Yemen's government has in recent years increased spending on education—from 4.5 percent of gross domestic product (GDP) in 1995 to 9.5 percent of GDP in 2003.

Health: Despite the significant progress Yemen has made to expand and improve its health care system over the past decade, the system remains severely underdeveloped. Total expenditures on health care in 2002 constituted 3.7 percent of gross domestic product. In that same year, the per capita expenditure for health care was very low, as compared with other Middle Eastern countries—US\$58 according to United Nations statistics and US\$23 according to the World Health Organization. According to the World Bank, the number of doctors in Yemen rose by an average of more than 7 percent between 1995 and 2000, but as of 2004 there were still only three doctors per 10,000 persons. In 2003 Yemen had only 0.6 hospital beds available per 1,000 persons.

Health care services are particularly scarce in rural areas; only 25 percent of rural areas are covered by health services, as compared with 80 percent of urban areas. Emergency services, such as ambulance service and blood banks, are non-existent. Most childhood deaths are caused by illnesses for which vaccines exist or that are otherwise preventable. According to the Joint United Nations Programme on HIV/AIDS, in 2003 an estimated 12,000 people in Yemen were living with human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS).

Welfare: According to the United Nations, Yemen ranks 151st out of 177 countries on the human development index (HDI), a measure of life expectancy, education, and standard of living. Yemen has the lowest HDI rank among the Arab states. Several welfare programs are in place, but they have generally been considered inadequate to meet the needs of Yemen's impoverished citizens (estimated to exceed 45 percent of the total population). The main social assistance program is the Social Welfare Fund, initially established to compensate for reductions in economic subsidies. This program provides 650,000 beneficiaries direct cash payments capped at US\$11 per month and lump-sum payments for emergencies. In July 2005, the government announced it would extend coverage to an additional 200,000 beneficiaries. The Social Development Fund and the Public Works Project were established almost 10 years ago with World Bank funds. These programs attempt to raise living standards through various community development, capacity-building, and micro-financing programs; it has been difficult,

however, to obtain the necessary commercial bank credit to make these programs viable. In early 2005, Yemen's parliament adopted a government budget requiring that the government provide additional resources for social safety nets to lessen the impact of economic reforms that might result in higher consumer prices.

ECONOMY

Overview: At the time of unification, South Yemen and North Yemen had vastly different but equally struggling underdeveloped economic systems. Since unification, the economy has been forced to sustain the consequences of Yemen's support for Iraq during the 1990–91 Gulf War: Saudi Arabia expelled almost 1 million Yemeni workers, and both Saudi Arabia and Kuwait significantly reduced economic aid to Yemen. The 1994 civil war further drained Yemen's economy. As a consequence, for the past 10 years Yemen has relied heavily on aid from multilateral agencies to sustain its economy. In return, it has pledged to implement significant economic reforms. In 1997 the International Monetary Fund (IMF) approved two programs to increase Yemen's credit significantly: the enhanced structural adjustment facility (now known as the poverty reduction and growth facility, or PRGF) and the extended funding facility (EFF). In the ensuing years, Yemen's government attempted to implement recommended reforms—reducing the civil service payroll, eliminating diesel and other subsidies, lowering defense spending, introducing a general sales tax, and privatizing state-run industries. However, limited progress led the IMF to suspend funding between 1999 and 2001.

In late 2005, the World Bank, which had extended Yemen a four-year US\$2.3 billion economic support package in October 2002 together with other bilateral and multilateral lenders, announced that as a consequence of Yemen's failure to implement significant reforms it would reduce financial aid by one-third over the period July 2005 through July 2008. A key component of the US\$2.3 billion package—US\$300 million in concessional financing—has been withheld pending renewal of Yemen's PRGF with the IMF, which is currently under negotiation. However, in May 2006 the World Bank adopted an assistance strategy for Yemen under which it will provide approximately US\$400 million in International Development Association (IDA) credits over the period FY 2006 to FY 2009. In November 2006, at a meeting of Yemen's development partners, a total of US\$4.7 billion in grants and concessional loans was pledged for the period 2007–10. At present, despite possessing significant oil and gas resources and a considerable amount of agriculturally productive land, Yemen remains one of the poorest of the world's low-income countries; more than 45 percent of the population lives in poverty. The influx of an average 1,000 Somali refugees per month into Yemen looking for work is an added drain on the economy, which already must cope with a 20 to 40 percent rate of unemployment. Yemen remains under significant pressure to implement economic reforms or face the loss of badly needed international financial support.

Gross Domestic Product (GDP): For 2005 Yemen's GDP was estimated to be US\$15.7 billion. GDP per capita was estimated to be only US\$900. According to the Central Bank of Yemen, real GDP growth is estimated to reach 4.6 percent in 2005, up from 3.9 percent in 2004, caused by expansion in the non-oil economy, particularly the manufacturing, agriculture, and transport, storage and communications sectors. However, economists have calculated a real growth rate of

only 2.6–2.7 percent in 2004, increasing to a range of 2.8–3.8 percent in 2005, and estimate real GDP growth in 2006 to be in a range of 3.2–3.9 percent. The increase is attributed to increased oil production, which will slightly boost export growth, coupled with investment in new capital projects. All of these rates, however, fall far short of Yemen's five-year (2006–10) development plan for sustained average annual real GDP growth of 7 percent. The World Bank has set a target of 7 percent GDP growth rate per year in order for Yemen to achieve sustained economic development.

Government Budget: In 1995, in order to comply with conditions stipulated by the International Monetary Fund (IMF), Yemen began an economic reform program, one component of which is fiscal policy reform aimed at reducing deficits and expanding the revenue base. However, the government has failed to significantly reduce its primary expenditure—subsidies, especially the fuel subsidy. In January 2005, Yemen's parliament narrowly adopted a 2005 budget that forecast a reduced budget deficit of about 3 percent of gross domestic product (GDP). The budget was predicated on the adoption of a reform package that included a broad-based, 10 percent general sales tax (GST) and a 75 percent reduction in the fuel subsidy. Strong public opposition to these reforms led the government in July 2005 to defer the 10 percent GST for 18 months, adopting instead a hybrid 5 percent GST, and to modify the fuel subsidy reduction. Nonetheless, the cost of subsidies, primarily for fuel, rose dramatically (almost 90 percent) in 2005, accounting for the largest share (almost 25 percent) of total government expenditures and approximately 9 percent of GDP. These costs, coupled with a 24 percent increase in civil service wages and salaries and a 42 percent increase in defense spending, resulted in a government budget deficit of US\$350.8 million, or more than 2 percent of GDP, in 2005. The government has budgeted a sharp (41 percent) rise in overall spending for 2006, which economists estimate will result in a fiscal deficit of US\$800 million, or 4.2 percent of GDP.

