



# Gulf Insights

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# Saudi Foreign Policy in Yemen: The Central Bank and the (New) Political Status Quo<sup>1</sup>

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## *Introduction*

A recent development in Yemen, namely the [United Nations-brokered deal](#) between the Houthi-controlled government in Sana'a and the Presidential Leadership Council (PLC) of Al-ʿAlīmī in Aden, showcases an important aspect of Saudi Arabia's foreign policy towards its southern neighbor and Saudi Arabia's apparent acceptance of a new political status quo in Yemen. This [deal](#), centered on the Central Bank of Yemen, represents a shift in the economic dynamics between the Houthis and the PLC. The Central Bank, once located in Sana'a and moved to Aden in 2016 by the predecessor of Rashād al-ʿAlīmī the head of the PLC, the former president Abdrabbuh Maṣṣūr Hādi, became a focal point of the economic tug-of-war between the Houthis and its opponents on the Yemeni political scene. The aforementioned deal has provided the Houthis with much-needed economic breathing space as it has lifted an array of restrictions the Central Bank of Yemen had imposed on the banking sector controlled by the Houthis.

## *Saudi pressure*

Despite criticism from opponents of the Houthis in Yemen, and the governor of the Central Bank having even submitted his [resignation](#), the PLC seems unable to undo the deal. Interestingly, this inability of the PLC is mainly due to being pressurized by its biggest international backer and provider of funds: the Kingdom of Saudi Arabia. Saudi Arabia exerted [pressure](#) on the PLC to agree on relieving the economic pressure on the Houthi movement, as the latter had threatened Saudi Arabia to resume its attacks against the Kingdom if Riyadh did not apply its leverage on the PLC and, thus, the Central Bank of Yemen. Abo Alasrar [states](#) that "leaks from anonymous sources suggest the Saudis exerted diplomatic pressure and imposed economic leverage on Yemen's [PLC] to comply with the U.N agreement and reverse the Central Bank of Yemen's measures." The Kingdom's pressure on the PLC to go through with the deal highlights Riyadh's seeming coming to terms with the new political status quo in Yemen. This marks a notable departure from Saudi Arabia's earlier stance

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during the launch of [Operation Decisive Storm](#) in 2015, where it led a multistate military intervention to support the retreating Yemeni government against the Houthis. Back then, Saudi Arabia sought to reassert its influence and restore the status quo ante manu militari, seemingly attempting to leverage its patronage networks and using its perceived military to try to reshape the evolving political landscape in Yemen.

### *Historical continuity*

However, one could argue that this apparent volte-face in 2024, which appears to be a 180-degree turn from its 2015 policy, should not be interpreted as surprising or incoherent with Saudi's foreign policy towards Yemen. Since at least the 1960s, Saudi Arabia's foreign policy concerning Yemen has been more reactive than proactive. Riyadh consistently struggles to impose the desired outcomes of its foreign policy strategies in Yemen. Whenever major political shifts occurred in Yemen, Riyadh intervenes—directly and/or indirectly—in an attempt to restore the previous status quo it was accustomed to. Yet, these efforts most often prove to have fallen short, seemingly forcing Saudi Arabia to eventually accept the new reality on the ground and adapt its influence strategies to maintain its clout in Yemen accordingly.

Historical precedents underscore the repetition of this pattern. During the civil war in North Yemen from 1962 to 1970 between royalists—wanting to preserve the monarchical Imamate's ancient régime—and republicans—wanting to overthrow the Imamate and establish a Republic, saw Saudi Arabia initially reluctant to involve itself, viewing the conflict as a mainly domestic affair. It was only after Nasserist Egypt, Saudi's regional rival in the Arab Cold War, intervened on behalf of the republicans—and with Egyptian forces attacking Saudi Arabia directly—that Saudi Arabia began actively supporting the royalists to preserve the perceived status quo ante. Nevertheless, the royalists were defeated and the Yemeni Arabic Republic (North Yemen) was established in 1970. Yet, Riyadh quickly adapted, reestablishing its influence in the new republican state, especially through its ties with the Yemeni tribes that inhabit the Yemeni-Saudi border. The basis of these patronage networks between Riyadh and northern Yemeni tribal sheikhs dates back to the 1930s when Saudi Arabia officially annexed the current provinces of Jizan, Asir and Najran after the Saudi-Yemeni war of 1934 between the Imamate and the Kingdom.

Similarly, after the unification of North and South Yemen in 1990 a brief civil war followed between northern and southern factions in 1994. During that civil war, Saudi Arabia ended up supporting southern factions in an

apparent effort to revert to the pre-unification status quo and thwart the viability of a strong, unified Yemen. When the northern factions emerged victorious, Riyadh shifted gear and renewed its influence in the newly unified Yemen, using its tribal patronage network as a springboard.

The more recent events in Yemen, particularly the series of conflicts involving the Houthis against the Yemeni government since the early 2000s, further illustrate Saudi Arabia's focus on maintaining the status quo ante. Its fluctuating support for the Yemeni government and its clandestine, and ultimately open, support for the Yemeni government and direct military involvement against the Houthis during the six Sa'dah wars (2004-2010) are a seeming testament to this approach. Concerns about Iran's influence in the region and its apparent intervening—imagined or not—in Yemen against Saudi interests played a seemingly key role in Saudi Arabia's decisions to openly intervene in 2009-10 and 2015. However, with ongoing ceasefire negotiations since [2022](#) between the Houthis and Riyadh, coupled with a Chinese-brokered [détente](#) between Saudi Arabia and Iran in 2023, accompanied by the cessation of Houthi attacks against the Kingdom, on the face of it suggest that Saudi Arabia is now seemingly accepting the emergence of a new status quo in Yemen.

### *Conclusion*

The latest developments surrounding the Central Bank of Yemen further reflect Riyadh's apparent acceptance of this new reality. Despite its past efforts to dislodge the Houthis from power, Saudi Arabia [now](#) seems focused on regaining its influence in Yemen, or at least attempting to prevent further losses, albeit under different circumstances. The traditional [patronage](#) networks with northern Yemeni tribal sheikhs, once a cornerstone of Saudi influence since the 1930s, are no longer applicable due to the Houthis' removal of these sheikhs from their power bases near the Saudi-Yemeni border. In this sense, a reinvention of its patronage approach is warranted by the Saudi rulership.

In conclusion, Saudi Arabia's last bout of initial hostility towards eventual acceptance of the new political status quo in Yemen is not so much a departure from but rather a continuation of the Kingdom's reactive foreign policy towards its southern neighbor. While Saudi Arabia has, initially, sought to maintain the status quo ante in Yemen, it has also demonstrated a so far apt ability to adapt to new political realities in Yemen. The current situation, where Saudi Arabia has seemingly accepted a Houthi-dominated Yemen—at least along the Saudi-Yemeni border region—is but the latest chapter in the contemporary history of Saudi-Yemeni dynamics. One open question now is

whether the Saudi rulership will be able to find new ways to reestablish its influence within the constraints of the new Yemeni status quo, as it has managed to do in the past.

### **About the author**

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### **About the Gulf Insights series**

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