



# Could the Houthis Be the Next Hizballah?

## Iranian Proxy Development in Yemen and the Future of the Houthi Movement

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## Preface

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This report documents the results of a project analyzing the prospects that Iran will further invest in the Houthis and develop them as an enduring proxy group in Yemen. The research in this report was completed in July 2018. In answering this question, the project focused on the history of the Houthi movement, its current relations with Iran, and future scenarios. To inform this analysis and better capture Iran's strategic calculus vis-à-vis the Houthis, the project also explored Iran's history of proxy development in three distinct contexts: Lebanon, Iraq, and the Persian Gulf. Lessons from these cases have informed the analysis of the future trajectory of the Houthi-Iran relationship.

The project's findings should be of interest to a wide-ranging audience in the foreign policy and defense community, and particularly those interested in the broader Middle East. The analysis can help policymakers better understand Iranian motivations throughout the region while offering clear signals and warnings of potential escalation in Yemen.

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## Summary

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Since 2015, Iran has dramatically increased its investment in the Houthi movement, raising speculation that the Houthis will evolve into another regional proxy that serves to protect and promote Iranian interests. Iran has frequently turned to sponsor-proxy relationships to expand its reach in the Middle East and antagonize its adversaries while minimizing the risk of inviting direct conflict. The Houthis represent an attractive opportunity on both of these counts—giving Iran reach into Yemen and the adjacent Red Sea and providing Iran a means to harass its rival, Saudi Arabia.

However, its success in building proxy relationships in other arenas has been mixed, and Iranian investment does not guarantee it will be able to cultivate the Houthis into a reliable proxy group. In order to examine Iran's prospects for success, we have considered political theory related to sponsor-proxy relationships and examined parallel efforts by Iran in other cases—namely, in Lebanon, Iraq, and the Persian Gulf States. We have also examined the Houthis' long-term interests and objectives, which are far from clear and have sometimes changed rapidly. This was vividly demonstrated at the end of 2017, when Houthi soldiers killed their nominal ally, former president Ali Abdullah Saleh. The movement includes distinct camps with competing agendas, which has important implications for the Yemeni Civil War and for Houthi demand for Iranian support.

Most of the existing theory around sponsor-proxy relationships uses the principal-agent framework. Derived from economic theory on hierarchical contracting relationships, the principal-agent framework frames sponsor-proxy relationships around the delegation of tasks from the principal to the agent. This framework effectively describes trade-offs that sponsors and proxies must make between benefits and risk, but it best explains these dynamics between well-defined, formal organizations with clear hierarchies. No formal rules or contractual relationships exist between most militant groups and their state patrons, undermining the utility of the framework to explain the relationships we are examining. Moreover, this model is generally static, making it difficult to capture the evolution of a proxy-sponsor relationship—a key question in understanding how Iran's relations with the Houthis could evolve.

For these reasons, we propose using an alternative model that more effectively explains the dynamism to Iranian strategy and how it fosters nascent proxy relation-

ships. A market entry and investment model frames Iranian activity as if it were a firm seeking market expansion. In applying this model, we treat countries as if they were potential markets, where Iran explores opportunities, screens partners, and ultimately invests in relationships. In exploring markets, relevant factors are the level of strategic value, the extent to which there are accessible or open conditions (such as a weak state with porous borders), and the degree of latent demand (such as a disgruntled Shia population). Lebanon in the 1980s offered an incredible market opportunity for Iranian investment given the easy access from Syria, the historically disenfranchised Shia community, and proximity to Israel. Saudi Arabia, in contrast, was a relatively closed market given the pervasive presence of security forces and the small Shia population. In Chapter Three we apply this theoretical framework to the case of Lebanon, Iraq, and the Persian Gulf in greater depth, describing Iran's past efforts to cultivate proxies using the market entry and investment model.

Turning specifically to Yemen, Stage 1 of the market entry and investment model is to explore opportunities. The proxy market in Yemen was opened wide after 2011, with the near collapse of the government and increased demand by the Houthis' rapid political and military expansion. Weak national control and robust smuggling routes created permissive conditions for Iran to push materiel support into Yemen without high risk or cost. The appeal of this market also increased given heightened Iranian-Saudi tensions and with Saudi intervention in Yemen providing an opportunity for Iran to exact high costs on the Saudi military through proxy conflict with low risk of direct confrontation.

Although the focus is often on Iranian support to the Houthis, Iran has also looked to screen and select a number of proxies in Yemen, Stage 2 of the market entry and investment model. There are natural impediments to the Houthi-Iran partnership, such as differences in the form of Shiism that they practice. Prior to 2014, Iran explored relationships with other potential partners, such as the southern secessionist movement, so as to diversify its portfolio of proxy reports.

However, the Houthis have proven to be the only viable proxy option in Yemen since the war began, and Iran has turned to the final stage of our framework: investment. Iran's support has taken various forms, but the most important is probably Iran's provision of sophisticated weapons, such as ballistic and antiship missiles, which have provided the Houthis with new capabilities. In particular, the Houthis' acquisition of missiles with the capability to hit Riyadh is concerning. The cost and risk of physical supply are low for Iran so long as the Houthis can maintain good relations with the tribes and other actors along the resupply line to Oman—relations that are likely bought—and hold territory along the coast.

An outstanding question is whether the Houthis will provide a return on Iran's investment. The Houthis are not solely dependent on Iranian support, having created their own sources of revenue by taxing shipments through the Yemeni city of Al-Hudaydah's port, rent extraction, and smuggling activities. These independent rev-

**Table S.1**  
**Key Drivers and Future Trajectories of the Houthi-Iran Relationship**

	Houthis Hold Territory	Houthis Lose Territory
Rejection of Houthis as Illegitimate	Military stalemate continues and Houthi-Iran relationship remains transactional	Houthis withdraw to Sa'ada; Iranian support increases as Houthis rebuild
Pressure for Recognizing Houthi Legitimacy	Houthis are a key political actor; Iran increases military, political, and economic support	Moderate Houthis are co-opted into Yemeni government; Iranian support decreases

NOTE: The row and column headings of the table represent the possible states of our key political and military drivers, respectively. The cells of the table briefly describe the scenarios and trajectories in the Houthi-Iran relationship resulting from the combination of those key drivers.

enue streams provide the Houthis with some degree of leverage or at least autonomy when accepting Iranian offers of support. More important, the interests and goals of Houthi and Iranian leadership do not necessarily align on all issues. Although the two share a common enemy (the Saudis), the Houthis have traditionally focused on their domestic interests. Compared with Iran's other proxies, the Houthis are less inclined to export revolutionary ideology. Similarly, for all of Iran's rhetoric supporting marginalized groups, it remains a pragmatic self-interested state. This relationship remains largely transactional.

However, conditions in which the group operates can suddenly and dramatically change, and this could cause the relationship to evolve along various future paths. In this study we examine four scenarios that have varying implications for the Houthi-Iran relationship and its long-term prospects. These scenarios center around two key drivers: the success of the Houthis' military campaign, and the scope and pressure for the Houthis to be included as a legitimate political actor in Yemen. Using these drivers, we postulate four trajectories of the Houthi-Iran relationship.

**Scenario 1:** In the first scenario—one where the current political and military stalemate persists—the Houthis hold territory but the government of Abdrabbuh Mansur Hadi and its Saudi-led coalition allies continue to refuse any compromise with the Houthis. In this scenario we assess that the current transactional relationship between the Houthis and Iran remains preferable to both parties. The Houthis do not want to be controlled by, reliant on, or beholden to their Iranian benefactors. Were they to accept significantly more support, the Houthis might become more of an Iranian client, which would introduce new costs for the organization. This transactional dynamic also serves Iranian interests in this scenario. The military quagmire largely aligns with Iran's regional strategy and its immediate goals for the conflict, maintaining instability along Saudi Arabia's border and providing a low-cost means of bleeding the Saudi military without much fear of direct confrontation or escalation.

With these strategic objectives met, Iran likely accepts the minimal control that it exerts over the Houthis. Although this type of relationship between the Houthis and Iran is stable in the near term, it is a fragile equilibrium in the long term given that eventually some factor will break the current military stalemate.

**Scenario 2:** In our second scenario the Houthis hold territory but the international community pressures the coalition and Hadi government to embrace a power-sharing agreement in a new transitional government. Were this scenario to come to pass, we anticipate that the Houthis would remain an armed military group alongside a political organization, similar to Hizballah. In such a scenario the Houthis would be a more appealing partner for Iran, and Iran would want to expand its investment in the group to make it into a partner organization. Iran would likely capitalize on the Houthis' need for sizable military capabilities and financial support to bolster its political influence and to utilize these needs to cultivate the group's dependence on Iranian support. This scenario could be the most dangerous to regional security and U.S. interests. Not only would this scenario potentially bring Iran increased influence, but the weaknesses of Yemen's other political factions could leave a more mature Houthi coalition as the dominant force in Yemeni politics.

**Scenario 3:** Our third scenario envisions a Yemen akin to the status quo ante, where the Houthis are confined to Sa'ada and are excluded from political power. This scenario would increase demand for Iranian support in the same way that the current civil war and Saudi pressure on the Houthis has driven them closer to Iran. Even in a strategically diminished position, the Houthis could still be a valuable proxy to Iran. The Houthis are willing to strike deep into Saudi territory and capable of doing so. A weakened Houthi position might even play to Iran's benefit, as desperation can make for a more pliable proxy. Iran's support could be made conditional, forcing the Houthis to focus more of their operations on Saudi Arabia. Given the Houthis' degraded military capabilities and growing enmity for the Saudis, this is a deal they would likely accept. The risk and cost of provided military support to the Houthis could go up, however, and high costs could cause Iran to consider other potential partners.

**Scenario 4:** In our last scenario, the Houthis lose territory but the international community puts greater pressure on Hadi and his coalition allies to reach a political resolution that includes at least some representation for the Houthis. This scenario could cause a schism in the Houthi movement, with moderates benefiting from political inclusion but hard-liners choosing instead to seek Iranian support and position themselves against the government. Even in a weakened position, these hard-liner Houthi elements would represent an attractive proxy for Iran, and the Iranian regime would likely be interested in prolonging the relationship in exchange for continued operations against Saudi Arabia. However, even with the persistent structural conditions that have historically favored Iran's development of proxy groups, such as a weak state bureaucracy and limited military reach, Iran would likely find it increasingly difficult to support these hard-liner Houthi elements against the new transitional Yemeni

government. While the Yemeni government is still limited in its overall reach, the inclusion of moderate Houthi elements would increase military reach into Sa'ada. At the same time, co-opted Houthis—now interested in preserving their new political positions and their associated benefits (e.g., patronage and rent extraction)—would have incentive to help police hard-liners back in Sa'ada. Such conditions would constrain Iran's movements and operations not only in Sa'ada but in all of Yemen. Ultimately, Iran's costs to support the Houthis would increase, while its expected benefits would decrease. By co-opting parts of the Houthi movement, the Hadi government can undermine the organization, degrading its potential value to Iran.

There are two major factors that will likely help observers understand which scenarios could come to pass: the revival of the General People's Congress (GPC) and coalition infighting. The two scenarios listed in the right-hand column of Table S.1—whereby the Houthis lose territory—are more likely to occur if Saleh's political network can be reconstituted by the Republic of Yemen Government and its military forces rebuilt by the coalition. For this to happen, someone would need to claim Saleh's leadership position and galvanize the GPC's old guard, and we suggest that Saleh's son Ahmed Ali and the Republic of Yemen Government's field marshal and vice president, Ali Mohsen al-Ahmar, are possible figures to watch.

Another critical factor that would indicate which scenario is more likely to play out is the level of engagement and congruence of the coalition partners. The Emirati and Saudi forces have been crucial to the war effort, and their future choices will play a major role in deciding how much and how quickly the Houthis lose territory. The most important of these choices concerns the long-promised campaign to reclaim the port city Al-Hudaydah from the Houthis, which is crucial to Houthi resupply lines. Were Al-Hudaydah to fall, we should expect the Houthis to suffer further territorial losses as the coalition forces advanced toward Sana'a from both the west and the east.

While neither Saudi Arabia nor the United Arab Emirates appear ready to dramatically escalate the fight in Yemen, this position could suddenly change if the Houthis strike populations in Abu Dhabi or Riyadh with a missile. For now, however, the coalition seems more likely to collapse than to escalate its actions against the Houthis. Coalition infighting represents a rare opportunity for the Houthis, who have been on the losing end of this war since the Saudi intervention began in 2015. The Houthis have a chance to exploit this division to push the offensive or simply consolidate their hold over Sana'a, and the path they take will offer a glimpse into the Houthi movement's long-term goals and play a critical role in shaping the future trajectory of the Houthi-Iran relationship. If the Houthis turn toward responsible governance, rather than just rule through coercion, they could earn the legitimacy and support to ensure their longevity on the Yemeni political landscape. Doing so could also provide Iran a more formidable ally, bolstering's Iran ability to shape Yemeni policy and push back on Saudi influence.



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## Abbreviations

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AQAP	al Qaeda in the Arabian Peninsula
AQI	al Qaeda in Iraq
ATGW	antitank guided weapon
EPF	explosively formed penetrator
GPC	General People's Congress
IFLB	Islamic Front for the Liberation of Bahrain
IRGC	Islamic Revolutionary Guard Corps
IRGC-QF	Islamic Revolutionary Guard Corps–Qods Force
ISIL	Islamic State in Iraq and the Levant
NDC	National Dialogue Conference
NSG	National Salvation Government
OIRAP	Organization for Islamic Revolution in the Arabian Peninsula
PMF	Popular Mobilization Forces
ROYG	Republic of Yemen Government
SPC	Supreme Political Council
UAE	United Arab Emirates
UN	United Nations



## Introduction

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Since 2015, Iran has dramatically increased its support for the Houthi movement. Although Iran enjoys deeper relationships with the Iraqi Popular Mobilization Forces (PMF) and the Lebanese Hizballah, the Houthi movement—also referred to as Ansar Allah—represents yet another potential proxy for the Islamic Republic of Iran. While less formal than an explicit alliance between states, sponsor-proxy relationships can entail significant and enduring support for militant groups. Starved of many options for regional allies, Iran has routinely used sponsor-proxy relationships to expand its reach in the Middle East and to antagonize its adversaries while minimizing the risk of inviting direct conflict. Cultivating nonstate proxies and developing their capabilities has allowed Iran to project its power broadly in a region hostile to its interests. As such, these relationships have become a critical pillar of Iran's foreign policy in the Middle East. From Iran's vantage point, the Houthis offer an attractive opportunity to grow Iranian influence and, at the very least, bleed its Saudi rivals in a costly quagmire.

By contrast, the Houthis' long-term interests and objectives are far less clear. In the midst of civil war, events on the ground can suddenly redefine relationships, upset basic strategic conditions, and challenge long-accepted conventional wisdom. After more than two years of war, the fragile alliance between the Houthis and Ali Abdullah Saleh came to a dramatic end when Houthi soldiers killed the former strongman on December 4, 2017. Despite Saleh's death, those with an eye on Yemen have little reason to hope for revived peace talks or an immediate end to the fighting. So long as the Houthis control Sana'a and have access to major resupply lines, they will largely dictate when and how this war ends. Beyond their inscrutable leader, Abdul Malik al-Houthi, the movement includes distinct camps with competing agendas. And depending on which camp prevails in internal power struggles, there may be reinvigorated peace talks or escalating violence. These different trajectories have important implications not only for the Yemeni Civil War but also for future Houthi demands for Iranian support.

Given U.S. concern with balancing Iranian interests and maintaining stability in the Persian Gulf, the future growth and development of the Houthi-Iran relationship is a question of increasing importance for policymakers today. How this relationship evolves will depend on both Iran's willingness and capacity to provide support

(i.e., supply), and the Houthis' desire/need for this support (i.e., demand). Given the unstable conditions in Yemen today, neither of these determinants are obvious and will depend on future political and military developments. In this study we explore these developments to better understand how the Houthi-Iran relationship will evolve in the near future. We begin by asking a simple question: Under what conditions will Iran increase its support, and how will the Houthis' demand for support change? In answering this question, we explore the sustainability of Iranian support to the Houthis and how its strategy will change as factional divisions within the Houthi movement create new opportunities for Iran to grow its influence.

To help navigate this fluid context, our study draws on a strategic actor approach to explore the dynamics that underlie the Houthi-Iran relationship. With this approach we assume that both the Houthis and Iran have well-defined interests and make strategic choices to instrumentally achieve their goals. In turn, we use these strategic interests to map future decisions and possible trajectories of the Houthi-Iran relationship. In subsequent chapters we discuss our theoretical framework in greater depth and explore several potential models for understanding this strategic relationship and how it evolves. Ultimately, we propose a market entry and investment model for understanding the Houthi-Iran relationship.

In brief, this model explores how Iran infiltrates or gains access to a country and then screens potential proxy groups—indigenous organizations or those of its own making. Upon identifying a candidate, Iran invests in that proxy through various types of support. But not all sponsor-proxy relationships develop in the same way, and depending on the initial stages, Iran has cultivated distinct types of proxies. In some cases, these relationships take the form of a partnership, resembling a joint venture at its most mature stage (e.g., Hizballah). In other cases, Iran may pursue a more convenient, short-term transactional relationship (e.g., the Taliban). Explaining these various approaches is critical to understanding (and predicting) the potential trajectories of the Houthi-Iran relationship.

In the remainder of this chapter we introduce the basic premises and foundational assumptions that underlie our analysis. We first discuss Iran as a strategic actor and outline its interests. This side of the relationship is fairly well understood, as Iranian foreign policy has matured and been extensively studied over the years. We then explore the far less studied and opaque topic of the Houthis as a strategic actor. Compared to other insurgent and terrorist organizations, the Houthis are a relatively new actor, and their core interests and long-term goals remain unclear. Having outlined these actors' basic interests, we conclude the chapter by outlining the rest of the report and its structure.

## Iran as a Strategic Actor

For all of its fiery rhetoric, Iran is a strategic actor. And while Iran is ambitious, it is also constrained. Given these constraints, Iran's support of proxy groups represents a key facet of its broader foreign policy. Decisions about who will, how to, and when to support particular militant groups are informed by the broader strategic context and Iran's geopolitical position in the Middle East. Although often framed along sectarian lines (e.g., the Shia-Sunni divide), Iran's foreign policies, and particularly the support of armed militant groups, are first and foremost pragmatic and center on advancing the state's strategic interests. These strategic interests, in turn, are significantly shaped by Iran's self-perceived duality as both a revolutionary leader among Islamic states, and as a state under grave and persistent threat from external belligerents.

This duality traces its origins to the 1979 Iranian Revolution, which brought the current Islamic republic to power and continues to shape Iran's foreign policies. An underlying uniting force galvanizing the loose coalition of groups comprising the revolutionaries was a rejection of foreign influence in Iranian politics. While focused against the United States given the U.S. role in backing Mohammad Reza Shah Pahlavi's government, the broader goals of the revolution were Iranian independence from external influence and disruption of the existing international order, which was dominated by a few great powers at the expense of weaker states.<sup>1</sup> Somewhat ironically, the Islamic republic drew on this anti-imperialist rhetoric to justify exporting its revolutionary principles to neighboring states in an effort to further deny foreign, and particularly American, dominance in the region. By toppling pro-American governments and installing more Pan-Islamic regimes in their place, Iran hoped to grow its influence while denying its greatest adversary regional basing and other strategic opportunities. Although over time Iran's desire to "export the revolution" and counter "the Great Satan" (a.k.a. the United States) has given way to more conservative and pragmatic policies, it is important to recognize that there is still a faction within Tehran loyal to this ideological origin story.

To successfully navigate this duality and achieve their broader regional goals, Iran's foreign policies manage a complex interdependence between the state's overlapping strategic, nationalist, and religious interests. Strategically, the Iranian regime's ultimate goal, like all strategic actors in world politics, is the continued survival and sovereignty of the state and, more specifically, the current Islamic republic.<sup>2</sup> Notably,

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<sup>1</sup> Steve Coll, *Ghost Wars: The Secret History of the CIA, Afghanistan and bin Laden, from the Soviet Invasion to September 10, 2001*, New York: Penguin Books, 2005; Stephen Kinzer, *All the Shah's Men: An American Coup and the Roots of Middle East Terror*, Hoboken, N.J.: John Wiley & Sons, Inc., 2008; Afshon Ostovar, *Sectarian Dilemmas in Iranian Foreign Policy: When Strategy and Identity Politics Collide*, Washington, D.C.: Carnegie Endowment for International Peace, CP 288, November 2016.

<sup>2</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics*, New York: W. W. Norton & Company, Inc., 2001; Barry R. Posen, *The Sources of Military Doctrine: France, Britain, and Germany Between the World Wars*, Ithaca,

this objective forms the bedrock of all of Iran's foreign and domestic policies. Following the 1979 revolution, however, Iran's strategic considerations extended further, and sought to solidify the state's national security by expelling foreign influences, particularly those of the United States, from the region at large. In the immediate term this strategy entails balancing and containing U.S. allies in the region, particularly Israel and Saudi Arabia.<sup>3</sup>

These goals conveniently overlap with the Islamic republic's nationalist sentiments. While the republic's revolutionary ideals are centered on anti-imperialism and Pan-Islamic sentiments, Iran undoubtedly prefers to install pro-Iranian regimes throughout the region. In this sense, the Iranian regime's Pan-Islamic sentiments ideally amount to a collection of Islamic republics throughout the region, with Iran as the leader and regional hegemon.

These strategic and nationalistic goals are strongly paralleled in Iran's religious motivations. As a theocratic state built on a form of Twelver Shiism that rejects passivism, the Islamic republic seeks to export its activist ideology to states where marginalized Shia populations may be especially receptive to revolutionary rhetoric. In practice, the Iranian regime extends this reach by supporting Shia-affiliated governments and social movements throughout the region.<sup>4</sup> It is important to note, however, that these interests are often secondary to the state's immediate strategic goals, which often drive key decisions. After all, Iranian foreign policy history is rife with examples of the regime's pragmatism, and especially its support to a diverse range of proxy groups. From Christian Armenia during the Nagorno-Karabakh conflict, to Sunni Hamas in Gaza and even the Taliban in Afghanistan, Iran has proven itself to be opportunistic and willing to work with groups that do not share its core values.<sup>5</sup>

The Iranian regime relies on several conventional and unconventional tools to pursue these interests. Iran maintains a large, modern combined-arms military, which serves as the cornerstone of its national security posture. The main purpose of this conventional military force is to defend the Iranian homeland in case of external aggression, but Iran also uses its military to intimidate and coerce its neighbors.<sup>6</sup>

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N.Y.: Cornell University Press, 1984; Kenneth N. Waltz, *Theory of International Politics*, Long Grove, Ill.: Waveland Press, Inc., 1979.

<sup>3</sup> Max Fisher, "How the Iranian-Saudi Proxy Struggle Tore Apart the Middle East," *New York Times*, November 20, 2016, p. A8; Ostovar, 2016; Frederic Wehrey et al., *Dangerous but Not Omnipotent: Exploring the Reach and Limitations of Iranian Power in the Middle East*, Santa Monica, Calif.: RAND Corporation, MG-781-AF, 2009.

<sup>4</sup> Keith Crane, Rollie Lal, and Jeffrey Martini, *Iran's Political, Demographic, and Economic Vulnerabilities*, Santa Monica, Calif.: RAND Corporation, MG-693-AF, 2008; Jerrold D. Green, Frederic Wehrey, and Charles Wolf, Jr., *Understanding Iran*, Santa Monica, Calif.: RAND Corporation, MG-771-SRF, 2009.

<sup>5</sup> Ostovar, 2016; Wehrey et al., 2009.

<sup>6</sup> Wehrey et al., 2009.

Tehran sees the United States as an existential threat—but has severe capability gaps relative to U.S. forces. Iran also recognizes that direct military conflict with the Gulf States risks drawing the United States into conflict. Therefore, Iran has invested in several alternative strategies to complement its limited conventional means. In addition to various forms of diplomatic and soft power, Iran has devoted significant resources toward developing asymmetric military capabilities, which may provide an advantage in future conflicts and enhance the regime's national security posture.<sup>7</sup> The first of these asymmetric capabilities is Iran's history of pursuing nuclear technology and ballistic weapons, which are meant to both deter aggression by foreign powers and threaten regional adversaries.<sup>8</sup> While these capabilities offer bargaining power and constitute a strong deterrent in case of regime change, they have far less utility for everyday use. Their value remains strategic and confers limited tactical benefits.

Complementing these high-end, strategic capabilities, Iran also invests in supporting nonstate armed groups, which can provide short-term tactical benefits while also servicing Iran's long-term goals of reshaping the regional order. In some cases, Iranian support helps these groups mature into full-fledged proxies who fight for Iran in regional conflicts and extend the regime's reach and influence throughout the Middle East. Iran's investment in proxy groups serves multiple foreign policy interests. First, Iranian-backed militant groups mire the regime's regional adversaries in peripheral conflicts, and this serves to both impose increasing costs on other regional militaries and distract their attention from Iran itself.<sup>9</sup> Israel's periodic conflicts with Hamas in Palestine and with Hizballah in Lebanon, for instance, deal both materiel and symbolic blows to the Israeli state, which is among Iran's chief regional adversaries, without any direct involvement of Iran itself. Through these proxies Iran can extend the strategic depth of its homeland defense and compensate for its relatively weak conventional military capabilities at a fairly low cost while also maintaining a level of plausible deniability against direct involvement in regional instability.