Inflation: During the years immediately following unification (1990–96), Yemen experienced a very high average rate of inflation—40 percent. Economic reforms brought this rate down to only 5.4 percent in 1997, but high oil prices and cuts in the fuel subsidy in recent years have had a negative impact on the inflation rate, which has generally been on the rise despite some fluctuations. In 2004 efforts by the Central Bank of Yemen to tighten the money supply were offset by a weakening U.S. dollar, to which the Yemeni riyal is linked in a managed float, and by rising global commodity prices, resulting in an inflation rate of 12.5 percent. In July 2005, the government succumbed to public opposition and lowered the new general sales tax from 10 to 5 percent. This tax, coupled with reductions in government fuel subsidies and higher import prices, is expected to result in an estimated inflation rate of 15 percent in 2006, up from 11.8 percent in 2005.

Agriculture, Forestry, and Fishing: Agriculture is the mainstay of Yemen's economy, generating more than 20 percent of gross domestic product (GDP) since 1990 (20.4 percent in 2005 according to the Central Bank of Yemen) and employing more than half (54.2 percent in 2003) of the working population. However, a U.S. government estimate suggests that the sector accounted for only 13.5 percent of GDP in 2005. Numerous environmental problems hamper growth in this sector—soil erosion, sand dune encroachment, and deforestation—but the greatest problem by far is the scarcity of water. As a result of low levels of rainfall, agriculture in Yemen relies heavily on the extraction of groundwater, a resource that is being depleted. Yemen's water

tables are falling by approximately two meters a year, and it is estimated that Sanaa's groundwater supplies could be exhausted by 2008. The use of irrigation has made fruit and vegetables Yemen's primary cash crops. With the rise in the output of irrigated crops, the production of traditional rain-fed crops such as cereals has declined. According to the Central Bank of Yemen, in 2005 the production of qat, a mildly narcotic and heavily cultivated plant that produces natural stimulants when its leaves are chewed, rose 6.7 percent and accounted for 5.8 percent of GDP; its usage in Yemen is widespread. According to the World Bank and other economists, cultivation of this plant plays a dominant role in Yemen's agricultural economy, constituting 10 percent of GDP and employing an estimated 150,000 persons while consuming an estimated 30 percent of irrigation water and displacing land areas that could otherwise be used for exportable coffee, fruits, and vegetables.

Although Yemen's extensive territorial waters and marine resources have the potential to produce 840,000 tons of fish each year, the fishing industry is relatively underdeveloped and consists largely of individual fishermen in small boats. In recent years, the government has lifted restrictions on fish exports, and production has reached one-quarter of capacity, yielding revenues valued at US\$260 million in 2005. Fish and fish products constitute only 1.7 percent of Yemen's GDP but are the second largest export. In December 2005, the World Bank approved a US\$25 million credit for a Fisheries Management and Conservation Project to be launched in all coastal governorates along the Red Sea and the Gulf of Aden. This project is expected to improve fish landing and auction facilities, provide ice plants for fish preservation, and enable Yemen's Ministry of Fisheries to undertake more effective research, resource management planning, and regulatory activities.

Mining and Minerals: Yemen is a small oil producer and does not belong to the Organization of the Petroleum Exporting Countries (OPEC). Unlike many regional oil producers, Yemen relies heavily on foreign oil companies that have production-sharing agreements with the government. Income from oil production constitutes 70 to 75 percent of government revenue and about 90 percent of exports. Yemen contains proven crude oil reserves of more than 4 billion barrels, although these reserves are not expected to last more than 15 to 20 years, and output from the country's older fields is falling. According to statistics published by the Energy Information Administration, crude oil output averaged 413,300 barrels per day (bbl/d) in 2005, a reduction from 423,700 bbl/d in 2004. For the first eight months of 2006, crude oil output was flat, averaging 412,500 bbl/d.

Since the mid-1990s, the primary focus of Yemeni natural gas development has been the export of liquefied natural gas (LNG). In 1997, in order to commercially develop Yemen's 16.9 trillion cubic feet of natural gas reserves, Yemen Gas Company joined with various privately held companies to establish Yemen LNG (YLNG). In August 2005, following years of setbacks, the government gave final approval to three LNG supply agreements, enabling YLNG to award a US\$2 billion contract to an international consortium to build the country's first liquefaction plant at Balhat on the Arabian Sea coast. The plant is expected to deliver a total of 6.7 million tons of LNG per year; initial shipments are expected by the end of 2008, with natural gas likely to flow to the United States and Korea. The Yemen government expects the LNG project to add US\$350 million to its budget and enable it to develop a petrochemicals industry.

Industry and Manufacturing: The U.S. government estimates that Yemen's industrial sector constitutes 47.2 percent of gross domestic product. Together with services, construction, and commerce, industry accounts for less than 25 percent of the labor force. The largest contributor to the manufacturing sector's output is oil refining, which generates roughly 40 percent of total revenue. The remainder of this sector consists of the production of consumer goods and construction materials. Manufacturing constituted approximately 9.5 percent of Yemen's gross domestic product in 2005. In 2000 Yemen had almost 34,000 industrial establishments with a total of slightly fewer than 115,000 workers; the majority of the establishments were small businesses (one to four employees). Almost half of all industrial establishments are involved in processing food products and beverages; the production of flour and cooking oil has increased in recent years. Approximately 10 percent of the establishments are classified as manufacturing mixed metal products such as water-storage tanks, doors, and windows.

Energy: Yemen's state-owned Public Corporation for Electricity (PCE) operates an estimated 80 percent of the country's electricity generating capacity (810–900 megawatts) as well as the national power grid. Over the past 10 years, the government has considered various means of alleviating the country's significant electricity shortage, including restructuring the PCE, integrating the power sector through small-scale privatization of power stations, creating independent power projects (IPPs), and introducing gas-generated power plants to free up oil supplies for export. However, because of inadequate infrastructure, large-scale IPPs and privatization proposals have failed to materialize, although several smaller-scale projects in Al Mukalla and Aden have been completed, and contracts have been signed for future projects. In 2004 Yemen's diesel-run power plants generated 4.1 billion kilowatt-hours of electricity, a level of production that is insufficient to maintain a consistent supply of electricity. Although demand for electricity increased 20 percent between 2000 and 2004, it is estimated that only 40 percent of the total population has access to electricity from the national power grid, and supply is intermittent. To meet this demand, the government plans to increase the country's power generating capacity to 1,400 megawatts by 2010.

