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Sheila Carapico
University of Richmond, scarapic@richmond.edu

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No Quick Fix: Foreign Aid and State Performance in Yemen

SHEILA CARAPICO

Few of the world's poorest countries better exemplify American interests in government performance than Yemen. Long overshadowed by its oil-rich Persian Gulf neighbors, Yemen gained attention as both an occasional target and a natural haven for militant regional paramilitary groups (including but not limited to al Qaeda). Headlines were made at a time when development analysts were already worried about ecological and economic stresses exacerbated by the strains of structural adjustment and critical water scarcity. In view of these circumstances, analysts began wondering if Yemen is an example of the combustible mix of poor governance and economic stagnation that could blow up or melt down. Realizing that the stability, safety, and welfare of the most populous and poverty-stricken country on the Arabian Peninsula matter, the Bush administration promised substantial U.S. assistance for the first time in Yemeni history. The question is, can American aid fix Yemen's problems?

This cautionary tale by an old Yemen-watcher is divided into four parts. After reviewing sources of military-political and socioeconomic insecurity and prospects for their amelioration, it traces the effects of past international aid programs, first at the level of international relations and then at the level of infrastructural and institutional development. It describes and analyzes how Soviet and Eastern European security assistance, fat subsidies from Arab neighbors during the oil boom, loss of both communist and Gulf aid between 1989 and 1991, and statist institution-building efforts by the World Bank and Western donors all affected state budgetary allocations, institutional development, and ultimately performance. The caution is that just as past bilateral and multilateral assistance ultimately centralized authority in executive institutions, an infusion of security assistance may tip the delicate balance between the state and civil society; among the executive, legislative, and judicial powers; between the military and the civilian arenas; between the public and private sectors; or between the political center and the localities. My greatest fear is that in an effort to ward off the Somali scenario of chaos American policies may bolster the Saddam model of dictatorship. In any case, there are no quick fixes to Yemen's national security problem that do not address government performance in the areas that matter most to households. And these too are not easy.

Security Dilemmas

Yemen offers a series of enigmas to the outside observer. On the one hand in cross-national comparison it lags behind most other countries on virtually any development indicator and shares certain disturbing social and ecological similarities with famously collapsed states like Somalia and Afghanistan. Yet by most narrative accounts Yemen enjoys a kind of political equilibrium, some prospects for democratization, and possibilities for economic stabilization led by its infant oil industry. Its people hardly resist modernization but, to the contrary, are always migrating and trading abroad, improvising roads and electricity, clamoring for schools, and demanding progress.[1] In the field of international security, although the combined effects of poverty, unruliness, and regime acquiescence left room for small-scale paramilitary groups to operate inside the country, the Yemeni government has embraced the American war on terrorism, cooperating with U.S. authorities in the pursuit of al Qaeda and its affiliates. Having all but ignored this poor, unstable corner of Arabia in the past, Washington now regards Sana'a as an ally against an elusive common enemy.

Yemen is not a failed state but a new state, a teenager, born only in 1990 of the marriage of two weak, unstable governments in their twenties: North Yemen, or the Yemen Arab Republic, based in Sana'a, where military officers deposed the last imam in 1962; and South Yemen, where revolutionaries seized power in Aden after the British departure in late 1967 and later declared the People's Democratic Republic. The two Yemens merged in 1990, only to face off again in a brief conventional civil war in 1994. Having reduced Aden's governance institutions to rubble, the victorious Northern army overran what had been South Yemen for the first time. Rather than in the process of breaking, then, Yemen is a state in the making. National legislative and judicial institutions are not well rooted; the executive branch rules in conjunction with the armed forces, manipulating elections and the administration of justice to its own advantage.[2] Greatly strengthened in the past half-decade, the central government's authority still is not uncontested, either in the North or in the South. Border agreements with neighboring Saudi Arabia and Oman were drawn finally in the 1990s after decades of negotiations.[3] Basic services and systems of taxation, representation, and law enforcement are all under construction.

Long notorious for its Wild West frontier, where bloodless kidnappings and hijackings were commonplace, Yemen became a rather natural haven for groups later associated with al Qaeda for several reasons. Its wide-open plains, towering mountains, and obscure valleys along a mostly unpatrolled 1,400-kilometer boundary with Saudi Arabia offered many excellent hideouts. Osama bin Laden and several associates have Yemeni roots, especially in the distant southeast province of Hadramawt. Like other Middle Eastern governments (including those of Israel, Saudi Arabia, and Egypt), Sana'a had encouraged radical Islam as a counterweight to its socialist rivals up until the 1994 civil war, when veterans and admirers of the much-glamorized anti-Soviet Afghan jihad joined the North Yemeni army in the sacking of the former South Yemeni capital of Aden. As elsewhere, the clampdown on leftists and Marxists emboldened right-wing fanatics, who attacked socialists, beauty parlors, and even ("idolatrous") Islamic shrines in the mid-nineties. Moreover, Yemen had an unusually liberal immigration policy especially for fellow Arabs and Muslims.

So it is not surprising that groups known locally as, variously, Afghan-Arabs, salafis, Wahhabis, the Aden-Abyan Islamic Army, al Qaeda, and other general and specific names were able to make homes, conduct military training, toss the occasional bomb, and spread propaganda inside Yemen. Nor is it surprising that Yemeni intelligence was no better able than the FBI, the CIA, or the authorities in Hamburg, Germany, to detect the extent of its internal al Qaeda network until they all began comparing notes. The Yemeni government's initial reaction to the *Cole* incident was as to another in a series of bombings in and around Aden, not as another in a series of attacks on Americans. Between October 2000 and September 2001, Sana'a began to uncover connections between a radical fringe within its borders and international terrorism.

Until then, the U.S.-Yemeni relationship remained at arm's length. The United States never invested heavily in Yemen, nor have Yemenis seen the United States as a benefactor. A few early showpiece projects like the Kennedy Water System for Taiz notwithstanding, American generosity was pretty paltry. Yemen was twice punished with the suspension of U.S. aid for opposition to Israeli or American military actions against fellow Arabs. The number, cost, and visibility of U.S. programs pale in comparison to Chinese roads, Kuwaiti hospitals, Saudi schools, and World Bank consultants. And the American corporate presence, led since the mid-1980s by Hunt Oil of Texas, was nothing compared with the massive American business community in neighboring Saudi Arabia. On the other hand, hard hit by suspension of aid from both Warsaw Pact and Arab Gulf donors, Sana'a has been desperately seeking American approval. Parliamentary elections in 1993, 1997, and 2003 drew some positive publicity. But for the most part the government of President Ali Abdallah Salih failed to convince the United States of its importance until Americans came under attack in Yemen. Anxious to be treated like Pakistan, not Afghanistan, in the wake of September 11, 2001, the Salih administration is keener than ever to curry American favor and to use it to domestic political advantage.

Yemen appeared on Washington's radar screen after internal security, always precarious, deteriorated from frontier lawlessness to deadly paramilitary operations against Yemeni and international targets.[4] Although Somalia-bound American sailors were targeted in Yemen in the early 1990s, the first incident to warrant wide international coverage was the kidnapping of sixteen Western tourists in the district of Abyan on December 28, 1998—four of whom died in a botched rescue mission by the Yemeni government. Explosions aboard the USS *Cole* in Aden harbor in October 2000 and the French tanker *Limburg* in 2002—costly especially in terms of inflated insurance premiums for the shipping industry, a potential growth sector for investment and revenues—gave the country a reputation as a site of international terrorism.[5] Assassinations of three Baptist medical missionaries and a prominent Yemeni socialist politician in late 2002 and protests against the American invasion of Iraq in early 2003 threatened another sector slated for growth, tourism, as the country appeared increasingly dangerous.[6] These and other signs of a high-risk, low-security environment multiplied disincentives to private investors, including resident Yemenis, Yemenis living abroad, and foreign companies.[7] Security trepidations and constant contestation of land rights hampered further oil, gas, and mineral exploration so essential to scenarios for income growth.

