

Yemen

Status Index (Democracy: 1.6 / Market economy: 1.7)		3.3	Management Index		2.9
System of government	Autocracy		Population	18.7 mill.	
Voter turnout	61.4 % (Parliamentary elections 1997)		GDP p. c. (\$, PPP)	790	
Women in Parliament	0.7 %		Unemployment rate	25-40 %	
Population growth^a	3.8 %		HDI	0.470	
Largest ethnic minority	n. a.		UN Education Index	0.49	
			Gini Index	33.4 (1998)	
<p>Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Note: Statistics for Yemen are extremely unreliable, and different sources often contradict each other on basic data. The figures cited here and below are drawn from UN reports and estimates compiled by the German Embassy in Sana'a.</p>					

1. Introduction

During the period under study, the Republic of Yemen underwent a phase of economic consolidation paralleled by gradual erosion of previously established democratic standards. Fundamental structural flaws have proved largely unyielding. These include tribal challenges to the state's monopoly of the use of force; legal pluralism that has weakened the entire legal system; patronage and corruption; and a weak infrastructure.

However, in comparison with most neighboring states, the transformation process as a whole has brought a remarkable undercurrent of democratic attitudes to the surface. These have come forward even though external constraints, such as solidarity with the United States in the war on terrorism, and internal uncertainties, including the weak national economy, increasing poverty, and tribal interests, will continue to loom large as obstacles. In view of Yemen's unbounded population growth and inescapable domestic and international pressures, the future of the transformation process remains uncertain.

2. History and characteristics of transformation

The Republic of Yemen was created in 1990 from two nations with fundamentally different social and economic orders. The Yemen Arab Republic had a liberal economic system and influential independent tribes governed by a conservative and autocratic, though on the whole weak, presidential system. By contrast, the

People's Democratic Republic of Yemen was a socialist country whose leaders espoused the principles of a centralized and planned economy.

When these two countries merged, fundamental democratic principles including freedom of speech and of the press, free elections, and a parliamentary system were established nationwide, and a liberal economic order rapidly took hold. The process was turbulent—an attempted secession ignited civil war in 1994—and only stabilized in the late 1990s. The formerly socialist south balked at the introduction of conservative principles, and the independent tribes persistently undermine the central government's attempts to monopolize the use of force.

Yemen's very weakly developed economy remains extremely dependent on the oil sector and has only attained even a modest level of stability since structural adjustment measures were implemented. In contrast to the process of social transformation—which earns very high marks overall—the developing market economy continues to have structural shortcomings. By far the greatest barrier to further development is rampant population growth.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

3.1.1 Political regime

(1) *Stateness*: Border treaties signed in recent years with neighboring countries have clearly consolidated Yemen's state identity. Internally, however, the state's monopoly on the use of force holds only in the central regions, as in much of the country the government must constantly renegotiate its authority over autonomous, armed tribes. The definition of and qualifications for citizenship are not in dispute among the people of Yemen, but the separation of church and state is incomplete. The constitution establishes Islamic law as the foundation for the legal system, and although the state provides basic infrastructure in wide areas of its territory, it often functions poorly.

(2) *Political participation*: Free parliamentary general elections have been held since 1993, and local elections since 2001. Universal active and passive suffrage is present with certain limitations. The government is appointed by the president and confirmed by parliament. Although the government in principle oversees open, competitive elections, tribal interests play an important role in this arena. In addition to the House of Representatives, the second chamber, known as the Shura Council, is a key instrument in the political decision-making process. The Shura's members are appointed by the president and are mostly important tribal representatives.

Political and civic organizations may form freely but must be registered by the office of the president. As a result, organizations are limited in fully exercising their right to political activity. The military has no meaningful influence in politics, as it was long ago co-opted by the executive branch: The president is the commander-in-chief of the army. The union network is rudimentary so far. Freedom of the press is guaranteed, although television and radio are controlled by the state. Criticism of the presidential system is suppressed to some extent.