Services: Economists have reported that Yemen's services sector constituted 51.7 percent of gross domestic product (GDP) in 2002 and 52.2 percent of GDP in 2003. The U.S. government estimates that the services sector accounted for 39.7 percent of gross domestic product in 2004 and 39.3 percent in 2005.

Banking and Finance: According to economists, Yemen's financial services sector is underdeveloped and dominated by the banking system. Yemen has no public stock exchange. The banking system consists of the Central Bank of Yemen, 15 commercial banks (nine private domestic banks, four of which are Islamic banks; four private foreign banks; and two state-owned banks), and two specialized state-owned development banks. The Central Bank of Yemen controls monetary policy and oversees the transfer of currencies abroad. It is the lender of last resort, exercises supervisory authority over commercial banks, and serves as a banker to the government. The largest commercial bank, the National Bank of Yemen, which is fully state-owned, and the Yemen Bank for Reconstruction and Development, which is majority state-owned, are currently being restructured with the goal of eventual privatization. Because of fiscal difficulties in both banks, in 2004 Yemen's government adopted a plan to merge them; the new publicly owned Development Bank will have a minimum capital of US\$50 million.

The large volume of non-performing loans, low capitalization, and weak enforcement of regulatory standards hamper Yemen's banking sector as a whole. Numerous banks are technically insolvent. Because many debtors are in default, Yemen's banks limit their lending activities to a select group of consumers and businesses; as a result, the entire banking system holds less than 60 percent of the money supply. The bulk of the economy operates with cash. Legislation adopted in 2000 gave the Central Bank the authority to enforce tougher lending requirements, and in mid-2005 the Central Bank promulgated several new capital requirements for commercial banks aimed at curtailing currency speculation and protecting deposits.

Tourism: Yemen's tourism industry is hampered by limited infrastructure as well as serious security concerns. The country's hotels and restaurants are below international standards, and air and road transportation is largely inadequate. Kidnappings of foreign tourists remain a threat, especially outside the main cities, and, coupled with terrorist bombings at the Port of Aden in 2000 and 2002, present a significant deterrent to tourism. As recently as September 2006, tribesmen in the Shabwa province, east of Sanaa, kidnapped four French tourists on their way to Aden. They were freed two weeks later. In October 2006, the U.S. Department of State reiterated previous warnings to U.S. citizens, strongly urging them to consider carefully the risks of traveling to Yemen. Britain's Foreign Office has issued a similar advisory. Recent statistics for tourist arrivals in Yemen are not available, but in 2004 the number rose to 274,000 from 155,000 in 2003.

Labor: According to the U.S. government, the agriculture and herding sector employs the majority of Yemen's working population (54.2 percent in 2003). Industry, together with services, construction, and commerce, accounts for less than 25 percent of the labor force.

According to the World Bank, Yemen's civil service is characterized by a large, poorly paid work force and inadequate salary differential between high and low skilled jobs to attract and retain qualified workers. In 2004 the government increased civil service salaries by 20 to 40 percent in order to alleviate the impact of anticipated economic reforms that were never implemented. The result was a 20 percent rise in wage costs; civil service wages constituted 7 percent of gross domestic product in 2004. The 2005 budget reduced economic subsidies but in exchange required the government to make various concessions, including increasing civil service wages another 10 to 15 percent by 2007 as part of a national wage strategy.

The economic assistance package the International Monetary Fund (IMF) pledged to Yemen is contingent on the implementation of civil service reform, which the government has resisted because of the country's estimated 20 to 40 percent unemployment rate. In 2004 the government claimed to have reduced the civil service labor force through retirements and layoffs, but it appears that the large salary increases have lessened the impact of any reforms. The IMF has stated that civil service salaries as a component of gross domestic product should be reduced 1 to 2 percent, a level that can only be achieved with continued reductions in the size of the civil service. It is unclear whether the national wage strategy, which may succeed in streamlining the system and removing irregularities, will in fact be able to reduce employment costs.

Foreign Economic Relations: During the 1990–91 Gulf War, Yemen supported Iraq in its invasion of Kuwait, thereby alienating Saudi Arabia and Kuwait, which both had provided

critical financial assistance to Yemen. In addition to withdrawing this aid, Saudi Arabia expelled almost 1 million Yemeni workers. The resultant fall in expatriate remittances had a disastrous impact on Yemen's governmental budget. The civil war of 1994 further drained the economy, and in 1995 Yemen sought the aid of multilateral agencies. In 1996 the International Monetary Fund (IMF) granted Yemen a US\$190 million stand-by credit facility, and the following year it approved two funding facilities that increased the country's credit by approximately US\$500 million. The funding was contingent on Yemen's adoption of stringent economic reforms, a requirement that the country had limited success in fulfilling. As a result, the IMF suspended lending to Yemen from late 1999 until February 2001. The extension of the two funding facilities, particularly the poverty reduction and growth facility (PRGF), through October 2001 was again contingent on Yemen's commitment to economic reform. Because of Yemen's failure to comply sufficiently with the terms imposed by the IMF, since 2002 the IMF has withheld US\$300 million in concessional financing. Discussions over the renewal of the PRGF are ongoing. In 2000 Kuwait and Saudi Arabia resumed financial aid to Yemen.

In October 2002, bilateral and multilateral lenders led by the World Bank agreed to give Yemen a four-year economic support package worth US\$2.3 billion, 20 percent in grants and 80 percent in concessional loans. This funding is almost eight times the amount of financial support Yemen received under the IMF's PRGF. However, in December 2005 the World Bank announced that because of the government's continued inability to effect significant economic reforms and stem corruption, funding would be reduced by more than one-third, from US\$420 million to US\$240 million for the period July 2005–July 2008. In May 2006, the World Bank adopted a new Country Assistance Strategy (CAS) for Yemen for the period FY 2006 to FY 2009, providing a blueprint for fostering the country's fiscal and human development improvement. The bank pledged to contribute approximately US\$400 million in International Development Association (IDA) credits over the CAS time frame. At present, Yemen owes approximately US\$264 million to Japan, one of its largest donors. In December 2005, the Japanese government pledged to write off US\$17 million of the debt. That same month, Germany pledged to increase its annual aid to Yemen to US\$83.6 million over the next two years; funding will go primarily to education and water improvement projects. In November 2006, the United Kingdom announced that aid to Yemen would increase 400 percent, to US\$222 million through 2011.