The American and Yemeni militaries have joined forces to patrol Yemen's borders and coasts and to share intelligence. After Yemen opposition to the Saudi-U.S. alliance against Iraq in the 1990–91 Kuwait War severely strained U.S.-Yemeni relations, the Yemeni government took several steps to improve its image in Washington. It welcomed the U.S. navy to Aden, implemented an unpopular austerity package recommended by the International Monetary Fund, mended fences with Saudi Arabia, and began issuing tourist visas to Israeli Jews. Evidence of a closer relationship included FBI participation in the investigation of the attack on the USS *Cole* in 2000, Yemeni president Ali Abdallah Salih's Washington visit in November 2001, Vice President Dick Cheney's trip to Yemen in March 2002, the resumption of military education and training, and Yemeni approval of the U.S. Hellfire missile strike on a vehicle carrying al Qaeda operatives inside Yemen in November 2002. By that time the United States was already providing military assistance in the form of training, special forces and security specialists, and materials to support Sana'a's own counterterrorism campaign. Everyone expects this cooperation to expand in coming years into hundreds of millions of dollars. As in the past, therefore, events in the larger world arena—this time the September 2001 attacks and the occupation of Iraq—are influencing domestic policies via government budgets.

Depending on how you look at it, Yemen is either a fledgling polyarchy or an imperfect dictatorship. Among Arab states it is widely considered one of the more promising "emerging democracies," in which a relatively laissez-faire policy betokens some prospects for political as well as economic liberalization. Token female parliamentarians, contested multiparty elections, and freewheeling public discourse make it look more enlightened than most of its neighbors. All the political parties—including the ruling General People's Congress, the conservative, religiously based Reform Party, the Yemeni Socialist Party, and the smaller parties—at least pay lip service to electoral representation, universal suffrage, human rights, and the rule of law. But although democratic practices in parliament, the press, and the courts are sometimes vivacious, they are hardly robust. The same clique has ruled from Sana'a since the late 1970s. After the civil war the liberal unity constitution was amended to reconcentrate power in the central executive and to restrict the authority of the elected legislature. The parliamentary elections of April 2003 served to consolidate the ruling party's strong majority.

Still, North-South fissures endure, and the North itself is riven by center-periphery tensions often cast in tribal idiom. Although the regime resorts to more bargaining than brutality in its quest to consolidate control, the military already governs. Loyal army, air, republican guard, internal security, and now coast guard forces police more effectively than ever. Armed forces moved against political paramilitary groups long before the *Cole* bombing, chasing the Abyan-Aden army out of Aden, conducting sweeps in other regions, expelling hundreds of non-Yemeni Arabs, and closing some paramilitary camps. New laws and death sentences seem to have curbed kidnappings, and scores of suspected militants have been rounded up or gunned down. Some regions can resist army incursions, but direct military challenges anywhere in the country have been crushed.

Tempting though it is for the United States to concentrate on counterterrorism and state-strengthening measures, I fear that a sudden, security-driven infusion of resources and expertise into selected security institutions risks reinforcing authoritarian tendencies. Surveillance agencies or antiterrorism squads can be disproportionately empowered by dollars and elite training. This influences the power of the military-security apparatus over civilians and also power struggles within the military regime. An important example of this has already happened: after the Yemeni army fatally botched an attempt to rescue kidnapped Western tourists around Christmas 1998, a new special forces unit was established under the command of the president's son and successor-designate, Ahmad Ali Abdallah Salih, to deal with quick strikes and hostage situations. The U.S. military's efforts to strengthen these special forces have fed rumors in Yemen that the Bush administration approves of the presidential succession from father to son and favors the special forces over other branches of the military and their officers.

Nor, whatever the immediate exigencies, are the demonstration effects of high-powered remote-control executions, like the Hellfire attack, conducive to the rule of law. Human rights and due process had already been violated in the prosecution of the domestic war against regime opponents in the 1990s, though outright extrajudicial killings that could be pinned on the government were unusual. The unfortunate precedent is not likely to be offset with a few human rights conferences or help with elections administration if the net gain in resources engorges a police state. Economic logic can justify an investment in stability in order to lure private investors. But if Yemenis perceive a trade-off between utilities and the military, or experience governance as more surveillance than responsiveness, this strategy could backfire on both the government and the United States. People expect both security (within legal parameters) *and* a decent standard of living.

Socioeconomic Insecurities

Although location gives it a strategic importance that landlocked countries in resource-poor environments lack, Yemen's development conundrum echoes that of other poorly performing states described in this volume. The lack of financial and technical wherewithal to deliver essential services to more than 18 million people scattered over a vast terrain perpetuates a vicious cycle of poverty. Private investment capital remains scanty, scared, and small scale, while the terms of structural adjustment have raised the costs of investment and reduced the level of consumption. Civil war, elite corruption, and disproportionate spending on domestic security have all drained public coffers. All in all, the peculiarities of Yemen's internal and external affairs notwithstanding, it is similar to other so-called basket cases, desperate for any sort of finance. While national leaders have not managed resources well, the economy has also borne the brunt of regional and global forces beyond its control.

By virtually any comparative indicator Yemen now fits the profile of poor performance. It scores among the poorest performers in the world on five major indicators: civil and political liberties as reported by Freedom House; the UN Development Program human development index; negative gross domestic product per capita growth during the 1990s; the proportion of the population living on less than a dollar a day; and the World Bank's measure of rule of law, including things like contract enforcement. The United Nations puts Yemen in the group of forty-nine countries that have been identified by the UN as least developed in terms of their low GDP per capita, weak human assets, and high economic and trade vulnerability.[8] Life expectancy seems to be declining (despite negligible known AIDS cases).[9] With birth rates outstripping economic growth, widening inequality, and bad risk ratings—all despite being an oil exporter—prospects for affluence seem dim.

It was not always so. As explained more fully below, in the 1970s and 1980s foreign aid supplemented by labor remittances enabled urban and rural households to acquire electrical power, running water, imported goods, and better access to schools and medical attention. On the eve of unification the North, with a per capita income of over US$600 a year, was close to "graduating" into the World Bank's middle-income category. Then, due primarily to exogenous factors that suspended both aid and remittances, the economy crashed. The poverty rate doubled during the 1990s, while real GDP per capita tumbled to about US$300. Once rather rare, malnutrition now plagued nearly half of young children, a serious deterioration of nutritional standards from a generation earlier, when indigenous grains, vegetables, and dairy products were dietary staples. Whereas 1990s' parents had experienced great gains in literacy in their school years, their children were crammed into crowded, crumbling classrooms. Households that secured water and electricity hookups not long before now found themselves unable to pay for these services. New fees made hospitals inaccessible to the burgeoning poor. Cities, which had seemed to offer a better life, had become crowded, messy, anomic places. High aspirations were dashed, prompting people to take to the streets on numerous occasions.

Environmental disaster looms in southwestern Arabia, heretofore a semiarid, temperate region of self-sufficient agriculture and herding known historically as Arabia Felix. The calamitous shortage of clean water, water delivery services, and new water sources to meet mounting urban demand is undermining the agricultural economy to such an extent that World Bank experts anticipate social conflicts over contesting claims to water. The urban centers served by huge public water corporations have drained their hinterlands even as the availability of household water delivery is a major incentive for rural-to-urban migration. International experts point out that overirrigation and overcultivation of *qat*, a cocaine-like shrub that is the country's most profitable alpine cash crop, grown entirely for the domestic market, is lowering the water table throughout the central highlands.

