

Yemen: Developmental Dysfunction and Division in a Crisis State

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When the Chinese revolutionary leader, Zhou Enlai, was asked about the impact of the French Revolution of 1789, he allegedly quipped "it is too soon to say." As Yemen and the Middle East experience major shifts in early 2011 it is important to examine the underlying drivers of these changes. This paper looks behind the scenes at the Yemeni regime's opaque internal politics and at the nature of the neo-patrimonial system that it has entrenched over the past 32 years. Yemen is at a critical juncture, and the calculations and strategies of the country's key actors may shift rapidly and on the basis of unpredictable factors, but it is important to keep in mind that deeply patrimonial systems are not transformed overnight.

This paper offers an analysis of that system and the dynamics that have brought Yemen to this critical juncture. It asks why the leaders and elites of some countries are so ineffective in addressing serious threats to the viability of their states and to the wellbeing of their citizens? Is failure primarily attributable to individual leaders – that is, to agency – or are leaders and elites constrained by structural factors beyond their control? How important are external actors?

Yemen is facing a series of deepening economic and political challenges, including declining oil reserves, budget shortfalls, civil conflict, a burgeoning civil protest movement, foreign military intervention, pervasive poverty, and an increasingly aggressive militant jihadi movement. Theory suggests that such threats often provoke the formation of developmental elites and coalitions, but to date this has not occurred in Yemen.

This paper considers what the situation in Yemen

tells us about domestic and international impediments to reform in developing states. It examines the relations between the structures and agents that constitute the Yemeni polity to try to determine:

- Why Yemeni elites have been unwilling and/or unable to take effective action against the threats facing the state and that, therefore, simultaneously threaten their individual survival as elites?
- Whether this failure is primarily a matter of decisions and preferences that elites make as human agents, or a function of structural and institutional circumstances beyond their control?
- Whether these actors perceive that the threats are not serious enough to warrant systemic change and, if so, the basis for this perception.

Methodology

This qualitative study combines data gathered from semi-structured questionnaires of political actors within Yemen, interviews with Western donors and local actors, government records, media reports, and observations made during several years of previous field research. With a few notable exceptions it was not possible to interview members of the regime's 'inner circle'. This study has therefore used the observations of other elites, analysts, and the regime's public record of behaviour to determine the reasons for its apparent unwillingness to act against the threats that have built against the state for the past several years.