Yemen is a member of the Arab Fund for Economic and Social Development, which since 1974 has contributed to the financing of economic and social development in Arab states and countries through loans and guarantees. In March 2004, the Arab League provided US\$136 million to Yemen to finance infrastructure improvements. At a mid-November 2006 meeting in London, a group of bilateral and multilateral donors pledged US\$4.7 billion over four years (2007–10) to fund economic development in Yemen. The goal of the meeting, which was jointly chaired by the World Bank and the government of Yemen, was to provide sufficient economic aid to Yemen to enable it to qualify for future Gulf Cooperation Council (GCC) membership. More than 55 percent of the aid, which is primarily in the form of grants, will come from the GCC. Yemen was granted observer status at the World Trade Organization (WTO) in 1999, and its application for full membership is currently under negotiation.

Imports: Imports totaled an estimated US\$4.7 billion in 2005 and are projected to increase to US\$5 billion in 2006 and to US\$5.4 billion in 2007. Yemen is a net importer of all major

categories of products except fuels. Principal imports are machinery and transport equipment, food and livestock, and processed materials. According to the United Nations, Yemen imports more than 75 percent of its main dietary staple—wheat. The principal source of Yemen's imports in 2005 was the United Arab Emirates (13.4 percent of total imports); the bulk of these imports are actually re-exports from the United States and Kuwait. Yemen received 10.6 percent of its total imports from Saudi Arabia and 9 percent from China.

Exports: In 2005 Yemen's exports totaled US\$6.4 billion. Exports are expected to increase to reach a record US\$8.6 billion in 2006 as a result of strong oil revenues. Petroleum is Yemen's main export, accounting for 92 percent of total exports in 2004 and 87 percent in 2005. Yemen's non-oil exports are primarily agricultural products, mainly fish and fish products, vegetables, and fruit. In 2005 Asia was the most important market for Yemen's exports, primarily China (37.3 percent of total exports), Thailand, and Japan. Chile was also a primary export market (19.6 percent of total exports).

Trade Balance: Yemen's import and export values have increased and decreased dramatically in the past 10 years owing to shifts in global oil prices. As a result, the country's trade balance has fluctuated significantly from a deficit of almost US\$800 million in 1998 to a surplus of US\$1 billion in 2000. Rising oil prices resulted in a surplus of US\$817 million in 2004 and a surplus of US\$1.7 billion in 2005.

Balance of Payments: In recent years, Yemen has reported increasing non-merchandise deficits. These deficits have, however, been offset by record export earnings, which have resulted in large enough trade surpluses to keep the current account in surplus—US\$175.7 million in 2003, US\$524.6 million in 2004, and US\$633.1 million (about 4 percent of gross domestic product) in 2005.

External Debt: In 1990 the newly unified Republic of Yemen inherited an unsustainable debt burden amounting to roughly 106 percent of gross domestic product. Debt rescheduling by the Paris Club creditor countries in the 1990s coupled with assistance from the World Bank's International Development Agency resulted in a drop in Yemen's debt stock to US\$5.4 billion (an estimated 39 percent of gross domestic product) by year-end 2004. According to the Central Bank of Yemen, Yemen's debt stock was US\$5.2 billion (an estimated 33 percent of gross domestic product) by year-end 2005. According to the U.S. government, Yemen's reserves of foreign exchange and gold were US\$6.1 billion in 2005.

Foreign Investment: Yemen does not have a stock exchange, therefore limiting inward portfolio investment. Portfolio investment abroad is also very limited, with the result that portfolio flows are largely unrecorded by authorities. In the early 1990s, net direct investment was at its peak as foreign investors tapped Yemeni oil reserves, but since 1995 net direct investment flows have been negative because cost recovery for foreign oil companies has exceeded new direct investment. A five-year US\$3 billion liquid natural gas (LNG) construction project involving a consortium of foreign companies is planned following government approval in August 2005. Such a project raises the prospect of increased foreign investment in the future as LNG facilities are built.

Currency and Exchange Rate: Yemen's currency is the Yemeni riyal (YR), which was floated on the open market in July 1996. Periodic intervention by the Central Bank of Yemen has enabled the riyal to gradually depreciate approximately 4 percent per year since 1999. Its value averaged YR191.5 per US\$1 in 2005, and has averaged YR197.5 in 2006. In late November 2006, the exchange rate was about YR198 per US\$1.

Fiscal Year: Yemen's fiscal year coincides with the calendar year.

TRANSPORTATION AND TELECOMMUNICATIONS

Overview: As a direct consequence of the country's poverty, Yemen compares unfavorably with its Middle Eastern neighbors in terms of transportation infrastructure and communications network. Roads are generally poor, although several projects are planned to upgrade the system. There is no rail network, efforts to upgrade airport facilities have languished, and telephone and Internet usage and capabilities are limited. The Port of Aden has shown a promising recovery from a 2002 attack; container throughput increased significantly in 2004 and 2005. However, the expected imposition of higher insurance premiums for shippers in 2006 may result in reduced future throughput. The announcement in summer 2005 that the port's main facility, Aden Container Terminal, would for the next 30 or more years be run by Dubai Ports International brings with it the prospect of future expansion.

Roads: Relative to Yemen's size, the road transportation system is very limited. Yemen has 71,300 kilometers of roads, only 6,200 kilometers of which are paved. In the north, roads connecting Sanaa, Taizz, and Al Hudaydah are good, as are intercity bus services. In the south, roads are generally poor and in need of repair, except for the Aden-Taizz road. In November 2005, the World Bank approved a US\$40 million project to upgrade approximately 200 kilometers of intermediate rural roads and approximately 75 kilometers of village access roads as part of a larger effort to strengthen Yemen's capability for rural road planning and engineering. Plans are underway to build an estimated US\$1.6 billion highway linking Aden in the south and Amran in the north. The road will include more than 10 tunnels and halve the travel time between the southern seacoast and the northern border with Saudi Arabia.

Railroads: Yemen has no rail network, but in 2007 the government, in coordination with the United Nations Economic and Social Commission for Western Asia, will fund a study to examine the feasibility of establishing a rail network. The study will focus on establishing a 2,000-kilometer coastal line, a 1,000-kilometer line linking the key energy centers in the interior, and a 600-kilometer line to parallel the proposed north-south highway.

Ports: Yemen's main ports are Aden, Al Hudaydah, Al Mukalla, and Mocha; Aden is the primary port. In addition, Ras Isa serves as the loading point for oil exports, and a small amount of cargo passes through Nishtun.