(3) *Rule of law*: Transformation deficiencies are found in the checks and balances between the executive, legislative and judicial branches. The forceful assertion of presidential power (including the Shura Council) compromises the independence of the judiciary and the parliament has very little actual say in shaping legislative initiatives. The judiciary is institutionally separate from the other branches of government. However, the legal system is based on Islamic law and also draws on elements of tribal law. The as yet undefined boundary between these two systems creates considerable legal uncertainty. Corruption and patronage are widespread at all levels, and although corrupt officials are not adequately prosecuted, they often receive very critical public and media attention.

Civil rights are not uniformly and consistently respected; in some regions under tribal control, only tribal laws, which severely restrict civil rights, apply. Politically motivated murders occur and are not always rigorously investigated. However, establishment of a High Commission for Human Rights has at least created the institutional foundation for improving the human rights situation. Yemen is a signatory to almost every international human rights agreement.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Aside from the reservations noted above about the rule of law, the central government is stable and functional. The strong countervailing force represented by the tribes is increasingly integrated into the political decision-making process through local elections and the Shura Council but remains a destabilizing element. All influential political and social actors accept this bipolarity and take it in stride.

(2) *Political and social integration*: Yemen has an established party system with a moderate level of fragmentation and fairly strong roots in society, especially when compared with other countries in the region. The majority party (the General People's Congress or GPC), which supports the presidential regime, tends to co-opt other movements in an effort to minimize polarization. A network of civic interest groups exists but is vulnerable to infiltration and manipulation by representatives of the presidential regime, so that on the whole it has only a slight and relative autonomy.

Bolstered by democratic traditions within tribal society and by a collective rejection of the authoritarian, patriarchal structures in neighboring countries, approval for democracy is high to very high. Voter turnout is regularly more than 50 %. The development of civil society began at a low level but is slowly improving, though it often relies on patronage. Nevertheless, in the face of corruption, patronage, and the unresolved power struggle between the tribes and the central government, confidence in democratic structures and institutions remains weak. Because 76 % of women and 37 % of men are illiterate, the majority of the population barely participates in the process of democratic change and social transformation.

3.2 Market economy

Yemen has made progress in transforming its economic order. Shortcomings exist in the areas of privatization and reform of the banking sector.

3.2.1 Level of socioeconomic development

The key indicators show a very low level of development. Therefore, much of the population is far from having freedom of choice. The poverty rate is high and continues to grow, particularly in response to the structural adjustment policies of recent years. Anti-poverty programs yield little success. Access to education remains poor, especially in rural areas, which account for more than 70 % of the population, and especially for girls. Despite a variety of efforts by the government and by NGOs, women are clearly disadvantaged; only in large cities are steps being taken to integrate women more fully into public life. Income disparities continue to worsen, especially between urban and rural regions.

Agriculture, including fishing, remains the most important economic sector followed by the service sector, and commerce in particular. The secondary sector is only weakly developed.

3.2.2 Market structures and competition

The foundations of a competitive market economy were laid after the mid-1990s on the blueprint of a structural adjustment program initiated by the IMF and the World Bank. The program called for marked cutbacks in subsidies, floating the exchange rate, and the strengthening and deregulation of the formerly state-governed but largely undeveloped banking and financial system. The establishment of a stock market is under discussion. The only efforts that have so far yielded even modest success are privatization measures and other structural interventions, such as the reform of public administration, adaptation of the legal system, and modernization of the tax system. Monopolies and oligopolies are not

regulated. Foreign trade is largely deregulated, but there are some exceptions and occasionally high import duties. Smuggling of alcohol and durable consumer goods still plays a certain role.

3.2.3 Stability of currency and prices

The structural adjustment programs, together with numerous bilateral debt rescheduling agreements, have brought perceptible macroeconomic stabilization. The rate of inflation is stable at less than 10 %, the debt rate is in decline, the currency is freely convertible and the exchange rate is stable. However, the link between Yemen's financial stability and the price of crude oil is problematic: 87 % of export earnings come from crude oil sales.