Additionally, Iran's support of militant groups buys the Islamic republic influence within neighboring states and offers a low-cost mechanism for exporting the regime's revolutionary and anti-imperialist ideology throughout the region. By supporting proxy groups abroad, the Iranian regime may eventually topple a pro-American regime, purchasing Iran influence with the replacement government. This is, perhaps, one of the

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<sup>7</sup> See, for instance, Cameron S. Brown, Christopher J. Faris, and R. Blake McMahon, "Recouping after Coup-Proofing: Compromised Military Effectiveness and Strategic Substitution," *International Interactions*, Vol. 42, No. 1, 2016, pp. 1–30.

<sup>8</sup> Robert Reardon, *Containing Iran: Strategies for Addressing the Iranian Nuclear Age*, Santa Monica, Calif.: RAND Corporation, MG-1180-TSF, 2012; Wehrey et al., 2009.

<sup>9</sup> Idean Salehyan, "The Delegation of War to Rebel Organizations," *Journal of Conflict Resolution*, Vol. 54, No. 3, 2010, pp. 439–515; Idean Salehyan, Kristian Skrede Gleditsch, and David E. Cunningham, "Explaining External Support for Insurgent Groups," *International Organization*, Vol. 65, No. 4, October 2011, pp. 709–744; Wehrey et al., 2009.

main goals of Iran's strategy of proxy support; immediately and routinely after the 1979 revolution, Iran began supporting favorable groups throughout the region to indirectly advance its broader revolutionary interests and, when possible, extend the reach of its brand of Shia theocracy in the Middle East.

In summary, Iran's support of proxy groups follows from a combination of its broader strategic, nationalist, and religious interests on the one hand and its strategic need to achieve asymmetric military advantages and buttress its conventional military capabilities on the other. While this general strategic context drives Iran's broad strategy of militant support, decisions about how and when to support particular groups, and which ones, are further affected by the context of specific conflicts. However, in all cases, Iran seeks to use its proxy groups to advance the regime's strategic interests, and the regime's level of support to groups abroad largely pivots on how strongly that group impacts the state's larger geopolitical position within the region.

## The Houthis as a Potential Strategic Actor

Given Iran's historic pragmatism, scholars and policymakers alike regularly treat Iran as a strategic actor that has well-defined interests and uses a variety of tools to achieve its goals. The same has not necessarily been said of the Houthis. Critics of the Houthis have described them as "an unsophisticated movement" whose successes have depended, in large part, on Saleh's "political acumen and well-trained, well-equipped fighting forces."<sup>10</sup> Although this perspective is challenged by the fact that the Houthis made much of their initial military gains before forming an alliance with Saleh, whether the Houthis can effectively operate and govern without Saleh and his network remains to be seen. As described by one critic, the Houthis' political and administrative inexperience will "catch up with them, either because the opposition to their rule will become too hard to manage or because they will run out of money."<sup>11</sup>

But these accounts tend to overlook or outright dismiss the Houthis' successes and ability to grow and adapt to their circumstances, which should not be diminished. During the course of the conflict, the Houthis have not only proven time and again to be capable fighters, but they have also shown a desire to grow their capacity for governance. If anything, these last three years have demonstrated their interest in developing new skills and capabilities. Before the war, the Houthis had little to no experience navigating the political vicissitudes of Sana'a and the tribal relationships that underlie Yemeni governance. Forced to govern conquered territories while continuing their military campaign, the Houthis did not simply cede this administrative responsibility

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<sup>10</sup> Ben Hubbard and Nour Youssef, "Sana'a Residents 'Living in Fear' amid Draconian Al Houthi Crackdown," *Gulf News*, December 24, 2017.

<sup>11</sup> Hubbard and Youssef, 2017.



to Saleh and his party allies, the General People's Congress (GPC), which had long ruled Yemen before Saleh's ouster. Instead the Houthis placed loyal supporters in key administrative positions, shadowing their GPC counterparts as they prepared for the day when their alliance with Saleh would no longer serve their strategic interests. By the time this alliance collapsed in late 2017—when the Houthis executed Saleh after he defected and made a new deal with the Saudis—the Houthis had positioned themselves to arrogate full control over the security and government affairs in Sana'a, having outmaneuvered the man famous for “dancing on the heads of snakes.” Underestimating this growth, and the Houthis' potential for future development, is dangerous as Iran looks to extend its reach throughout the region.

As such, we take a more balanced approach toward the Houthis in this study. While they may not be sophisticated political operators when compared to Tehran, or even to more established nonstate groups like Hizballah, neither are they simply unsophisticated fighters from the northern highlands who are unable to learn or grow.<sup>12</sup> The tendency to disregard the Houthis may simply be attributed to the group's opaque organizational structure, impenetrable decisionmaking processes, and inscrutable leaders. In Yemen, the Houthis have long been seen as a backward and insular minority group, largely contained to the mountains of Sa'ada. Since the collapse of their imamate in 1962, the Zaydi community has been excluded from power in Yemeni politics, and their geographic isolation has allowed for stereotypes to persist over time. Although we have learned much about the Houthis since 2015, many crucial questions remain unanswered. And absent this information, observers tend to fall back on old prejudices.

But analysts should avoid falling into this trap. The Houthis, like Iran, are a strategic actor with clear interests. At their core the Houthis are focused on domestic issues and historic grievances. They want greater influence in Yemeni political affairs and inclusion in (or dominance of) whatever new political order emerges following the war.<sup>13</sup> While some Houthis do call for “a return to the rule of the Zaydi Imam,” their objectives are not primarily religious or internationally focused.<sup>14</sup> When they initially began fighting the Saleh government in 2004—a short decade before they would become uneasy partners with the deposed president—the Houthis wanted a greater role in national affairs; an end to political, economic, and cultural marginalization in Zaydi areas; and an end to Saudi-funded proselytizing in Sa'ada.<sup>15</sup> But their objectives have expanded as their power has increased. While these original objectives remain,

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<sup>12</sup> Given Hizballah's sophistication today, it is easy to forget how this group was initially perceived as well. Hizballah's humble beginnings reveal how local perceptions may not be the best measure for predicting a group's future, which should be note of caution for Yemen watchers skeptical of the Houthis' potential.

<sup>13</sup> Thomas Juneau, “Iran's Policy Toward the Houthis in Yemen: A Limited Return on a Modest Investment,” *International Affairs*, Vol. 92, No. 3, May 2016, p. 647.

<sup>14</sup> Juneau, 2016, p. 652.

<sup>15</sup> Juneau, 2016, p. 651.

the Houthis now demand a much greater role in Yemeni affairs, making a political resolution even more difficult to negotiate.

Thus far, Iranian support has been a useful way to further these goals. Although Iran has been linked to the Houthis since their earliest military campaigns in 2004, historically this support has been minimal. Iranian support became especially valuable following the Saudi intervention in spring 2015. Over time, Houthi leaders have increasingly reframed the civil war as part of a greater conflict between Yemen and Saudi Arabia, hoping to reclaim traditional Houthi lands now under Saudi control.<sup>16</sup> Worried that Iran would develop a proxy on its border, the Saudis intervened to support the displaced Hadi government, which had fled the country. The Saudis' intervention dramatically escalated the war and represents one of the more tragic ironies in the conflict. By all accounts, Iranian support was fairly marginal before 2015. The Saudi-led coalition, and its unpopular air campaign, may now be the greatest factor driving the Houthi-Iran relationship. At the beginning of the war, it seemed unlikely that the Houthis would ever be another Hizballah, and the prospects that Iran could develop them into a real proxy seemed small. But after nearly three years of war, this outcome appears far more likely than it once did.

## Report Outline

The future of this relationship, however, remains to be determined. As Saleh's defection showed, events on the ground can suddenly upend conventional wisdom, changing expectations and reshaping relationships. Saleh's death was not only "the end of an era" and a crushing blow to the Saudi exit strategy,<sup>17</sup> but it also complicated Iran's long-term position in Yemen. Despite their past conflict, Iran had come to depend on Saleh's military and political network, having "invested significant diplomatic and political capital in the [Houthi-Saleh] alliance."<sup>18</sup> At the same time, the Houthis' quick military recovery also means that little has changed militarily. Even after losing several Saleh-aligned units, the Houthis have largely maintained their front lines, and the war remains a stalemate.

With the war approaching its third year, and little hope for a political resolution any time soon, important questions remain unanswered: Under what conditions will Iran increase its efforts to influence the Houthi movement? How will the Houthis'

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<sup>16</sup> International Crisis Group, *Discord in Yemen's North Could Be a Chance for Peace*, Brussels: International Crisis Group, Middle East Briefing No. 54, October 11, 2017.

<sup>17</sup> Kate Brannen, "What Are Yemen Experts Saying About Saleh's Death?" *Just Security*, December 6, 2017; Marc Lynch, "Our Men in Yemen?" *Diwan: Middle East Insights from Carnegie*, December 6, 2017. Beirut: Carnegie Middle East Center, 2017.

<sup>18</sup> Mahan Abedin, "Saleh's Killing Throws Iran's Yemen Strategy into Disarray," *Middle East Eye*, December 4, 2017.

demand for Iranian support change in the future (e.g., depending on the trajectory of the civil war)? How sustainable is Iranian support given dramatic changes on the ground (e.g., as Saudi posture and presence in Yemen grows)? What organizational, ideological, or religious divisions exist within the Houthi movement, and how might these factional differences affect the trajectory of this relationship?

In this report we address each of these questions in hopes of helping policymakers better understand the conditions under which Iran will seek to further develop the Houthis as a proxy, as well as the conditions under which the Houthis will seek closer ties with Iran. Chapter Two begins with a brief overview of sponsor-proxy relationships, defining key terms and concepts. After discussing different theoretical approaches, we develop a market entry and investment model to explain Iranian strategy. Chapter Three applies this model to three cases: Lebanon, Iraq, and the Persian Gulf. These case studies reveal distinct trajectories for Iranian proxy development. While some of Iran's proxy relationships appear short-term and transactional, others represent more long-term partnerships. These case studies have important implications for understanding Iran's strategy in Yemen.

Chapter Four returns our focus to the Houthis. We briefly describe the Houthis' emergence and development, and the group's early ties to Iran, however marginal they may have been. Chapter Five then develops a series of future scenarios that capture distinct trajectories for the Houthi-Iran relationship. Building on these scenarios, Chapter Six discusses potential indicators of how this relationship could evolve. These indicators may offer some advance warning for policymakers. Finally, we conclude the report in Chapter Seven and summarize our main findings.



## Sponsor-Proxy Relationships

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Despite an extensive literature, the relationship between sponsors and proxies is often poorly understood. Conceptual confusion and unresolved theoretical debates about the general nature of sponsor-proxy relationships make it difficult to clearly identify the conditions that will likely dictate the evolution of the Houthi-Iran relationship. To overcome these conceptual issues and to help better understand the logic underlying Iran's calculus and its development of sponsor-proxy relationships with militant groups, this chapter begins with a brief overview of the existing academic literature on such relationships. First, we explore the basic concepts and terms underlying sponsor-proxy relationships. After disentangling these terms, we then discuss recent theoretical advances that explain these relationships through a principal-agent framework. While it is useful in explaining Iran's strategic relationships with its existing proxy groups, we find this analytic framework insufficient for explaining how Iran fosters nascent proxy relationships. As such, we conclude the chapter with a complementary framework that better captures these dynamics of proxy development in terms of market entry and investment to provide a better account of Iran's proxy strategies.

### Defining Terms and Key Concepts

Despite the recent interest in sponsor-proxy relationships and the dynamics of state-supported militant and terrorist groups, sponsor-proxy relationships first became pronounced during the Cold War. As the Soviet Union and United States competed for influence around the globe, both superpowers used their proxies to "further their own strategic goals" while avoiding "direct, costly and bloody warfare."<sup>1</sup> According to some accounts, proxy warfare has even earlier antecedents, tracing its origins to medieval Europe.<sup>2</sup> Whatever the exact origins, these relationships all tend to be strategic part-

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<sup>1</sup> Andrew Mumford, "Proxy Warfare and the Future of Conflict," *RUSI Journal*, Vol. 158, No. 2, 2013, p. 40.

<sup>2</sup> Seyom Brown, "Purposes and Pitfalls of War by Proxy: A Systemic Analysis," *Small Wars & Insurgencies*, Vol. 27, No. 2, 2016, p. 245.

nerships built around some form of exchange between a sponsor and proxy. As this literature has developed, the basic terms and underlying concepts have evolved over time.

Although *sponsor* has become the most popular term in use, it is by no means the only one. Alternative but related terms include *benefactor*, *patron*, *principal*, and *activator*. For this project, however, we will strictly use the term *sponsor*, which generally refers to an actor who “asks someone to fight for them.”<sup>3</sup> And for inclusivity, we should think of *fight* in the most general sense, from engaging in conventional or unconventional warfare, to gray-zone attacks, or even to mild forms of political disruption.

Sponsors tend to be states, though scholars disagree whether they are more likely to be major powers or relatively weaker states. On the one hand, strong states (e.g., the United States during the Cold War) enjoy a greater power imbalance vis-à-vis their proxy, making it easier to manipulate, control, and extract benefits.<sup>4</sup> On the other hand, weaker states (e.g., Libya under Muammar al-Qaddafi) may be so constrained in their foreign policy options that they depend on proxies to supplement their limited capabilities.<sup>5</sup> While both arguments are compelling, only recently have scholars begun to aggregate quantitative data on sponsor-proxy relations, and these long-term trends remain unclear.<sup>6</sup> Scholars further disagree over whether sponsors can also be nonstate actors, like diaspora communities or even transnational violent extremist organizations. In theory, there is no reason such actors could not serve as sponsors (e.g., core al Qaeda supporting local affiliates or other groups pursuing similar aims), but there are relatively few examples of this type of relationship throughout history.

Like *sponsor*, the term *proxy* is especially common, though other terms include *client*, *surrogate*, *agent*, and *satellite*. For consistency, we will use the term *proxy*, which is defined complementarily as an actor who is asked to fight on behalf of a sponsor. Again, note that *fight* can entail a variety of actions, including kinetic and nonkinetic attacks on some enemy. Theoretically, proxies may be any kind of actor, from a state to a terrorist organization. During the Cold War, the Soviet Union and the United States developed client or satellite states that served as proxies that could influence others in their respective spheres of influence. In recent history, proxies tend to be insurgent or rebel groups whose campaigns target an enemy or rival of the sponsor.

At the core of these sponsor-proxy relationships is some shared interest and an exchange of support (from the sponsor) for disruptive action (from the proxy). Given some “common adversary, or a target,”<sup>7</sup> a sponsor will provide a proxy with vital assis-

<sup>3</sup> Yaacov Bar-Siman-Tov, “The Strategy of War by Proxy,” *Cooperation and Conflict*, Vol. 19, No. 4, 1984, p. 266.

<sup>4</sup> Bar-Siman-Tov, 1984.

<sup>5</sup> Daniel Byman, *Deadly Connections: States That Sponsor Terrorism*, New York: Cambridge University Press, 2005.

<sup>6</sup> Salehyan, Gleditsch, and Cunningham, 2011; Salehyan, 2010.

<sup>7</sup> Geraint Alun Hughes, “Syria and the Perils of Proxy Warfare,” *Small Wars & Insurgencies*, Vol. 25, No. 3, 2014, p. 523.

tance. This support can take various forms, including economics and finance, materials, forces, training, expertise, and logistics. In some cases, this assistance extends beyond the traditional military domain and includes media and propaganda training, diplomatic cover or safe haven, and other forms of political support. In return, the proxy influences “the outcome of a conflict in pursuit of [the sponsor’s] strategic policy objectives.”<sup>8</sup> These strategic goals may be pursued through a variety of actions, from warfare to more incremental measures that disrupt an enemy, degrade its military capabilities, or even foment popular resistance toward a political transition.<sup>9</sup>

As a reciprocal exchange, the sponsor-proxy relationship is fundamentally instrumental, predicated on “mutual obligations and benefits.”<sup>10</sup> The benefits of such arrangements are fairly obvious. Through its proxies a sponsor can achieve its strategic goals without incurring the same risk or costs that entail direct military action. Covert support to a proxy may even be more effective under certain conditions. Drawing on its local knowledge or network, the proxy may be a powerful source of intelligence, offering benefits beyond warfighting. Such a strategy may be especially attractive when the sponsor’s “conventional military forces are weak, obsolete, and outclassed by their adversaries.”<sup>11</sup> Meanwhile, proxies often receive support that can dramatically improve their military and political capabilities. For proxies starved of resources or expertise, a sponsor may offer a lifeline in their campaign for relevancy and survival.

The costs of this strategic relationship are somewhat less obvious. For sponsors, the most direct cost comes from “subsidizing the cost of conflict” through financial and materiel support.<sup>12</sup> While these costs are hardly negligible, most states can easily afford them, making proxies a relatively cheap alternative to using direct military force. The real costs of these relationships, however, derive from sponsors’ inability to fully control their proxies. Developing a proxy’s capabilities can backfire. If interests diverge, a proxy may become less inclined to follow the sponsor’s commands, defecting from their implicit agreement or even subverting the sponsor’s strategic goals.<sup>13</sup> In the most extreme case, the proxy may even use these capabilities to attack the sponsor.<sup>14</sup>

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<sup>8</sup> Brendan Sozer, “Development of Proxy Relationships: A Case Study of the Lebanese Civil War,” *Small Wars & Insurgencies*, Vol. 27, No. 4, 2016, p. 643.

<sup>9</sup> Hughes, 2014.

<sup>10</sup> Bar-Siman-Tov, 1984, p. 269.

<sup>11</sup> Byman, 2005, p. 22.

<sup>12</sup> Navin A. Bapat, “Understanding State Sponsorship of Militant Groups,” *British Journal of Political Science*, Vol. 42, No. 1, January 2012, p. 3.

<sup>13</sup> Ariel I. Ahram, *Proxy Warriors: The Rise and Fall of State-Sponsored Militias*, Stanford, Calif.: Stanford University Press, 2011; Mumford, 2013; Brown, 2016.

<sup>14</sup> Salehyan, 2010.

The costs are no less concerning for proxies. If they are dependent on their sponsors' support, proxies may be coerced into meeting their sponsors' demands. After all, given the varying contexts in which they operate and their respective time frames, proxies often have "different immediate and long-term interests than their sponsors."<sup>15</sup> When these interests conflict, the proxy may be forced to sacrifice its own interests. And even if it makes this choice and dutifully meets the sponsor's demands, there are no guarantees that the sponsor will not still withdraw support. As the strategic environment evolves (e.g., due to regime change or some peace settlement), the sponsor may no longer deem the relationship to be beneficial, and instead choose to abandon the proxy.<sup>16</sup> Newly exposed, the proxy may be left in an even more vulnerable position than it was in before receiving the sponsor's support. But even if this relationship remains robust, the proxy must be wary of potential blowback for aligning with an external power. This relationship can inflame domestic competitors, precipitate a conflict spillover, or even erode a local support base.<sup>17</sup>

## Sponsor-Proxy Relationships in a Principal-Agent Framework

Ultimately, these costs imply a series of trade-offs for sponsors and proxies alike. While potentially beneficial to each actor, navigating a sponsor-proxy relationship is fraught with risks. To help make sense of these complicated trade-offs, recent academic work has increasingly applied a principal-agent framework to the study of sponsor-proxy relationships. The principal-agent framework has become especially popular among scholars, offering new insights and proving incredibly flexible to the diverse contexts in which we find sponsor-proxy relationships.

The principal-agent framework derives from economic theories on hierarchical contracting between strategic actors. Initially this framework was applied to standard problems involving "employer-employee, lawyer-client, [and] buyer-supplier" relationships.<sup>18</sup> These relationships are all built around delegation, with a principal delegating some task to an agent who completes the task for the principal. Potential conflict exists between the principal and agent because they have different interests and risk preferences, making contract design critical. Although initially an economic theory, the principal-agent framework soon spread to the field of political science, where it has been applied to contexts as varied as congressional oversight of executive agencies and

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<sup>15</sup> Jan K. Gleiman, "The Future of War Is Here: Proxy Warfare," *National Interest*, October 24, 2014, p. 2.

<sup>16</sup> Hughes, 2014.

<sup>17</sup> Daniel Byman, "Outside Support for Insurgent Movements," *Studies in Conflict & Terrorism*, Vol. 36, No. 12, 2013, pp. 986–987.

<sup>18</sup> Kathleen M. Eisenhardt, "Agency Theory: An Assessment and Review," *Academy of Management Review*, Vol. 14, No. 1, January 1989, p. 60.



international economic reforms.<sup>19</sup> Across these various contexts, the basic problems of principal-agent dynamics reduce to moral hazard (i.e., agents shirking their responsibilities) and adverse selection (i.e., principals selecting the wrong agent).

When applied to sponsor-proxy relationships, this framework can be especially helpful in understanding and disentangling the complicated trade-offs that sponsors and proxies must negotiate when they work together.<sup>20</sup> While these relationships offer a variety of benefits, there are also potential risks. The principal-agent framework not only helps clarify these risks but also highlights the inherent challenge to solving these problems.

As understood in the principal-agent framework, the sponsor is trading off some foreign policy control to gain the proxy's specialization and informational advantages.<sup>21</sup> If this exchange proves effective, the sponsor can achieve its goals at reduced costs while maintaining plausible deniability. In practice, of course, this is far more difficult to achieve, and blowback can be costly if the sponsor is linked to an especially egregious or reprehensible attack. For instance, under Hafez al-Assad, Syria supported the Abu Nidal Organization, which was widely condemned for its attacks in Europe and the Middle East during the 1980s. Despite Assad's protests of innocence, Syria was also alleged to be complicit in these attacks, which had important consequences for the regime and forced it to sever ties with its proxy.<sup>22</sup> When sponsors lose control over their proxies, they can suffer significant costs, which are often referred to as "agency losses."<sup>23</sup> In Pakistan, once useful proxies in Kashmir later focused their attacks on Karachi and Lahore. By the time the Pakistani state realized that jihadist groups of all types were drawing on the same resources and madrasas that they had supported, it was already too late. The state could not contain or control these supplies and effectively subsidized attacks within its own borders.<sup>24</sup>

There are many other risks inherent to the principal-agent dynamic. If, for example, the principal fears that its agent will deviate from some agreed plan or policy (e.g.,

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<sup>19</sup> D. Roderick Kiewiet and Mathew D. McCubbins, *The Logic of Delegation: Congressional Parties and the Appropriations Process*, American Politics and Political Economy, Chicago: University of Chicago Press, 1991; Mathew D. McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Police Patrols Versus Fire Alarms," *American Journal of Political Science*, Vol. 28, No. 1, February 1984, pp. 165–179; Daniel L. Nielson and Michael J. Tierney, "Delegation to International Organizations: Agency Theory and World Bank Environmental Reform," *International Organization*, Vol. 57, No. 2, Spring 2003, pp. 241–276.

<sup>20</sup> Daniel Byman and Sarah E. Kreps, "Agents of Destruction? Applying Principal-Agent Analysis to State-Sponsored Terrorism," *International Studies Perspectives*, Vol. 11, No. 1, 2010, pp. 1–18; Salehyan, 2010; Ora Szekely, "A Friend in Need: The Impact of the Syrian Civil War on Syria's Clients (A Principal-Agent Approach)," *Foreign Policy Analysis*, Vol. 12, No. 3, July 2016, pp. 450–468.

<sup>21</sup> Salehyan, 2010.

<sup>22</sup> Patrick Seale, *Asad: The Struggle for the Middle East*, Berkeley: University of California Press, 1988.

<sup>23</sup> Byman and Kreps, 2010.

<sup>24</sup> Jessica Stern, "Pakistan's Jihad Culture," *Foreign Affairs*, November–December 2000, pp. 115–126.

only striking noncivilian targets), then it can choose a more restrictive mechanism of control (e.g., embedding special trainers to actively monitor the group's operations). This solution may reduce risk of an agent shirking, but it also comes at a cost. The principal may be forced to expend additional resources and, if the control is too restrictive, may constrain the agent's ability to act effectively. Typically, reducing agency losses comes at the expense of the very benefits that motivate sponsor-proxy relationships in the first place.

Having used the principal-agent framework to explain delegation by states to terrorist organizations, Daniel Byman and Sarah Kreps rightly note that the framework may be less useful in understanding the mechanisms of control in a sponsor-proxy relationship. After all, the principal-agent framework has traditionally been applied to well-defined, formal organizations with clear hierarchies. And while it may help scholars understand how the U.S. congressional committees monitor executive agencies, it is less clear how these principal-agent dynamics of control play out in cases like Iran and its relationship with the PMF in Iraq. In the U.S. example, the relationship between committees and agencies is defined in legal statutes, whereas in the Iran example, mechanisms of control are poorly defined, imprecise, and may be applied in ad hoc ways. No formal rules or contractual relationships exist when thinking about Syria and the Abu Nidal Organization. And without these conditions, monitoring and punishment is not only unclear but may vary widely and unpredictably.

For our purposes, however, there are much more significant challenges in applying the principal-agent framework to Iranian proxy relationships. These challenges tend to revolve around the problem of dynamics, or change over time. As a generally static model, the principal-agent framework is less flexible in capturing evolution. Nor does it allow for significant learning over time. Such learning is critical, as the sponsor can update its strategy as it learns more about the proxy's interests and competence. More than just learning, time also allows for strategic adaptation as the proxy's capabilities grow. Over time, the sponsor's support for the proxy may alter how the proxy operates and what is feasible. Such endogenous change is vital to this relationship, which is difficult to capture in a fixed principal-agent framework.