Profligate pumping for other crops and purposes in the coastal regions is intensifying the salinization of groundwater. These conditions endanger production and jeopardize social relations among neighboring villages and between cities and rural areas. The water sector is an example: in instituting agencies for the central control of ground and surface resources, donors inadvertently disrupted intricate local water laws in favor of corruption-prone central bureaucracies by assuming the latter's eminent domain rather than exploring the question.[10]

Some optimists in the donor community point to economic and political liberalization as well as growth in the nascent oil and gas sector. International financial analysts have approved of modest steps toward privatization and compliance with World Trade Organization standards. Government deficits were brought under control. Small declines were posted in fertility, infant mortality, and illiteracy. Population growth rates peaked at 3.9 percent and then inched downward. Actual GDP growth, fueled by the petroleum sector, fluctuated in the range of 3–8 percent a year from the mid-1990s onward, prompting the World Bank to report "recovery" even as the non-oil economy remained "sluggish."[11] Donors and planners attributed the economic crisis of the early 1990s to the triple shock of the 1991 Gulf War, the drought, and the 1994 civil war but hoped that strategic, environmental, and oil-price conditions would become more auspicious. A great deal depends on petroleum revenues, and great hopes are pinned on returning Aden to its former glory as a world-class shipping hub—that is, on exogenous variables.

It is easy to blame political leaders and the ruling class for poor management of the economy.[12] Noting that Yemen ranks below most of its neighbors in regulatory framework, government effectiveness, rule of law, and its handling of corruption, World Bank experts enumerated problems, including poor domestic security, arbitrary regulations, lack of clear property rights and other legal uncertainties, high taxes, corruption, smuggling, inefficiencies in public service delivery, weak contract enforcement, and an absence of mechanisms for settlement of business disputes.[13] Along with other contemporary donors, the World Bank has also criticized Yemen for a bloated public service, excessive public management, and bad decisionmaking in such sectors as electrical power and water resources management. Yet these criticisms of past policies overlook the role of the World Bank and bilateral donors in guiding development decisionmaking.

Erratic Development Finance

Like many other poor performers, Yemen's macroeconomy is buffeted by regional and global geopolitical forces beyond its control.[14] It is not (or not simply) that Yemen is the victim of large amorphous forces of globalization, nor apart from the colonial era in South Yemen is it a classic case of dependency. Its strategic position in the lower Arabian Peninsula—between the Suez Canal, the Horn of Africa, the Indian Ocean, and the Persian Gulf—places the country along key fault lines in the international system. Via the mechanism of military and economic aid, Yemen felt the impact of the cold war and inter-Arab conflicts in every bone of its rather skeletal state structure(s). Events like the waxing and waning of Soviet power, the rise and fall of oil fortunes in neighboring Arab Gulf states, and the Kuwait War of 1990–91 directly affected what was spent for what purposes and where. This was not bilateral dependence on a single rich patron that deliberately maneuvers outcomes but a sort of multilateral pegging of fortunes to a capricious world system. Here we examine two historic periods, before and after unification, when events elsewhere directly affected the domestic political economy.

Boom and Bust in the Two Yemens

For at least a generation, while communist, Arab, European, and Asian donors were feeling generous, Yemen enjoyed significant improvements in standards of living. Roads, ports, schools, hospitals, and utilities were installed with generous cold war, Arab Gulf, and multilateral aid packages. The population per physician dropped from nearly 60,000 to 6,000 in North Yemen in the twenty years after 1962. In the postcolonial People's Democratic Republic of (South) Yemen (PDRY), where the British had established some services and revolutionaries promised better, the population served by each doctor fell from nearly 13,000 to about 4,000.[15] The percentage of children in school in the North rose from 9 percent to 79 percent during this period, a remarkable achievement made possible by a combination of local efforts and Saudi-Kuwaiti largesse.[16] In the PDRY, half of all girls attended secondary schools, double the rate for colonial Aden, and the number of mothers losing infant children each year dropped from 197 to 120 per thousand live births. North Yemen cut infant mortality too, though female secondary school attendance rose only from a very low 3 percent to 12 percent.[17] The urban proportion of the PDRY's population swelled from 30 percent to 42 percent, and city dwellers in North Yemen increased from only 5 percent in the early 1960s to nearly 25 percent by the late eighties.[18]

By 1995 half of all Yemenis had access to safe water and sanitation.[19] Literacy rates were about two-thirds for men and one-quarter for women.[20] Many of these advances sprang directly from foreign finance and expertise. The transportation sector, for instance, was improved by contributions from the United States, the Soviet Union, and the People's Republic of China. South Korean companies paid by Saudi Arabia paved the major arteries of the North Yemeni road network. The Russians and the World Bank worked on port development for Aden and the Northern port of Hodeida.

Such external largesse was a function of superpower competition and the extraordinary riches of nearby oil-exporting states. Postcolonial South Yemen was backed financially by communist governments, Arab neighbors, and even the World Bank. Between 1968 and 1980, the USSR disbursed over US$150 million to the PDRY, or about a third of its total aid receipts for the period; it was spent for irrigation works, a thermal power station, a joint fishing enterprise, port facilities, public health, and oil exploration.[21] Hundreds of millions more went to arms, which were exported on easy long-term credit. China provided about US$84 million, especially for road construction, a textile factory, and agricultural development. East German experts trained police and security forces.[22] Bulgaria, Czechoslovakia, Albania, Hungary, and Poland also sent commodity credits and technical experts. Hundreds of Socialist Party members studied in Eastern Europe. The state socialist model was clearly preferred, and it showed in public investments.

Aden was not entirely dependent on communist resources and models, however. Perhaps surprising in light of its socialist aspirations, the World Bank's International Development Association (IDA) provided about a third of the PDRY's development loans in the 1970s and more in the 1980s. Official grants from Kuwait and other Arab countries had reached US$125 million in 1982, and total transfers from OPEC countries from 1973 through 1981 were estimated at US$399 million.[23] Although the Soviet Union and China were extending about half of all new development loans, Arab sources (directly or indirectly through multilateral organizations) generated most of the remainder.[24] By the late 1980s loans and grants from Arab sources far surpassed ruble transfers. Overall, South Yemen gradually moved from dependence on communist states to dependence on Arab and multilateral sources. Still, the demise of European communist states left Aden bereft. In the end (following an intraparty bloodbath in 1986), the state ceased to exist.

The picture in the aspiring capitalist North was not as different from the socialist South as one might expect. During the cold war, North Yemen's fortunes too were enhanced by global and regional power politics. The USSR, China, and the United States vied for influence via large infrastructural projects in the 1960s, when few other countries were getting aid from all three superpowers. Subsequently, the World Bank, the United Nations, West Germany, the Netherlands, and Japan became active donors. The United States (which branded the PDRY a terrorist state) had only a small U.S. Agency for International Development mission in Sana'a, which was suspended between 1967 and 1972 on account of the Arab-Israeli conflict, and its Yemen policy was always tempered by American deference to Saudi interests.[25] Between 1973 and 1982, gifts, grants, and loans from Arab oil exporters outstripped all other sources, although as the main supplier of weaponry, the Soviet Union was also Sana'a's principal creditor, holding nearly half of outstanding debt in 1986.[26] Hundreds of North Yemenis, civilians as well as officers, also studied in communist Eastern Europe (as they did in Western Europe and North America, though Yemen was very marginal to the United States, in economic terms, especially compared to Saudi Arabia).