3.2.4 Private property

Property rights and property acquisition are governed partly by the state and partly by tribal law, and for that reason alone share a shaky legal foundation; the government intervenes primarily as a form of patronage. Private enterprises may develop freely for the most part, but the capital market is too weak to support vigorous expansion. In several key sectors including construction materials, telecommunications, banks, airlines and the oil industry, privatization crawls at a snail's pace.

3.2.5 Welfare regime

The state provides only rudimentary social security. Support for the elderly, the ill and the unemployed is left to family, clan and village structures that for the most part still function adequately. A modest social insurance system covers only civil servants. The IMF supports several anti-poverty programs, but to little effect. Yemeni society is highly segmented, with almost caste-like structures and very limited upward mobility. In principle women have access to higher education, but they are only marginally engaged in professional life. Conservative role assignments determine social reality.

3.2.6 Strength of the economy

Because the Yemeni economy is highly dependent on oil exports, external factors cause major fluctuations in GDP growth, budget surpluses or deficits, the trade ratio and the debt ratio, although these fluctuations have moderated somewhat in recent years. The employment level is extremely unsatisfactory; one primary reason is that economic growth almost always lags behind soaring population

growth. Despite all movement toward stabilization, therefore, the structure of Yemen's economy remains fragile and could easily break down.

3.2.7 Sustainability

Environmentally supportable growth receives only occasional consideration and has hardly any institutional underpinning. This is particularly evident in the water sector, where existing renewable resources are constantly overused without any decisive structural intervention. In the face of Yemen's rampant population growth, institutions for education and higher education—despite substantial investment—are hopelessly overburdened, although private institutions also exist. As a result, the quality of education is declining. Research and development facilities are almost nonexistent.

4. Trend

(1) *Democracy*: State identity, political participation and the rule of law have made no significant qualitative advances in the past five years, and in some respects (e.g. increased patronage, corruption, constraints on civil society institutions) have even deteriorated. Assassinations, restrictions on freedom of the press and interference with freedom of movement have all occurred. One of the root causes of these problems is the state's continued failure to monopolize the use of force in the face of expanding radical Islamic movements. The government finds itself caught between upholding constitutionally guaranteed freedoms and its desire to pursue unmistakably terrorist groups to show solidarity with the United States. The consolidation of democracy has lost ground as a result, citizens are more reluctant to participate and uncertainties mount.

Table: Development of socioeconomic indicators of modernization

	1995	1998	2000
HDI	0.439	0.448	0.479
GDI	0.336	0.389	0.426
Gini index	n.a.	n.a.	0.334
UN Education Index	n.a.	n.a.	0.48
GDP per capita (\$, PPP)	856	719	893

Table: Development of macroeconomic fundamentals (1998-2002)

	1998	1999	2000	2001	2002
Growth of GDP as a %	4.9	0.6	5.2	3.3	4.2
Export growth as a %	-39.9	86.7	73.4	-15.0	n.a.
Import growth as a %	13.1	6.1	20.1	10.7	n.a.
Inflation as a %	~6	~9	~8	11.9	~8
Current account balance in billion \$	-0.15	0.77	1.34	0.48	n.a.

(2) *Market economy*: To the extent that data are available at all, the fundamental developmental indicators show a slight upward trend although income disparities may have worsened. The institutional environment for market economic activity has barely changed and uncertainty still prevails. The momentum for reform has weakened to a certain extent and overall economic development remains critically dependent on the oil sector.

5. Transformation management

5.1 Level of difficulty

In terms of development, Yemen's economy hovers between "low income" and "middle income." Low education level in all areas but particularly in professional education severely impedes development. On the other hand, social tensions resulting from income disparity remain minimal and there are no ethnic conflicts. Much more serious is the failure on the part of the tribes to submit to state authority, and the increasing infiltration of religious fundamentalism from abroad. Apart from strong democratic tribal traditions, there is scant tradition of civic culture. The rule of law is not well established, state administration is inefficient, and as a result, the population has little confidence in the authority of the government.

