

## Chapter 5

# The Effect of the Arab Spring Revolution on the Yemeni Economy

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### **ABSTRACT**

*The economic and humanitarian conditions of the Yemeni population have been deteriorating. The variable that affects the Yemeni economy is the foreign exchange rate of the Yemeni currency. In 2014, one US Dollar equaled to 240 Yemeni Ryal. In 2018, one US Dollar equals 700 Yemeni Ryal. The massive leap of the value of the Yemeni Ryal against the US Dollar, paired with the stabilization of the public sector occupation salaries, deeply affected the quality of life of the Yemeni citizen. Furthermore, the leap of the Yemeni Ryal value leads to the increase of the merchandise prices as well as the price of public services. The decrease of the value of the Yemeni Ryal against the US Dollar is one variable that is assisting the levels of poverty in Yemen. However, this chapter believes that economic mismanagement and the foreign exchange rate are essential variables that explain the increase of poverty levels in Yemen.*

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## **INTRODUCTION**

Since February 27, 2011, Yemen has been experiencing political instabilities, which led to severe economic and humanitarian crisis. Yemen, which is already a third world country, has been divided between the legitimate Yemeni government backed by the Saudi led coalition and the Houthis backed by Iran. The war between the two parties has resulted in severe economic and humanitarian crisis. The Yemeni crisis, which has been marked as the world's worst humanitarian crisis, has resulted in the death of 16,200 civilians since March 2015, 2 million displaced, and 22.2 million in need of assistance (Council on Foreign Relations, 2018). Furthermore, according to the Human Rights Watch (2016), the Sanaa Chamber of Commerce and Industry announced that the Saudi coalition airstrikes have resulted in the damage of 196 business between March 2015 and February 2016.

Yemen is classified as a failed state. Due to the existence a fragile legitimate government, the collapse of the economy, and the extreme humanitarian catastrophe, Yemen is no longer considered as a sovereign state (Brehony & Sarhan, 2015). This chapter attempts to describe the political background, the economic sequel, and the humanitarian ramifications of the crisis.

## **THE POLITICAL BACKGROUND OF THE CRISIS: SOUTHERN DEMANDS FOR INDEPENDENCE**

On February 11, 2011, Yemeni civilians protested against the Yemeni president, Ali Abdullah Saleh, in Al Tahreer Squair, Sanaa. Protesters camped in the Squair for a year until Saleh resignation in February 27th, 2012. The Yemeni revolution was marked as one of the Arab Spring revolutions; however the turmoil in Yemen has started far before February 11th, 2011.

In May 22nd, 1990, the People's Democratic Republic of Yemen and the Yemen Arab Republic agreed to be united in the form one country named The Republic of Yemen; refer to figure 1. The Yemeni Unification agreement was monitored by Saudi Arabia and recognized internationally. The unification agreement stated that Ali Abdullah Saleh, president of Yemen Arab Republic, is announced as the head of the state and Ali Salem Albidh, president of the People's Democratic Republic of Yemen. The Unification process which lasted for 30 months after signing the unification contract was a complete failure, which resulted in a civil war in July 1994. The Yemeni civil war of 1994 resulted in grievances between the two nations. Today, people of the People's Democratic Republic of Yemen known as the South, are asking for independence from the North.

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