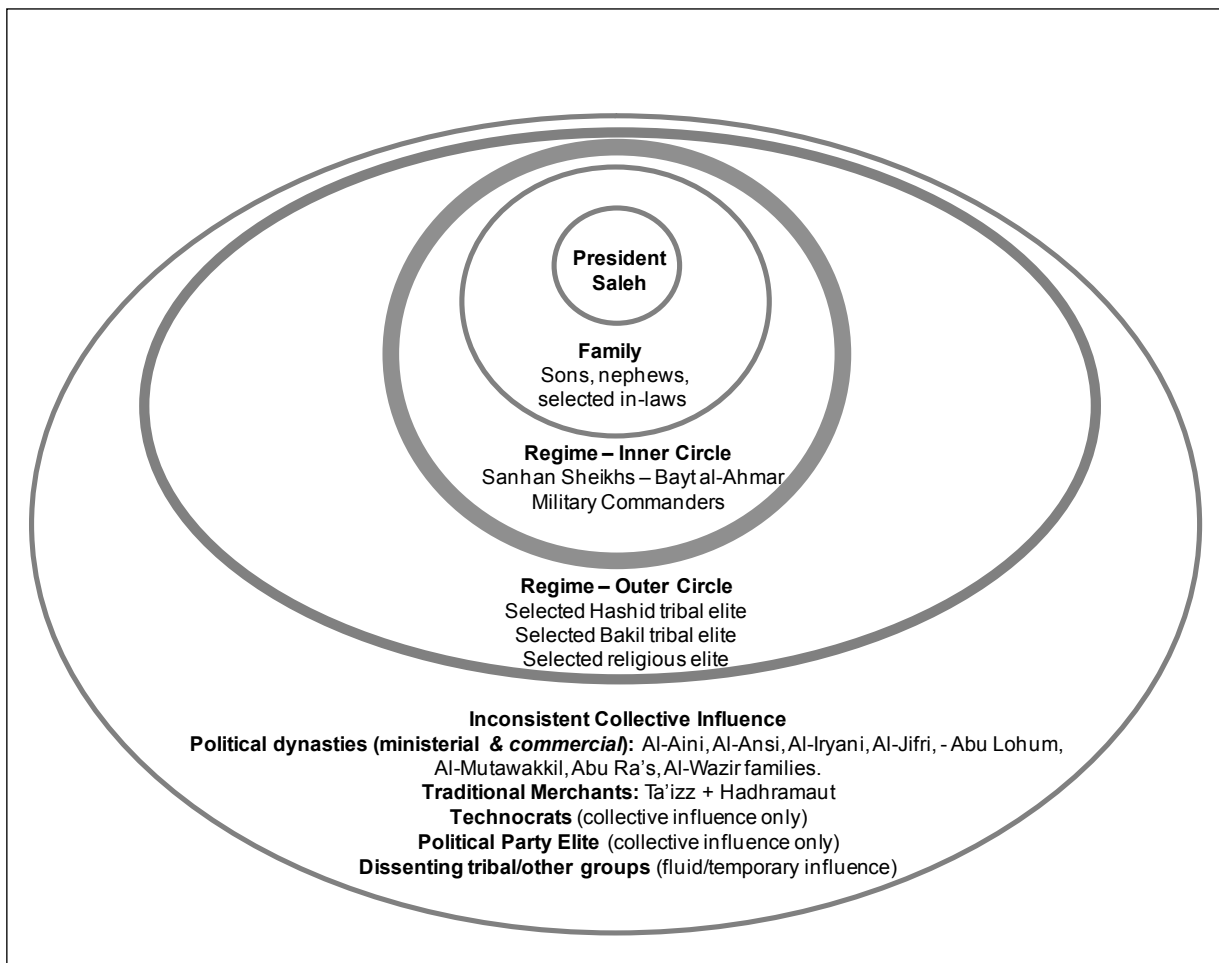
Key Players and Yemen's power elite

As in many developing polities, the most noteworthy feature of Yemen's formal institutions is their relative lack of salience compared to informal institutions. This study examines four main groups:

- Yemen's 'regime' (an informal network of elites, predominantly tribal and military personalities,
- The regime's 'inner circle'
- The Joint Meeting Parties (JMP) (Opposition coalition party)
- The General People's Congress (GPC) (Governing party)

whose interests are considered on an ad-hoc and fluid basis by President Ali Abdullah Saleh and his inner circle in political decisions)

Figure 1



- The most important players in the Yemeni system are the regime's **inner circle**, a power elite of approximately 50 people that surround President Ali Abdullah Saleh, drawn from his family and tribe – the Sanhan. Members who serve as military commanders are well known to the Yemeni public, but the rest of this group are shrouded of secrecy.
- Expanding outwards from this core group are the fluid networks that constitute **the Yemeni regime**, starting with highly influential tribal elites that may still be considered part of the regime's core.
- Significantly further down in this hierarchy of political influence are **the technocrats and political party elite**. Players in the system, their interests are not considered critical to the regime's decision-making processes and they are therefore unlikely to be able to drive a process of systemic reform.