The Saudi kingdom exercised considerable influence over its southern neighbor by providing weapons, petroleum supplies, direct-grant budgetary subsidies, turnkey construction projects, salaries for teachers recruited elsewhere in the Arab world, covert payments to individuals and factions, and easy access to work permits for Yemenis.[27] Estimates of total annual Saudi payments range between about US$400 million and US$1 billion during the oil boom, when Iraq, Kuwait, and other Arab OPEC (Organization of Petroleum Exporting Countries) donors also helped keep Sana'a afloat financially. For a while Iraq was the largest financier of government projects. OPEC sources provided some US$1.4 billion between 1973 and 1981 (almost all financial rather than technical assistance).[28] OPEC assistance leveled off after 1981. Saudi Arabia and the other Persian Gulf states funded North Yemen heavily because of its poverty and proximity and as part of their regional anticommunist strategy. So in the cold war standoff between Sana'a and Aden, Saudi Arabia represented Western interests by backing the North. Washington recognized a Saudi sphere of influence in Yemen most visibly when, during an inter-Yemeni border skirmish in 1979, "the United States cooperated with Saudi Arabia to greatly expand the security assistance program to the Yemen Arab Republic by providing F-5 aircraft, tanks, vehicles, and training."[29]

Before unification, then, both Yemeni republics dealt with a mixed bag of benefactors. The American role was negligible. Moscow held nearly half of both governments' debts, mostly for military equipment, a major factor in their budgets. China, Czechoslovakia, East Germany, Hungary, and Bulgaria accounted for another fifth of Aden's outstanding debt and a fraction of the North's. Japan and Western Europe lent funds for projects in the North but not the South. The World Bank and Arab Gulf states favored Sana'a over the PDRY, but supplied credits to both.[30] In short, both Yemens depended on international aid rather than any special patron. Although a good deal has been written about dependence on a single bilateral donor, often the United States, this situation has been less investigated and may be characteristic of other poorly performing states. But Yemen had then and has now rather more strategic salience than many other poor countries.

External Shocks to a Unified Yemen

Unification in 1990 was a product of domestic politics intersecting with a seismic global shift and clear economic incentives. Yemeni unity roughly coincided with the demise of the Soviet Union, the Warsaw Pact, the cold war, and the Berlin Wall and just preceded German unification. Negotiations between Sana'a and Aden, intermittent for over two decades, now offered each regime a means of survival.[31] Economic logic also played a role. Texans and Russians prospecting on their respective sides of the inter-Yemeni frontier discovered common oil deposits in the 1980s. Soon the two nascent state petroleum companies merged into a Yemeni oil investment corporation. For all intents and purposes, state socialism and state capitalism had converged. Cost-benefit analysis favored joint ventures in electrical power, mutual road connections, and countrywide adventure tourism, antiquities tourism, commercial fishing, export agriculture, and certain manufactures. There was some hope that the law and order mentality of the PDRY would have a settling effect on the rampant petty entrepreneurship of the North. Initially, then, the plan was that oil, economies of scale, and redevelopment of Aden as a free port could offset dwindling external public assistance. It might have worked but for a number of setbacks.

The discovery of commercially viable oil deposits in 1984 had signaled new-found possibilities to attract international direct investment. Even in the heyday of British Aden, when the port was a major naval hub between the Suez Canal and India, few foreign investors were ever attracted to Yemen. A British Petroleum (BP) refinery was Yemen's only significant commercial venture even in the colonial era, and no large private investments in any sector survived anywhere in Yemen in the tumultuous 1970s. In 1984, when the Dallas-based Hunt Oil Company found commercially viable petroleum deposits near Marib in southeastern North Yemen, prospects for attracting foreign private investment improved for the first time since 1962. Vice President George Bush attended Hunt's going-on-line celebrations in 1986, underscoring American interest in Yemen's petroleum sector. Soon Exxon, and then a consortium of South Korean firms, bought into Yemen-Hunt; Texaco, Elf Aquitaine, Total, Canadian Occidental, and USSR firms negotiated to drill for Yemeni oil. The Soviet company Technoexport made a major find in 1986 at Shabwa across the border from Marib.

The oil sector generated subcontracting opportunities for suppliers and builders such as the U.S. firm that built a small modular refinery near Marib and a Lebanese-Italian-German group that laid the pipeline. There were new commercial finds in 1987, 1988, and 1989, mostly south of the inter-Yemeni border, including the major Hadramawt concession that went to Canadian Occidental.[32] Soon there were discussions of refurbishing the old BP refinery at Aden and of exporting via a revitalized Aden port. Given discoveries under their common border and the increasingly clear advantages of cooperation,[33] the two Yemeni public petroleum companies merged their operations into the joint Yemen Company for Investment in Oil and Mineral Resources. This company signed a production agreement in late 1989 with an international consortium consisting of Hunt and Exxon, the Kuwait Foreign Petroleum Exploration Corporation, Total, and two Technoexport subsidiaries.

Aspirations for growth led by oil and shipping were dashed within a couple of months after unification by the fighting in the Gulf in 1990–91, however. By mere luck of the draw, newly unified Yemen held both the "Arab seat" and the rotating chair of the Security Council when the U.S.-backed resolution authorizing force to dislodge Iraq from Kuwait came up for a vote. When Yemen voted no, Secretary of State James Baker admonished it for what he called an expensive mistake. And indeed it was, for Saudi Arabia and the other Gulf monarchies reacted angrily. Ultimately the war disrupted the private remittances and international public finance that heretofore kept all of Yemen afloat.[34] In the clash among its most generous Arab benefactors, Yemen lost hundreds of millions of dollars from Kuwait, Saudi Arabia, other Gulf Cooperation Council monarchies, *and* republican Iraq, not to mention the token US$30 million a year or so from the United States. Moreover, Saudi Arabia suspended work visas for most Yemenis, sending some 750,000 to 800,000 people (male workers or traders and some families) over the border.[35]

A hefty one-time infusion of migrants' savings notwithstanding, the combined loss of public (aid) and private (remittance) access to hard currency sent the domestic economy into a tailspin.[36] Urban services, most conspicuously in the Red Sea port city of Hodeida, were overwhelmed by the influx of returnees. Exacerbated by drought and the financial costs of relocating officials from Aden to Sana'a, by 1993, despite modest oil sector growth, real per capita income was 10 percent lower than in 1989. Unemployment was more than 25 percent, and the inflation rate hit 50 percent. Public sector employees went unpaid for months. The current account deficit for 1990–93 topped US$3 billion. Central Bank reserves plummeted to the equivalent of a month's import bills. The debt overhang, measured by the ratio of debt to GDP, barely noticeable a few years earlier, was 200 percent, among the highest in the world. Now the International Monetary Fund was recommending stringent adjustment measures.[37]

Declining aid receipts, the concomitant free fall in hard currency reserves, and depressed oil prices forced the riyal downward in the early 1990s, exacerbating the zero-sum reasoning that led to the civil war of 1994.[38] Neighboring Gulf monarchies rewarded the Southern socialists' separatist aspirations with covert payments.[39] In the end, Sana'a's army encircled the rebels in Aden and disabled the city's main water supply. With some help from irregular "volunteers," the army plundered the city's public infrastructure, systematically destroying the files of the former PDRY ministries of planning, housing, justice, social security, labor, and security. It also looted foreign consulates, UN agency compounds, the Red Cross, oil company offices, hotels, museums, prisons, factories, port warehouses, and selected private homes.[40] Later the central banks, the national airlines, and other public companies were merged and the pace of privatization of PDRY enterprises accelerated. Note the destruction of institutions and services as the physical manifestation of the old PDRY state.