In some cases, this change may be incremental as capabilities develop gradually and grow with time. In other cases, however, the change may be dramatic, fundamentally reshaping the nature of the relationship between sponsor and proxy. Consider, for example, the case of Hizballah. In the early days of this relationship, it is hard to imagine that Iran could have expected Hizballah—once a loose amalgamation of small, distinct Shia groups in southern Lebanon—to evolve into a savvy, multifaceted organization with regional influence. Today Hizballah represents “a state within a state,” having become the most powerful military, political, and social actor in Lebanon. And having committed its own fighters and trainers to conflicts in Syria and Yemen, Hizballah has developed an expeditionary force. It is already more than just an agent for Iran; it is a genuine partner.

Such growth simply cannot be explained using a static principal-agent model. Over time, the supply and demand for support changes, responding to exogenous shocks (e.g., the sponsor becomes entangled in a new conflict in the region) and endogenous developments (e.g., the proxy acquires new capabilities). Capturing such dynamism is critical to understanding Iranian strategy and how it develops proxies.

## Sponsor-Proxy Relationships as Market Entry and Investment

To better explain these dynamics, we offer an alternative model built around market entry and investment. The general model is illustrated in Figure 2.1. Framing these relationships in terms of market investment is especially suited to cases like Iran, whose objectives in proxy development often reflect a more long-term strategy. By investing in a potential proxy, Iran can serve more immediate interests while also growing its influence over a longer time frame. And while Iran certainly pursues more transactional short-term exchanges (e.g., the Taliban in Afghanistan), its strategy is often dynamic, allowing relationships to evolve over time as strategic conditions dictate.

Within this framework, sponsors can be thought of as firms considering market expansion. Stage 1, market entry, focuses on the sponsor's strategic calculus in deciding whether to expand. During this stage, the sponsor begins to explore potential investment opportunities or new markets to grow its influence. This new market may be in a rival's area of influence, in a weak or failed state, or even within an ally's borders. Each of these areas represents a potential market for the sponsor to expand its reach and buy influence. During this stage, the sponsor assesses the value and ripeness of these new

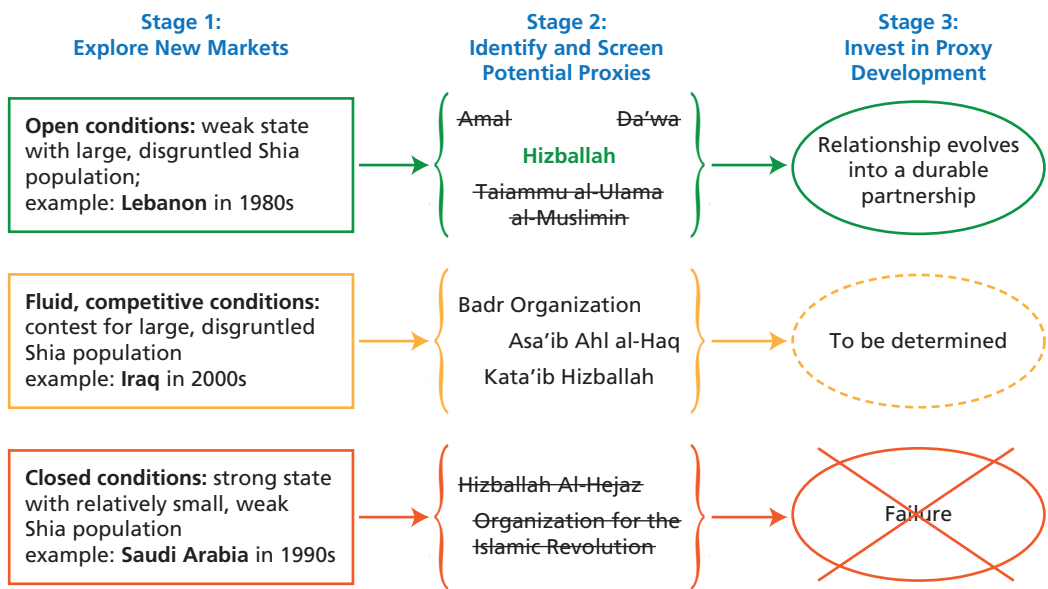
**Figure 2.1**  
**The Market Entry and Investment Model**



markets for proxy development. In some cases, potential proxies may already exist in these markets; in other cases, there may only be latent demand, without any existing indigenous groups. In either case, the sponsor evaluates these conditions, which help determine the expected value of investment and informs the decision whether to enter the market.<sup>25</sup>

Figure 2.2 depicts this model as applied to the case of Iran, with illustrative examples of Lebanon, Iraq, and Saudi Arabia. When exploring new markets, Iran must determine how accessible or open the conditions are to its operatives on the ground. Weak states with porous borders (e.g., recovering from civil war) offer ready access. Countries with a latent demand for Iranian revolutionary rhetoric (e.g., a large, disgruntled, or marginalized Shia population) also offer fertile ground for cultivating popular support. And to the extent that these markets offer strategic value (e.g., proximity to a rival), they may be especially attractive. Across each of these dimensions, Lebanon in the 1980s offered an incredible opportunity to Iran. The fractured Leba-

**Figure 2.2**  
**Stages of Iranian Proxy Development per a Market Entry and Investment Model**



NOTE: Stage 1 lists some of the conditions that make a given market more or less open to Iranian influence. Upon entering the market, Iran must then select a partner. Stage 2 describes this screening and selection process, listing several options Iran has considered in each case. In Lebanon, Iran selected Hizballah and excluded all others, while no partner proved viable in Saudi Arabia. The Iraqi case remains to be determined, as Iran continues to evaluate its long list of potential partners. Finally, Stage 3 represents the maturation or failure of these investments.

<sup>25</sup> The sponsor's choice is paramount in Stage 1, stripping the proxy of much agency. While the sponsor may consider the potential response of a proxy, we assume away any explicit strategic interaction or signaling at this stage. In subsequent stages, the proxy plays a more active, agential role.

nese state could hardly resist Iran's entry, especially with Syrian support. Ayatollah Ruhollah Khomeini's revolutionary message resonated with Lebanon's historically disenfranchised Shia community, and even more so with those residing near the country's southern border. For the Shia living under Israeli occupation, Iran saw a potential partner with a common enemy.

In Stage 2, the sponsor screens potential partners to identify a proxy that can effectively achieve its goals. Such a selection process may take time and require some initial investment in a variety of local groups. And while many of these investments are likely to fail, they help screen out weak types and are a necessary cost of market expansion, which always entails some risk. This process nonetheless allows the sponsor to identify characteristics that make for a good proxy.

At the same time, the potential proxy must decide whether to accept this support and pursue a more enduring relationship with the sponsor. After all, this choice is not without its risks. In addition to the potential benefits of partnership, a group must consider how local conditions (e.g., popular perceptions of the sponsor, state resistance, and the presence of competitors) can make partnership costly. Such blowback can introduce severe costs for the proxy. In making this decision, the group must also consider the potential risk of losing organizational autonomy and control over strategic decisionmaking. Unless it is purely transactional, accepting the sponsor's support is not without its conditions. And as this relationship matures, the loss of autonomy may grow over time.

Upon entering a new market, Iran tends, at least initially, to invest widely across multiple and distinct groups. This strategy of portfolio diversification helps reduce risk of total failure and buys time for Iran to determine the best or most viable partner. Such a strategy is especially useful in countries where there already exist multiple indigenous militant groups. Over time, Iran has to determine how closely these groups' interests align with its own goals and whether these groups are (or could become) capable, reliable proxies.

Iran may soon have to make this determination in Iraq, where it has supported a variety of political parties and militias. And with the Islamic State in Iraq and the Levant (ISIL) threat having been largely contained, but the political environment as unstable as ever, the militias of the PMF face an uncertain future. Iran must decide whether any one actor has the capacity to represent a real political and military force in Iraq. At the same time, these militias must also consider the potential costs of its alignment with Iran. Although Iran's support was critical in their initial growth and campaign against ISIL, some of these militias hope to transition into more durable, mainstream political organizations. Any such group must now consider the domestic political costs of being seen as an Iranian puppet.

Having screened these groups and selected a partner, it is in Stage 3 where real investment is made. While the previous stages certainly include some outlays, market exploration and screening are not particularly costly. But in this third and most varied stage, the sponsor must continuously reevaluate the potential returns from investment

relative to the costs and risks. As this process develops, the sponsor may increase support to the proxy, hoping to further grow their relationship into something more akin to a joint venture. Alternatively, the relationship may remain largely transactional, as the sponsor provides support to outsource its fighting. And if neither of these options appear profitable given the costs or competition (i.e., resistance from other states or rival militant groups), the sponsor may simply accept the sunk costs of this failed effort and withdraw.

During this stage, the proxy also reevaluates the relationship. Just as the sponsor must assess its returns on investment, the proxy must consider the net benefits it enjoys and whether continuing the partnership serves its interests. For the proxy, this evaluation is further complicated by its own evolution and growth. Over time, a group's interests may evolve, and its capabilities grow. A small, local militant group can mature into a robust political organization, comprising various political, social, and militant wings. And while the sponsor's support may have once been seen as indispensable and accepted at any cost, that same support can become unnecessary or deemed too costly. However difficult it may be to sever the relationship, some proxy groups must consider this choice as their interests and capabilities evolve over time.

In practice, this final stage of proxy development is indefinite and varies widely. During this stage, Iran decides how much to invest in a proxy group and what this investment entails (e.g., arms, trainers, diplomatic cover, financial support). Crucially, though, this stage is not static: Iran and the proxy constantly renegotiate the terms of their relationship as strategic conditions change, capabilities degrade or grow, and interests evolve. These dynamics not only influence the proxy's need for support (i.e., demand), but also Iran's willingness to provide assistance (i.e., supply). This evolving calculus can be seen in successful partnerships, like Hizballah in Lebanon, but also in failures, like the Organization for Islamic Revolution in the Arabian Peninsula (OIRAP) in Saudi Arabia. Inspired by the Iranian Revolution in 1979 and with much of its leadership operating in Tehran, OIRAP initially offered a valuable opportunity for Iran to gain access to Saudi Arabia's marginalized Shia community. Despite initial investments from Iran, OIRAP's interests gradually changed as it recognized the futility of Shia revolt. And having effectively deployed the stick, King Fahd's offer to moderate his regime's persecution of the Shia community resulted in détente in the early 1990s. By then Iran had already cut its losses with this once-promising proxy group and looked elsewhere in the Gulf for places to invest its efforts to gain a foothold.

Each of these three stages is critical to developing a capable, reliable, and valuable proxy. How this development unfolds can vary widely in important ways, even for an experienced sponsor state like Iran. To better capture this variation and understand how Iranian proxy development can take different trajectories, the next chapter applies this model to several distinct cases. These case studies illustrate the complicated strategic dynamics in these relationships and help inform our subsequent analysis on the development of the Houthi movement as a political and military actor and an Iranian proxy.

## Iran's History of Proxy Relationships

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In this chapter we analyze several of Iran's relationships with proxies in the Middle East using the model of market entry and investment outlined in Chapter Two. Specifically, we examine Iran's relationships with militant groups in Lebanon, Iraq, and the Persian Gulf States. In selecting our cases, we began by focusing on states where Iran has at least attempted to develop proxy groups. Among these potential cases, we then focused on states where a proxy would provide particular strategic value to Iran. Finally, among this narrower set of possibilities, we selected cases that allow us to exploit variation in how Iran's proxy investments evolve and its relationships change over time.

Our case selection raises one potential concern: In each state, we focus on Iran's relationship with Twelver Shia groups. While this focus also reflects Iran's general inclination toward working with Twelver groups, the Houthis are Shia but not Twelver, introducing a complication that our cases cannot fully capture. That being said, in addition to our three major case studies, we also make reference to several shadow cases, like the Taliban in Afghanistan or some Sunni groups in Iraq. These shadow cases can provide additional insights into the Houthi relationship. For example, when doctrinal or ideological hurdles persist, limiting the depth of a potential partnership, Iran has shown a willingness to pursue more transactional relationships.

Across our three case studies we track the history of Iranian entry, variation in Iranian support to militant groups and those groups' demands for external support, and critical signposts of evolution in those relationships. In subsequent chapters we turn to Yemen and use these three cases to help derive insights about current dynamics and possible future trajectories in Iran's relationship with the Houthi movement.

### Investment and Partnership in Lebanon

Iran's investment in Lebanese proxies, which began in the 1980s and transformed into a long-term partnership with Hizballah, has given Iran significant influence in Lebanese politics and foreign policy for decades. With the support and guidance of Iran, Hizballah evolved from an underground resistance movement to a dominant political



player in Lebanon.<sup>1</sup> The group has one of the most powerful nonstate militias in the world today and has used this strength to promote Iranian foreign policy objectives domestically and throughout the region. Hizballah is Iran's strongest nonstate proxy and is a critical element of the Iranian strategy in Syria.

The Hizballah-Iran relationship is more stable and enduring than the transactional relationships Iran has had with some of its other proxies, such as the Taliban in Afghanistan and various Iraqi groups. The relationship has grown over time, enduring various challenges and threats. In terms of market expansion and investment, the relationship has evolved into a partnership more akin to a joint venture. In 2012, Director of National Intelligence James Clapper characterized the relationship between Hizballah and Iran as "a partnership arrangement, with the Iranians as the senior partner."<sup>2</sup> That partnership is likely to remain strong for the foreseeable future, though some analysts have noted an increasing divergence between the interests of Hizballah's domestic base and those of its Iranian patrons, which may strain the Hizballah-Iran relationship.

### Stage 1: Exploring New Markets

Several developments occurred in Lebanon during the 1970s that made the country a viable market for Iranian investment. These developments included demographic shifts that favored the Shia community, the weakening of the Lebanese state and resultant civil war, the 1978 Israeli invasion, and the creation of a network of Iranian and Lebanese clerics. Finally, the 1979 Iranian Revolution electrified Shia across the region and amplified already present tensions and opportunities in Lebanon. The revolution provided additional motivation and encouragement to Lebanon's Shia as they were beginning to realize their potential political and social power.

Various demographic changes that began in the 1960s (e.g., urbanization and population growth in the Shia community) accelerated in the 1970s and increased the relative power of the Shia community as a political and social actor.<sup>3</sup> After decades of marginalization, the Shia community began to emerge from its political isolation and apathy.<sup>4</sup> In 1974, Hussein el-Husseini and Iranian-born Lebanese cleric Musa al-Sadr founded the first Shia political movement in Lebanon, the Movement of the

<sup>1</sup> Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God*, Washington, D.C.: Georgetown University Press, 2013a, p. 8.

<sup>2</sup> James R. Clapper, *Unclassified Statement for the Record on the Worldwide Threat Assessment of the U.S. Intelligence Community for the Senate Select Committee on Intelligence*, Washington, D.C.: Office of the Director of National Intelligence, January 31, 2012.

<sup>3</sup> More than one-fourth (27 percent) of the Lebanese population is estimated to be Shia, which is a relatively high proportion in the Arab world. Central Intelligence Agency, *The World Factbook: Lebanon*, undated; Nicholas Blanford, "Iran & Region IV: Lebanon's Hezbollah," *Iran Primer*, January 28, 2015.

<sup>4</sup> Yusri Hazran, *The Shiite Community in Lebanon: From Marginalization to Ascendancy*, Waltham, Mass.: Brandeis University, Crown Center for Middle East Studies, Middle East Brief No. 37, June 2009, pp. 5–6.



Deprived.<sup>5</sup> The establishment of Amal, the military wing of the Movement of the Deprived, signaled the culmination of the Lebanese Shia community's transition from "passivity and political isolationism" to political, social, and military activism.<sup>6</sup> Amal's emergence revealed the nascent opportunity to mobilize the Shia community, making investment in Lebanon more attractive to Iran.

The Lebanese Civil War that began in 1975 was both a symptom and a cause of the severely weakened government institutions. It inflamed sectarianism, providing further opportunity for Iranian intrusion. During the war, the Lebanese government appeared unable or simply unwilling to protect its Shia citizens from violence (e.g., attacks from Lebanese Christian and Palestinian militias),<sup>7</sup> which made the Shia community more receptive to external assistance. Israel's invasion of southern Lebanon in 1978 only exacerbated these sectarian tensions. The invasion especially hurt the Shia community, generating resentment against Israel and recognition among the Shiites that they needed a force capable of protecting their interests. Ultimately, the invasion "strengthened the militant trend" in the Shia community, opening up a space for Iranian entry and an opportunity to grow its influence.<sup>8</sup>

Prior to the Iranian Revolution, a number of important personal ties between Iranian and Lebanese clerics were established. Iranian clerics contributed to the education and organization of Lebanon's Shia community in the 1960s and 1970s, training promising Lebanese students at seminaries in Iran and Najaf, Iraq.<sup>9</sup> One of those students was Hassan Nasrallah, the future (and current) leader of Hizballah. While in Najaf, Nasrallah studied the teachings of future Iranian supreme leader Ayatollah Ruhollah Khomeini, who lived in Najaf from 1965 to 1978, and leading Shia thinker Muhammad Baqir al-Sadr.<sup>10</sup> After Iraqi president Saddam Hussein cracked down on Shia clerics in Iraq in the late 1970s, Lebanese clerics returned home and began to espouse the teachings of Khomeini and al-Sadr.<sup>11</sup>

### ***Opportunity for Investment: The 1982 Israeli Invasion of Lebanon***

Aside from some limited support to Shia groups fighting in the Lebanese Civil War, Iran did not significantly invest in Lebanon until 1982. Soon after the 1979 revolution in Tehran, Iranian leaders and Lebanese clerics (including Sheikh Sobhi al-Tufayli,

<sup>5</sup> Eitan Azani, *Hezbollah: The Story of the Party of God—From Revolution to Institutionalization*, Middle East in Focus, New York: Palgrave Macmillan, 2009, p. 55.

<sup>6</sup> Blanford, 2015.

<sup>7</sup> Hazran, 2009, p. 4.

<sup>8</sup> Azani, 2009, p. 57.

<sup>9</sup> Azani, 2009, p. 50. See also Barbara Slavin, *Mullahs, Money, and Militias: How Iran Exerts Its Influence in the Middle East*, Washington, D.C.: United States Institute of Peace, Special Report No. 206, June 2008.

<sup>10</sup> Wehrey et al., 2009, p. 87.

<sup>11</sup> Blanford, 2015.

who later became Hizballah's first secretary-general) discussed importing the revolution to Lebanon and building an armed anti-Israel movement.<sup>12</sup> However, the time was not yet ripe for Iranian investment. The power struggle within the inchoate Iranian regime and the outbreak of the Iran-Iraq War demanded most of the regime's attention and resources. Additionally, the most obvious candidate for investment in Lebanon at the time, Amal, did not initially promise major returns. The 1978 disappearance of Amal's charismatic and Islamist leader al-Sadr had left the group leaning more toward the secular, fractured, and less effective.

Israel's invasion of Lebanon in 1982 created a new opportunity for Iran to establish real influence and explore potential partnerships in Lebanon. The invasion incensed the Muslim Lebanese population and generated the requisite political and physical environment in which to cultivate militancy. The Iranian regime seized the opportunity and positioned 5,000 members of the Islamic Revolutionary Guard Corps (IRGC) in Syria for deployment in Lebanon. Though the violence ended too quickly for many of these IRGC fighters to deploy, a smaller contingent of about 1,500 IRGC fighters entered the northern Beqaa Valley to begin mobilizing Shia militias into a new anti-Israel force that would come to form the basis of Hizballah. According to one source, Iran spent approximately \$50 million to assist Lebanese militias in the mid-1980s.<sup>13</sup>

## **Stage 2: Identifying and Screening Potential Proxies**

Initially, Iran provided funding and military training to a variety of Shia groups under a loose Hizballah framework in return for these groups' pressure on Israel in southern Lebanon. The Hizballah-Iran relationship evolved into a partnership in the 1990s as Hizballah began to demonstrate its political and military prowess.

### ***Screening and Selecting Proxies***

Despite being the most prominent Shia political and military actor in the 1980s and having ties to Iranian leadership, Amal was not an attractive option for Iranian investment.<sup>14</sup> The Islamic republic was displeased by the increasingly secular nature of the group following the disappearance of al-Sadr. Iran also faced competition for Amal's loyalty. At the time, Syria was occupying Lebanon and had already begun to invest in and cultivate Amal as a proxy. In the early 1980s, Iran provided some military training to Amal to help counter Israel, but it was limited and short-term.<sup>15</sup>

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<sup>12</sup> Blanford, 2015.

<sup>13</sup> Wehrey et al., 2009, p. 90.

<sup>14</sup> Wehrey et al., 2009, p. 88. Iran had ties with Amal by virtue of al-Sadr, whom Iran had invited to act as the religious leader of the Shiites in Lebanon and had founded the Lebanese Shiite Islamic Higher Council in 1967. However, after the disappearance of al-Sadr in 1978, Amal took a more secular turn, and during the Lebanese Civil War it essentially became a Syrian proxy.

<sup>15</sup> Wehrey et al., 2009, p. 90.

In addition to Amal, Iran explored engagement with an array of Shia groups and militias. Ideological affinity was likely a major factor when identifying potential partners, though on some occasions Iran was willing to overlook this requirement when a group could offer some other value, such as proven combat experience. The regime rejected potentially useful proxies for being too secular or resisting Iran's revolutionary agenda.<sup>16</sup> Iran even publicly denounced Amal, and reportedly tried to sabotage the Da'wa party.

Ultimately, Iran chose to create its own portfolio of proxies, which were cobbled together from disenchanted members of Amal and several smaller, more radical groups. Iran successfully cultivated promising members of Amal and drew them into the Iranian orbit. Many recruits who formed the backbone of the precursor to Hizballah had previously been members of Amal.<sup>17</sup> Several prominent members of Amal who had received religious training in Najaf and Qom left the organization in 1982 over frustration with the secular nature of Amal. The departure of Amal's more radical elements simultaneously made it a less attractive vehicle for Iranian investment and created the opportunity for Iran to establish an Islamic alternative.<sup>18</sup>

Hizballah announced its official formation in 1985 and released a manifesto that outlined several objectives aligned with Iranian interests in Lebanon and the region.<sup>19</sup> These objectives included expelling the Americans and French from Lebanon and allowing all Lebanese citizens to choose their government, while encouraging them to "pick the option of Islamic government."<sup>20</sup> Initially, Hizballah was composed of a number of Shia Islamist organizations that all accepted Khomeini as their religious and political authority.<sup>21</sup> Some of these groups, such as Tajammu al-Ulama al-Muslimin fi Lubnan, were inspired by the Iranian Revolution and received funding from Iran prior to 1982.<sup>22</sup> Iran's relationships with other groups, such as the Kabadiat, were more

<sup>16</sup> Wehrey et al., 2009, p. 90.

<sup>17</sup> For example, the Amal representative in Iran left the group to join Dawlat Hizballah Lubnan, which became an important component of the Hizballah framework in 1982. A former senior member of Amal, Hussein al-Musawi, founded the rival Amal al-Islami movement in the summer of 1982 with Iranian support before folding his group into Hizballah.

<sup>18</sup> Azani, 2009, p. 60.

<sup>19</sup> Hizballah officially announced itself as an organization in 1985, though analysts disagree on when exactly between 1982 and 1985 Hizballah became a cohesive, single group.

<sup>20</sup> Blanford, 2015.

<sup>21</sup> These precursors to Hizballah include al-Ulema, Amal al-Islami, Dawlat Hizballah Lubnan, Kabadiat, the Lebanese Muslim Student Organization, Tajammu al-Ulama fi Jabel Amel, and Tajammu al-Ulama al-Muslimin fi Lubnan.

<sup>22</sup> Azani, 2009, p. 61.

transactional. The Kabadiat did not possess especially impressive ideological credentials but could provide valuable military experience.<sup>23</sup>

Syria's investments in Amal in the 1980s eventually led to conflict with Iran and its emerging proxy, Hizballah. With Amal and Hizballah competing for the same constituencies, conflict was all but inevitable. Notwithstanding Amal's more secular orientation, both groups drew heavily on the Shia community. Competition intensified during the late 1980s, when the groups fought for territory and the support of the Shia community.<sup>24</sup> The costly conflict illustrates the limits of sponsor control, as neither Iran nor Syria could fully rein in its proxy.<sup>25</sup> After the sponsors' repeated attempts to broker a cease-fire failed, Amal and Hizballah eventually settled their dispute in 1990, and have since remained allies.<sup>26</sup>

### Stage 3: Investing in Proxy Development

Almost immediately, Hizballah began to offer returns on Iran's investment, attacking French and U.S. forces in Beirut and establishing itself as an anti-Israel resistance movement. In 1992, Ayatollah Ali Khamenei gave Hizballah his blessing to participate in Lebanon's first parliamentary election in twenty years, and the group performed well.<sup>27</sup> That same year marked the ascension of Hassan Nasrallah to the position of Hizballah's secretary-general. Hizballah took pragmatic steps to embed itself in Lebanese political and social life, including establishing substantial social welfare institutions.<sup>28</sup> By the mid-1990s, the relationship began to resemble more of a partnership, and Iran significantly increased its investment in Hizballah.<sup>29</sup> According to Hizballah officials in 1995 and 1996, Iran allowed the group to generally make its own decisions while offering strategic guidance.<sup>30</sup>

At times Hizballah has deviated from Iran's strict ideological principles for pragmatic reasons (e.g., working within Lebanon's political system and advocating that Lebanese be free to choose their form of government), which has helped the group maintain domestic support. Hizballah has needed to demonstrate commitment to the principles of the Islamic republic while still maintaining political viability in a country

<sup>23</sup> Azani, 2009, p. 61.