The Rules of the Game- the Yemeni patronage system

- The Yemeni patronage system constitutes the basis of the political settlement between the elites outside the inner circle. Without a monopoly on the legitimate use of violence, the inner circle needs to complement its coercive power with the ability to co-opt, divide, reward, and punish other elites through patronage.
- The rules of the game are based on the inclusion of relevant elites and the exclusion of others, perpetuating the ability of elites to capture wealth, generate further rents, and distribute benefits on a discretionary basis (North, Wallis, and Weingast, 2009: 38). The system is highly inclusive of elites, because patronage politics are so much more relevant in determining political influence and resource allocation than are the country's formal institutions.
- To be included, a person or group must be able to demonstrate their relevance to the maintenance of the political status quo. This is an ongoing negotiation, and those who fail lose their positions within the system. Not all elites are included equally or permanently and the system is not open to those whom the regime does not consider influential within a given constituency.
- With some important exceptions, most members are not individually influential in key political decisions, but are included as a means of maintaining stability, regional diversity, and to prevent elites from challenging the regime's inner circle.
- These informal mechanisms are critical to the regime's ability to contain violence and maintain its centralised rule but also limit competition, economic growth and the regime's incentives to enforce the rule of law.

Structural Impediments to Change

The fact that so many people are enmeshed in the patronage system suggests that the structural constraints facing Yemeni elites are, in fact, the sum total of the agents who maintain the system. However, several political and economic structures form the basis for these individuals' beliefs about what is politically possible, including:

- **Historical coincidence.** In the 1970s and 80s, north Yemen was largely a remittance-based

economy. At the same time as almost one million Yemeni workers were expelled from the Gulf as punishment for Yemen's stance on Iraq's invasion of Kuwait in 1990, the country's oil exports began to increase dramatically. The balance of power rapidly switched from a remittance-rich (and therefore relatively autonomous) citizenry and a poor state, to a poor (and relatively economically dependent) citizenry and an oil-rich state (Clark, 2010: 139). This shift was reflected in the renegotiation of the political settlement, favouring the regime rather than Yemeni social forces.

- **Ongoing access to external rent.** The implicit message from Western donors and Yemen's neighbours is that Yemen poses too serious a security threat to be allowed to descend into chaos, and that the regime must be supported politically and economically against that outcome. For example, in 2009, Saudi Arabia made a direct payment of \$US2.2 billion to the Yemeni president, and the United Arab Emirates followed suit with a payment of \$US700 million. This makes the total known to have been received by the regime in direct support around 70 percent of what Yemen earned from oil exports when revenues peaked in 2008. In this context, the depletion of oil revenues appears far less threatening, and the perceived need for the regime to plan for a post-rentier economy greatly reduced.
- **Hasty and inclusive political settlements.** Yemen's political settlements have been hastily forged, and are highly inclusive of elites. It suggests that the higher the level of inclusiveness in a political settlement, the lower the common denominator between its constituents can be, making it more difficult to negotiate changes to the status quo. Instead, the political settlements become geared towards the distribution of rents and favours, with dissent focused on that rather than on development issues.

Agential Impediments to Change

There is a divide between Yemen's formal political and technocratic elite (irrespective of party membership), and the power elite (President Saleh and his inner circle), regarding the perceptions of threat facing the country:

- The formal elite perceive the most fundamental cause of Yemen's problems in strongly agential terms.
- 75 percent of questionnaire participants

nominated “leadership” as the cause of Yemen’s most serious problems, with a further six percent nominating it as one of the causes. President Saleh is thus seen as the primary cause of the government’s malaise.

- The collective belief that Yemen faces a serious crisis suggests that the president’s preference for tone-deaf yes-men over the political and technocratic advisors that he once favoured has left him without a nuanced understanding of the changes underway in Yemeni society.
- In seeking to cement a power-hierarchy that protects the political settlement of the inner-circle, the regime has little agility to deal with scenarios that do not fit within its narrow model of expected behaviours. If society deviates from that model, the institutions built by the regime are poorly equipped to adapt to it.
- Structural restrictions are perceived to be tight for those outside the regime’s inner circle, but the room for agency within it is perceived to be high.

President Saleh is seen as largely unconstrained by his circumstances and it is widely held that he could decisively alter the country’s political and economic trajectory if that was his goal.