Victorious over the socialists, Sana'a begged for hundreds of million of dollars to reconstruct what had been destroyed. Talks with the World Bank and the International Monetary Fund focused on reducing a cumulative combined public debt of between US$8 billion and US$10 billion, especially the Russian portion of the debt. And indeed receipts surged from a little over US$200 million in 1995 to more than twice that amount the following year. Virtually the entire increase came from the International Monetary Fund and the World Bank's International Development Association (IDA), in conjunction with the Economic, Financial, and Administrative Reform Program (EFARP). Now multilateral assistance, including Arab and European Union funds and especially the IDA, accounted for over three-quarters of external financing. The IMF's contribution soared from near zero to nearly 30 percent. Whereas past loans and grants covered projects, usually involving physical construction, the EFARP focused on programs leading to debt reduction.[41] While donors, led by the World Bank, the Netherlands, and Germany, expressed faith in development cooperation, new aid was hardly on the generous terms of an earlier era.[42] As poverty, inflation, and unemployment skyrocketed, households, social services, and enterprises faced their own deficits. Spending on education slipped from 19 percent to 16 percent of the government budget.[43] The burden fell disproportionately on the unemployed, landless peasants, and female-headed households.[44]

Petroleum, the economy's potential savior, generated much-needed but unreliable revenues. By the mid-1990s oil earnings of about US$300 million a year covered around half of a leaner, meaner state budget. This was nowhere near enough to halt Yemen's fall into the ranks of the world's poorest countries nor to reduce the government's need for foreign grants and loans to cover its expenses. Although as a small, non-OPEC exporter Yemen had no control over them, world prices increasingly drove government accounts, the balance of trade, and national income. Other sectors were still ignored by large multinational corporations and were barely attractive to Yemenis living abroad. Therefore, a policy favoring privatization and foreign investment notwithstanding, the state's share of the economic pie was actually expanding because oil rents replaced migrants' remittances as the main source of earned foreign exchange.[45] Aid per capita slipped from US$22 to US$15 between 1997 and 2000, rising again following the reinstatement of a U.S. economic aid package worth about US$56 million in 2000. Debt service increased from 2.6 percent to 3.2 percent of the value of exports in the same three years.[46] Domestic tax collection remained moribund. Rises in world prices for oil in 2000–03, combined with a slight increase in rates of production, boosted gross national income, per capita gross domestic product, and earnings from exports. With no significant nonfuel exports, however, a steep rise in oil prices would sustain economic growth.

Public Sector Growth

Foreign aid affected not only the economy as a whole but also budgetary and policy decisions that determined the distribution of resources in society. This section explains the decisive impact of international development assistance in a country without the wherewithal to create basic socioeconomic infrastructure. When state construction projects began in the 1970s there was a colonial legacy in Aden but not, really, in the rest of South Yemen; the Northern imam heretofore maintained only the most minimal civil service and public works. Bilateral and multilateral assistance enabled both fledgling governments, but especially the North, to build institutions as well as infrastructure. This is how the state structures grew—one aid project at a time—and it is how public sectors came to dominate both Yemeni economies. East German training of domestic security forces, Soviet credits for arms purchases, World Bank loans to public corporations, billions of dollars spent on a nationwide power grid, Saudi funds for conservative education, and too many uncoordinated projects in the water sector all left a direct imprint on an inchoate bureaucratic structure. Thus when the World Bank and other donors criticize centralization and the large state share in the economy, they are implicitly repudiating at least some of their own past institution-building efforts. I demonstrate this point with respect to the power and water sectors in North Yemen (both sectors being essential to meeting basic human needs, to stimulating economic development, and to affording citizen appraisals of government performance), in which substantial international investments have only partly solved some problems while creating others.

Let us focus on North Yemen, the larger and surviving partner, embarking on state construction from scratch with a capitalist model in mind. Quite simply, the state sector, including its bureaucracy and its public corporations, came to resemble what one expatriate called "the sum of past aid projects." In national plans recommended by donors to rationalize investments, foreign public sector loans and grants were expected to cover the lion's share of new investment and a very high proportion of spending in such sectors as education, power, water, and even manufacturing. Indeed, with North Yemen's acute shortages of technical expertise, anticommunist bent, empty public coffers, and perennial instability, only the influx of international assistance can explain the engorgement of the state sector. How else could a coup-ridden government with negligible domestic revenues amass such a relatively large centralized public sector so quickly? Consider the period between the late 1960s and the early 1980s when North Yemen experienced the improvements in standards of living cited above and the institution building explained below, along with a civil war, a military coup, two subsequent presidential assassinations, domestic insurrection, Saudi antipathy, and skirmishes with South Yemen.

It may at first seem incongruous that five-year plans, normally thought of as a socialist mechanism, were introduced into North Yemen by "bastions of neoliberal orthodoxy" like the World Bank. The Bank's very first order of business was the establishment of a North Yemen Central Planning Organization to compile a national three-year plan.[47] In the process, the Bank, the UN Development Program (UNDP), and the Kuwait Fund collaborated to enlarge the Central Planning Organization to manage hundreds of externally funded projects. The UNDP, the IDA, the Kuwait Fund, and West Germany provided technical experts to ghostwrite the ambitious five-year plan, 1976–81, beautifully published in a 924-page hard-bound English version that devoted an entire subchapter to listing needs for foreign experts.[48] In this plan, foreign loans and grants were to cover roughly half of all investments; at least three-quarters of government investments; and nearly all new projects in power, water, education, health, and other civilian sectors.[49] It was an ambitious program that would create massive bureaucracies to manage centralized universal public services.

In the electrical power sector, the World Bank took the lead in replacing the jumble of private, cooperative, and municipal generators—which had begun to light most towns and some villages in the evenings—with a nationwide power grid.[50] Since electricity consumption surged steeply (from near zero) during the affluent 1970s, and in consideration of technical snafus that plagued early municipal suppliers, a nationwide megaproject was recommended. Under a series of multimillion-dollar loans, steam turbine engines were installed in the Red Sea near the port city of Hodeida and a network of high-tension transformers to supply hundreds of thousands of homes and businesses in the northern half of North Yemen. In 1988 the Arab Fund approved a second grid to serve the Taiz region of the Yemen Arab Republic and Aden in the South, where the aging Soviet-built thermal plant needed refurbishment.

Huge investments in centralization notwithstanding, the grid never operated very well. By the mid-1990s the Yemen General Electric Company (YGEC) was wired to only a third of households, and power outages forced businesses and hospitals to maintain backup generators. In retrospect, using sea-powered generators in a country soon discovered to be endowed with oil, liquid natural gas, and solar potential seemed shortsighted.[51] Power stations on both sides were damaged on the first day of the 1994 civil war. The North-South network recommended in the 1980s was completed in 1997, with funding primarily from the Kuwait-based Arab Fund for Social and Economic Development.[52] As creditors, the Paris Club urged the YGEC to phase out subsidies, sell shares to the private sector, and break up the national monopoly; other consultants drew up a master plan for electricity and gas calling for more loans and contracts to enable the YGEC to alleviate scheduled rolling blackouts and unscheduled brownouts.[53]

All of this was very political. North Yemen's nationwide grid was part of the centralization of heretofore local services into a public corporation. The Aden-Taiz link was a step toward unity. Blowing out power stations was later a tactic of war. Blackouts and brownouts in the vanquished South caused such bitterness that the Netherlands embassy took the lead in upgrading the system in the far southeastern Hadramawt region to assuage political tensions there. Power failures are still not uncommon in the urban centers, and many communities remain off the "national" grid. Not surprisingly, those same communities are wont to resent government interference in local affairs. Erratic electricity supplies discourage investors and technology users while reminding everybody that the government is not working properly.