<sup>24</sup> Azani, 2009, pp. 76–82.

<sup>25</sup> This is one school of thought. There is an alternate view that Iran actually supported fighting between Hizballah and Amal as a way to weaken Amal, and was only feigning interest in a cease-fire and peace agreement.

<sup>26</sup> Augustus Richard Norton, *Hezbollah: A Short Story*, Princeton, N.J.: Princeton University Press, 2007.

<sup>27</sup> Blanford, 2015.

<sup>28</sup> Blanford, 2015.

<sup>29</sup> Wehrey et al., 2009, p. 94.

<sup>30</sup> It is instructive to note that the ayatollah only weighed in on the question of Hizballah's participation in the 1992 elections in response to a direct Hizballah request for guidance. Amal Saad Ghorayeb, *Hizbu'llah: Politics and Religion*, London: Pluto Press, 2002, pp. 67–68.

in which the Shia represent less than one-third of the population.<sup>31</sup> This practical constraint has influenced Hizballah's views toward applying *velayat-e faqih*, the Iranian model of clerical rule, in Lebanon. Though *velayat-e faqih* is "a fundamental element of Hizbu'llah's intellectual structure,"<sup>32</sup> the group has repeatedly insisted that their commitment to *velayat-e faqih* does not constitute a political commitment to a head of state (of Iran) but an "intellectual commitment to a sacred Islamic figure and his successors."<sup>33</sup>

During the formative years of the Hizballah-Iran relationship, Iran's investment and support took a variety of forms. Iran's political reach grew as Hizballah expanded its social welfare activities nationwide, launched the Al-Manar television network, and opened a media relations office.<sup>34</sup> These activities drew on Iranian technical expertise and advice. From the beginning of the relationship, Iran provided Hizballah with ideological inspiration, funding, military training, weapons, and organizational support. Iran has provided "hundreds of millions of dollars" to Hizballah since its creation and has trained thousands of Hizballah fighters at camps in Iran and Lebanon.<sup>35</sup> The generally cited figure for Iranian support to Hizballah per year is \$100–200 million.<sup>36</sup>

The 2006 Hizballah-Israel War was a critical moment for the Hizballah-Iran relationship, prompting Iran to significantly enhance Hizballah's military capacity.<sup>37</sup> Despite the lack of a clear military winner, the war was a political victory for both Hizballah and Iran, increasing both actors' influence in Lebanon and across the region.

<sup>31</sup> While the Shia represent a plurality relative to the Maronites, Sunni, and smaller communities, they are still a minority overall. Furthermore, it should not be presumed that all of Lebanon's Shia support Hizballah or desire Islamic governance. In a 1992 study only 13 percent of Lebanese Shia supported the creation of an Islamic republic in Lebanon. See Judith Harik, "Between Islam and the System: Sources and Implications of Popular Support for Lebanon's Hizballah," *Journal of Conflict Resolution*, Vol. 40, No. 1, 1996, pp. 41–67.

<sup>32</sup> Ghorayeb, 2002, p. 59.

<sup>33</sup> Ghorayeb, 2002, p. 66. For a detailed discussion of Hizballah's views on the application of *velayat-e faqih* in Lebanon and examples of when Iran has provided religious and strategic guidance, see Ghorayeb, 2002, pp. 59–68.

<sup>34</sup> At the time of Al-Manar's founding in 1991, the network reportedly received seed money from Iran and had a budget of \$1 million. By 2002 its annual budget had grown to approximately \$15 million, with most of this funding coming from Iran. Al-Manar was designated as a "Specially Designated Global Terrorist Entity" by the United States in December 2004. Matthew Levitt, "Hezbollah Finances: Funding the Party of God," in Jeanne K. Giraldo and Harold A. Trinkunas, eds., *Terrorism Financing and State Responses: A Comparative Perspective*, Stanford, Calif.: Stanford University Press, 2007, pp. 134–151.

<sup>35</sup> Kenneth Katzman, *Iran: U.S. Concerns and Policy Responses*, Washington, D.C.: Congressional Research Service, RL32048, October 1, 2014.

<sup>36</sup> U.S. Department of Defense, *Unclassified Report on Military Power of Iran*, Washington, D.C.: U.S. Department of Defense, April 2010; Levitt, 2007.

<sup>37</sup> For example, Hizballah's use of C-802 cruise missiles and Kornet antitank missiles in the 2006 war surprised Western officials. Mara E. Karlin, "Lebanon's Scud Row: Why Hezbollah Will Stay Armed and Dangerous," *Foreign Affairs*, May 13, 2010.

Hizballah's impressive military performance "enormously increased its political prestige inside and outside Lebanon,"<sup>38</sup> and its leader Nasrallah enjoyed newfound acclaim across the region.<sup>39</sup> According to a U.S. Department of Defense report, Iran played a critical role in bolstering Hizballah's arsenal following the war.<sup>40</sup> By 2010 Hizballah was believed to possess at least 40,000 missiles, a 166 percent increase from right before the 2006 war.<sup>41</sup> Another milestone in the Hizballah-Iran partnership is Hizballah's entry into the Syrian Civil War in 2013, which drove another sharp increase in military assistance.

From 2006 to 2016, the number of Hizballah fighters increased from about 20,000 (most of which were in active service) to 45,000 (with about half of their fighters considered active and half reserves).<sup>42</sup> This increase further reveals the growth in Hizballah's broad-based support. But since 2006 the most dramatic changes have been seen in Hizballah's materiel advancements rather than in personnel. By most accounts, Hizballah's stockpile of weaponry is now more sophisticated than that of the Lebanese Army.<sup>43</sup> Hizballah possesses a wide array of advanced weapons and equipment, including long-range missiles,<sup>44</sup> antiship cruise missiles, advanced antiaircraft missiles, Iranian-made copies of Russian antitank missiles, and Iranian-made unmanned aerial vehicles that can carry explosives. While Hizballah does not own planes and tanks, in "every other way" its capabilities match those of a medium-level army.<sup>45</sup> In 2016 the Israeli Defense Forces estimated that Hizballah would be able to fire up to 1,500 rockets a day in a future war, compared with 200 in the 2006 war.<sup>46</sup> Figure 3.1 captures this growth in firepower over time, illustrating the change in volume and estimated range.

### ***The Evolution of the Hizballah-Iran Relationship: From Proxy to Partner***

Iran has gained a great deal from its sustained investment in Hezbollah over the past 35 years, and uses Hizballah as an "instrument of deterrence," especially against Israel.<sup>47</sup>

<sup>38</sup> Hazran, 2009, p. 4.

<sup>39</sup> David Daoud, "Hezbollah: The Party of Iran, Not Lebanon," Washington Institute for Near East Policy, 2014.

<sup>40</sup> U.S. Department of Defense, 2010.

<sup>41</sup> Ari Rabinovitch, "Israel's Barak Warns of Growing Hezbollah Arsenal," *Reuters*, September 10, 2008; David Schapiro and Katherine Zimmerman, "Estimates for Hezbollah's Arsenal," *Critical Threats*, June 29, 2010.

<sup>42</sup> Amos Harel and Gili Cohen, "Hezbollah: From Terror Group to Army," *Haaretz*, December 7, 2016.

<sup>43</sup> Schapiro and Zimmerman, 2010.

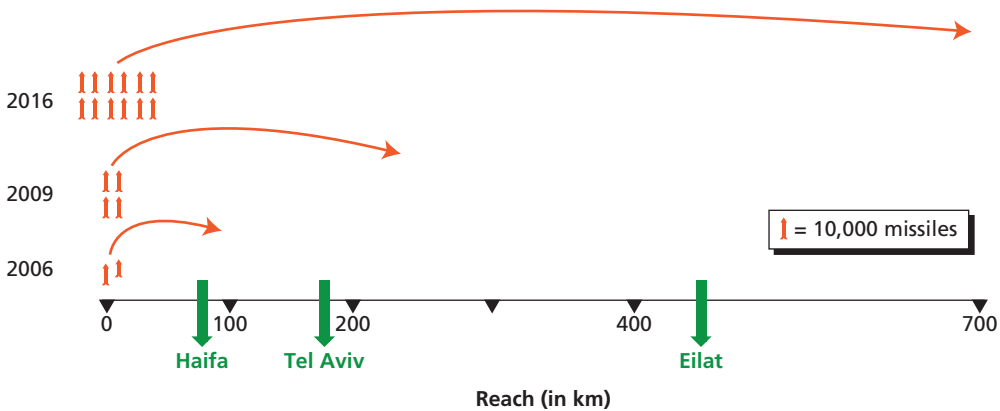
<sup>44</sup> In April 2010 the Israeli government and press reported that Syria may have transferred Scud missiles to Hizballah. Karlin, 2010; Schapiro and Zimmerman, 2010; Lis and Harel, 2010; Zimmerman, 2010.

<sup>45</sup> Harel and Cohen, 2016.

<sup>46</sup> Harel and Cohen, 2016.

<sup>47</sup> Wehrey et al., 2009, p. 86.

**Figure 3.1**  
**Growth in Hizballah Firepower**



SOURCES: Amos Harel and Gili Cohen, "Hezbollah: From Terror Group to Army," *Haaretz*, December 7, 2016; Schapiro and Zimmerman, 2010; Katherine Zimmerman, "Arming Hezbollah: Syria's Alleged Scud Missile Transfer," *Critical Threats*, May 11, 2010; Jonathan Lis and Amos Harel, "Syria Gave Advanced M-600 Missiles to Hezbollah, Defense Officials Claim," *Haaretz*, May 5, 2010.

Hizballah has conducted both conventional military (from the 1980s to 2000, and again in 2006) and terrorist attacks (such as the suicide bombing of a Jewish community center in Argentina in 1994). And this power has been projected more broadly, with Hizballah using violence to further Iranian interests from Bosnia to Syria. Even before the Syrian Civil War, Iran's support for Hizballah allowed the regime to strengthen its influence in Syria.<sup>48</sup> Hizballah's military activity in Syria since 2012 has enhanced Iran's ability to protect the regime of Bashar al-Assad. Hizballah has also been instrumental in Iran's campaign against ISIL, which bolsters Iran's narrative of being the provider of security in the region. The nation has also used Hizballah operatives to help train and recruit fighters elsewhere in the region, including in Iraq and Yemen, where Arabic-speaking Lebanese enjoy a shared language and ethnicity that Persian-speaking Iranian operatives do not.<sup>49</sup>

In more strategic terms, Hizballah has also helped Iran distract its regional adversaries, especially Israel, by miring them in costly conflicts. Hizballah's wars with Israel have been symbolically and materially costly for the Israelis, and this represents a strategic victory for Iran without the risk of direct involvement (beyond supplying money and weapons). As Israel has withdrawn from Lebanon, Hizballah's political power has

<sup>48</sup> Wehrey et al., 2009, p. 86.

<sup>49</sup> Michael Eisenstadt, Michael Knights, and Ahmed Ali, *Iran's Influence in Iraq: Countering Tehran's Whole-of-Government Approach*, Washington, D.C.: Washington Institute for Near East Policy, Policy Focus No. 111, April 2011, p. ix.



grown dramatically. Supporting Hizballah has, in essence, allowed Iran to ensure that a reliable, pro-Iranian group has significant influence on Lebanese policy. This access has any number of benefits, such as opening up Lebanon for the IRGC and leveraging Hizballah's black market and financial connections to Lebanese banking institutions to bypass international sanctions.<sup>50</sup> At a more symbolic level, Hizballah's growth represents Iran's greatest accomplishment in exporting its revolution. The group's influence in Lebanon gives Iran reputational value while providing fodder for some of the regime's hard-liners and ideologues.<sup>51</sup>

Although the joint venture with Hizballah clearly provides important benefits to Iran, there are costs and risks associated with this type of investment strategy. First, the close association between Iran and Hizballah erodes Iran's plausible deniability regarding Hizballah's actions. Given this close relationship, it is difficult for Iran to credibly claim ignorance of Hizballah's activities. Few observers believe Hizballah would make a major policy decision or conduct an attack without Iranian approval or at least advance warning. This shared complicity poses a potential risk to Iran, whose interests could be harmed if Hizballah were to take an action that caused significant blowback or committed Iran to a costly conflict (e.g., a direct clash with Israel).

And this is not just a hypothetical risk. While Iran enjoys influence over Hizballah, an Israeli intelligence official has observed that "Hizballah does not always do what Iran wants."<sup>52</sup> Hizballah's dependency on Iran decreased when the group was forced to secure other sources of income as a result of economic sanctions on Iran, and its transnational criminal activities and domestic revenue streams supplement its income from Iran.<sup>53</sup> Because Hizballah is not exclusively dependent on Iranian support, Iran may not always be able to count on Hizballah to prioritize its interests.<sup>54</sup> Even with a shared ideology and identity, it is difficult to buy unconditional loyalty or force a proxy to knowingly act against its own interests.<sup>55</sup>

Long-term growing domestic pressures on Hizballah may eventually drive a wedge between Iran and its most valued proxy. Although it remains ideologically committed to Iran, Hizballah has developed a "keen sense of realpolitik" that has led it to

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<sup>50</sup> J. Matthew McInnis, *Iranian Deterrence Strategy and Use of Proxies: Testimony Before the Senate Committee on Foreign Relations*, Washington, D.C.: American Enterprise Institute, December 6, 2016.

<sup>51</sup> Wehrey et al., 2009, p. 86.

<sup>52</sup> Matthew Levitt, *Hizballah and the Qods Force in Iran's Shadow War with the West*, Washington, D.C.: Washington Institute for Near East Policy, Policy Focus No. 123, January 2013b, p. 2.

<sup>53</sup> Scott Modell and David Asher, *Pushback: Countering the Iran Action Network*, Washington, D.C.: Center for a New American Security, September 2013, pp. 7, 12; Bureau of Counterterrorism, U.S. Department of State, *Country Reports on Terrorism 2014*, Washington, D.C.: U.S. Department of State, June 2015.

<sup>54</sup> Slavin, 2008.

<sup>55</sup> Melissa G. Dalton, *Defeating the Iranian Threat Network: Options for Countering Iranian Proxies—Statement Before the Senate Foreign Relations Committee*, Washington, D.C.: Center for Strategic and International Studies, November 29, 2016, p. 4.



compromise on certain domestic issues in order to protect its valued role as the main representative of Lebanon's Shia.<sup>56</sup> The interests of its domestic constituents do not always align with Iran's agenda. This dual loyalty creates a tension that some watchers of Hizballah suggest is increasing.<sup>57</sup>

Hizballah's participation in the Syrian Civil War, for example, has damaged its reputation (or "brand") in the Sunni Arab world and has increased domestic pressures on the group.<sup>58</sup> As many analysts note, much of Hizballah's legitimacy, in Lebanon and throughout the region, was derived from its status as an anti-Israel resistance movement, which reached its apogee after the 2006 war, when Nasrallah was revered by many Shia and Sunni alike.<sup>59</sup> Hizballah's support for Assad's regime, often at the expense of Sunni civilians, has caused its popularity to plummet across the Sunni world.<sup>60</sup> Political opponents in Lebanon have used this to their advantage, accusing Hizballah of being less committed to Lebanon and more committed to Iran and other external actors.<sup>61</sup>

As interests diverge, the sponsor-proxy relationship will become more complicated, and Iran's position in Lebanon (and the entire Levant) could be compromised. Iran does not have a diversified portfolio in Lebanon, having gone all in with Hizballah. Diversification reduces risk by investing in a wider range of assets.<sup>62</sup> The regime has generally been risk-acceptant in Lebanon, crafting policy with a relatively long time frame.<sup>63</sup> Ultimately, Iran's heavy investment in Hizballah has yielded highly valuable returns, but it is not without risk: it has made the regime's regional strategy critically dependent on this one proxy.

Notwithstanding these concerns, the Hizballah-Iran relationship is likely to remain strong for the foreseeable future. Though involvement in Syria has complicated Hizballah's domestic political situation, its recent anti-ISIL activity in Lebanon has helped rehabilitate its public image.<sup>64</sup> The 2016 election of President Michel Aoun, a

<sup>56</sup> Blanford, 2015. One example would be accepting and participating in alternate systems of governance to Islamic rule.

<sup>57</sup> Blanford, 2015.

<sup>58</sup> In fact, according to U.S. intelligence assessments, Nasrallah initially resisted Iranian requests to send Hizballah fighters to Syria, fearing that it would undermine their domestic position and be "bad for the brand." See Adam Entous and Siobhan Gorman, "Behind Assad's Comeback, a Mismatch in Commitments," *Wall Street Journal*, December 31, 2013.

<sup>59</sup> Matthew Levitt, "Hezbollah's Syrian Quagmire," *Prism*, Vol. 5, No. 1, 2014, pp. 101–115.

<sup>60</sup> Daoud, 2014. See also Loveday Morris and Susan Haidamous, "For Lebanon's Sunnis, Growing Rage at Hezbollah over Role in Syria," *Washington Post*, June 12, 2013.

<sup>61</sup> Daoud, 2014.

<sup>62</sup> Nick K. Lioudis, "The Importance of Diversification," *Investopedia*, January 30, 2018.

<sup>63</sup> Fidelity Investments, "Why Diversification Matters," undated.

<sup>64</sup> Daoud, 2014.

Maronite Christian allied with Hizballah, further consolidated Hizballah's political influence.<sup>65</sup> And the recent resignation of Saad Hariri has likely strengthened Hizballah. While it is impossible to guess how the resignation crisis will play out, the Saudi-engineered affair has embarrassed the prime minister, weakening his opposition against Hizballah, which now appears to be more of a stabilizing force in Lebanese politics.

In the early 1980s Iran could not have imagined Hizballah becoming the social, political, and military force it is today, but the regime's investments have clearly paid off. Hizballah is more than just a proxy; it is a real partner whose influence can be felt across the region, from Syria to Yemen. In short, Hizballah has become the standard by which Iran measures all proxy relationships. Market conditions, however, have not been so favorable to Tehran to allow it to replicate its Lebanese success elsewhere.

## Portfolio Diversification in Iraq

Iran and Iraq share a tightly intertwined but complicated past, with both countries constantly negotiating the space between wary peace and violent conflict. The U.S. invasion of Iraq in 2003 upset this delicate balance by drastically and fundamentally altering Iraq's political, military, and social structures. The unraveling of the Baathist regime and the rise of ISIL created new opportunities for Iran to exploit the security vacuum and expand their access to promising potential proxies.

Iran currently manages a diverse portfolio of Iraqi proxies, the majority of which are Shia militias operating under the umbrella of the PMF. These militias vary in their capabilities and loyalty to Iran. Based on recent developments, it appears that Iran is focused on strengthening its most loyal Iraqi clients and using them to project power in Syria, even while continuing its broad-based approach of providing some level of assistance to a wide assortment of militant and political actors. The uncertain future of the PMF in Iraq's security architecture, coupled with domestic competition for influence over Iraq's Shia community, pose potential challenges for Iran's investment strategy in Iraq.

### Stage 1: Exploring New Markets

Iran has several motives for seeking investment opportunities in Iraq's proxy market. First and foremost, Iraq is an obvious choice for investment due to simple geography. Iran and Iraq share a border that is over 900 miles long and very difficult to monitor and control due to its rough terrain.<sup>66</sup> Given Iraq's close proximity, Iran will always

<sup>65</sup> Ahmad Majidyar, "Iran Steps Up Efforts to Expand Its Influence in Lebanon," Middle East Institute, January 9, 2017b.

<sup>66</sup> Wehrey et al., 2009, p. 104.

worry about the status of Iraq's domestic affairs, as well as its relative level of power in the region. An effective proxy within Iraq can provide Iran with valuable intelligence and potentially help mitigate some of these concerns. To some extent, regardless of the foreign policy orientation of the Iraqi government, Iran has an interest in maintaining some semblance of stability in Iraq to avoid spillover from domestic turmoil, such as refugees flowing across the border or criminal or terrorist networks expanding into Iran.<sup>67</sup> However, some level of instability in Iraq also serves Iran's advantage. Given the bloody history of the Iran-Iraq War and the natural economic, ethnic, religious, and political competition between the two states, Iran may always see Iraq as a potential existential threat. Proxies were of critical importance to destabilize Iraq during the war and when U.S. forces were postured along Iran's border, but they also provide a useful tool to have leverage within Iraq even in times of ostensibly friendly relations.

During the Iran-Iraq War, Iran offered sanctuary to Shia and Kurdish individuals fleeing persecution from the regime of Saddam Hussein and funded a variety of Iraqi Kurdish groups to destabilize Iraq.<sup>68</sup> For example, Iran provided financial support to the Islamic Movement in Iraqi Kurdistan, hosted the group's founder until 1987, and dispatched IRGC instructors to train new recruits.<sup>69</sup> Iran also likely provided some support to Iraqi Shiite resistance movements. The factions of the PMF that currently have the closest relationship with Iran are led by commanders that first established ties to Iran as fighters in the Iraqi Islamic Resistance of the 1980s and 1990s.<sup>70</sup>

Iran's experience in the Iran-Iraq War has shaped Iran's strategic priorities and calculus ever since; Iran is determined to maintain its territorial integrity and prevent Iraq from ever growing too strong again. In 1980 Saddam Hussein invaded a weakened, postrevolution Iran, escalating the long-bitter rivalry between the two states into a protracted, costly war. After eight years of vicious fighting, the war culminated in an uneasy stalemate, leaving more than a million dead and little for either side to claim as a victory.<sup>71</sup> This outcome was particularly unsettling for Iran, as the war exposed the new regime's vulnerabilities in defending its territory. This lesson has shaped Iran's strategic priorities and calculus ever since, with Iran determined to maintain its territorial integrity and prevent Iraq from ever growing too strong again. Proxies help Iran achieve this goal by giving Iran influence within Iraq's borders.

Putting aside past animosity, Iraq is also attractive to Iran because of the two nations' common Shia practices. An overwhelming 95 percent of Iran's population

<sup>67</sup> Ray Takeyh, "Iran's New Iraq," *Middle East Journal*, Vol. 62, No. 1, Winter 2008, p. 23.

<sup>68</sup> Mapping Militant Organizations Project, Stanford University, "Islamic Movement of Kurdistan," August 2, 2015; Ariane M. Tabatabai, "Iran and the Kurds," *Foreign Affairs*, September 26, 2017.

<sup>69</sup> Mapping Militant Organizations, 2015.

<sup>70</sup> Nicholas A. Heras, *Iraq's Fifth Column: Iran's Proxy Network*, Washington, D.C.: Middle East Institute, Policy Paper 2017-02, October 2017, p. 5.

<sup>71</sup> Takeyh, 2008, p. 17.

identifies as Shia, while Iraq is more evenly split, at roughly 60 percent Shia and 40 percent Sunni.<sup>72</sup> As the Shia powerhouse of the Middle East, Iran constantly seeks to widen its sphere of influence by pulling Shia constituencies into its orbit. In the case of Iraq, the brutally oppressive nature of Saddam Hussein's Sunni regime produced a large, disenfranchised Shia population that Iran could appeal to and exploit. Moreover, Iran wants access to and control over Shia Islam's holiest sites, which are located in the Iraqi cities of Karbala and Najaf.<sup>73</sup> Maintaining a presence in these holy hubs also helps Iran impress its own brand of Shiism on pilgrims.

On a purely practical level, Iraq is a prime target of opportunity for Iran. Investing in proxies in Iraq is a cost-effective way to gain valuable intelligence and increase Iranian influence in the country. Despite its religious rhetoric, Iran is a deeply pragmatic state and seeks to further its sphere of influence whenever and wherever possible. Exerting such a strong level of influence over Iraq, a former rival, plays well with this realpolitik strategy, as it signals to other Middle Eastern and international parties that Iran has the capability to dictate regional power dynamics.

### ***Opportunity for Investment: The 2003 Iraq War***

While Iran did provide limited assistance to Iraqi Kurdish and Shia resistance movements prior to the U.S. invasion of Iraq, the opportunity to significantly invest in Iraqi proxies did not present itself until 2003.<sup>74</sup> Saddam Hussein's Baathist regime had been predicated on surveillance and repression, making it difficult for Iran to infiltrate Iraq and develop proxies. When the United States invaded Iraq in 2003 and ousted Saddam from power, it unintentionally opened up Iraq to Iranian influence and investment.

With Saddam removed from power, the formerly suppressed Shia population of Iraq was free to rise up and seek vengeance for the abuses they had endured at the hands of the Sunni-dominated regime. This opening gave Iran the perfect opportunity to offer support to the historically disenfranchised Shia groups. Simultaneously, a string of shortsighted decisions—including the disbanding of the Iraqi military and the U.S. policy of “de-Baathification”—decimated traditional Iraqi social and political structures, leaving Iraq essentially leaderless and without conventional military power.<sup>75</sup> This vacuum allowed Iran to enter Iraq and capitalize on its instability. With the U.S. occupation sparking a Sunni insurgency, Iran seized the opportunity to invest in proxy Shia militias that could combat these Sunni groups.<sup>76</sup> Always opportunistic,

<sup>72</sup> Eisenstadt, Knights, and Ali, 2011, p. ix.

<sup>73</sup> Tim Arango, “Iran Dominates Iraq After U.S. ‘Handed the Country Over,’” *New York Times*, June 16, 2017, p. A1.

<sup>74</sup> J. Matthew McInnis and Ashton Gilmore, *Iran at War: Understanding Why and How Tehran Uses Military Force*, Washington, D.C.: American Enterprise Institute, December 2016, p. 18.

<sup>75</sup> Wehrey et al., 2009, p. 143.

<sup>76</sup> Takeyh, 2008, p. 22.