5.2 Reliable pursuit of goals

Although Yemen has a long history of ambitious development plans, when it came to implementation, a *laissez-faire* policy generally prevailed. This has clearly changed since the mid-1990s. Now, concrete goals are accompanied by institutional regulations setting forth concrete steps to achieve them, although ad hoc decisions are still made at short notice to maximize political benefits in many cases.

Wide fluctuations in the price of oil make it very difficult to draft realistic long-term plans based on reliable forecasts. Nevertheless, “Strategic Vision 2025” outlines a series of steps to take Yemen forward. In general, while some reform measures are implemented swiftly and resolutely, others are pursued much too hesitantly. There is no evidence of a coordinated, coherent reform policy to achieve higher standards for democracy and the market economy. The structural adjustment programs demanded by outside forces are mainly implemented, but that is all. On the whole, the government’s reform measures are only minimally reliable—quite apart from the fact that it generally lacks the assertiveness to carry out those measures.

5.3 Effective use of resources

The government bureaucracy is bloated and extremely inefficient. Hiring and promotion are heavily influenced by politics but even more so by entrenched patronage structures. Competence and hard work in no way guarantee promotion. Although clear structures are set forth in the constitution, the actual decision-making process is heavily influenced by personal relationships and networks. Most government employees do little or nothing in their official capacity, as the “real” work gets done outside the halls of government. Planning, execution and oversight of the state budget takes place with little transparency and discrepancies between planned and actual spending—paired with frequent supplementary budgets—are the rule rather than the exception. Account auditing is institutionalized but is often manipulated to support patronage.

Local, autonomous administrative bodies are rudimentary at best and an effective decentralization of decision-making processes never got off the starting blocks. Specifically, local institutions lack financial autonomy. Because of all these institutional weaknesses, the government has only begun to effectively implement its reform goals. However, the government has recognized these shortcomings and is making an effort to improve the distribution of public services through administrative reforms.

At the same time, the focus of bilateral and multilateral development aid has shifted to the goal of strengthening institutions. Patronage networks and corruption hinder these efforts and while both are publicly denounced and sharply criticized in the media, this has had little enduring effect. Finally, the rivalry between the central government’s goals and independent tribal interests has so far largely prevented the inclusion of many positive cultural traditions into governmental structures even though it is precisely these tribal traditions, rich in democratic principles, that could be integrated into an effective federal system.

5.4 Governance capability

Yemen's key political figures are primarily interested in maintaining their hold on power. They react to problems and missteps with positive reforms, but only if the reforms will work to their advantage. As a result, any gain on the learning curve is swiftly retracted and the old routines remain stubbornly entrenched. This problem, together with the issues cited above, presents a fundamental challenge to the political authority of Yemen's leaders. The government considers allocation effects of its policies but makes hardly any effort to improve the allocation efficiency of the markets. Reformers do recognize development opportunities, but they often overestimate the potential of these opportunities and their own scope for action. Establishment of the free-trade area in Aden illustrates this problem.

5.5 Consensus-building

The key players generally agree about the path to further development and stabilization of the market economy. There is less consensus about how to strengthen democratic structures. In particular, government (centrist) and tribal (autonomous) forces each set up roadblocks to the other's reform measures. The government is unable to ease these tensions appreciably because to do so would require compromise and, by default, a loss of power. By contrast, other fault lines existing between parties and between more secular and more Islamic or fundamentalist forces are less conspicuous and can usually be neutralized by the co-opting strategy the government has refined.

In Yemen's markedly segmented society, openness to solidarity exists to a high degree *within* socially important groups (family, clan, village, tribe), but there is little or no solidarity *between* these groups. The government is unable to alter this basic disposition appreciably; indeed, its own behavior conforms to the same rule.