Facilities at Aden consist of the Maalla Terminal and the Aden Container Terminal (ACT), which opened in March 1999. The port can handle roll-on-roll-off and container cargoes, as well as tankers. In November 2003, following the October 2002 bombing of the French supertanker

Limburg off the Yemen coast and the resultant dramatic drop in throughput at the Aden port, the Port of Singapore Authority sold its majority stake in the ACT back to the Yemeni government. In June 2005, Dubai Ports International was selected to manage and operate the ACT (and possibly Maalla Terminal) under a 30-year or longer contract; the Yemeni government will remain a minority shareholder. The Port of Aden has recovered well from the 2002 bombing. In 2004 it had annual traffic of approximately 2,000 vessels and 318,901 twenty-foot-equivalent units of containers, mostly handled by the ACT. For 2005, the port handled 317,897 twenty-foot-equivalent units of containers, more than double the amount for 2003. For the first seven months of 2006, the port handled 207, 687 twenty-foot-equivalent units of containers. However, in May 2006 the London insurance market's Joint War Committee placed Yemen on its list of "areas of perceived enhanced risk," which is expected to add a war-risk insurance premium to ships operating in the country's coastal waters. This added premium, coupled with the availability of more secure ports in neighboring countries, will likely result in reduced throughput in Yemen's ports in the near future.

Inland Waterways: Yemen has no waterways of any significant length.

Civil Aviation and Airports: Yemen has 46 airports, 16 of which have paved runways. Of the 46 airports, five are international—Aden International, Sanaa International, Taizz, Rayyan, and Al Hudaydah. A major reconstruction and expansion of Aden International was completed in 2001, including a new runway that can handle large, long-haul aircraft. Plans to make that airport a regional cargo hub, with an "air cargo village," by 2004 appear to have failed. Although construction began in January 2003, by year's end the managing company had dissolved, and there has been no further progress on this project.

Yemenia is the national airline; it absorbed the former national carrier of South Yemen in 1996. It is expected that Yemenia, which is currently 49 percent owned by the Saudi Arabian government and 51 percent owned by the Yemen government, will eventually be privatized, but there has been resistance from the Saudis. In 2001 the airline carried 858,000 passengers. Because the airline's existing fleet of 12 airplanes is rapidly becoming outdated, in 2002 three new aircraft were leased for eight years, and in early 2006 the airline announced plans to acquire six new aircraft, with options for an additional four, beginning in 2012.

Pipelines: According to the U.S. government, as of 2004 Yemen had a total of 1,262 kilometers of pipeline. This total includes pipeline designed for gas (88 kilometers) and oil (1,174 kilometers).

Telecommunications: TeleYemen is the exclusive provider of international telecommunications for Yemen—fixed-line, telex, and Internet services—and is one of the mobile-phone operators. In 2003 the government-owned Public Telecommunications Corporation assumed full control of TeleYemen, and a year later it awarded a five-year management contract to France Telecom.

According to the U.S. government, Yemen had only 220,000 Internet users in 2005. This low number is attributed to the high cost of computer equipment and connections in combination with the population's low level of income, as well as to the restricted bandwidth available on Yemen's outdated telephone network. In 2005 TeleYemen announced it would invest in the

FALCON high-capacity loop cable system, which will improve Internet access, including broadband capability, and also expand international call accessibility.

The cost of running a landline or owning a mobile telephone is out of reach for most of Yemen's poor population, resulting in very low telephone usage rates—3.9 fixed-line subscribers and 9.5 mobile subscribers per 100 persons in 2005. The U.S. government reported 798,100 landlines in use in 2004 and 2 million mobile subscribers in Yemen in 2005. The technology used for domestic lines includes microwave radio relay, cable, and Global System for Mobile Communications (GSM). In 2001 two private companies won 15-year licenses to provide mobile phone services. Although their programs to expand services resulted in a 147 percent increase in mobile phone subscriptions between 2003 and 2004, and almost doubled subscriptions between 2004 and 2005, threats to internal security coupled with poor consumer payment history remain obstacles to future growth. In August 2005, the government awarded a contract to a joint venture between China Mobile and a group of Yemeni investors to take a 55 percent stake in Yemen's third mobile network; the government will retain a 25 percent share. In August 2006, the same conglomerate was awarded a contract for a fourth mobile network.

The state-run Republic of Yemen Television and Republic of Yemen Radio operate the country's television and radio networks, respectively. According to the U.S. government, as of 1998 Yemen had six AM, one FM, and two shortwave radio broadcast stations and seven television broadcast stations, plus several low-power repeaters.

GOVERNMENT AND POLITICS

Political System/Overview: Since unification in 1990, Yemen has officially been a republic. According to the constitution, “the political system of the Republic of Yemen is based on political and partisan pluralism.” In reality, however, the General People's Congress (GPC), which is headed by president Ali Abdallah Salih (who won re-election in September 2006 with 77 percent of the vote), dominates the government and continues to hold an absolute majority in parliament as a result of the 2003 elections. In 2001 several constitutional amendments were passed by national referendum that strengthened the powers of the executive branch. The president was given the authority to dissolve parliament without a national referendum, and his term of office was extended to seven years. The Shura Council appointed by the president was almost doubled in size and given enhanced legislative authority. Yemen's judiciary is perceived as weak and corrupt, and numerous government efforts to effect reform have as yet failed to improve the functioning of the judicial system.

Constitution: Yemen's constitution was ratified by popular referendum on May 16, 1991. It defines the republic as an independent and sovereign Arab and Islamic country and establishes sharia, or Islamic law, as the basis of all laws. In February 2001, several amendments were passed by national referendum extending the presidential term to seven years and the parliamentary term to six years and increasing the size and authority of the Shura Council.

Branches of Government: Yemen's current president, Ali Abdallah Salih, was reelected by universal suffrage in September 2006 for a seven-year term. President Salih won the election

with 77 percent of the vote, despite a challenge from the opposition Joint Meeting Parties (JMP) coalition candidate, Faisal bin Shamlan. The president appoints a vice president and a prime minister, who in turn appoints the 35-member Council of Ministers. Yemen's legislature is bicameral, composed of an elected 301-seat House of Representatives (parliament) and an appointed Shura Council with 111 members. The parliament, whose members serve six-year terms, enacts laws, sanctions general state policy and the socioeconomic plan, and approves government budgets and final accounts. The current parliament is dominated by the ruling party, the General People's Congress; as a result, it has failed to initiate legislation, instead debating policies that the government submits, and is generally perceived as an ineffective check on executive-branch authority. However, according to the U.S. Department of State, Yemen's parliament has rejected or delayed action on some government initiatives and forced the modification of others. Ministers have also been subjected to critical questioning when called to appear before parliament to defend government policies. Pursuant to 2001 constitutional amendments, the Shura Council, whose role is primarily advisory, has the power to vote jointly with parliament on any legislative matters of the president's choice.