President Saleh’s position

President Saleh may have less freedom to make changes than is assumed, since he is structurally constrained by a collective action problem within his inner circle:

- Lacking constitutional or legitimate power, the biggest threat the inner circle faces is the possibility of changes to the predatory and collusive rules of the game from which they all individually benefit.
- Their collective perception is that their interests are better served by maintaining the economic status quo. This paper details several instances of apparently intentional sabotage against Yemen’s prospects for economic growth.
- If the president were to increase his reliance on the rule of law to foster private investment and economic growth, the inner circle would forgo their short-term financial interests and risk becoming less politically relevant to the president in the longer term.
- President Saleh, therefore, exercises almost absolute control when maintaining the status quo that benefits his inner circle, but is constrained in his ability to implement reforms that would disrupt the political settlement that keeps the group together.

- This presents a clear problem for him if the political environment changes rapidly and unpredictably, as it has in the fallout from the uprising in Egypt. Yemen’s political settlement is built to maintain the status quo, but if things change and the status quo becomes untenable it is not equipped with significant feedback mechanisms to monitor and respond to that change.

Messages for policy makers

- **Yemen needs change more than stability.** The political settlement in Yemen is in a dysfunctional equilibrium that exacerbates economic malaise and cycles of violence. Change is already underway, and its direction is being widely debated within Yemen, among both average Yemenis and elites. The notion that stability can be achieved simply by reinforcing the regime seems disingenuous to many the country.
- **Understand the disconnections between problems and solutions.** The regime’s inner circle (the informal state) dominates political decision-making and resource allocation. However, Western donors expect the government (the formal state, not empowered by the regime to make major changes) to deliver systemic changes in exchange for greater support. Such disconnects can also be seen at local level, where donor interventions often prioritise aggrieved tribal communities at the expense of the traditional commercial centres, where levels of entrepreneurship and education are highest, and the likelihood of facilitating national economic regeneration is greatest, particularly in the governorate of Ta’izz (see below).
- **Directly engage Yemen’s inner circle.** President Saleh and his inner circle could conceivably lead a process of systemic reform if they collectively perceive genuine change to be in their self-interests. At the time of writing, this perception was uncertain, but as foment spreads throughout the Arab world, their calculations may shift, presenting reformists with an opportunity. The challenge is to access the inner circle directly, and then to persuade them that change is as inevitable as it is in potentially in their longer-term interests. Their actions to date do not suggest that they see such incen-

tives. Opening these lines of communication needs to be a priority.

- **Use narratives from Tunisia and Egypt.** The recent political upheavals in Tunisia and Egypt provide an obvious narrative for donors to use in encouraging Yemen's power elite to think about its longer-term self-preservation.
- **Invest in commercial incentives.** The regime could reduce the political hurdles that currently impede investors – such as the insistence that they partner with members of the inner circle, or the unwritten requirement that they evade taxation in order to be competitive – in exchange for their ability to deliver economic growth. With the level of risk facing investors in mind, donors might attempt to shift the balance of economic power towards society by offering venture capital insurance programs for local private investors who are willing to risk investing in Yemeni projects. Stimulating economic development in this manner is a long-term process, but should be part of a package aimed to develop the greater interdependence of Yemen's merchants with Yemen's political leadership.
- **Donors should consider prioritising the search for economic opportunities in areas that have a history of a production-based economy,** rather than focussing assistance so tightly on the areas where al-Qa'ida has gained traction but which are detached from nationwide commerce. The study looks at the governorate of Ta'izz as an example of how to identify players that are most likely to represent interests that would benefit from a developmentally inclined system of governance.
- **Direct engagement at the highest levels with Saudi Arabia will have to be part of the strategy,** to stem the disincentives to deep reform. Such engagement will need to be conducted at the highest diplomatic levels to have the necessary weight, and to some extent this is already occurring.
- **International legitimacy is a bargaining chip.** Without international legitimacy, President Saleh is less valuable to his inner circle, and may become more vulnerable to a coup if they fear that their wealth and status are consequently under threat. International legitimacy is thus an Achilles heel for President Saleh, which makes the West's policy options look quite different to the ones currently being pursued, in which the Yemeni regime is to be 'stabilised'.

Download the full paper:

[Sarah Phillips \(2011\) "Yemen: Developmental Dysfunction and Division in a Crisis State," The Developmental Leadership Program Research Paper 14.](#)

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