Another cleavage separates the populations of the two former states. The people of the formerly socialist south and east feel excluded from decision-making processes and established power structures. In their view, the fundamentally conservative attitude of "the north" runs counter to the posture of openness to the world that had evolved through the period of British colonial rule from 1839 to 1967. Although the Yemeni Socialist Party (YSP) has moved in the direction of social democracy, it is not correspondingly involved in the formulation of political objectives.

5.6 International cooperation

Cooperation with bilateral and multilateral donors is working exceptionally well. Ahmed Mohammed Sofan, the Minister of Planning and Development, understands how to communicate development shortcomings credibly and utilize

aid programs effectively to advance reform. In particular, the institution-oriented approach can be credited to his initiative. The government takes great pains to present itself as a reliable, predictable partner, although it not uncommonly glosses over the development shortcomings detailed above.

Border agreements with neighboring countries, efforts to join the Gulf Cooperation Council, and full support of the United States in the war on terrorism have served to improve the credibility and reliability of Yemen's foreign policy. Cooperation with international organizations also functions smoothly for the most part; for example, Yemen's implementation of its structural adjustment programs is considered exemplary.

6 Overall evaluation

1) Originating conditions: The initial conditions for the transformation that began when the two states merged in 1990 were extremely adverse. Democratic traditions existed only in the conservative tribal context; and market-oriented economic traditions only existed in limited form in the north. Although the fundamental question of national identity has been resolved since 1990, the internal conflict of loyalty between the tribes and the government impedes a fundamental region-wide transformation.

Similarly, traditions for the rule of law and civil society were barely present, and though quite opposite ideologies had shaped the economy and society of the two original states during the cold war, neither had fostered these ideologies. A weak economy at a time when the oil industry was in its infancy, and extreme dependence on external factors, such as foreign workers and development aid, only added to the difficulty for what ranks as one of the world's least developed countries.

(2) Current status and evolution: Measured against these poor starting conditions, the advances toward transformation are impressive. Democratic transformation progressed both surprisingly rapidly and well in the first years after unification and has essentially held its ground during the period under study. No serious threats to democracy can be identified, though the presidential system coupled with patronage structures in an inherently segmented society may not always be consistent with "democracy" as we understand it. A much greater danger may be that governmental authority will wane because its institutional structures remain ineffective. Another source of uncertainty is the lack of clear demarcation between the different legal systems. The transformation toward a market economy, which had its greatest impact in the former South Yemen, can be described as "off to a good start."

(3) Management: Managerial achievements in the period under study were largely effective in terms of implementing the structural adjustment programs that

spearheaded the transformation to a market economy; by contrast, they continue to fall short in regard to establishing a state monopoly on the use of force. Other areas still in need of reform are the finance sector, gender equality, and the overwhelming problem of curbing population growth. In all three areas, almost no meaningful headway has been made. Cooperation with outside actors is headed in the right direction but the lopsided dependence of the national economy on the oil sector is a major source of uncertainty.

7 Outlook

The current portrait of the transformation process in Yemen is mixed. On one hand, an astonishing number of democratic structures have sprouted and taken root within a short time in a fairly authoritarian regional setting; on the other, fundamental shortcomings such as the weak and unitary national economy, corruption, patronage, and rivalry between the central government and the tribes remain.

There is no guarantee that the chosen path toward transformation is sustainable. Rampant population growth, institutional inadequacies and unresolved domestic power struggles loom as large obstacles.

Therefore, key strategic tasks lie in the areas of family policy (where reforms must include progress toward equal status for women); diversification of the national economy (agriculture offers potential); continued efforts to strengthen institutions; comprehensive reform of the educational system; and constitutional reform that integrates the tribes and moves toward structures that are more federal. However, there is absolutely no certainty that the current elite can muster the creative management skills necessary to accomplish these tasks.