Yemen has six types of courts: criminal, civil, personal status, special cases (e.g., kidnapping, carjacking, and acts of sabotage), commercial, and court-martial. In recent years, other limited-jurisdiction courts, e.g., juvenile and public funds courts, have been established under executive authority. The judicial system is organized in a three-tiered court structure. At the base are the courts of first instance, with broad powers to hear all manner of civil, criminal, commercial, and family matters. At the next level are the courts of appeal; there is one in each governorate and one in Sanaa. Each court of appeal has separate divisions for criminal, military, civil, and family issues. The highest court, the Supreme Court, settles jurisdictional disputes between courts, hears cases brought against high government officials, serves as the final court of appeal for all lower court decisions, and determines the constitutionality of laws and regulations. In addition to this formal court system, there is a system of tribal adjudication. It is responsible primarily for non-criminal issues, but in practice these courts adjudicate criminal cases as well.

Administrative Divisions: Yemen is divided into 19 governorates. According to the U.S. government, for electoral and administrative purposes the capital city of Sanaa is treated as an additional governorate. A United Nations report on the preliminary results of Yemen's 2004 population census also lists Raimah as a new governorate.

Provincial and Local Government: Formal government authority is centralized in the capital city of Sanaa. Yemen's Local Authority Law decentralizes authority by establishing locally elected district and governorate councils currently headed by government-appointed governors. In rural Yemen, direct state control is weak, with tribal confederations acting as autonomous sub-states. After the September 2006 elections, President Salih announced various measures that would enable future governors and directors of the councils to be directly elected. However, because the ruling party, the General People's Congress (GPC), continues to dominate the local councils, executive authority over the governorates is expected to remain strong.

Judicial and Legal System: Yemen's constitution, as amended, stipulates that Islamic law (sharia) is the source of all legislation. All laws are based on a combination of sharia, old Egyptian laws, and Napoleonic tradition. Defendants are presumed innocent until proven guilty;

indigent defendants in felony cases are by law entitled to counsel, but in practice this does not always occur. Trials, which are generally public, are conducted without juries; judges adjudicate criminal cases. All defendants have the right of appeal. Women often suffer discrimination, particularly in domestic matters.

Although Yemen's constitution provides for an autonomous judiciary and independent judges, in reality the judiciary is managed by an executive-branch council, the Supreme Judicial Council (SJC), and judges are appointed and can be removed by the executive branch. The judicial system itself is considered weak; corruption is widespread; the government is often reluctant to enforce judgments; and judges are subject to harassment from tribal leaders, who themselves exercise significant discretion in the interpretation and application of the law. The most comprehensive restructuring of the judiciary since the government initiated judicial reforms in 1997 was announced in December 2004. The SJC dismissed 22 judges for corruption, designating others for investigation and forcing more than 100 others into retirement. In early 2005, more than 200 judges and 300 prosecutors at the district and governorate level were reassigned. These reforms had little impact, and in December 2005, the government announced a new 10-year reform initiative aimed at making the judiciary more independent and better staffed.

Electoral System: Yemen has universal suffrage for those age 18 and older. The constitution provides that the president be elected by popular vote from at least two candidates endorsed by parliament. In 1999 the first nationwide direct presidential election was held, giving Ali Abdallah Salih, the leader of the General People's Congress, a five-year term, which was extended to seven years in 2001. President Salih was reelected with 77 percent of the popular vote in September 2006. The electorate also elects the parliament every six years, most recently in April 2003. The next parliamentary elections are to be held in April 2009. Although the 2003 elections were deemed by international observers to be generally free and fair, there were reports of irregularities such as underage voting and voter intimidation.

Politics and Political Parties: Yemen's Political Parties Law mandates that political parties be viable national organizations comprising at least 75 founders and 2,500 members and not restrict membership to a particular region. The government provides financial support to political parties, including a stipend for newspaper publication. The ruling party, the General People's Congress (GPC), captured 238 of 301 seats in parliament in the 2003 elections. In the September 2006 elections, the GPC garnered 315 seats in the governorates (74 percent of the popular vote) and 5,078 local council seats (74 percent of the popular vote). In 2005 a coalition of five opposition parties formed the Joint Meeting Parties (JMP) to effect political and economic reform. The JMP includes the northern-based, tribal and Islamist-oriented Yemeni Congregation for Reform (Islah) and the secular Yemeni Socialist Party (YSP), which represents the remnants of the former South Yemeni leadership. In the September 2006 presidential election, the JMP backed opposition candidate Faisal bin Shamlan, whose success in garnering 22 percent of the popular vote is viewed as a first step in challenging the political stronghold of President Salih and the GPC.

Mass Media: Yemen's Ministry of Information influences the media through its control of printing presses, granting of newspaper subsidies, and ownership of the country's only television and radio stations. According to the U.S. Department of State, Yemen has six government-

controlled, 19 independent, and 14 party-affiliated newspapers. There are approximately 80 magazines, 50 percent of which are private, 30 percent government-controlled, and 20 percent party-affiliated. The government controls the content of news broadcasts and edits coverage of televised parliamentary debates. Although Yemen's government claims it does not monitor Internet usage, the U.S. Department of State reports that the government does occasionally block political and sexually explicit Web sites. By law and regulation, newspapers and magazines must be government-licensed, and their content is restricted.

Foreign Relations: The 1990–91 Gulf War had a significant negative impact on Yemen's relations with its Arab neighbors. As a member of the United Nations Security Council during those years, Yemen abstained on a number of Security Council resolutions concerning Iraq and Kuwait, did not support economic sanctions against Iraq, and called for an "Arab solution" to the crisis. Western and neighboring Gulf states responded by curtailing or canceling aid programs and diplomatic contacts. In particular, Saudi Arabia and Kuwait cut off critical financial aid and budgetary support, and Saudi Arabia expelled almost 1 million Yemeni workers, all of which had a profound impact on Yemen's government finances. Yemen did not succeed in re-establishing diplomatic ties with Kuwait until 1999; in 2000, when a border agreement was signed with Saudi Arabia, Kuwait agreed to resume financial aid. The treaty Yemen signed with Saudi Arabia resolved a 50-year-old dispute between the two countries, providing coordinates for delineating the land and maritime border. In 1995 Yemen and Oman finalized the demarcation of their common border and currently have a strong trade relationship.