Iran also invested in some Sunni extremist groups, hoping to entangle U.S. troops in a costly quagmire.

In another turn of events, the U.S. withdrawal of forces from Iraq in 2011 created a new power vacuum that al Qaeda in Iraq (AQI) soon filled.<sup>77</sup> The subsequent instability and chaos that ensued created additional opportunities for Iran to invest by deepening sectarian tensions and creating another common cause for Shia militias to fight against. As AQI evolved into ISIL and expanded its territory in 2014, Iran took on a greater leadership role in the anti-ISIL campaign by sponsoring a host of Iraqi proxies.<sup>78</sup>

Given the inherent interest Iran has in Iraq, it is unsurprising that Iran capitalized on the opportunity to invest in Iraqi groups when structural shifts in Iraq's political and military apparatus created more favorable market conditions.

## Stage 2: Identifying and Screening Potential Proxies

Iran's geopolitical objectives appear to drive its proxy selection in Iraq more than does a desire to work exclusively with ideologically similar actors. There is certainly a religious and ideological component to Iran's objectives in Iraq (i.e., spreading the Islamic revolution), but the regime's strategic calculus is also shaped by practical concerns about its own security and furthering its sphere of influence.<sup>79</sup> While Iran's ideal version of Iraq would be one that is ruled by a Shia government that is friendly to Iran and emulates the Iranian model of clerical rule (*velayat-e faqih*),<sup>80</sup> at a minimum Iran would prefer an Iraq that is weak but stable so that it could not challenge Iran or threaten its regional interests. Iran wants to keep Iraq territorially intact to avoid negative spillover effects from civil war or other conflicts.<sup>81</sup> Iran also seeks to leverage its Iraqi proxies to create difficulties for the United States in order to distract it and reduce U.S. regional influence. Given these goals, ideological affinity is not an absolute prerequisite for a proxy to be useful to Iran, which has even invested in Sunni and Kurdish groups when doing so furthered its position and strategy in Iraq.<sup>82</sup>

Given Iran's ideological flexibility, there is a wealth of potential proxies in Iraq; the challenge is determining which of these militias or political parties to support. And the fluid conditions on the ground further complicate this strategy, making it difficult

<sup>77</sup> Safa Al-Sheikh and Emma Sky, "Is Iraq an Iranian Proxy?," *Foreign Policy*, October 11, 2012.

<sup>78</sup> Priyanka Boghani, "Iraq's Shia Militias: The Double-Edged Sword Against ISIS," *PBS Frontline*, March 21, 2017.

<sup>79</sup> Gawdat Bahgat, "Iran and the United States: The Emerging Security Paradigm in the Middle East," *Parameters*, Summer 2007, p. 7.

<sup>80</sup> Wehrey et al., 2009, p. 104.

<sup>81</sup> Takeyh, 2008, p. 23.

<sup>82</sup> Wehrey et al., 2009, p. 106.

to determine which parties will be good investments in the long run. A 2009 RAND report aptly describes Iran's investment strategy in Iraq as follows:

Iran's solution to this strategic challenge has been to support as many different Iraqi groups as possible. This is akin to the strategy that investors use in assembling diversified portfolios: Over the long term, investing in a wide range of stocks and bonds is much less risky than investing in one or two individual stocks that may do well but that may also become worthless. . . . Doing so enables Tehran to try to influence events as they unfold and maximizes the chances that whoever ultimately gains power in Iraq will already have a cooperative working relationship with Iran.<sup>83</sup>

In short, Iran's investment strategy has been to hedge its bets by investing in virtually any Iraqi group that will accept its financial and materiel support (and most are happy to do so). Of course, doling out support so broadly and indiscriminately comes with its own risks, but this strategy enables Iran to stay involved in Iraq while avoiding picking winners or losers in Iraq's uncertain future. In terms of domestic politics, Iran also benefits from this broad strategy because it can evade internal political debates and disagreement over which Iraqi groups to support.<sup>84</sup> This strategy has allowed Iran to build a broad base of diverse clients with varying capabilities and strengths. Recently, however, we have seen some evidence that even as Iran continues this strategy, it has begun to strengthen its largest, most capable, and most dedicated Shia proxies to promote its interests in both Iraq and Syria.<sup>85</sup>

### ***Screening and Selecting Proxies***

Iran has supported many different actors at various points in time to achieve its objectives in Iraq.<sup>86</sup> Since 2003, it has taken a "let a thousand flowers bloom approach" to influencing Iraqi political and military affairs, especially within the Shia community.<sup>87</sup> Its strategy has been to support a large variety of Iraqi political and military actors in the hopes that some will evolve into useful clients.<sup>88</sup>

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<sup>83</sup> Wehrey et al., 2009, p. 106.

<sup>84</sup> Wehrey et al., 2009, p. 105.

<sup>85</sup> Heras, 2017.

<sup>86</sup> For example, Iran has used Sunni extremist groups to create problems for U.S. troops and to secure inroads in certain regions. This strategy is similar to the one Iran employed with the Taliban in Afghanistan, wherein the relationship was purely transactional and ended once the limited objective (i.e., expelling U.S. ground troops) was accomplished. For further discussion of Iranian relations with the Taliban, see Alireza Nader et al., *Iran's Influence in Afghanistan: Implications for the U.S. Drawdown*, Santa Monica, Calif.: RAND Corporation, RR-616, 2014.

<sup>87</sup> Heras, 2017, p. 13.

<sup>88</sup> Examples include AQI and other Salafi jihadist groups such as Ansar al-Islam; Asa'ib Ahl al-Haq; the Da'wa Party; Kata'ib Hizballah; Kata'ib Sayyid al-Shuhada; the Kurdish Democratic Party; the Kurdistan Regional

On the political side, Iran tries to influence parliamentary and provincial elections by funding and advising its preferred candidates, who can then serve Iran upon assuming office.<sup>89</sup> Iran has been known to intervene in government formation, cease-fire negotiations, and other political issues.<sup>90</sup> Iran uses its embassies and consulates (in Baghdad and elsewhere) to exert political influence, strategically appointing individuals who are in the Islamic Revolutionary Guard Corps–Qods Force (IRGC-QF) and have Iraqi backgrounds or personal ties as ambassadors to Iraq.<sup>91</sup> The goal of these political endeavors is to unite Iraqi Shia parties and concentrate their power in Baghdad.<sup>92</sup>

Iran's main political clients in Iraq are Da'wa, the party of former prime minister Nuri al-Maliki; the Islamic Supreme Council of Iraq, which was founded by Iraqi expatriates living in Tehran during the Iran-Iraq War; the Sadrist, a nationalist network led by Muqtada al-Sadr, who has had a turbulent relationship with Iran; and the main Kurdish parties (the Kurdish Democratic Party, the Patriotic Union of Kurdistan, and the Kurdistan Regional Government). On the military front, the IRGC-QF and its commander, Qasem Soleimani, take the lead on training and advising Shia militias.<sup>93</sup> Iran also deploys Arabic-speaking Lebanese Hizballah operatives to help train and recruit these Iraqi proxy fighters.<sup>94</sup>

Iran's investment in Iraq increased substantially with the rapid expansion of ISIL in late 2013 and 2014. The collapse of a significant portion of the Iraqi Army in June 2014 generated high demand for Iranian support from Shia militias. After ISIL seized Mosul, Ayatollah Sistani issued a *fatwa* calling for a national mobilization. Although he had hoped to increase enlistment in the official Iraqi Security Forces, Sistani's call to arms galvanized large numbers of Shia who instead volunteered for paramilitary groups and militias organized under the banner of the PMF,<sup>95</sup> which has become the common shorthand for a conglomeration of Iraqi Shia militias whose core mission has been to extirpate ISIL. It is important to recognize that the PMF is not a monolithic or homogenous organization; rather, it comprises a myriad of groups with different

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Government; Liwa' al-Shabab al-Risali; Liwa' Dhu al-Fiqar; the Patriotic Union of Kurdistan; the PMF; Saraya al-Khorasani; Muqtada al-Sadr and his Mahdi Army, later rebranded Saraya al-Salam; Ayatollah Sistani and his associated militias; and the Supreme Council for Islamic Revolution in Iraq and its Badr Brigade (now renamed the Badr Organization).

<sup>89</sup> Fisher, 2016, p. 8.

<sup>90</sup> Michael Eisenstadt, "Iran and Iraq," *Iran Primer*, August 2015.

<sup>91</sup> Eisenstadt, 2015, p. 3.

<sup>92</sup> Eisenstadt, Knights, and Ali, 2011, p. ix.

<sup>93</sup> Joseph Felter and Brian Fishman, *Iranian Strategy in Iraq: Politics and "Other Means,"* West Point, N.Y.: Combating Terrorism Center at West Point October 13, 2008, p. 51.

<sup>94</sup> Eisenstadt, Knights, and Ali, 2011, p. ix.

<sup>95</sup> Jack Watling, "The Shia Militias of Iraq," *The Atlantic*, December 22, 2016.



and sometimes clashing allegiances, ideologies, and capabilities. One of the primary internal divisions, for instance, is between PMF militias that support *velayat-e faqih* in Iraq (such as Kata'ib Abu Fadl al-Abbas), and those that do not (such as al-Sadr's Saraya al-Salam).<sup>96</sup> Moreover, not all Iraqi Shia militias support Iranian interference in domestic Iraqi affairs, nor does adherence to a Shia "resistance narrative" necessarily imply support for Khomeinism.<sup>97</sup>

According to recent estimates, the PMF comprises 67 militias, and approximately 40 of them are closely tied to Iran via the IRGC-QF.<sup>98</sup> An estimated 50,000 to 80,000 fighters are part of organizations heavily influenced by Iran, particularly within the three largest IRGC-backed organizations: Asa'ib Ahl al-Haq, the Badr Organization, and Kata'ib Hizballah.<sup>99</sup> The degree to which these 40 militias are loyal to Iran varies considerably, but Iran's strongest relationships tend to be with groups that subscribe to the idea of Iranian clerical rule (*velayat-e faqih*) and recognize Iran's supreme leader as their own.<sup>100</sup> As was previously mentioned, the groups that currently have the closest relationship with Iran are led by commanders that first established ties to Iran as fighters in the Iraqi Islamic Resistance of the 1980s and 1990s and remained active in the armed opposition to the U.S. military presence in Iraq from 2003 to 2011.<sup>101</sup>

Iran's attempts to leverage its Iraqi proxy network in the Syrian Civil War have also had important implications for the PMF. Several smaller organizations emerged from within Asa'ib Ahl al-Haq and Kata'ib Hizballah to wage jihad in Syria and protect Shia shrines in the country.<sup>102</sup> Most of these groups remain active members of the PMF in Iraq, while also maintaining an expeditionary arm that fights alongside Bashar al-Assad's forces in Syria. One of the most prominent of these groups, Harakat Hizballah al-Nujaba', has an estimated 4,000 fighters and began as a 'special group' of Kata'ib Hizballah in 2013.<sup>103</sup>

Over time, the PMF has become more institutionalized, gaining greater (albeit begrudging) acceptance from parts of the Iraqi military community. In November of 2016, the PMF was incorporated into the Iraqi Security Forces by law, giving it poten-

<sup>96</sup> Renad Mansour and Faleh A. Jabar, *The Popular Mobilization Forces and Iraq's Future*, Beirut: Carnegie Middle East Center, April 2017.

<sup>97</sup> Heras, 2017.

<sup>98</sup> Heras, 2017.

<sup>99</sup> Heras, 2017, p. 2; McInnis, 2016.

<sup>100</sup> Bahgat, 2007, p. 11.

<sup>101</sup> These commanders include Shaykh Akram al-Ka'abi of Harakat Hizballah al-Nujaba', Shaykh Auws al-Khafaji of Quwat Abu Fadl al-Abbas, and Ali al-Yasseri of Saraya al-Khorasani. Heras, 2017, p. 5.

<sup>102</sup> These groups include Harakat Hizballah al-Nujaba', Kata'ib Sayyid al-Shuhada, Liwa' al-Yum al-Mawud, Liwa' Ammar Ibn Yassir, Abu Fadl al-Abbas, and Saraya al-Khorasani; Heras, 2017, p. 9.

<sup>103</sup> Heras, 2017, p. 10.



tial staying power beyond its *raison d'être* of defeating ISIL.<sup>104</sup> This more formal status also increases the PMF's potential value to Iran, as it provides greater access to and potential influence over Iraq's regular security forces.<sup>105</sup> In supporting the PMF, Iran's goal is "not only to conduct unconventional war against Baghdad's enemies but also to solidify its influence in the state's security apparatus and dissuade any military or political efforts by outside powers to pull Iraq out of Tehran's orbit."<sup>106</sup>

Nonetheless, as seen in other cases of Iranian proxy development, the proxy's competing interests can complicate Iran's strategy. For instance, Iraqi nationalists and Ayatollah Sistani's shrines have established their own militias, and have (at least rhetorically) shunned Iranian assistance unless it comes through legitimate Iraqi government channels.<sup>107</sup> Though they are both Shia, there are significant differences between Iranian and Iraqi religious schools; these differing opinions over issues like clerical rule can cause animosity and an unwillingness to work with Iran. Iraqi nationalists have also traditionally been suspicious and distrustful of Iran. Yet even overtly hard-line Iraqi nationalist groups like Muqtada al-Sadr's Mahdi Army have begrudgingly maintained relationships with Iran, accepting large amounts of aid and military support while touting Iraqi sovereignty.<sup>108</sup>

Iran usually provides multiple forms of support to a group, hoping to foster dependence and ensure the loyalty of its proxy. It provides cash payments to Iraqi actors estimated to be upwards of \$150 to \$200 million every year, and this sum does not include the financial assistance Iran provides directly to the Iraqi government.<sup>109</sup> In addition to financial support, Iran provides military assistance in the form of training, logistics support, and, on occasion, its own manpower to supplement indigenous fighters.<sup>110</sup> To a varying extent, it also outfits its proxies with rockets, mortars, improvised explosive devices, and explosively formed penetrators (EFPs).<sup>111</sup> While Shia militias are usually able to procure the same weapons and technology Iran provides by other means—particularly given the proliferation of weapons from Saddam's arms caches in the aftermath of the U.S. invasion—EFPs are difficult to come by and are thus one

<sup>104</sup>Rowan Scarborough, "Iran Positioning Shiite Militias in Iraq as Regional Expeditionary Force," *Washington Times*, November 21, 2016.

<sup>105</sup>Scarborough, 2016.

<sup>106</sup>McInnis, 2016.

<sup>107</sup>Michael Eisenstadt and Michael Knights, "Mini-Hizballahs, Revolutionary Guard Knock-Offs, and the Future of Iran's Militant Proxies in Iraq," *War on the Rocks*, May 9, 2017.

<sup>108</sup>Alireza Nader, *Iran's Role in Iraq: Room for Cooperation?* Santa Monica, Calif.: RAND Corporation, PE-151-OSD, 2015, p. 9.

<sup>109</sup>Wehrey et al., 2009, p. 108.

<sup>110</sup>Wehrey et al., 2009, p. 108.

<sup>111</sup>Jonathan Spyer, "Patterns of Subversion: Iranian Use of Proxies in the Middle East," *Middle East Review of International Affairs*, Vol. 20, No. 2, Summer 2016, p. 35.

of Iran's most valuable bargaining chips.<sup>112</sup> As in Lebanon, Iran also provides funding and generates the organizational capacity for Iraqi proxies to provide educational, medical, and humanitarian services to their constituencies in areas where the government cannot provide these services and where popular support may be useful. Finally, as the self-purported religious leader of all Shia, Iran provides financial and spiritual support to Shia scholars and clerics.<sup>113</sup> Iran has tried to enforce its own brand of Shiism by bringing Iraqi clerics to train in Qom, one of Iran's holy cities and the one that houses the premier religious academies.<sup>114</sup> Such visits also foster greater organizational and personal ties between Iranian and Iraqi clerics.

### Stage 3: Investing in Proxy Development

Iran's investments have yielded mixed results thus far. Operationally, the Iran-backed Shia militias have been successful in the campaign against ISIL, which partly "reflects the effectiveness of IRGC doctrine regarding the construction, support, and use of sectarian political and military proxies."<sup>115</sup> Indeed, Iran's quick response to the rise of ISIL has garnered it goodwill among many Iraqis and feeds into Iran's strategic narrative of being the provider of security in the region, at least for vulnerable Shia groups.<sup>116</sup>

Beyond enhancing its general influence and leverage over key populations in Iraq, Iran gains a great deal from its investments in Iraqi clients. Its diverse network of Iraqi proxies allows Iran to undermine or even eliminate Iraqi political rivals and sabotage the objectives of its major external rivals in the country, most of which are more powerful than Iran in terms of conventional military capacity.<sup>117</sup> The concealed links between Iran and many of these groups gives Iran plausible deniability for their actions, and allows the regime to avoid the constraints of international laws and norms while executing an ambitious regional agenda. Furthermore, Iran's support for numerous actors in the PMF helps mitigate the risk of another security debacle in Iraq (along the lines of the 2014 fall of Mosul) that could threaten Iranian interests and security.<sup>118</sup>

In exchange, Iraqi proxies secure a guaranteed source of military and materiel support, including weapons and training. Iranian backing empowers Shia militias and

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<sup>112</sup> Phillip Smyth, "Iranian Proxies Step Up Their Role in Iraq," Policywatch 2268, Washington Institute for Near East Policy, June 23, 2014.

<sup>113</sup> Wehrey et al., 2009, p. 109.

<sup>114</sup> Wehrey et al., 2009, p. 109.

<sup>115</sup> Jonathan Spyer and Aymenn Jawad Al-Tamimi, "How Iraq Became a Proxy of the Islamic Republic of Iran," *Tower*, No. 21, December 2014, p. 2; Ahmad Majidyar, "Iran-Backed Iraqi Popular Mobilization Forces Make Gains in Western Mosul," Middle East Institute, May 12, 2017a.

<sup>116</sup> Spyer and Al-Tamimi, 2014, p. 2.

<sup>117</sup> Dalton, 2016, p. 2.

<sup>118</sup> Heras, 2017, p. 11.

even gives them additional prominence or relevance in some instances, such as in the fight against ISIL. For the smaller militias, Iranian support is a source of survival: they need protection against Sunni militant groups, and Iranian money may be their only source of revenue. The larger, stronger militias are less beholden to Iran given their prior military experience and alternate funding streams.

Although Iran's support of Iraqi proxies is a mutually beneficial arrangement, there are also costs. Despite efforts to diversify its investments across various groups, Iran still predominantly works through Shia militias. Notwithstanding its limited, transactional, and usually covert support for Salafi jihadist groups like Ansar al-Islam and AQL, Iran's focus on Shia militias in the fight against ISIL "has reinforced the Sunni narrative of Iran as a sectarian actor."<sup>119</sup> Additionally, at times Iraq's strategy of supporting multiple militias has backfired by deepening rivalries and spurring fighting among these Shia militias. Ultimately, Iran's political goal of promoting Shia unity in Iraq has failed, and its investments in multiple, disparate groups have in some cases only served to inflame sectarian tensions and further polarize Iraqi groups.<sup>120</sup>

Iran must also consider the risk that its chosen proxy has another source of patronage or revenue stream. If the proxy is not dependent on Iranian support, it may not always act in accordance with Tehran's interests or desires. Even with strong ideological affinities, it is difficult to buy unconditional loyalty and to force a proxy to act against its own interests or prioritize Iran's interests over its own. This problem of control is endemic to any principal-agent dynamic and is already evident in Iraq, where some Iranian-supported militias have secured territory and are now vying for greater power. But, after having supplanted ISIL, continued advances pose "a challenge for Iran, as it does not desire the complete fragmentation of Iraqi state governance; it wants an Iraqi government in control that can be pliable to Iranian interests, while continuing to support Iraqi Shi'a militias that can keep the Iraqi government in check."<sup>121</sup>

### ***An Uncertain Future for Iranian Investments in Iraq***

Given the volatility in Iraq and its uncertain future, it is difficult to predict whether Iran's investments in potential proxies will be sustainable going forward. Though the role of the PMF is now formalized within Iraq's national security structure, the long-term role and influence of the PMF in the security architecture and politics of Iraq remains to be determined.<sup>122</sup> In addition, formal incorporation into Iraq's security forces is likely to impact how various groups within the PMF operate, organize, and relate to Iran over time. As the threat of ISIL recedes, the need for Iranian support may decrease, opening up opportunities for domestic competitors, like Shia Iraqi national-

<sup>119</sup>Nader, 2015, p. 15.

<sup>120</sup>Eisenstadt and Knights, 2017.

<sup>121</sup>Dalton, 2016, p. 4.

<sup>122</sup>Heras, 2017, p. 2.

ists, to challenge Iran's influence in the country. The key unifying threat for the various groups operating within the PMF is ISIL; it is possible that once ISIL is defeated, many of these groups will turn their focus to domestic matters and dedicate their efforts and resources to fighting over dominance of the Iraqi Shia community.

Despite these potential challenges, Iran's extensive and diversified Shia militia network will likely facilitate continued Iranian influence in Iraq. Even while choosing a few especially promising groups to increase investment in, Iran has diversified its portfolio and spread its investments across a large number of groups to mitigate risk. There are aspects of Iran's recent efforts to consolidate its relations with the more trusted and effective Shia militias that share similarities with Iran's development of Hizballah. For example, deploying favored Iraqi proxies in the Syrian Civil War in an expeditionary role resembles Iran's uses of Hizballah to project power regionally. When speculating about the future of these relationships, it is instructive to recall that Hizballah also began as a loose amalgamation of militant and political groups with myriad and sometimes contradictory objectives. With Iranian guidance and a permissive operating environment, the Hizballah umbrella gradually transformed into a cohesive, highly effective military and political player. Whether this trajectory will also play out in Iraq remains to be seen as interests and strategic conditions evolve over time.

## **State Resistance and Proxy Failure in the Persian Gulf**

In this section we discuss Iran's efforts to develop proxies in the Persian Gulf, which are limited in terms of scope and success. Over the course of its nearly 40-year history, Iran has only pursued this strategy in earnest in three of the six Gulf Cooperation Council countries: Bahrain, Kuwait, and Saudi Arabia. After the 1979 Iranian Revolution, the new regime sought to inspire militant political movements in these countries, all of which had sizable marginalized Shia populations, to further ideological and geopolitical objectives such as exporting the revolution and undermining its neighbors. However, due in part to the relatively strong governments of these countries (as compared to Lebanon in the 1980s or post-2003 Iraq), Iran did not enjoy the same degree of success. While the Arab Spring has inflamed sectarian tensions across the region and opened up some avenues for investment, especially in Bahrain, overall Iranian investment in the Gulf proxy market remains limited.

### **Stage 1: Exploring New Markets**

For decades, the Sunni regimes of the Persian Gulf have systematically disenfranchised their Shia populations, creating grievances within these communities ripe for Iranian exploitation. This dynamic is most pronounced in Bahrain, where the Shia comprise the majority of the population (approximately 70 percent) but have been

largely excluded from positions of power in the political and security establishments.<sup>123</sup> There are also sizable Shia minorities in Kuwait (around 30 percent) and Saudi Arabia (about 10–15 percent, which is heavily concentrated in the Eastern Province).<sup>124</sup> While the vast majority of these Shia are Arab, there are also small communities of ethnic Persians in these countries.<sup>125</sup> The remaining Gulf States were likely considered less feasible proxy markets for Iran given their smaller Shia populations.<sup>126</sup>

Many of the conditions that created a sense of marginalization among Gulf Shia persist today. In Saudi Arabia the government has established various bureaucratic and legal obstacles to licensing Shia mosques, there are derogatory references to Shiism in school textbooks, and the Shia remain excluded from important government institutions like the Ministry of Interior and Ministry of Defence.<sup>127</sup> While the Shia enjoy relatively more religious autonomy and freedom in Bahrain, they are nonetheless politically disfranchised.<sup>128</sup> Notably, in Kuwait, Shia citizens are generally treated comparably to the Sunni population.<sup>129</sup> But even in Kuwait, like the rest of the Gulf, Shia rarely hold major positions in the foreign service or defense establishments.<sup>130</sup>

The Shia community's marginalized status in the Gulf presented a clear opportunity for postrevolution Iran. Although Iran has certainly reached out to Sunni Arabs at various times, its revolutionary rhetoric has most resonated with repressed Shia communities across the Middle East. Breaking from quietist Shia traditions, Iran's message has stressed activism, empowering the weak and disenfranchised. Such a message would obviously be attractive to many Shia in the Gulf, offering these communities an alternative to the status quo and a future of continued marginalization. In this regard, at least, the Gulf would have seemed especially ripe for proxy development. In theory, Gulf-based proxy groups could exploit broad grievances within the Shia population,

<sup>123</sup>Joseph Kostiner, "Shi'i in the Gulf," in Martin Kramer, ed., *Shi'ism, Resistance, and Revolution*, Boulder, Colo.: Westview Press, 1987, p. 173.

<sup>124</sup>Robert Hatem and Derek Gildea, *Kurwaiti Shia: Government Policies, Societal Cleavages, and the Non-Factor of Iran*, thesis, Washington, D.C.: Institute for Middle East Studies, Elliott School of International Affairs, George Washington University, 2011, p. 6; Toby Matthiesen, "A 'Saudi Spring?': The Shi'a Protest Movement in the Eastern Province, 2011–2012," *Middle East Journal*, Vol. 66, No. 4, Autumn, 2012, p. 630.

<sup>125</sup>This includes over 60,000 expatriate Iranians in Kuwait (about 1.5 percent of the population). National Foreign Assessment Center, Central Intelligence Agency, *Iran: The Shia Revolution and Iran's Neighbors—An Intelligence Assessment*, Langley, Va.: Central Intelligence Agency, October 1979, p. 6.