The water sector was a different story. Whereas electricity is widely considered a natural monopoly, the water sector in a semiarid, mountainous country is naturally decentralized. Yemen's traditional water resource management mechanisms—canals, cisterns, shallow wells, spate systems, and other devices tailored to each microenvironment—were ecologically elegant, separating every drop of water by use: drinking, cooking, livestock, bathing, irrigation. Private and community water rights, with minute provisions for drinking and irrigation, were a central feature of both Islamic and tribal law: water management was a crucial part of the agrarian order. But household supplies fell unhealthfully short of World Health Organization standards. New pumping and drilling technology introduced in the 1970s revolutionized water utilization. Even collectively, international developers can hardly be blamed for all the profligate pumping that now threatens long-standing aquifers, since municipalities and farmers were often wasteful. Still, a range of donor agencies contributed to the strange, ultimately counterproductive development of water management bureaucracies. And when the concept of eminent domain applied by foreign donors to water resources enabled national agencies to pump farm water to the cities, this wreaked havoc with a critical feature of indigenous Islamic or tribal law.

Water engineers were quick to recognize both the peril of overpumping and the disfunctionality of the hydraheaded water bureaucracy assembled through "institution-building" projects.[54] The National Water and Sewerage Authority (NWASA) was established in 1973 at the urging of lenders to assume oversight of huge urban delivery systems under construction in Sana'a, Taiz, and Hodeida. Later, NWASA expanded, was moved from one ministry to another, and then became a semiautonomous public corporation, like the electricity company, with a large well-paid professional staff in a huge central office.[55]

The management of the rural water supply—for three-quarters of the population spread out over mountainous, semiarid terrain—was another matter. As each of eight or ten donor agencies introduced its own unique technology, management systems, and accounting methods to a different selected counterpart bureaucracy established and trained for this purpose, units and outposts of the Rural Water Supply Department proliferated. More water agencies were initiated by other international development agencies in the Ministry of Agriculture, the Civil Aviation Authority, the federation of development cooperatives, the Central Planning Organization, and the Ministry of Oil and Mineral Resources' Geological Survey Division (the latter an American Trojan horse). By the mid-1980s, at the urging of the UNDP, a cabinet-level Supreme Water Council began requiring private drillers to obtain signatures from each of several water commissioners. On one level the state was asserting its ownership of natural water (and mineral) reserves; on another, a new state class enjoyed unprecedented opportunities for private enrichment. Both levels encouraged heavy water usage.

Another way in which international development agencies facilitated over-exploitation of water resources was by constructing large-scale, capital-intensive Ministry of Agriculture irrigation schemes intended to stimulate cultivation of semitropical crops like citrus fruits in an otherwise semiarid climate.[56] Cheap credits for private irrigation and import policies discouraging production of indigenous drought-tolerant cereals in favor of exotic fruits and vegetables for export also contributed to heavy water utilization. While Yemeni policymakers, corrupt bureaucrats, wildcat entrepreneurs, and ordinary farmers smitten with a new technology made enough of a mess on their own, international experts recommended and funded some terrible policy decisions.

By 1995 annual freshwater withdrawal was estimated at a phenomenal 136 percent of total water resources, second in the world only to neighboring Saudi Arabia.[57] Yet half of Yemeni households had no access to safe water, and the per capita water supply was among the most meager in the world. In 1997 IDA, UNDP, and the Netherlands formed the Multi-Donor Group for Yemen Water to study and help alleviate a perilous water shortage. One recommendation—no longer ecologically or institutionally practical, though repeated in a number of reports—was a return to local, indigenous water management.[58] It was certainly too late for Taiz, where the Kennedy Water System (built by USAID and improved by the World Bank and other funders) drew from wells in a verdant valley to supply a city whose population grew tenfold in less than two decades. The verdant farms are gone, and yet neighborhoods in Taiz go thirsty or buy water retail. This project and others based on the principle of eminent domain for public works—such as roads and oil fields—also had unforeseen consequences for the practice of religious and common law in the Taiz region and elsewhere. Always contested but subject to a substantial body of Quranic law and communal tradition, water rights were an inherently local matter of inestimable value. The nationalization of water rights for urban use, however rational or justified in terms of public policy, undermined important legal practice and rights without replacing them with an alternative legal structure. The implicit trade-off was a promise of urbanlike services including a different sort of "right" to utilities. But villagers saw a net drain of resources to the urban centers, resources of which water is the most vital.

Similar effects were to be found in other important sectors. Foreign aid enabled the Ministry of Education to centralize and nationalize schools, while Gulf funding of primary, secondary, and higher education helped shape the curriculum at all levels. Saudi aid for education was especially capricious, first assisting the ministry and Sana'a University but later aimed at private parochial schools and colleges. Both the health and education ministries became sprawling central bureaucracies. One development expert called the Ministry of Agriculture "a clearing house for foreign aid." Thanks to access to transnational credits and tenders, the Ministry of Public Works owned what was for a time the largest company in the country. "Capitalist" and "communist" donors alike funded agricultural projects and industrialization until the state had become the principal source of new investments in both sectors. Overall—indeed, rather surprisingly—the state's share of large enterprises in the "capitalist" North was not much less than in the PDRY (although petty trade flourished in the former and languished in the South).[59]

The emergence of a technocratic elite within the executive branch of government to manage what became the Ministry of Planning, the water and power corporations, ministries of public works and education, and other important central institutions was directly connected to study-abroad possibilities. A political leadership otherwise composed of semiliterate officer-tribesmen had not envisioned national development plans, nationwide power grids, or curricula. These were planned, funded, and executed by donors and staffed by a new class of foreign-educated technocrats. The World Bank, consistently the leading financier and policy adviser, designed and financed some of the very same public corporations its economists wished to see privatized, decentralized, and streamlined. Overall, then, the cumulative effects of the institution-building efforts of a dizzying array of donors was the accumulation of public sector entities controlled by the central executive. Unlike oil rents that enter the general coffers of the kleptocracy, or for that matter migrants' remittances that used to evade bureaucratic siphoning, aid programs channel resources to particular institutions and individuals whose political and economic fortunes are thereby greatly enriched. Substantial investments naturally affected the distribution of values in a resource-poor environment.

Conclusions

Clearly Yemen faces many obstacles to security and prosperity. It is a new state with a long-entrenched regime but incomplete sovereignty. It has not all that much oil and even less water. Popular aspirations have been repeatedly elevated and dashed, and millions of teenagers face an uncertain future. Regular elections have not produced regime change but only reinforced the monopoly of the ruling General People's Congress. Even without detailing how Sana'a and Riyadh encouraged the Islamist right as a counterweight to the socialist left, fed subsidies to key tribal militia, or subverted law and order, and even assuming optimal political will on the part of the Salih administration, it is easy to see that improving governance and government performance would be a tall order. Providing universal access to electrical power and water alone is still a daunting yet indispensable task, essential to meeting basic human and entrepreneurial needs; the inability to deliver power and water even with significant sustained international investment represents a fundamental kind of state malfunction.

This chapter makes four main points. First, the United States can no longer afford to ignore problems of law and order in southwestern Arabia because they impinge on Red Sea shipping and the stability of the entire peninsula. While in the short run Yemen is unlikely to either blow up or melt down, its relative tranquility is fragile and unfinished. Second, deteriorating utilities and inadequate services matter not because misery and frustration necessarily breed terrorism but because infrastructure represents the physical and social girding of the state apparatus and the main criteria by which ordinary men and women assess government performance. Third, Yemeni states' ability to offer citizens basic services in exchange for governance has hung on decisions of external donors in light of capricious global and regional circumstances—in a boom-bust cycle. Finally, bilateral and multilateral donor programs have always been statist by definition, greatly expanding the power, wealth, and bureaucracy of the central executive and, in many sectors, contributing to unwieldy, ineffective public agencies and corporations. Thus external donors, led by the World Bank, must share responsibility for creating an institutional structure that is both too big and not big enough.