Although relations with the West were strained as a result of Yemen's pro-Iraq stance during the first Gulf War, ties were re-established by the mid-1990s when Western democracies urged the International Monetary Fund (IMF) and the World Bank to extend financial assistance to Yemen. In 1999 the United States began using Aden as a refueling stop for the U.S. Navy. After the October 2000 bombing of the USS *Cole* in that harbor, Yemen strengthened its efforts against the Islamist groups responsible for the attack. In July 2001, the United States renewed the bilateral financial aid that had been frozen since the Gulf War. Since September 11, 2001, relations between Yemen and the United States are considered to be significantly stronger. Yemen reportedly values the military and financial support the United States provides, as well as its influence with the IMF, which has serious concerns about Yemen's commitment to economic reform. According to the U.S. Department of State, the United States considers Yemen an important partner in the global war on terrorism, providing assistance in the military, diplomatic, and financial arenas. The U.S. government reaffirmed its commitment to provide economic and military support to Yemen during November 2005 meetings between the White House and President Salih.

Membership in International Organizations: Yemen is a member of the United Nations (UN) and many of its affiliates and specialized agencies: Food and Agriculture Organization, International Civil Aviation Organization, International Fund for Agricultural Development, International Labour Organization, International Maritime Organization, International Telecommunication Union, UN Conference on Trade and Development, UN Educational, Scientific and Cultural Organization, UN High Commissioner for Refugees, UN Industrial Development Organization, Universal Postal Union, and World Health Organization. Yemen is also a member of the Arab Fund for Economic and Social Development, Arab Monetary Fund,

Council of Arab Economic Unity, Group of 77, International Atomic Energy Agency, International Bank for Reconstruction and Development, International Civil Aviation Organization, International Confederation of Free Trade Unions, International Criminal Court (signatory), International Criminal Police Organization, International Federation of Red Cross and Red Crescent Societies, International Finance Corporation, International Monetary Fund, Islamic Development Bank, League of Arab States, Multilateral Investment Guarantee Investment Agency, Organisation for the Prohibition of Chemical Weapons, Organization of the Islamic Conference, World Intellectual Property Organization, and World Meteorological Organization. Yemen was granted observer status at the World Trade Organization (WTO) in 1999 and in 2002 and 2003 submitted necessary documentation for full membership. The WTO working party on Yemen met in 2004 and 2005 to discuss Yemen's accession; negotiations are expected to take several years.

Major International Treaties: Yemen is a signatory to various international agreements on agricultural commodities, commerce, defense, economic and technical cooperation, finance, and postal matters. Yemen is a Non-Annex I country under the United Nations Framework Convention on Climate Change. Yemen is not a signatory to the Kyoto Protocol but has acceded to it, which has the same legal effect as ratification. Yemen is a signatory to the Nuclear Non-Proliferation Treaty, a party to the Biological Weapons Convention, and has signed and ratified the Chemical Weapons Convention. Yemen is also a party to environmental conventions on Biodiversity, Desertification, Environmental Modification, Hazardous Wastes, Law of the Sea, and Ozone Layer Protection.

NATIONAL SECURITY

Armed Forces Overview: The armed forces of the Yemen Arab Republic and the People's Democratic Republic of Yemen were officially merged in May 1990, but in May 1994 civil war broke out between the forces of the two former states, culminating in victory for the North. In October 1994, President Salih announced plans for the modernization of the armed forces, which would include the banning of party affiliation in the security services and armed forces, and in March 1995 the full merger of the armed forces was completed. The number of military personnel in Yemen is relatively high; in sum, Yemen has the second largest military force on the Arabian Peninsula after Saudi Arabia. Yemen's military consists of an army, navy, air force, and reserves. In 2005–6 total active troops were estimated as follows: army, 60,000; navy, 1,700; air force, 5,000; and reserves, 40,000. Despite these troop levels, Yemen's military equipment is considered to be light, outdated, and poorly maintained, particularly when compared with neighboring Gulf states.

Foreign Military Relations: Although no U.S. troops are based permanently in Yemen, the United States has provided military assistance and technical support in recent years. According to the U.S. Department of State, the resumption of International Military Education and Training assistance and the transfer of military equipment and spare parts to Yemen have improved defense relations between the United States and Yemen. Yemen received US\$1.9 million in Foreign Military Financing in FY2003 and was expected to receive US\$14.9 million for FY2004. Non-government sources report that a small number of U.S. troops including Special

Forces units and U.S. Navy SEALs have taken part in limited joint exercises with Yemeni forces in recent years, and in 2002 Yemeni Special Forces received training in counterterrorism from the U.S. Special Operations Command. In 2003 Yemen reported that U.S. naval experts were training military technicians in the Yemeni navy in preparation for joining the new Yemeni coast guard, and in 2004–5 the United States donated 14 patrol craft to the coast guard. In 2005 an Australian company delivered 10 patrol boats to assist Yemeni government efforts to combat terrorism and illegal trafficking; the company will train crews to man the vessels.

External Threat: In the aftermath of the 1990–91 Gulf War when Yemen sided with Iraq in its invasion of Kuwait, both Kuwait and Saudi Arabia broke diplomatic ties with Yemen. Although these ties have been restored, tensions remain over the Saudi Arabia–Yemen border. Despite increased border security, fugitive Islamist militants from throughout the Gulf region, especially Saudi Arabia, Afghanistan, and Iraq, regularly cross what is still perceived as a lax border into Yemen. This poses a security threat to a country battling terrorism on many fronts.

Defense Budget: Yemen’s defense spending has historically been one of the government’s three largest expenditures. The defense budget increased from US\$540 million in 2001 to US\$1 billion in 2005. The 2005 budget is a 42 percent increase over 2004 and represents 6.4 percent of gross domestic product (GDP).

Major Military Units: Yemen’s military is divided into an army, navy, and air force. The army is organized into eight armored brigades, 16 infantry brigades, six mechanized brigades, two airborne commando brigades, one surface-to-surface missile brigade, three artillery brigades, one central guard force, one Special Forces brigade, and six air defense brigades, which consist of four antiaircraft artillery battalions and one surface-to-air missile battalion. The navy’s major bases are located in Aden and Al Hudaydah; there are also bases in Al Mukalla, Perim Island, and Socotra that maintain naval support equipment. The air force includes an air defense force.

