The impact of the Houthis' FTO designation

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Headline

The impact of the Houthis' FTO designation on the already fragile political and humanitarian situation

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Overall Summary

The US's decision to reinstate the Houthis as FTOs marks a specific foreign policy approach while escalating tensions and deepening the humanitarian crisis in Yemen.

Article

Yemen's internal conflict remains a major international crisis, further exacerbated by the Gaza-Israel war. The Houthis have strengthened ties with the so-called "axis of resistance", receiving assistance and support from Iran, Iraqi armed groups, Hezbollah, and other terrorist organisations. This has enabled the Houthis to consolidate governance in the northern highlands and part of the Red Sea coast while intensifying their attacks against the Yemeni government. In doing so, they have committed severe violations of human rights and international humanitarian law, including sexual violence, coercion, political oppression, and the obstruction of humanitarian aid, further worsening the humanitarian crisis. Trump's decision to redesignate the Houthis as an FTO appears to be part of a broader strategy in the Middle East and North Africa (MENA) region, reflecting a more assertive counterterrorism posture and reinforcing U.S.-Israel alignment. The Houthis are longtime allies of Iran, which is allegedly known to supply them with weapons, and they have publicly positioned themselves as opponents of Israel. The FTO designation signals a more aggressive stance on Iranian-backed proxies aiming to disrupt their founding streams and military capabilities.

The FTO designation could have severe economic repercussions, particularly on Yemen's fragile economy. While Houthi leadership may not be directly affected, given their limited engagement with international financial institutions, the Yemeni population and humanitarian organisations will bear the brunt of the consequences. Aid groups operating in Houthi-controlled areas could face criminalisation of financial transactions, complicating logistics and undermining the legality of their operations. Although humanitarian exceptions may exist, bureaucratic hurdles may deter international suppliers from engaging with Yemen. The U.S. administration has already announced plans to cut partnerships with organisations dealing with the Houthis, including reviewing U.N. and NGO operations in Yemen. The likely impact on imports, particularly essential goods such as food, medicine, and fuel, threatens to deepen the humanitarian crisis that has already killed more than 150,000 people and left 19.5 million in need of aid after 10 years of conflict. The U.S. has acknowledged this risk, stating its willingness to take responsibility "for the hunger and diseases" that the population will suffer.

The EU's Lead Spokesperson for Foreign Affairs and Security Policy had already raised concerns in 2021 regarding the initial FTO designation, emphasising its negative humanitarian impact. The designation risked

worsening Yemen's widespread famine and disrupting the delivery of humanitarian aid funded by the international community. The economic crisis in Yemen has only intensified since then, with severe consequences for the civilian population. The EU maintains that an inclusive political solution is the only viable path toward ending the conflict. The FTO designation could further complicate diplomatic engagement with Ansar Allah and undermine the efforts of political and humanitarian organisations striving for conflict resolution.

Despite international pressure, the cutoff of foreign financial support does not significantly worry the Houthis. Ansar Allah has condemned the designation and warned of potential retaliation against the U.S. if it is enforced, while Iran has denounced the decision as "arbitrary and baseless". As an organisation known for its brutality and modus operandi, international measures like the FTO designation may push them toward even more extreme actions. On January 23, Houthi militias kidnapped U.N. humanitarian workers. Yemeni analyst Hisham Omeisy commented, "They need to play their hands and do what they always do best, which is hostage-taking and using force". Moreover, over the past year, Houthis have demonstrated alternative methods of securing funding. They have leveraged opportunistic relationships and their strategic geographical position in the Red Sea, using the corridor for illegal smuggling and other form of income. Last winter, they monetised the route through the Red Sea and the Gulf of Aden by demanding payments to prevent ships from being attacked. The Yemeni government backs the U.S. decision, anticipating military and financial assistance against the Houthis.

The reinstatement of the Houthis as an FTO reflects a significant shift in U.S. foreign policy aimed at curbing the group's operations and isolating them on the global stage. While the designation seeks to disrupt Houthi financial networks and military capabilities, it comes with severe humanitarian risks, potentially deepening Yemen's ongoing crisis. The economic and logistical challenges posed by the designation could hinder aid efforts, worsening famine and medical shortages. Additionally, the move complicates diplomatic engagement and could provoke further escalation from the Houthis. As the international community grapples with balancing counterterrorism strategies and humanitarian obligations, the long-term impact of this designation remains uncertain. Will this policy decision weaken the Houthis, or will it drive them toward more extreme actions and deepen regional instability?