<sup>126</sup>Shia in Oman, Qatar, and the United Arab Emirates (UAE) constitute less than 8 percent of the population. National Foreign Assessment Center, 1979, p. 6.

<sup>127</sup>Frederic Wehrey, *The Forgotten Uprising in Eastern Saudi Arabia*, Washington, D.C.: Carnegie Endowment for International Peace, CP 185, June 2013, p. 5.

<sup>128</sup>Kostiner, 1987, p. 175.

<sup>129</sup>Hatem and Gildea, 2011, pp. 11, 14.

<sup>130</sup>Kostiner, 1987, p. 175.

providing a strong recruitment base. And given the Gulf States' proximity to Iran, along with the competing interests at stake (e.g., oil and gas production, control over strategic waterways), such proxies could be especially valuable for Iran's strategic and economic interests.

The clear value and potential opportunity should make the Gulf a high priority for Iranian proxy development. However, Iran has met more resistance entering the Gulf States than it has in some other contexts. The greatest challenge to Iranian proxy development is the strong, coercive state apparatus found in most of the Gulf States. The oil rich states of the Gulf have invested heavily in security and intelligence services, making it relatively harder for Iran to infiltrate or gain a real foothold on the Arabian Peninsula. And unlike 1980s Lebanon (recovering from civil war), or Iraq in the first decade of the twenty-first century (unstable after the U.S. invasion of 2003), the Gulf States have not experienced any significant regime shocks that would have made conditions more favorable for Iranian entry and investment. Post-2011 Bahrain is a possible exception, as the civil unrest and increase in Shia activism and discontent sparked by the Arab Spring attracted an "unprecedented" level of effort from Iran to cultivate proxies in the country.<sup>131</sup> However, the Gulf Cooperation Council's assistance to the Bahraini regime and pressure on Bahraini terrorist actors from the United States have made it difficult for Iranian-supported actors to achieve much beyond occasional attacks on Bahraini security forces.

## Stage 2: Identifying and Screening Potential Proxies

Given these constraints on its ability to operate across the robust security states of the Gulf, Iran has pursued a strategy of "tactical opportunism," concentrating efforts only where and when conditions permitted.<sup>132</sup> Iran leveraged mosques and prominent Arab Shia clerics across the Gulf to grow influence.<sup>133</sup> As early as 1978, a number of these clerics were designated Khomeini's personal "representatives" in their respective countries and proceeded to engage in "highly politicized preaching."<sup>134</sup> Though many of these clerics were exiled to Iran following the revolution, they used Radio Tehran to broadcast their message and continued to manage their networks from Iran.<sup>135</sup> In the

<sup>131</sup>Michael Knights and Matthew Levitt, "The Evolution of Shi'a Insurgency in Bahrain," *CTC Sentinel*, Vol. 11, No. 1, January 2018, p. 18.

<sup>132</sup>Shireen T. Hunter, "Iran and the Spread of Revolutionary Islam," *Third World Quarterly*, Vol. 10, No. 2, April 1988, p. 740.

<sup>133</sup>Robin Wright, *Sacred Rage: The Wrath of Militant Islam*, New York: Simon & Schuster, 1985, p. 126.

<sup>134</sup>Kostiner, 1987, pp. 177–178.

<sup>135</sup>National Foreign Assessment Center, Central Intelligence Agency, *Iran: Exporting Revolution—An Intelligence Assessment*, Langley, Va.: Central Intelligence Agency, March 1980, p. 10. For names of other clerics whose networks were utilized by Iran, see Hasan Tariq Alhasan, "The Role of Iran in the Failed Coup of 1981: The IFLB in Bahrain," *Middle East Journal*, Vol. 65, No. 4, Autumn 2011, pp. 606–607.



early 1980s, Iran established the Al-Athar Theological Seminary in Qom primarily for Bahraini students.<sup>136</sup>

Some of the most prominent clerics included Iraq-born Hadi al-Modarresi and Mohammad al-Shirazi. Al-Shirazi developed a large following in Kuwait starting in the 1970s. Following the Iranian Revolution, he served as the spiritual leader for the Movement of Vanguard Missionaries, an umbrella organization for various Iran-based militant groups such as Hadi al-Modarresi's Islamic Front for the Liberation of Bahrain (IFLB);<sup>137</sup> the movement was at the forefront of Iran's initial proxy recruitment efforts and became the "main subcontractors" for exporting the revolution.<sup>138</sup> Al-Modarresi similarly mobilized support through his network of mosques and Shia outreach offices in Bahrain, which he continued to manipulate even after being deported from the country for antiregime activity.<sup>139</sup> After his deportation from Bahrain, al-Modarresi resettled in Iran and became close to Khomeini. In 1980 the IFLB explicitly endorsed Khomeini's agenda and advocated the "use of violent means to bring about its Islamic Revolution."<sup>140</sup>

After 300 Iranians were killed at the 1987 hajj, Iran supported the formation of Hizballah al-Hijaz, which was led by a group of expatriate Saudi Shia clerics who had moved to Iran after the revolution.<sup>141</sup> Hizballah al-Hijaz was useful to Iran as an alternative to OIRAP, the grassroots Saudi Shia organization founded by the followers of Shirazi and radicalized by the Iranian Revolution.<sup>142</sup> But when OIRAP moderated its stance and foreswore military confrontation with the Saudi government in the late 1980s, Iran found the "more pliant, militant" Hizballah al-Hijaz more useful.<sup>143</sup>

Occasionally, nonindigenous militant groups have also claimed credit for attacks in the Gulf. In Kuwait, no formal indigenous proxy group took shape, but members of the Iraqi al-Da'wa militia were active in "setting up clandestine cells and recruiting

<sup>136</sup>Michael Rubin, *Are Bahraini Shi'ites Puppets of Iran?* Middle Eastern Outlook, Washington, D.C.: American Enterprise Institute, June 2014.

<sup>137</sup>Toby Craig Jones, "Rebellion on the Saudi Periphery: Modernity, Marginalization, and the Shi'a Uprising of 1979," *International Journal of Middle East Studies*, Vol. 38, No. 2, 2006, p. 215; Laurence Louër, "The Limits of Iranian Influence Among Gulf Shi'a," *CTC Sentinel*, Vol. 2, No. 5, May 2009, p. 1.

<sup>138</sup>Louër, 2009, p. 1; Kristian Coates Ulrichsen, "Walking the Tightrope: Kuwaiti-Iranian Relations in the Aftermath of the Abdali Affair," *International Policy Digest*, August 10, 2017.

<sup>139</sup>Wright, 1985, p. 117.

<sup>140</sup>Alhasan, 2011, pp. 607–608.

<sup>141</sup>Toby Matthiesen, "Hizbullah al-Hijaz: A History of the Most Radical Saudi Shi'a Opposition Group," *Middle East Journal*, Vol. 64, No. 2, Spring 2010, p. 180.

<sup>142</sup>Hence the phrase "Islamic Revolution" in its name. Jones, 2006, p. 215.

<sup>143</sup>Matthiesen, 2010, pp. 182–183; Wehrey, 2013, p. 6.

local Shia” to carry out attacks on Iran’s behalf.<sup>144</sup> The Beirut-based Islamic Jihad group (a progenitor of Lebanese Hizballah, now the name of its external operations wing) also took responsibility for multiple attacks in Kuwait,<sup>145</sup> while previously unknown groups, such as the Arab Revolutionary Brigades, the Holy War Organization in the Hijaz, and the Soldiers of Justice, appeared briefly to claim credit for attacks against Kuwait and Saudi Arabia.<sup>146</sup> These ad hoc groups likely consisted of Lebanese and Saudi Shia with links to Palestinian groups and Iran.<sup>147</sup>

### Stage 3: Investing in Proxy Development

Initially Iran’s investments produced some valuable returns, increasing Iranian intelligence collection and making for more effective terrorist attacks. But even these successes produced little enduring strategic value. In Bahrain, the IFLB plotted a coup attempt in December 1981, drawing on operatives trained in Iran.<sup>148</sup> In Kuwait, members of Tehran-based Iraqi al-Da’wa perpetrated a successful terrorism campaign in December 1983. Beirut-based Islamic Jihad claimed responsibility for hijacking a Kuwaiti plane to Tehran in 1984 and an assassination attempt on the emir in 1985.<sup>149</sup> The Arab Revolutionary Brigades carried out twin bombings in 1985, but were never heard from again.<sup>150</sup> And in a failed plot to bomb the Great Mosque in Mecca in 1989, Kuwaiti Shia claimed to be “Hizballah Kuwait,” which was not an organization with any known infrastructure and were presumed Iranian proxies.<sup>151</sup> Yet despite this flurry of attacks, none of these terror cells grew into a real partner for Iran, and their value proved fleeting. This string of terrorist activity in the 1980s did not produce results of enduring strategic value for Iran and was actually exploited by Gulf authorities to justify cracking down on Shia activism.

Throughout the 1990s and the beginning of the twenty-first century, Arab authorities repeatedly claimed to have disrupted cells belonging to “Hizballah Kuwait”

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<sup>144</sup> Graham E. Fuller and Rend Rahim Francke, *The Arab Shi’a: The Forgotten Muslims*, New York: St. Martin’s Press, 1999, p. 162. The prevalence of outside groups in Kuwait was largely due to the fact that the country was viewed “as a virtual extension of Iraq” and yet “far more vulnerable” to attack than Saddam’s regime; Kostiner, 1987, p. 183. Also, during the Iran-Iraq War, Iranian forces attacked Kuwait directly during the “Tanker War” phase of the fight; Hatem and Gildea, 2011, p. 9.

<sup>145</sup> Office of Public Affairs, U.S. Department of Justice, “Two Men Arrested for Terrorist Activities on Behalf of Hizballah’s Islamic Jihad Organization,” U.S. Department of Justice, June 8, 2017.

<sup>146</sup> Kostiner, 1987, p. 181; Matthiesen, 2010, p. 187.

<sup>147</sup> Matthiesen, 2010, p. 187.

<sup>148</sup> Kostiner, 1987, p. 180.

<sup>149</sup> Kostiner, 1987, p. 181; Wright, 1985, pp. 134, 140, 145.

<sup>150</sup> Kostiner, 1987, p. 181.

<sup>151</sup> Matthiesen, 2010, p. 187. This is borne out by a Hizballah al-Hijaz official, who stated at the time that “there is no difference between the Hezbollah groups in Hijaz, Kuwait . . . or any other place”; Matthiesen, 2010, p. 189.



or “Hizballah Bahrain,” the latter of which were reportedly responsible for vandalism against businesses and attacks on security forces.<sup>152</sup> The “Hizballah” designation was used in the Gulf to refer to any number of pro-Iranian factions, some with fairly weak (or even nonexistent) ties to Iran. For example, the Bahraini government used the term to refer to “Bahraini Shia with close ties to Iran and who are committed to terrorist operations.”<sup>153</sup> Some of these Bahraini groups may not have received any direct support from Iran. A similar phenomenon can be seen in Kuwait, where Shia activists were often described as a “small and clandestine Hizballah network with close ties to Iran.” These purported ties were largely based on the fact that these activists traveled frequently to Iran and had good relations with Iranian centers of religious and political authority.<sup>154</sup> Even the UAE has accused Iran of “alleged Hizballah ‘ sleeper cells’” despite a lack of history of Shia militancy in the country.<sup>155</sup> Given the politically charged rhetoric, it can often be difficult to evaluate the fidelity of such allegations.<sup>156</sup>

For Iran, proxies in Saudi Arabia offered the greatest potential value, and may have been the biggest disappointment. In the late 1980s Hizballah al-Hijaz launched a series of attacks that targeted oil and gas facilities and the police. The Holy War Organization in the Hijaz and the Soldiers of Justice claimed responsibility for assassinations of Saudi officials in Lebanon, Pakistan, Thailand, and Turkey, as well as bombings in Saudi Arabia. But by the late 1990s the Saudi state had largely broken these organizations or effectively pacified them through marginal concessions. Even Hizballah al-Hijaz’s leaders were able to return to Saudi Arabia in 1993 after pledging to engage strictly in “religious and social activities.”<sup>157</sup>

Overall, Iran has largely been ineffective in mobilizing Arab Shia to its cause. By 1999, the Iran-based IFLB had “little support among the senior Bahraini clergy” and only “some measure of street support.”<sup>158</sup> Over time, Hizballah al-Hijaz’s leaders realized that their cause had failed to build broad support among Saudi Shia, in

<sup>152</sup> Fifty-one such individuals were arrested in 1996. Note that this was during the time of the Bahraini intifada, or grassroots popular protest by Bahraini Shia for political rights. Unsurprisingly, authorities sought to blame Iranian-directed actors for the disturbances. Fuller and Francke, 1999, p. 135; Alhasan, 2011, p. 613.

<sup>153</sup> Bahraini Shia clerics and even Human Rights Watch attest that there is “no such thing as a ‘Hezbollah organization as such’”—just “a few extremists who advocate violence”; Fuller and Francke, 1999, p. 125. Likewise, “no proof existed that Tehran supported Hezbollah Bahrain or any other organization trying to overthrow” the regime; Hunter, 2001, p. 435.

<sup>154</sup> Fuller and Francke, 1999, p. 163.

<sup>155</sup> Karim Sadjadpour, *The Battle of Dubai: The United Arab Emirates and the U.S.-Iran Cold War*, Washington, D.C.: Carnegie Endowment for International Peace, July 2011, p. 12.

<sup>156</sup> This ambiguity conveniently serves both sides: It obscures Iranian responsibility for proxy activity while also providing a scapegoat for Gulf Arab authorities who prefer to distract their populations than address real domestic grievances (especially within their Shia communities).

<sup>157</sup> Matthiesen, 2010, p. 189.

<sup>158</sup> Fuller and Francke, 1999.

part because of the group's relationship with Iran.<sup>159</sup> It should also be noted that some proxy candidates may have assessed Iranian support as ultimately counterproductive and did not seek out, or resisted overtures from, Iran. For example, in Kuwait the Shia are relatively well integrated into society and thus most of the Shia population is not interested in employing violence for political objectives.<sup>160</sup> A group that was accepting Iranian aid would expose itself to government repression and potentially damage its legitimacy with its constituency, given that most Arab Shia do not readily identify with Persian Iran. Across the Gulf, even "the most militant Shia activists and clerics" recognize that there is no real appetite for violent protests in pursuit of an Iranian-inspired Islamic republic.<sup>161</sup>

Meager local support may also be due to Iran's diminished Shia networks in the Gulf, which have ossified over time. Beginning in the 1980s, the Shirazi networks increasingly split with Iran, limiting the regime's influence. Iran decided to bypass Shirazi, who would eventually split with Khomeini, and began to cultivate its own proxies. But even after 15 years since his death, Shirazi's networks remain active in places like Kuwait, where his supporters publicly denounce Iran, while Iran's networks lack broad-based support.<sup>162</sup> Iran's local religious-based influence further declined after the fall of Saddam, when Gulf Shia began to turn away from Qom and look toward Najaf again for "spiritual and political guidance."<sup>163</sup>

### ***Post-Arab Spring: A Focus on Bahrain***

The 2011 unrest in Bahrain appears to have generated renewed Iranian interest in developing proxies in Bahrain, although its progress remains constrained by effective Bahraini security forces and external support to the Bahraini regime. Since the onset of the Arab Spring, Iran has invested in some new groups in Bahrain, although the extent of that support is unclear. As militia groups proliferated in Bahrain and violent acts increased,<sup>164</sup> Iran has been accused of employing nearly all of the tactics that it has historically used: providing training and weapons;<sup>165</sup> sponsoring terrorist plots by individual cells; creating ad hoc groups; and leveraging transnational clerical networks and

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<sup>159</sup> Matthiesen, 2010, p. 197.

<sup>160</sup> Hatem and Gildea, 2011, pp. 7, 10.

<sup>161</sup> Wehrey et al., 2009, pp. 149–150.

<sup>162</sup> Louër, 2009, p. 2.

<sup>163</sup> Wehrey et al., 2009, p. 150.

<sup>164</sup> Such groups included Saraya al-Ashtar, Saraya al-Kasar, Saraya al-Muqawama al-Shabiya, Saraya Mukhtar, and Saraya Waad Allah.

<sup>165</sup> In December 2013, Bahraini authorities intercepted a speedboat carrying large quantities of advanced bomb-making components, including Claymore-type antipersonnel fragmentation mines and 12 EFP warheads. In 2015 a boat was intercepted carrying C4 explosives and assault rifles. One of the crew members testified to training with the IRGC; Knights and Levitt, 2018, pp. 20–21.

non-Gulf proxies.<sup>166</sup> Iran has also allowed Bahraini resistance leaders to operate openly in Tehran; IRGC commander Saeed Qassimi bragged in 2016 that Iran has become a base “for the support of revolution in Bahrain.”<sup>167</sup> In 2015 and 2017, Bahraini authorities uncovered bomb-making factories linked to Iran.<sup>168</sup>

Iran's ties to Bahraini Shia cleric Mortada al-Sanadi have been a large part of its post-Arab Spring proxy development in Bahrain. Al-Sanadi is spokesperson for the Islamic Loyalty Movement, an anti-Bahraini monarchy and anti-American group based out of Iran. According to Bahraini authorities, he is a “religious leader for several Bahraini terrorist groups” who has allegedly received regular payments from the IRGC and directed a 14-person terrorist cell responsible for a bus bombing.<sup>169</sup> The United States has officially designated al-Sanadi as a terrorist for his affiliation with the Ashtar Brigades, a militant Bahraini group tied to Iran.<sup>170</sup>

A 2018 assessment of the evolution of Shia insurgency in Bahrain concluded that the threat posed to Bahraini stability by Iranian-supported indigenous actors is likely to increase.<sup>171</sup> In particular, the proliferation of Iranian EFPs in the Gulf has been cited as a concerning development.<sup>172</sup> Ultimately, however, it is not clear how much influence these proxies really provide Iran, and significant returns on investment beyond occasional attacks on Bahraini security forces remain unrealized.<sup>173</sup> The leadership of many of these militant groups must operate outside Bahrain, often from Iran, and this limits their reach and influence. Recruits must leave Bahrain to receive training, and weapons must be smuggled in through increasingly monitored trafficking routes (primarily maritime). Even the most capable proxies will have diminished influence in the target country if forced to primarily operate outside its borders.

While Iran has enjoyed some recent success in developing and supporting actors in Bahrain, it has failed to develop a loyal partner in the mold of Hizballah or even a robust network of proxies in the mold of the PMF in the Persian Gulf. Bahrain,

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<sup>166</sup>Phillip Smyth, Tim Michetti, and Owen Daniels, *Revolution Unveiled: A Closer Look at Iran's Presence and Influence in the Middle East*, Washington, D.C.: Atlantic Council, September 2017, p. 27.

<sup>167</sup>Souad Mekhennet and Joby Warrick, “U.S. Increasingly Sees Iran's Hand in the Arming of Bahraini Militants,” *Washington Post*, April 1, 2017.

<sup>168</sup>Tzvi Kahn, *FPI Bulletin: Iran's Proxy War in Bahrain*, Washington, D.C.: Foreign Policy Initiative, August 15, 2016.

<sup>169</sup>David Weinberg and Amir Toumaj, “Analysis: Iran Steps Up Support for Terrorism in Bahrain,” *Long War Journal*, May 18, 2017.

<sup>170</sup>Weinberg and Toumaj, 2017, p. 28.

<sup>171</sup>Knights and Levitt, 2018, p. 18.

<sup>172</sup>Michael Knights, “Iranian EFPs in the Gulf: An Emerging Strategic Risk,” *Policywatch* 2568, Washington Institute for Near East Policy, February 23, 2016.

<sup>173</sup>Militant groups were responsible for nine bombings which killed seven security forces and injured 24 more in 2017. Knights and Levitt, 2018, p. 21.

while continuing to experience some domestic turmoil, does not resemble the type of permissive operating environment Iran enjoyed in 1980s Lebanon or post-2003 Iraq. Bahrain's support from the United States and its Gulf Cooperation Council allies has helped stabilize the country and close off some opportunities for Iranian influence. So long as the Persian Gulf States remain strong and stable, the Islamic republic will face resistance developing real proxies in the region, however valuable they may be.

Luckily for Iran, however, not all of its neighbors enjoy such stability. Engulfed in civil war and the home to al Qaeda's strongest franchise, Yemen represents an open and ripe opportunity for gaining a real partner on the Arabian Peninsula. The Houthis may represent Iran's greatest chance at finally developing a proxy that can strike its greatest rival, Saudi Arabia. We now turn to the Houthi-Iran relationship, discussing its past, present, and future.

## The Houthis and Their Relationship with Iran

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This chapter provides a brief overview of the Houthi movement's development and its relationship with Iran, helping inform the scenario analysis that will come in Chapter Five. Although the Houthi movement, officially known as Ansar Allah, has long had friendly relations with Iran, it developed and fought the Yemeni government in the early and mid-2000s without significant Iranian assistance. While several key Houthi members established connections to Iran in the 1990s—Iran has been accused of providing materiel support to the Houthis since at least 2009—there is little public evidence of direct Iranian support to the movement until 2011. Two key developments in Yemen, the ousting of President Ali Abdullah Saleh in 2011 and the outbreak of the Yemeni Civil War in 2015, created conditions that facilitated the emergence of the Houthis as a serious political and military actor, in part by making investment in the Houthis more attractive and feasible for Iran. Over the period of just a few years, the Houthis have exploited Iranian assistance to move from the northern periphery of Yemen to occupying its capital city, Sana'a. As of July 2018 the Houthis continue to hold large swaths of northwestern Yemen, including large parts of the key port city Al-Hudaydah, and have the capacity to threaten the security of Saudi Arabia and, potentially, other Gulf States.

### A Brief Note on Sources

The evidence presented here is based on open-source, unclassified, and publicly available information. These sources include academic research, unclassified government assessments, media and nongovernmental organization reports, and the accounts of researchers and journalists with firsthand experience on the ground in Yemen. While Yemen has its own academic institutions and “free” media, the historically repressive state has at times infiltrated or at least influenced these institutions' positions, making it difficult to assess the degree of bias and objectivity in its analyses and reports. Until recently, the examination of Yemen's politics has been a small and specialized area of study. As such, the number of researchers with expertise is relatively small when

compared to other countries in the region, and there are few detailed studies on the Houthis.<sup>1</sup>

Since the Arab Spring, and especially with the onset of the Yemeni Civil War, there have been fewer non-Yemenis operating in the country, which limits our ability to verify local reports. These limitations are more severe in some areas (e.g., Sa'ada) than others (e.g., Aden). Most foreign nationals have been based in Aden or Sana'a, with only a small number traveling to the rest of the country due to the challenges of working in Yemen. No major international media organization has maintained a bureau of full-time correspondents in the country in recent years. The few international journalists that have been present since 2011 tend to be intrepid freelancers, many of whom have produced extensive and detailed accounts of the last few years.<sup>2</sup> However, since the Houthis took control of Sana'a in 2014, and the subsequent closing of most embassies in 2015, foreign reporters have only had limited access to the country. For security reasons, this access tends to be best in areas controlled by the Republic of Yemen Government (ROYG).

Given these various challenges, throughout this chapter we tend to draw more heavily on the accounts of researchers with recent, on-the-ground experience in Yemen. When citing examples or evidence sourced from media reports, we have endeavored to identify three separate citations from three different media organizations; for brevity, we only footnote the principal source. This analysis also draws on both Arabic and English media. Since this report is in English, we typically cite the English language source unless no such source is available.

Drawing on these various sources, we begin this chapter by discussing the initial emergence of the Houthi movement and its early ties to Iran (to the extent such ties even existed); for various reasons, the Houthis are not a natural or ideal partner for Iran. We then discuss how the Houthis developed over time, in part, through their combat experience from a decades-long conflict with the central government. After 2011 and the fall of the Saleh regime, the Houthis began to evolve into a more political force, harnessing their military power and growing tribal relationships to make demands on the fledgling Hadi government. As the government floundered in 2014, the Houthis made their most ambitious move yet, taking Sana'a and advancing across Yemen with the help of their longtime adversary Ali Abdullah Saleh. After describing these events and the course of the civil war, we conclude the chapter with a deeper

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<sup>1</sup> This chapter draws on a 2010 RAND publication that exhaustively documents the Houthis' origins and early development and is an excellent resource for the pre-2010 period. See Barak Salmoni, Bryce Loidolt, and Madeline Wells, *Regime and Periphery in Northern Yemen: The Huthi Phenomenon*, Santa Monica, Calif.: RAND Corporation, MG-962-DIA, 2010. See also Marieke Brandt, *Tribes and Politics in Yemen: A History of the Houthi Conflict*, London: Oxford University Press, 2017; and Marieke Brandt, "Sufyān's 'Hybrid' War: Tribal Politics during the Hūthi Conflict," *Journal of Arabian Studies*, Vol. 3, No. 1, 2013, pp. 120–138.

<sup>2</sup> In general, see the work of journalists Ghaith Abdul-Ahad, Safa Al Ahmad, Adam Baron, Noah Browning, Iona Craig, Ginny Hill, Laura Kasinof, Alex Potter, and Peter Salisbury.

discussion on Iranian investment in the Houthis and how it has changed over time. This discussion lays the foundation for the subsequent chapters and our analysis of this relationship's potential trajectory.