Major Military Equipment: Yemen’s army is reported to be equipped with 790 main battle tanks, 130 reconnaissance vehicles, 200 armored infantry fighting vehicles, 710 armored personnel carriers, 310 towed artillery, 25 self-propelled artillery, 294 multiple rocket launchers, 502 mortars, six Scud B (up to an estimated 33 missiles) and 28 other surface-to-surface missiles, 71 antitank guided weapons, some rocket launchers, some recoilless launchers, 530 air defense guns, and an estimated 800 surface-to-air missiles. The navy’s inventory includes eight missile craft, six miscellaneous boats/craft, five inshore patrol craft, six mine countermeasures vessels, one landing ship (tank), two landing craft (mechanical), four landing craft (utility), and two support and miscellaneous tankers. The air force, including air defense, has 75 combat aircraft and eight attack helicopters, as well as assorted transport aircraft, training aircraft and helicopters, and both air-to-air and air-to-surface missiles.

Military Service: In 2001 Yemen’s National Defense Council abolished the existing two-year compulsory military service, relying instead on volunteers to fill posts in the military and security forces.

Paramilitary Forces: Yemen’s paramilitary force has about 70,000 troops. Approximately 50,000 constitute the Central Security Organization of the Ministry of Interior; they are equipped

with a range of infantry weapons and armored personnel carriers. An additional 20,000 are forces of armed tribal levies. Yemen is building up a small coast guard under the Ministry of Interior, training naval military technicians for posts in Aden and Al Mukalla.

Foreign Military Forces: There are no permanent U.S. troops in Yemen, but military personnel have been deployed there in recent years for training purposes. Since the February 2006 escape of 23 Al Qaeda members from a prison in Sanaa, an international coalition of warships has patrolled the waterways off Yemen.

Military Forces Abroad: Yemen's Middle Eastern neighbors who are members of the Gulf Cooperation Council (GCC) participate in a defense force based in Saudi Arabia. Yemen is not a member of the GCC, and there are no reports of the country having a military presence outside of its own borders.

Police: Yemen's primary and most feared internal security and intelligence gathering force is the Political Security Organization (PSO), led by military officers; it reports directly to the president and operates its own detention centers. There are an estimated 150,000 personnel in the PSO. The Central Security Organization, which is part of the Ministry of Interior, maintains a paramilitary force and also has its own extrajudicial detention facilities. Also attached to the Ministry of Interior is the Criminal Investigative Department (CID) of the police, which conducts most criminal investigations and arrests. The total strength of the CID is estimated to be 13,000 personnel. According to the U.S. Department of State, members of the PSO and Ministry of Interior police forces have committed serious human rights violations, including physical abuse and lengthy detentions without formal charges. In 2002 the government established the National Security Bureau, which reports directly to the president and appears to have similar responsibilities to those of the PSO, but it remains unclear how the two organizations will coordinate their responsibilities.

Internal Threat: Analysts see the greatest challenge to the political dominance of the General People's Congress as stemming from a range of security threats posed by Islamist and tribal elements within Yemen. Yemen's topography contributes to a lack of central government control in the more remote governorates, which in turn has enhanced the authority of the country's well-armed autonomous tribes. Army and security forces often face a significant challenge from rebellious tribes, as they did in July 2005 when armed tribal militia blocked fuel deliveries in Sanaa to protest proposed reductions in fuel subsidies. Tribesmen, particularly in the north, routinely kidnap foreign tourists and workers in order to extract political and economic concessions from the government.

In April, October, and November 2005, Zaydi militants carried out attacks against police and soldiers near Sadah; the attackers were believed to be followers of a militant cleric killed by Yemeni security forces in September 2004. Future attacks by these militants are not unlikely, and the availability of an estimated 9 million firearms among the general population increases the potential deadly force of these attacks. The government also faces a threat from militants from Saudi Arabia, Afghanistan, and Iraq who routinely cross the Yemen-Saudi Arabia border, as well as militant Islamists from Somalia who can access existing arms smuggling routes between the two countries.

Terrorism: Yemen was the site of two major terrorist attacks—the suicide bombing attack against the USS *Cole* in October 2000 in the Aden harbor and the bombing of the French supertanker *Limburg* off the port of Al Mukalla two years later. In 2004 suspects linked to al Qaeda were prosecuted and convicted in Yemeni courts for the Aden attacks as well as other planned terrorist activities. In 2005 dozens of al Qaeda members were tried and convicted in Yemen of planning and perpetrating terrorist attacks against Yemeni officials and Western targets both in Yemen and abroad, including additional suspects linked to the USS *Cole* bombing. On February 3, 2006, 23 convicted al Qaeda members, 13 of whom were tied to the USS *Cole* and *Limburg* bombings, escaped from the maximum-security prison in Sanaa; most remain at large. In September 2006, four suicide bombers were killed in a foiled attempt to bomb two Yemeni oil facilities; two of the four have been identified as being among the group of 13 escaped prisoners.

According to the U.S. Department of State, Yemen provides support for the global war on terrorism and has expressed a willingness to fight international terrorists by denying them the use of its territorial seas and ports. The United States and Yemen are cooperating in efforts to strengthen the Yemeni coast guard's security capabilities. Although a 2001 border agreement between Yemen and Saudi Arabia has improved border security and curtailed arms trafficking, the U.S. government continues to be concerned about cross-border smuggling of arms and militants. There is concern that Yemen's government is unable to freeze the financial assets of United Nations-designated al Qaeda supporters, and military experts have reported that there are al Qaeda sympathizers in the Yemeni military and government. There are also numerous reports that Yemeni mercenaries, many of whom attended training camps in Afghanistan, are participating in the Iraq insurgency.

Human Rights: According to the U.S. Department of State's annual report on human rights practices, Yemen's government has maintained a poor human rights record, continuing to commit various abuses, including the arbitrary arrest of persons critical of the government. Security forces, which are generally considered corrupt, often detain persons for prolonged periods of time without due process, subjecting them to torture and abuse. Violence and discrimination against women have been reported, as well as discrimination against persons with disabilities and against religious, racial, and ethnic minorities. The government often controls the management of unions and trade union federations.

Although Yemen's constitution protects privacy, government police forces routinely search citizens' property without warrants and monitor telephone, postal, and Internet communications. Yemen's constitution also provides for freedom of speech and of the press "within the limits of the law," but this protection is also violated. Police forces often threaten and harass journalists who are critical of the government in order to influence press coverage. Some journalists have been placed on trial for writing articles critical of the president or reporting on issues deemed sensitive to the government, and newspapers have been temporarily shut down for the same reasons. Foreign publications are monitored for content and subject to censorship. Legislation was enacted in 2005 mandating that journalists reveal their information sources in certain circumstances and significantly raising start-up costs for newspapers and Web sites.