It is still not clear whether the current consortium of the United States, the World Bank, Japan, the Netherlands, Germany, other European countries, the European Union as such, UN agencies, and presumably soon some Arab OPEC governments can or will help lift Yemen out of the ranks of the world's poorest and poorest performing countries. Perhaps a unified condominium of donors is an improvement over the past multiplicity of competing models from the point of view of rational policymaking. On the other hand, pressures from international creditors to raise prices for basic commodities and services have been greeted with street demonstrations and other forms of protest. Other Arab, African, and Asian governments have learned that prosecution of economic austerity measures and a simultaneous security crackdown risk kindling popular support for right-wing causes. Outside of widespread opposition to American policies regarding Israel and Iraq, Yemen is by no means a hotbed of anti-American or anti-Western sentiment (I detected outrage at the murder of the Baptists but not over the Hellfire assassination; and Islamists in the Reform Party angry over the 2003 elections' ballot count complained to American and European delegations). Such sentiments may be stoked if Washington and the West are seen as conspiring with an extractive national security state responding to external powers, as for instance when FBI operatives were reportedly "crawling all over Aden" in the *Cole* investigation as Yemeni forces were conducting dubious mass arrests.

This conclusion offers no specific policy recommendations. If anyone knew how to fix Yemen's water and electricity problems, they would have done it in California by now. Guns and cowboy-tribesmen are not necessarily more of a problem in rural Yemen than in Wisconsin. Primary schools and teacher education are surely needed, but we know from Egypt that mass education does not automatically boost economic performance. Having seen so many projects that seemed reasonable on technical grounds at the time of implementation result in deleterious long-term consequences, I am not urging more, less, or even different American programs in Yemen but only asking donors and experts to be aware of the political and policy implications of institution-building programs.

Notes

1. Elsewhere I credit civic initiatives with major contributions to the process of state formation. Without contradicting myself here, I examine effects of past donor efforts at state construction. See Sheila Carapico, *Civil Society in Yemen: A Political Economy of Activism in Modern Arabia* (Cambridge University Press, 1998).

2. See Iris Glosemeyer, "Parliamentary Elections in Yemen 1997," in *Elections in the Middle East and North Africa,* edited by Sven Behrendt and Christian-Peter Hanelt (Munich/Gütersloh: Bertelsmann Foundation, 1998); Ahmed Abdul Kareem Saif, "A Legislature in Transition: The Parliament of the Republic of Yemen 1990–91," Ph.D. dissertation, University of Exeter, April 2000.

3. On the issues and terms, see Richard Schofield, "The Last Missing Fence in the Desert: The Saudi-Yemeni Boundary," in *Yemen Today: Crisis and Solutions,* edited by E. G. H. Joffee, M. J. Hachemi, and E. W. Watkins (London: Caravel Press, 1997).

4. On security issues in the face of paramilitary attacks, kidnappings, and other problems, see International Crisis Group, "Yemen: Coping with Terrorism and Violence in a Fragile State," *Middle East Report* 8, January 8, 2003.

5. For background, see Sheila Carapico, "Yemen and the Aden-Abyan Islamic Army," *Middle East Report Online,* October 18, 2000 (www.merip.org/mero/mero101800.html); Charles Schmitz, "Investigating the *Cole* Bombing," *Middle East Report Online,* September 6, 2001 (www.merip.org/mero/mero090601.html).

6. World Bank, *Yemen Economic Update*, Issue 11, December 2002. For more on the political assassinations, see Sheila Carapico, Lisa Wedeen, and Anna Wuerth, "The Death and Life of Jarallah Omar," *Middle East Report Online*, December 31, 2002 (www.merip.org/mero/mero123102.html).

7. World Bank, "The Republic of Yemen Economic Growth: Sources, Constraints and Potentials," Report 21418-YEM, May 31, 2002.

8. See www.unctad.org/templates/webflyer.asp?docid=2026&intitemid=1397&lang=1.

9. USAID, "Yemen Briefing" (www.usaid.gov/regions/ane/newpages/one_pagers/yemen01a.htm).

10. This problem has been recognized and addressed by the government of Yemen, which, in consultation with donors, passed the Eminent Domain Protection Law in 1995. See World Bank, "Resettlement Policy Framework for the Yemen Urban Water Supply and Sanitation Project," draft, January 22, 2002 (www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2002/02/16/000094946_02020504022427/Rendered/INDEX/multi0page.txt).

11. World Bank, "Yemen Country Brief" (//lnweb18.worldbank.org/mna/mena.nsf/Countries/Yemen/6C89A1E20F9D3F4D85256B7400726EF6?OpenDocument).

12. Charles Schmitz, "Whose Failing? State, Business, and the IMF in Yemen," paper prepared for the MESA Annual Conference 2002, Washington, considers the wisdom of International Monetary Fund advice. My focus here is more historical.

13. World Bank, "The Republic of Yemen Economic Growth: Sources, Constraints and Potentials," citing Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, "Aggregating Governance Indicators," World Bank Policy Research Working Paper 2195, October 1999.

14. To paraphrase Karl Marx and credit Andre Gunder Frank, it can be said that leaders in places like Yemen mismanage, but not under conditions of their own making.

15. World Bank, *World Development Report 1989*, table 28.

16. Ibid., table 29. The 79 percent figure is inflated by the large number of adults belatedly attending schools.

17. Ibid., table 32.

18. Ibid., table 31.

19. Ibid., table 6.

20. Central Planning Organization, *Statistical Yearbook 1992* (Sana'a, 1993), p. 14.

21. Fred Halliday, *Revolution and Foreign Policy: The Case of South Yemen, 1967–1987* (Cambridge University Press, 1990), pp. 199–200.

22. Stephen Page, *The Soviet Union and the Yemens: Influence in Asymmetrical Relationships* (New York: Praeger, 1985), pp. 26–27.

23. These figures are from, respectively, Gerd Nonneman, *Development, Administration, and Aid in the Middle East* (New York: Routledge, 1988), p. 103; Richard P. Mattione, *OPEC's Investments and the International Financial System* (Brookings, 1985), p. 148.

24. World Bank, "People's Democratic Republic of Yemen, Special Economic Report: Mid-Term Review of the Second Five-Year Plan, 1981–85," June 4, 1984, p. 12.

25. On the history of this relationship, including diplomatic relations and the oil industry, see Ahmed Noman Kassim Almadhagi, *Yemen and the United States: A Study of a Small Power and Super-State Relationship, 1962–1994* (London: I. B. Tauris, 1996).

26. Central Yemen Bank, "Percentage of External Public Loans from Major Donors" (Sana'a: June 30, 1987). On Soviet military aid, see Richard Nyrop and others, *Area Handbook for the Yemens* (U.S. Government Printing Office, 1977), pp. 233–39.

27. For an analysis of Saudi influence, see F. Gregory Gause, *Saudi-Yemeni Relations: Domestic Structures and Foreign Influence* (Columbia University Press, 1990).

28. Mattione, *OPEC's Investments and the International Financial System,* p. 148. Note that unlike Northern donors the Gulf donors did not subcontract work to their own contractors but rather asked for international bids and tenders. Saudi-financed roads, for instance, were built by South Korean workers.

29. Department of State, Bureau of Near Eastern Affairs, "Yemen Background Note," January 2002 (www.state.gov/r/pa/ei/bgn/5302.htm).