## The Emergence of the Houthi Movement and Ties to Iran

The Houthi movement (officially known as Ansar Allah), emerged from a revival of Zaydi political activism in the 1990s. It is important to note that the Houthis do not represent Zaydism, nor are all Zaydis Houthi. The Houthis emerged from a wider Zaydi revival, but interpret Zaydism their own way and for their own ends. Zaydism is a branch of Shia Islam largely found in northern Yemen and followed by approximately 35–45 percent of the country's population.<sup>3</sup> The revival in Zaydi activism was driven by several factors, including the Zaydis' perceived political and economic disenfranchisement at the hands of the central government,<sup>4</sup> the proliferation of Saudi-funded Salafism in northern Yemen,<sup>5</sup> and the coming of age of Sa'ada's most literate and well-traveled generation to date.<sup>6</sup> The al-Houthi family, topping the Houthi tribal hierarchy, are Zaydis from Sa'ada,<sup>7</sup> a governorate in northern Yemen which has historically been the center of Zaydism in Yemen.<sup>8</sup> As *sayyids* (tribes that claim descent from the prophet Muhammad), the al-Houthi family was well respected in Sa'ada and well positioned to take a leadership role in the Zaydi revival.<sup>9</sup>

The Houthis were deeply involved in the two major organizations associated with the 1990s Zaydi revival: Hizb al-Haqq, the first modern Zaydi political party, and Shabab al-Mumanin, a socioreligious movement that appealed to a broader and

<sup>3</sup> See "Report: Saudi-Iranian 'Cold War' in Yemen," *Iran Primer*, February 23, 2015; Stephen W. Day, *Regionalism and Rebellion in Yemen: A Troubled National Union*, New York: Cambridge University Press, 2012, p. 31; and Bureau of Democracy, Human Rights, and Labor, U.S. Department of State, *International Religious Freedom Report 2010: Yemen*, Washington, D.C.: U.S. Department of State, November 17, 2010.

<sup>4</sup> Although President Saleh was Zaydi, he received funding from Sunni Gulf States to maintain his patronage networks and obstruct Zaydi revivalism. For more on this disenfranchisement, see Lisa Wedeen, *Peripheral Visions: Publics, Power and Performance in Yemen*, Chicago Studies in Practices of Meaning, Chicago: University of Chicago Press, 2008, p. 153.

<sup>5</sup> Brandt, 2013, p. 124.

<sup>6</sup> Salmoni, Loidolt, and Wells, 2010, pp. 88–95.

<sup>7</sup> When referring to the family, we use the full name al-Houthi, which includes the article *al-*. But when describing the Houthis more generally as a movement or group, we omit the definite article. Finally, we tend to use the name Ansar Allah (the Houthis' preferred designation) only when making explicit reference to the political and military organization and its structures. We prefer to use the name Houthis to capture the broader movement and its supporters.

<sup>8</sup> Salmoni, Loidolt, and Wells, 2010, p. 291.

<sup>9</sup> Paul Dresch, *A History of Modern Yemen*, Cambridge: Cambridge University Press, 2000, p. 15.



younger audience. Prominent Zaydi scholar Badreddin al-Houthi was one of the founding members of Hizb al-Haqq, and his son, Hussein al-Houthi, was elected to one of Hizb al-Haqq's two parliamentary seats in 1993.<sup>10</sup>

However, the Houthis soon distanced themselves from Hizb al-Haqq. The party earned a reputation, rightly or not, as elitist and co-opted by the Saleh regime. It won only two seats in the 1993 elections and none in 1997.<sup>11</sup> The Houthi family therefore focused its efforts on Shabab al-Mumanin, helping to establish schools, summer camps, and other community programs in northern Yemen. These schools and camps attracted students from many different tribes and socioeconomic groups, which helped to foster a cohesive Zaydi identity while laying the foundation for a new generation loyal to the Houthis.<sup>12</sup> By the end of the decade, Shabab al-Mumanin had gone into "hiatus," though the fundamental drivers of Zaydi discontent had not been addressed and would be reinvigorated and radicalized by Hussein al-Houthi at the beginning of the twenty-first century.<sup>13</sup>

There is some circumstantial evidence that during this earlier period Iran cultivated informal relationships with members of the Houthi movement, going as far back as the 1990s.<sup>14</sup> Throughout the 1990s, a small number of Yemeni Zaydis traveled to Iran to study in Qom, including Badr al-Din al-Houthi, who spent periods of time in Iran from 1994 to 1996, along with his sons Hussein al-Houthi and Abdul Malik al-Houthi.<sup>15</sup> In the late 1990s, Hussein al-Houthi traveled to Iran and Sudan to continue his formal academic and religious education.<sup>16</sup> He appears to have been influenced by the training he received in Iran; upon his return to Yemen in 2000, he began preaching more radical political and religious views and coined what has become the Houthi slogan, "God Is Great, Death to America, Death to Israel, Curse on the Jews, Victory to Islam," which draws on Iran's own revolutionary slogan.<sup>17</sup>

Hussein al-Houthi's return to Yemen catalyzed a more radical Zaydi movement that would become Ansar Allah. In the early years of the new century there were few alternative Zaydi leaders, and Hussein was especially charismatic and well positioned given his family's prestige and its political and social networks, especially within

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<sup>10</sup> Salmoni, Loidolt, and Wells, 2010, p. 95; Brandt, 2013, p. 125.

<sup>11</sup> Victoria Clark, *Yemen: Dancing on the Heads of Snakes*, New Haven, Conn.: Yale University Press, 2010, p. 249; Brandt, 2013, pp. 120–138.

<sup>12</sup> Salmoni, Loidolt, and Wells, 2010, pp. 98–101; Clark, 2010, p. 249; Brandt, 2013, p. 126.

<sup>13</sup> Salmoni, Loidolt, and Wells, 2010, p. 262.

<sup>14</sup> Juneau, 2016, p. 655.

<sup>15</sup> Salmoni, Loidolt, and Wells, 2010, p. 98; Juneau, 2016, p. 655.

<sup>16</sup> Peter Salisbury, *Yemen and the Saudi-Iranian "Cold War,"* London: Chatham House, Royal Institute of International Affairs, February 2015, p. 5; Salmoni, Loidolt, and Wells, 2010, p. 109.

<sup>17</sup> Clark, 2010, p. 250.



Shabab al-Mumanin.<sup>18</sup> To galvanize support, Hussein also exploited Saleh's support for the United States after 2001, which was unpopular among much of the Yemeni population. Over the next few years the Houthis developed into a more organized movement with followers in Sa'ada and beyond, forcing Saleh to respond and igniting an insurgency that would come to be known as the Sa'ada Wars, which would prove critical to the Houthis' development.

### A Brief Note on Zaydism

It is important to note some of the major differences between the Houthis' Zaydism and Twelver Shiism, which is practiced in Iran and among many of its proxies. Such differences are not inconsequential and may very well affect the prospects for sustainable collaboration between the Houthis and Iran. Zaydism, also known as Fiver Shiism, is a small and distinct branch of Shia Islam named for the succession struggle during the lifetime of the fifth Shia imam in the eighth century. Zaydism has been described as "theologically situated between Sunnism and Shi'ism" and even as "identical" to certain Sunni schools of jurisprudence.<sup>19</sup> It is especially distinct from the Twelver Shiism practiced in Bahrain, Iran, Iraq, and Lebanon, which takes its name from the "hidden" twelfth imam and is the largest branch of Shia Islam.<sup>20</sup>

There are several important practical and doctrinal differences between Zaydi and Twelver Shiism, as well as a history of marginalization of Zaydis by other Shia Muslims.<sup>21</sup> As one important example, Zaydism places less emphasis on the position of the imam, and even rejects the concept of the hidden and infallible imam.<sup>22</sup> As such, it is reasonable to expect the Houthis to have a weaker ideological connection to the Iranian regime and *velayat-e faqih* than some other Iranian proxies. The Iranian system and ideology appropriates Twelver motifs to justify the supreme leader's position. Zaydis do not share such motifs, making the supreme leader's case potentially more tenuous than it would be for Twelver adherents.

## Conflict and the Development of the Houthi Movement

Though the Houthi movement has its roots in the 1990s Zaydi political revival, it was seven years of war that really transformed the group into a capable fighting force with

<sup>18</sup> Salmoni, Loidolt, and Wells, 2010, pp. 115–122, 262.

<sup>19</sup> Salmoni, Loidolt, and Wells, 2010, p. xv; Bernard Haykel, *Revival and Reform in Islam: The Legacy of Muhammad al-Shawkani*, Cambridge: Cambridge University Press, 2003, p. 130.

<sup>20</sup> Day, 2012, p. 31.

<sup>21</sup> For detailed discussions of the development of Zaydism and its differences from and similarities with Twelver Shiism, see Day, 2012, pp. 30–37; and Salmoni, Loidolt, and Wells, 2010, pp. 290–295.

<sup>22</sup> Salmoni, Loidolt, and Wells, 2010, p. 291.

an organized structure and ideology. The Houthis were shaped by their experience of fighting against and surviving sustained pressure from the Yemeni and then Saudi governments with little (if any) external support. They intermittently fought Saleh's government forces from 2004 to 2010,<sup>23</sup> creating an intense and enduring enmity between the two camps, which makes their later rapprochement all the more surprising. When they began fighting the government in 2004, the Houthis wanted a greater role in national affairs; an end to the political, economic, and cultural marginalization of Zaydi areas; and the curtailment of Saudi-funded proselytizing in Sa'ada.<sup>24</sup> Over the years, the Houthis' objectives have expanded as their power and support has increased, and while these original goals almost certainly remain, they now demand a much greater role in Yemeni affairs.

### **Insurgency and the War with Ali Abdullah Saleh**

Beginning in 2000, Hussein al-Houthi's increasingly strident criticism of President Saleh's domestic and foreign policies escalated tensions with the Yemeni government. While Saleh made some efforts to persuade Hussein to temper his rhetoric, these were unsuccessful. Houthi followers began provoking the government, painting antigovernment and anti-American graffiti on walls in the city of Sa'ada and distributing antigovernment literature.<sup>25</sup> By 2004, Hussein's radical lectures had spread beyond Sa'ada, inspiring rallies in Sana'a after Friday prayers.<sup>26</sup> The First Sa'ada War began in June 2004 when the Yemeni government tried (and failed) to arrest Hussein.<sup>27</sup> By September of that year, Hussein was dead, a martyr to his followers, and his half brother Abdul Malik ascended to become the leader of the Houthi movement in 2006, a position he holds to this day.<sup>28</sup>

Though the government was able to kill Hussein, they were unable to repress the movement. Instead they mostly inflamed Zaydi grievances and galvanized Hussein's followers. Over the next few years, the Houthis waged an insurgency against the Yemeni central government. The final phase of this insurgency began in August 2009 with the Yemeni government's Operation Scorched Earth. This phase also marked the intervention of Saudi Arabia in the conflict. The Saudis had been allowing the Yemeni

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<sup>23</sup> The Sa'ada Wars are generally broken down into six phases of conflict that occurred between 2004 and 2010: The first war spanned June–September 2004, the second March–April 2005, the third December 2005–February 2006, the fourth February 2007–January 2008, the fifth May–July 2008, and the sixth August 2009–February 2010. For a detailed account of this period of conflict, see Salmoni, Loidolt, and Wells, 2010.

<sup>24</sup> Juneau, 2016, p. 651.

<sup>25</sup> Clark, 2010, p. 249.

<sup>26</sup> Salmoni, Loidolt, and Wells, 2010, p. 123.

<sup>27</sup> W. Andrew Terrill, "Iranian Involvement in Yemen," *Orbis*, Vol. 58, No. 3, Summer 2014, p. 432.

<sup>28</sup> Their father, Badr al-Din al-Houthi, died of natural causes in 2010; Brandt, 2013, p. 125.

government to operate from Saudi territory in order to attack Houthi forces from the rear, prompting the Houthis to cross the border into Saudi Arabia and clash with Saudi border guards in November 2009.<sup>29</sup> The Saudis responded immediately with air and artillery attacks on Houthi locations along the border, and by January 2010 the conflict had reached the city of Sa'ada. As Houthi forces withdrew from Saudi territory, a fragile cease-fire was reached, largely bringing the conflict to a pause, if not a close.<sup>30</sup>

In this period, we not only see Saudi Arabia directly enter the conflict but also begin to note the rebranding of the conflict as a fight against Iranian proxies by the Saleh government.<sup>31</sup> Yemen's counterterrorism chief alleged that the Iranians were arming and training the Houthis during this phase of the insurgency.<sup>32</sup> While many analysts view this claim as designed to appeal to Saudi Arabia and the United States, others believe Iran was providing some limited support to the Houthis over this period, likely channeled through Hizballah.<sup>33</sup>

Although experts may disagree over Iran's investment during this period, there is no dispute that the Houthis made major gains through the conflict. Figures 4.1 and 4.2 illustrate these gains, mapping the change in Houthi influence over time. The gains signaled the growth of the Houthi movement and its reach, representing a new potential for Iran and its pursuit of proxies.

### Protests, Political Opportunities, and Houthi Expansion

Building on this combat experience, the Houthi movement enjoyed significant growth in capabilities, territory, and political power from 2011 to 2015. This period began with the fall of the Houthis' longtime adversary, Ali Abdullah Saleh. Inspired by the Arab Spring, protests began with students in early 2011 but quickly expanded, attracting groups from across Yemen's political spectrum, including the Houthis, the Islamist party al-Islah,<sup>34</sup> and various elements of the southern secessionist movement.<sup>35</sup> Soon the protests would come to focus on Saleh himself, and this fractured the regime's

<sup>29</sup> Robert F. Worth, "Yemeni Rebels and Saudis Clash at Border," *New York Times*, November 7, 2009, p. A8; "Saudi Jets Bomb Yemeni Houthis," *Al Jazeera*, November 5, 2009; Salmoni, Loidolt, and Wells, 2010, pp. 155–156.

<sup>30</sup> Brandt, 2013, p. 131.

<sup>31</sup> Ginny Hill, *Yemen Endures: Civil War, Saudi Adventurism, and the Future of Arabia*, New York: Oxford University Press, 2017.

<sup>32</sup> "Yemen Says Iran Funding Rebels," *Al Jazeera*, November 16, 2009.

<sup>33</sup> Peter Salisbury, *Yemen: Stemming the Rise of a Chaos State*, London: Chatham House, Royal Institute of International Affairs, May 2016, p. 23; Terrill, 2014, pp. 437–439.

<sup>34</sup> Ghaith Abdul-Ahad, "Diary: In Sana'a," *London Review of Books*, Vol. 37, No. 10, May 21, 2015, pp. 42–43.

<sup>35</sup> Adam Baron, *Civil War in Yemen: Imminent and Avoidable*, London: European Council on Foreign Relations, Policy Memo ECFR/130, March 2015, p. 2.

Figure 4.1  
Houthi Influence, 2007–2009

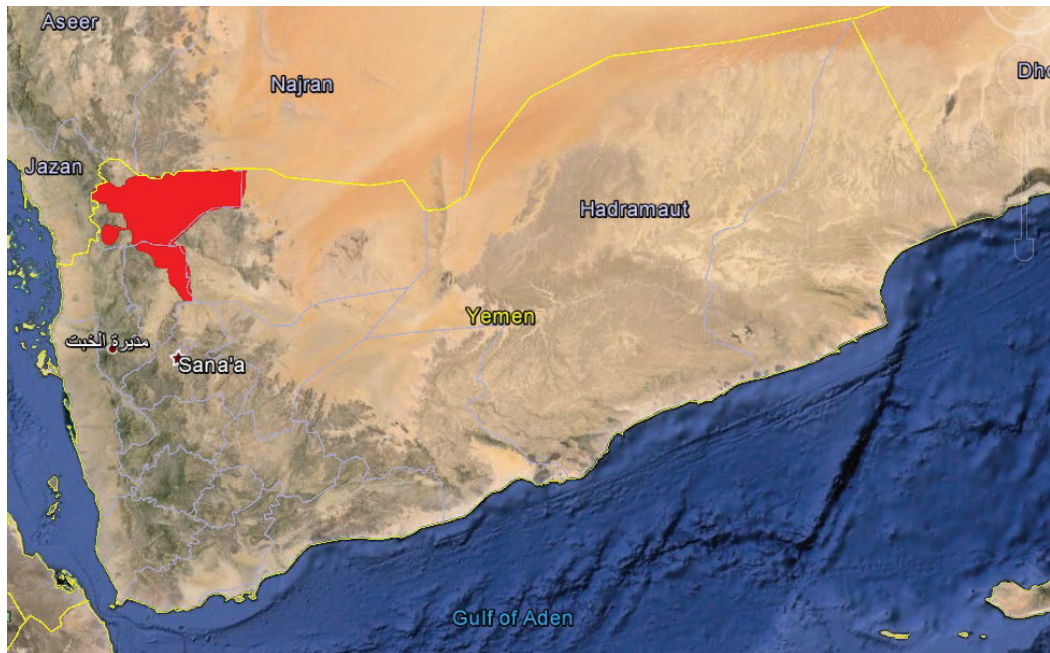
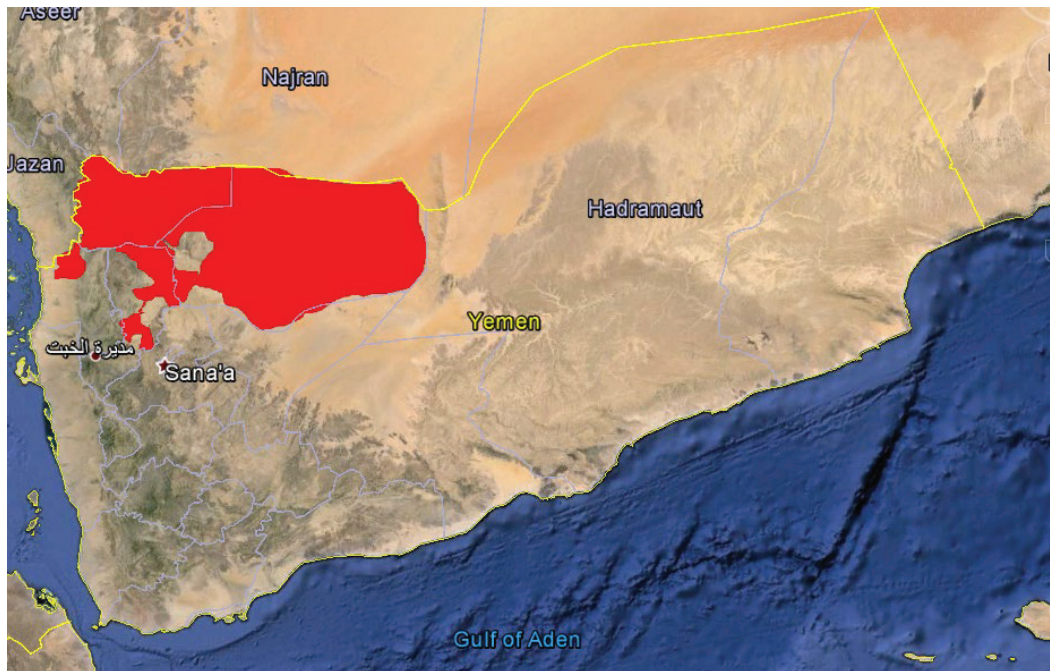
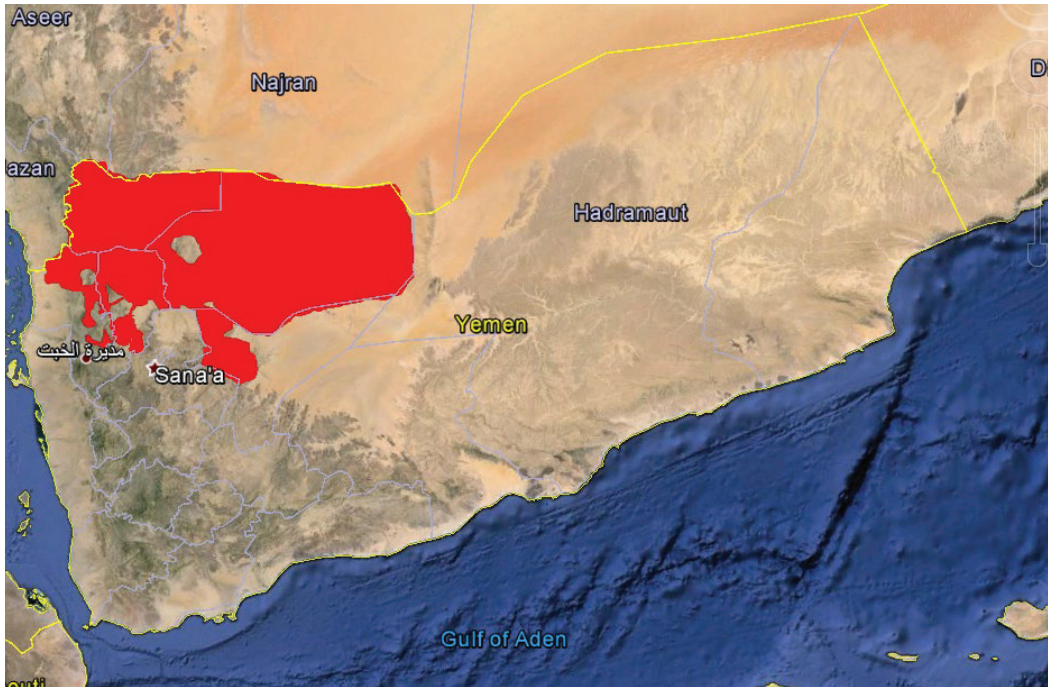


Figure 4.2  
Houthi Influence, 2010





**Figure 4.3**  
**Houthi Influence, 2011–2012**



ruling coalition as the opposition gained support from former loyalists, important tribal sheiks, and military leaders, including Saleh's longtime ally-cum-rival, Major General Ali Mohsen al-Ahmar.<sup>36</sup> With the protests intensifying and Saleh focused on regime survival, the Houthis consolidated their control over territory in the Al-Jawf, Amran, Hajjah, and Sa'ada governorates,<sup>37</sup> preparing themselves for a post-Saleh period. Figure 4.3 maps these gains, showing the expansion of Houthi influence beyond Sa'ada.

After months of violent protests against his rule, and gravely wounded by an attack on his life, Saleh finally relented in November 2011. He agreed to relinquish the presidency in exchange for full immunity for him and his family. Abdrabbuh Mansur Hadi, Saleh's vice president, was sworn in as interim president on February 25, 2012. But Saleh had spent decades constructing his personalist regime, which was predicated on his personal power, connections, and charisma. Saleh's negotiated departure may have ushered in a transitional government, thus preventing state collapse, but it also created instability and offered new opportunities for the Houthis.

<sup>36</sup> David Cutler, "Timeline: Protests Against Saleh Rule in Yemen," *Reuters*, June 3, 2011.

<sup>37</sup> Ginny Hill et al., *Yemen: Corruption, Capital Flight, and Global Drivers of Conflict*, London: Chatham House, Royal Institute of International Affairs, September 2013, p. 12.

The fledgling Hadi government had to manage a rocky transition process without the steady, albeit autocratic, support of its longtime leader. With Saleh gone from the political stage, the Hadi government convened the National Dialogue Conference (NDC) in March 2013, assembling representatives from Yemen's diverse political groups to shape the transition process that would determine the country's future. Given Yemen's long-standing socioeconomic and regional cleavages, the NDC faced significant challenges but ultimately created a landmark document in January 2014 that outlined a series of structural reforms.<sup>38</sup> The Houthis participated in the process, but like many southern secessionists and other groups, they rejected much of the NDC's agreement. In particular, the Houthis condemned the plan to federalize Yemen, arguing that it did not evenly distribute wealth among the six proposed regions,<sup>39</sup> having important distributive implications for historically marginalized communities like the Zaydis.

Despite the NDC's relative success, or perhaps in part because of it, the Hadi government soon faced increasing protests. As Yemen plunged into political unrest and security conditions deteriorated, the Houthis further consolidated control over Sa'ada and other nearby governorates, gradually creeping closer to Sana'a. In the summer of 2014, the Houthis exploited riots over fuel subsidies to make their move on the capital, setting up camps outside Sana'a.<sup>40</sup> And by September 2014 the group had seized control of Sana'a after days of heavy fighting, managing in the process to place both President Hadi and Defense Minister Mahmoud al-Subaihi under house arrest. Once in control, the Houthis made several overtures to Iran. Four days after seizing Sana'a, they released several Iranian prisoners.<sup>41</sup> A United Nations (UN) report, citing information from a senior Yemeni official, stated that two of the prisoners were members of Hizballah and three were from the IRGC.<sup>42</sup> The Houthis also announced direct flights from Iran to Sana'a International Airport, welcoming the first Iranian commercial flight in March 2015.<sup>43</sup> Each of these steps signaled a greater openness, if not demand, for closer ties and support from Iran.

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<sup>38</sup> Charles Schmitz, *Yemen's National Dialogue*, Washington, D.C.: Middle East Institute, MEI Policy Paper 2014-1, February 2014.

<sup>39</sup> "Yemen Al Houthi Rebels Slam Federation Plan As Unfair," *Gulf News*, February 11, 2014.

<sup>40</sup> Ahmed Al-Haj, "Yemen's Fuel Prices Nearly Double After Government Ends Subsidies," *Christian Science Monitor*, July 30, 2014; Hill, 2017.

<sup>41</sup> United Nations Security Council, *Final Report of the Panel of Experts on Yemen Established Pursuant to Security Council Committee Resolution 2140 (2014)*, New York: United Nations, S/2015/125, February 20, 2015, p. 15.

<sup>42</sup> United Nations Security Council, 2015, p. 38.

