

Chapter 4

INVESTIGATING THE GENERAL LINES OF YEMEN ECONOMY AFTER 2011

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Introduction

The macroeconomic environment has been volatile since the 2011 crisis. Over the past six years Yemen has been experiencing a period of widespread destabilization, which intensified in September 2014 and resulted in full-blown civilwar and international military intervention in early 2015. While the violence has been vicious and destructive, by far the most damaging consequences for the wider Yemeni population have been how the conflict has undermined the systems by which the country functions – devastating the economy, social integration, the humanitarian situation and developmental progress. The result is that millions of people in Yemen are now enduring severe economic deprivation and nearstarvation (Sana'a, 2017).

Social indicators in Yemen were weak before 2015, but the escalation of conflict has destroyed progress made in the past two decades(World Bank Report, 2017). The Political instability has caused a significant decline in the economic activities in general which in turn, has led to the increase of unemployment rates and the reduction of employment opportunities.

The main aim of this study is to investigate the general lines of Yemen economy after 2011 and how the economy of Yemen is affected by the internal and external economic and political changes that Yemen has recently witnessed since seven years. It also aims to to know the most important economic challenges that Yemen economy has faced after the mentioned period. Therefore, this study is divided into two sections. The first part discusses the developments of Yemen economy since the Arab Spring 2011 until 2014. The second part discusses the developments of Yemen economy after the military coup and international military intervention in early 2015.

Literature Review

There are a lot of national and international studies which discussed the developments of the Yemen economy, analytically and descriptively, during the previous six years. Out of these studies, we selected the following ones:

Atarodi (2010): This paper discussed the crisis of Yemen (some of the urgent issues that Yemen faced). There is a couple of conclusion drawn from this study. One is that the health of the Yemeni political, social and economic systems is getting

The labor market has been disrupted by the impact of the conflict on both supply and demand. The conflict has resulted in Yemenis displacement and physical destruction which are the main factors behind influencing the labor market and high rate of unemployment.

Therefore, this paper ended in the following recommendations:

1. A quick political settlement under the auspices of the international parties should be reached and a gradual improvement in the political and security stability in the various provinces should be achieved. This is because achieving security and political stability is the cornerstone of the attractive environment for investment.

2. Addressing the cash crunch and, thereby, increasing the aggregate demand and moving the economic activities.

3. Covering the essential public expenditures, especially the salaries payment regularity of the state employees, cash transfers to the poor and the expenditures for operating the basic social services through oil and tax revenues and donor support (Ministry of International Planning and Cooperation No. 30, 2017).

4. Establishing a parallel exchange rate agreed by both the central bank and international organizations operating in the country. It should be below the black market price and higher than the official exchange rate.

5. It is necessary to focus on rebuilding the productive and export capacity of oil and gas as soon as possible. They are the two main pillars of the budget. All the state's and the public sector's revenues (taxes, customs, public sector revenues, oil and gas sales etc.) from all parts of Yemen must be directed to the central bank and its branches in all the governorates to support the state's public budget (Sana'a, 2017).

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