30. Data from Bank of Yemen, Aden, December 12, 1983, and Central Yemen Bank, Sana'a, June 30, 1987. That the data are several years apart makes little difference in the long time frame for accumulated debt; in addition, they are consistent with the data in World Bank, *World Debt Tables, 1986–87,* pp. 410, 414.

31. As their tumultuous, interconnected history reveals, many domestic political forces were at work. Gregory Gause, "Yemeni Unity: Past and Future," *Middle East Journal* 42, no. 1 (1988): 33–47; Gregory Gause, "The Idea of Yemeni Unity," *Journal of Arab Affairs* 6, no. 1 (1987): 55–81; Mark Katz, "Yemeni Unity and Saudi Security," *Middle East Policy* 1, no. 1 (1992): 117–35.

32. Simon Edge, "Yemen: *MEED* Special Report on Oil and Gas—Upstream Joy Masks Doubts Downstream," *MEED,* April 3, 1990. In Arabic, see Ahmad Qa'id Barakat, *al–Naff al–Yaman* (Sana'a: Afif Center, 1991); Ahmad 'Ali Sultan, *al–qtid al–Jumhuriyyah al–'Arabiyyah al–Yamaniyyah* (1988), available at Post Office Box 1128, Sana'a.

33. See Robert Burrowes, "Oil Strike and Leadership Struggle in South Yemen: 1986 and Beyond," *Middle East Journal* 43, no. 3 (1989): 437–54.

34. On Yemeni-Saudi relations in the 1990s, see Petroleum Finance Market Intelligence Service, *Yemen: Border Disputes and Relations with Saudi Arabia* (Washington: 1992); Mark Katz, "External Powers in the Yemeni Civil War," in *The Yemeni War of 1994: Causes and Consequences,* edited by Jamal al–Suwaidi (London: Saqi Books: 1995), pp. 81–93; Gwen Okruhlik and Patrick Conge, "National Autonomy, Labor Migration, and Political Crisis: Yemen and Saudi Arabia," *Middle East Journal* 51, no. 4 (1997): 554–65

35. See Nora Ann Colton, "Homeward Bound: Yemeni Return Migration," *International Migration Review* 27 (Winter 1993): 870–82.

36. Nicholas Van Hear, "The Socioeconomic Impact of the Involuntary Mass Return to Yemen in 1990," *Journal of Refugee Studies* 7, no.1 (1994): 18–38; Marc Lucet, "Les rapatries de la crise du Golfe au Yemen: Hodeida qatre ans apres," *Monde Arabe Maghreb-Mashrek,* no. 148 (April–June 1995): 28–42.

37. International Monetary Fund, "Republic of Yemen, 1993 Article IV: Consultation," September 18, 1993.

38. Thomas B. Stevenson, "Yemeni Workers Come Home: Absorbing One Million Migrants," *Middle East Report* (March–April 1993): 15–20; Jeffrey Ian Ross, "Policing Change in the Gulf States: The Effect of the Gulf Conflict," in *Policing Change, Changing Police,* edited by Otwin Marenin (New York: Garland, 1996); Eric Watkins, "Yemen's Riots Prompt Talk of Reform," *Middle East International* 444 (February 19, 1993): 18.

On the civil war, see Charles Schmitz, "Civil War in Yemen: The Price of Unity?" *Current History* (January 1995): 33–36; David Warburton, "The Conventional War in Yemen," *Arab Studies Journal* 3, no. 1 (1995): 20–44.

39. See Carlos A. Parodi, Elizabeth Rexford, and Elizabeth Van Wie Davis, "The Silent Demise of Democracy: The Role of the Clinton Administration in the 1994 Yemeni Civil War," *Arab Studies Quarterly* 16, no. 4 (1994): 65–76.

40. Jemera Rone and Sheila Carapico, "Yemen: Human Rights in Yemen during and after the 1994 War" (New York: Human Rights Watch, October 1994).

41. Nader Fergany, "Human Development, Poverty, and Structural Adjustment in Yemen," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4, 1998.

42. "Yemen: Development Partners Affirm Support," October 17, 2002 (//web.world-bank.org/wbsite/external/news/0,,contentmkd%3a20071483~menupk%3a34463~pagepk%3a34370~pipk%3a34424~thesitepk%a4607,00.html). Country participants in the donor's conference were, in alphabetical order, France, Germany, Hungary, Iran, Italy, Japan, Malaysia, the Netherlands, Oman, Poland, Qatar, the Russian Federation, the United Kingdom, and the United States. Among other participants were Arab Fund for Economic and Social Development, Arab Monetary Fund, Kuwait Fund for Arab Economic Development, OPEC Fund for International Development, European Commission, Islamic Development Bank, Saudi Fund for Development, UN Development Program, UN Children's Fund, UN Population Fund, International Monetary Fund, International Finance Corporation, Adventist Development Relief Agency, Benevolence International Foundation, CARE, Handicap International Belgium, Mercy International, OXFAM, and World Bank.

43. Al-Maytimi, "Efforts of Economic Program and Structural Adjustment," p. 7. Meanwhile, private domestic and foreign contributions to private education, especially conservative Islamic education, increased. See Mutahar A. Al-Abbasi, "Education Sector in Yemen: Challenges and Policy Options," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4 1998.

44. See, for instance, Mouna H. Hashem, "Poverty Reduction Strategies in Yemen: A Social Exclusion Perspective," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4 1998.

45. Charles Schmitz, "Politics, State, and Markets: Lessons for Yemen from the East," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4 1998.

46. World Bank, "Yemen: Country Data File, 2002."

47. For a review of early planning history, see UN Economic Commission for Western Asia, *Summary of the First Five-Year Plan of the Yemen Arab Republic* (Beirut, 1977).

48. North Yemen Central Planning Organization, *The First Five-Year Plan, 1976/77–1980/81* (Sana'a: Prime Minister's Office, 1977), pp. 809–50. On the role of donors, see Klaus Konig and Friedrich Bolay, "The Evaluation of an Administrative Cooperation Project in North Yemen and Its Significance for German Aid Policy," *Public Administration and Development* 2 (1982): 225–37.

49. Military spending was never included in the national plans but accounted for at least half of all government expenditures in both systems.

50. I took part in the twenty-two-community national rural electrification feasibility study undertaken by National Rural Electric Cooperatives, an American concern, under contract with the World Bank.

51. Ahmad Kaid Barakat, "The Energy Sector and Development: Present Situation and Prospects," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4, 1998

52. Commercial Data International, *Country Review Yemen 1998/99* (Houston: 1998), p. 28.

53. Hisham Khatib, "The Yemeni Energy Sector and the Yemeni Economy," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4, 1998.

54. See two reports by Zohra Merabet, "A Survey of Water Activities under Foreign Assistance in the Yemen Arab Republic," October 1980, prepared for USAID Yemen; and "A Survey on Development and Management of Water Resources in the Yemen Arab Republic," May 1980, prepared for the German Volunteer Service.

55. David Althus Garner, Edwin Connerly, and John Blumgart, "Institutional Development Assessment Report, 28 October–5 December, 1985: Final Report to USAID/Sana'a" (Washington: Management Systems International, 1985).

56. Christopher Ward, "Yemen's Water Crisis" (www.al–bab.com/bys/articles/ward01.htm).

57. World Bank, *World Development Report 1997,* table 10.

58. Christopher Ward, "Practical Responses to Extreme Groundwater Overdraft in Yemen," paper prepared for the conference "Yemen: The Challenge of Social, Economic, and Democratic Development," Center for Arab Gulf Studies, University of Exeter, April 1–4, 1998.

59. For more evidence of this, see Sheila Carapico, "The Economic Dimension of Yemen Unity," *Middle East Report* 184 (1993): 9–14.