<sup>43</sup> "First Iran Flight Lands in Shiite-held Yemen Capital," *Al Arabiya English*, March 1, 2015. Flights ended on March 26, 2015, when the Gulf coalition imposed an air blockade.

### Pragmatic Partnerships: Houthi Governance and Warfighting

From 2011 to 2015 the Houthis demonstrated a new pragmatism in the service of enhancing their organizational and military capabilities. At least initially, they did not arrogate power completely, allowing the Hadi government to nominally remain in place. But as they would later do with their GPC allies, the Houthis used this brief power-sharing period to shadow government officials and learn from them.<sup>44</sup> Gradually the Houthis took control of government ministries, installing “supervisors” to oversee Hadi’s people, and negotiated with Hadi over the new constitution. At the end of January 2015, Hadi and his government officially resigned. A month later, Hadi fled to Aden and rescinded his government’s resignation, declaring that his displaced government remained the only legitimate one.<sup>45</sup> Yemen now had two governments, setting the stage for civil war.

In a surprising development—and one that further indicates their pragmatism—the Houthis also began cooperating with their former nemesis Saleh. While the Houthi-Saleh alliance was not formalized until May 2015, there is evidence that the two camps were cooperating well before this time.<sup>46</sup> Initially, it was not clear how the Houthis had so easily taken the capital or made substantial territorial progress across Yemen. However, not long after they seized power in Sana’a, it began to emerge that the Houthis had been backed by Saleh and his money, arms, and—most important—political and tribal network.<sup>47</sup> Given the long history of violence between the Houthis and Saleh’s forces, this alliance was initially shocking for many longtime observers of Yemen, and its eventual disintegration was likely inevitable. The alliance was a marriage of necessity, as both sides needed the other to achieve their short-term goals but lacked any shared, enduring interests.

Over time, we have gleaned a clearer picture of the ways the Houthi-Saleh alliance worked. A recent UN report found that the Houthi-Saleh alliance relied on the

<sup>44</sup> Salisbury, 2016, pp. 23–24.

<sup>45</sup> Hill, 2017.

<sup>46</sup> “Yemen’s Saleh Declares Alliance with Houthis,” *Al Jazeera*, May 11, 2015. On July 28, 2016, Saleh agreed to a power-sharing agreement with Abdul-Malik al-Houthi. A Sana’a-based ten member Supreme Political Council (SPC), with five members nominated by Saleh and five by the Houthis, was established to replace the previous Houthi decisionmaking body, the Supreme Revolutionary Committee. On November 28, 2016, the SPC announced a 42-person government under Abdel-Aziz bin Habtour, a member of Saleh’s GPC. Some reports suggest that indirect contact between Saleh and the Houthis started as early as 2012, using existing channels of communication such as northern tribal leaders who had previously acted as mediators between Saleh and the Houthis; Salisbury, 2016, p. 22.

<sup>47</sup> Iona Craig, “What the Houthi Takeover of Sana’a Reveals About Yemen’s Politics,” *Al Jazeera America*, September 25, 2014.

shadow economy to support the war effort.<sup>48</sup> Until recently, the Houthis and Saleh's supporters operated in separate structures and spheres, with the Houthis given complete control of northern Yemen, excluding Sana'a. The Houthis also took control of a Yemeni intelligence apparatus, the National Security Bureau.<sup>49</sup> Meanwhile, Saleh's people—mostly allies from his longtime party, the GPC—controlled state finances and reopened the black market in drugs, weapons, and human trafficking,<sup>50</sup> providing a critical revenue stream.

While we return to this alliance (and its collapse) later in the report, it should be noted that this division of power was constantly contested as the Houthis looked to a post-Saleh future when they could manage state affairs without the support of his GPC apparatchiks. In the lead-up to the December 2017 clashes, reports indicated the Houthis had begun replacing Saleh's people in Sana'a ministries.<sup>51</sup> These moves suggest that the Houthis were becoming more self-sufficient—having learned the basics of Yemeni governance and supplanted Saleh's networks—or that they did not trust that the alliance would last much longer (these are not mutually exclusive options; it is possible the Houthis were becoming more confident in their ability to govern and also expected the alliance to collapse soon).

In either case, their pragmatic alliance with Saleh allowed the Houthis to control wide swaths of territory as they pushed their assault farther south, waging a civil war with the help of Iranian assistance. From the start of the civil war, the Houthis demonstrated their military prowess and value as a potential proxy. Their forces swept southward from Sa'ada, dealing several strategic blows to the Yemeni military before finally capturing Aden, forcing Hadi to flee the country. Eventually the Saudi and UAE coalition forces intervened, helping local resistance fighters expel the Houthi forces from Aden.<sup>52</sup> And as the war escalated, the Houthis proved their capabilities, maintaining the front lines of the conflict against a technologically superior enemy. Compared to the earlier map figures, Figure 4.4 captures the Houthis' striking expansion and control over strategically valuable territory. While the Houthis have since lost much of this territory, the group initially pushed all the way to southern Yemen, demonstrating its potential to Iran. We now turn to Iran and its increasing investment in the Houthis over this period.

<sup>48</sup> United Nations Security Council, *Final Report of the Panel of Experts on Yemen Established Pursuant to Security Council Committee Resolution 2140 (2014)*, New York: United Nations, S/2017/81, January 31, 2017, p. 40.

<sup>49</sup> United Nations Security Council, 2017, p. 22.

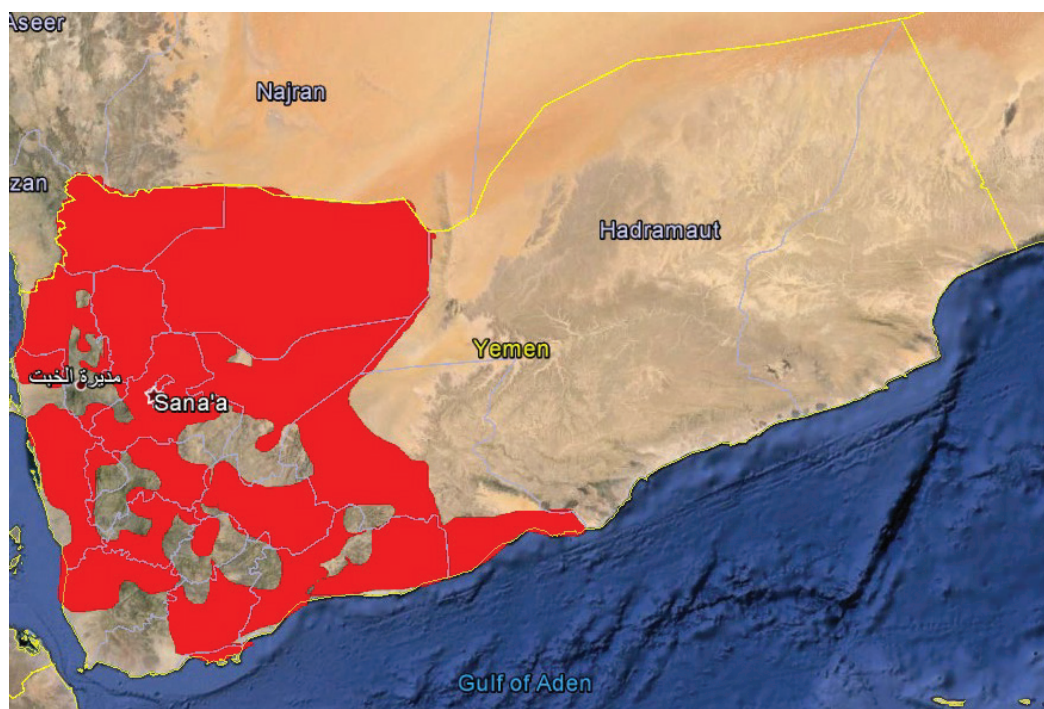
<sup>50</sup> United Nations Security Council, 2017, p. 40.

<sup>51</sup> For example, the Houthis forcibly replaced a minister loyal to Saleh in early October 2017. See "Houthis Storm Health Ministry in Sana'a, Threaten Saleh Loyalist Minister," *Al Arabiya English*, October 1, 2017; and Maher Farrukh, "Yemen Crisis Situation Report," *Critical Threats*, November 22, 2017.

<sup>52</sup> "Saudis Enter the Fray," *Economist*, March 26, 2015.



**Figure 4.4**  
**Houthi Influence, 2015**



SOURCE: Created with Google Earth, using data from Zimmerman, Katherine, "Al Houthi Areas of Influence," *Critical Threats*, July 16, 2015.

## The Evolution of Iranian Proxy Investments in Yemen

While there is no consensus on the extent to which Iran provided assistance to the Houthis prior to 2011, such support was likely limited to low-cost, low-risk measures that enhanced Iranian access and intelligence.<sup>53</sup> Prior to 2010, the Iranian media made little public comments about the Yemeni crisis and maintained their past denials of providing assistance to the Houthis.<sup>54</sup> However, starting in late November 2009, progovernment sources began increasingly decrying the Saudi campaign against Shia in Yemeni—and sometimes characterizing this as a larger attack against the Shia world—which may have been a campaign to build public support for Iranian intervention into the conflict and support for the Houthis.

<sup>53</sup> Peter Salisbury, *Yemen: National Chaos, Local Order*, London: Chatham House, Royal Institute of International Affairs, December 2017a, p. 32.

<sup>54</sup> The authors reviewed translated material available via the Open Source Enterprise, <https://www.opensource.gov>, for the years 2000–2010 in reaching this conclusion. Although this does not conclusively show that there were not discussions of Yemeni issues in local presses, it should include major Iranian news sources.

Before the Arab Spring and the fall of President Ali Abdullah Saleh, the Yemeni state was weak but functional, making Iranian infiltration and entry harder than in the post-2011 period, when the state nearly collapsed and opened up the country. While by no means as strong as the Gulf monarchies, Saleh's regime at least managed to maintain a somewhat functioning state, raising some barriers to entry for Iran. That being said, Iran's marginal investment in Yemen was also likely driven by its lack of interest in the Houthis, who were focused on waging war with Saleh from 2004 to 2010. Since 2011, however, investing in the Houthis offers higher potential returns. There is some evidence of fairly limited Iranian support from 2011 to 2014, and that support increased in 2015 and included the provision of more sophisticated weaponry (e.g., ballistic missiles), though the exact nature and extent of this support remains unclear.<sup>55</sup>

In this section we draw on our market entry and investment model to analyze Iranian proxy development in Yemen. As with the previous case studies, we outline Iran's interests in Yemen's potential proxy market and briefly explore the other Yemeni groups Iran may have considered or approached as partners. We then look at the types of support Iran is alleged to have provided the Houthis and consider what this support implies for the civil war's prospects and regional security. We argue that the Houthi-Iran relationship is still largely transactional, with both parties committed only insofar as the strategic and tactical value outweighs the costs. Iran enjoys little direct control over Houthi behavior and decisionmaking.

### **Iranian Interest in the Yemen Proxy Market**

Yemen, and its market for potential proxy groups, is strategically valuable to Iran because of its proximity to Saudi Arabia, Iran's main rival in the region. Across the region Iran has exploited weak governments to develop proxies that can badger, distract, and waste the resources of its enemies. Gaining access to Yemen became significantly easier after 2011, when the government nearly collapsed. In addition to Yemen's weak government, cross-country smuggling routes created permissive conditions for Iran to push materiel support into Yemen without high risk or cost.

Fomenting conflict and instability in Yemen serves Iran's regional interests and broader geopolitical objectives. The ongoing conflict ensures continued instability along Saudi Arabia's border, which both distracts Saudi Arabia and increases the possibility that transnational terrorist elements will cross into the country from Yemen. Because of the heightened risk to the kingdom, the conflict continues to focus Saudi attention and military resources on Yemen, rather than on Iran. Subsidizing proxy warfare brings a relatively low cost for Iran, while exacting high costs from the Saudi military without the risk of direct confrontation.

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<sup>55</sup> UN reports provide some of the most detailed and authoritative accounts of weapons transferred to Yemen and/or used by the Houthis and the supply routes employed. Thus, we rely on them heavily in this section.

In particular, support of the Houthis, whose traditional stronghold is in northern Yemen, provides Iran with a proxy close enough to directly threaten Saudi Arabia. According to Saudi officials, the city of Najran alone has been hit by over 10,000 rocket artillery rounds since the war began.<sup>56</sup> All civilian airports in Asir, Jizan, and Najran have been closed since July 2015 due to the risk of Houthi missile strikes. Most notably, the Houthis recently demonstrated the capacity to threaten Riyadh with ballistic missiles.<sup>57</sup> Supporting a proxy that holds territory near the Saudi border and along coastal areas also confers benefits to Iranian intelligence agencies and underlies covert weapons distribution networks in the Horn of Africa.<sup>58</sup> As the civil war persists, Saudi air strikes and Houthi missiles only heighten the enmity between these two sides, potentially aligning Houthi and Iranian interests in the long term.

### Screening and Selecting Proxies

Although most open-source reports and analyses focused on Iranian support to the Houthis, and rightfully so, it is important to recognize that Iran's decision to invest in the Houthis was hardly inevitable. After all, the Houthis themselves do not represent a natural or ideal partner for Iran. As previously discussed, the Houthis and Iranians practice distinct forms of Shiism.

Until the Houthis signaled their potential value as a proxy through military gains in 2014, Iran continued to extend feelers to other groups in Yemen,<sup>59</sup> hedging its bets and diversifying its portfolio of proxy support. Iran has demonstrated similar behavior in other contexts, including in Lebanon in the 1980s and in Iraq since 2003. Several sources allege Iran supported elements of the southern secessionist movement in addition to the Houthis. A 2013 Chatham House report claims that Iran provided funding to Ali Salem al-Beidh, an exiled Yemeni southern secessionist based in Beirut.<sup>60</sup> A 2015 Chatham House report further quotes Western and Yemeni officials who claim that Iran has close ties to multiple senior southern secessionist leaders, though the report acknowledges that this support is likely limited to financial assistance.<sup>61</sup> Given Yemen's divided history and the deep antipathies for the central government among the marginalized people of the south, Iran likely considered the secessionist movement to be a potentially attractive proxy. But since the war began, the Houthis have proven to be the only viable option in Yemen, and one that Iran has been more than willing to support.

<sup>56</sup> Lori Plotkin Boghardt and Michael Knights, "Border Fight Could Shift Saudi Arabia's Yemen War Calculus," Policywatch 2736, Washington Institute for Near East Policy, 2016. Washington Institute for Near East Policy, December 6, 2016.

<sup>57</sup> "Yemen Rebel Missile Shot Down 200km from Saudi Capital," *Al Jazeera*, May 19, 2017.

<sup>58</sup> Terrill, 2014, p. 431.

<sup>59</sup> Salisbury, 2015.

<sup>60</sup> Hill et al., 2013, p. 12.

<sup>61</sup> Salisbury, 2015, p. 2.

Additionally, an Iranian partnership with the southern secessionist movement would not have provided Iran with a partner proximate to Saudi Arabia, which, in addition to the Houthis' ability to aptly employ their military capabilities, remains one of the group's most attractive features to the Iranian regime.

### Forms of Support

Over the course of the war, Iran's support has taken various forms. Perhaps the most striking evidence comes in the form of the Houthis' use of more sophisticated weapons. According to multiple sources, the Houthis did not have access to much sophisticated weaponry, such as ballistic and antiship missiles, before the current civil war.<sup>62</sup> Given recent Houthi missile attacks, including the November 2017 attack on Riyadh's King Khalid International Airport and the December 2017 attack on Al-Yamamah Palace, the evidence of Iranian support has become overwhelming, and it is hard to dispute a significant level of external involvement.<sup>63</sup>

One of the earliest indicators of Iran's increasing support for the Houthis appeared in 2016, when the Houthis fired a series of cruise missiles at American, Emirati, and Saudi warships operating off the Yemeni coast.<sup>64</sup> While these attacks likely utilized old Yemeni Chinese-made missiles salvaged by Houthi militants rather than new weapons supplied directly by Iran, it is likely that Iranian support (e.g., training and parts and equipment) helped refurbish and operationalize the idle weapons for the attacks. These attacks signaled that Iran had begun using the Houthis' expanding capabilities to launch broader attacks outside of Yemen's territorial borders.<sup>65</sup>

Concurrently, or perhaps in tandem with their cruise missile attacks on naval vessels, the Houthis also began increasing their ballistic missile capabilities, undoubtedly with direct Iranian support. Since 2015, the Houthis' ballistic missile capabilities have increased greatly in terms of range and sophistication, though there is very little open-source information on the number of missiles the Houthis possess. According to one news report, in late 2015, Yemeni National Army sources suggested that the Houthis possessed around 70 missiles, despite Saudi-led coalition claims to have neu-

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<sup>62</sup> Salmoni, Loidolt, and Wells, 2010; Eric Schmitt, "Iran Is Smuggling Increasingly Potent Weapons into Yemen, U.S. Admiral Says," *New York Times*, September 19, 2017, p. A16.

<sup>63</sup> "Saudi Arabia: Missile Intercepted Near Riyadh," *BBC News*, November 4, 2017; Patrick Wintour and Saeed Kamali Dehghan, "Saudi Arabia Shoots Down Houthi Missile Aimed at Riyadh Palace," *Guardian*, December 19, 2017; Jeremy Binnie and Joseph S. Bermudez, Jr., "Yemeni Rebels Enhance Ballistic Missile Campaign," *Jane's Intelligence Review*, July 10, 2017, p. 5.

<sup>64</sup> Phil Stewart, "U.S. Military Strikes Yemen After Missile Attacks on U.S. Navy Ship," *Reuters*, October 12, 2016; Alex Lockie, "Two Dead After Houthi Militant Suicide Attack Against Saudi Arabian Ship Near Yemen," *Business Insider*, January 30, 2017.

<sup>65</sup> Tom Cooper, "To Threaten Ships, the Houthis Improvised a Missile Strike Force," *War Is Boring*, October 15, 2016.

tralized the ballistic missile threat after its initial intervention.<sup>66</sup> Recent ballistic missile attacks on Saudi targets have revealed that the Houthis possess missile technology more sophisticated than was previously assumed in open-source forums, and this is a concerning development for regional security. Houthi forces have publicized their use of an extended-range Scud-C variant called the Burkan-1, with a claimed reach of 800 km.<sup>67</sup> In May 2017, the Houthis claimed they fired one of these missiles toward Riyadh (about 900 km from Sa'ada), and the Saudi-led coalition acknowledged it had shot down a projectile about 200 km west of the city.<sup>68</sup>

In February 2017, the Houthis announced their possession of new missile technology (Burkan-2 missiles) that they claimed enabled them to hit Riyadh.<sup>69</sup> In a televised speech in September, Abdul Malik al-Houthi said his group's ballistic missiles were now capable of reaching the UAE capital of Abu Dhabi and anywhere inside Saudi Arabia.<sup>70</sup> The November 2017 strike on the Riyadh airport is a concerning development that indicates potential capacity to strike as far as 900 km from Sa'ada. Although the Houthis have demonstrated their capacity to reach deep into Saudi territory, their capability still falls short of reaching a major city in the UAE (Abu Dhabi and Dubai are approximately 1,300–1,400 km from Sa'ada).

While the Saudis have accused Iran of providing large-scale arms transfers, a recent UN report argues that there is not sufficient evidence to confirm this claim, but it goes on to note that the Houthis are using antitank guided weapons (ATGWs) manufactured in Iran.<sup>71</sup> Several UN reports have identified weapons used by the Houthis that were not known to be part of the Yemeni military inventory prior to the civil war. In some of these cases, UN experts have concluded that these weapons were “undoubtedly of Iranian origin,” though they were unable to confirm the supply chain or the date transferred.<sup>72</sup> The Iranian government did not respond to UN panel inquiries about the weapons.<sup>73</sup>

<sup>66</sup> Middle East Eye Staff, “Saudi Forces Warn of Harsh Response to Latest Houthi Rocket Attack,” *Middle East Eye*, December 22, 2015.

<sup>67</sup> Boghardt and Knights, 2016.

<sup>68</sup> Aziz El Yaakoubi, “Yemen’s Houthis Say Fire Ballistic Missile Toward Saudi Capital,” *Reuters*, May 19, 2017.

<sup>69</sup> Binnie and Bermudez, 2017, pp. 5–6.

<sup>70</sup> Maha El Dahan, “Yemen’s Houthi Leader Says Could Target Saudi Oil Tankers if Hodeidah Attacked,” *Reuters*, September 14, 2017.

<sup>71</sup> United Nations Security Council, 2017, p. 26.

<sup>72</sup> The weapons identified included Type 73 general purpose machine guns, manufactured by the Democratic People’s Republic of Korea (though Iran is the only country known to have imported them); Iranian-manufactured AM-50 antimateriel rifles; Russian-manufactured 9M113 Konkurs ATGWs or the Iranian-manufactured copies, Tosan ATGWs; Iranian-manufactured Toophan ATGWs; and Russian-manufactured 9M122 Kornet ATGWs or the Iranian-manufactured copies, Dehlavyah ATGWs. See United Nations Security Council, 2017, “Annex 37: Use or Seizures of ATGW,” and “Annex 38: Weapons of Iranian Origin in Houthi Use.”

<sup>73</sup> United Nations Security Council, 2017, “Annex 36, Land Route Smuggling Seizures,” p. 126.



The 2017 UN report also found evidence of likely Iranian-origin improvised explosive device technology in Yemen, though it did not specify whether any attacks employing such devices had been attributed to the Houthis. The report also describes the use of EFPs, which have been supplied by the IRGC-QF to Hizballah and Iraqi militant groups. The report concluded that although there was no concrete evidence of Iranian agents on the ground training belligerents in Yemen, “this IRGC influence has now transferred to Yemen.”<sup>74</sup>

Such influence is likely spread through Hizballah trainers, who represent a critical form of Iranian support. Unnamed Western and Yemeni sources told the Reuters news agency that they had seen evidence of Houthis traveling to Iran and Lebanon for military training since at least late 2013. One source further alleged that cash is transferred through Hizballah and couriers on commercial flights.<sup>75</sup> The Houthi television network Almasirah is based in Beirut’s Hizballah-controlled southern suburbs,<sup>76</sup> revealing another type of (Hizballah-provided) support: media and propaganda expertise.

While Hizballah’s fingerprints can be seen all over Houthi media, and there have been rumors of their trainers on the ground in Yemen since 2015,<sup>77</sup> Iran’s direct role has been far less evident beyond weapons transfers. A 2015 UN report cites anonymous sources that claimed Iran had trained Houthi forces on an island off the coast of Eritrea. The Eritrean government denied this claim, and the only public sources providing details of the story come from Saudi-funded media.<sup>78</sup> In December 2014 Reuters interviewed a “senior Iranian official” who claimed that the IRGC had a few hundred military personnel in Yemen to train Houthi fighters.<sup>79</sup> This admission represents a marked departure from Iran’s general denial of Houthi support or silence on the matter. While Iran may offer symbolic gestures of support for the Houthis, and exploit every opportunity to publicly condemn the Saudis’ heavy-handed measures, the regime has been careful to avoid being tied directly to Houthi forces.

### **Supply Lines and Iran’s Willingness to Invest**

Iran’s provision of materiel support depends on its willingness to furnish the Houthis with arms and money, and on its access to viable supply lines, which shape the risk and cost of investment. Since 2015 Iran appears to have used a few primary methods of supply, some of which have already been curtailed (e.g., air-based resupply through

<sup>74</sup> United Nations Security Council, 2017, “Annex 43: Improvised Explosive Device Technology,” p. 159.

<sup>75</sup> Yara Bayoumy and Mohammed Ghobari, “Iranian Support Seen Crucial for Yemen’s Houthis,” *Reuters*, December 15, 2014.

<sup>76</sup> Erika Solomon, “Lebanon’s Hizbollah and Yemen’s Houthis Open Up on Links,” *Financial Times*, May 8, 2015.

<sup>77</sup> Salisbury, 2017a, pp. 32–33.

<sup>78</sup> United Nations Security Council, 2015, p. 15.

<sup>79</sup> Bayoumy and Ghobari, 2014.

Sana'a International Airport) or could be jeopardized by future territorial losses (e.g., maritime resupply through the port of Al-Hudaydah).

Iran allegedly supplied the Houthis through direct flights from Iran to Sana'a using the state-owned airline Mahan Air, though these reports have never been confirmed.<sup>80</sup> This option is no longer feasible due to the coalition's air superiority. Various sources have also alleged that resupply depends on land routes from Oman, which are especially amenable to small-scale smuggling.<sup>81</sup> According to UK-based Conflict Armament Research, six Qasef-1 unmanned aerial vehicles were intercepted after allegedly passing through Oman.<sup>82</sup> While this land-based resupply is fraught with risks (e.g., local banditry, and coalition or ROYG interception), it may be one of the only options available to the Houthis, especially if battlefield losses cut off the Houthis' access to the Red Sea coast.

But until these losses come, the port city of Al-Hudaydah remains a critical entry point for Iranian materials sent by sea and is likely the largest entry point for Iranian supplies sent to Houthi forces. There is evidence that Iran has used undeclared shipping routes to move arms and other materiel to Yemen by sea since at least 2013. In January 2013 the Yemen coast guard interdicted the *Jihan 1*, which allegedly carried Iranian-manufactured arms.<sup>83</sup> The Yemeni government claimed the vessel was heading for Sa'ada, though the UN was unable to confirm this. Both the Houthis and the Iranians denied any involvement in the shipment, but it is instructive to note that days after the Houthis took control of Sana'a, they released all of the crew members that had been detained by the coast guard; among the detained crew were two Hizballah members and three IRGC personnel.<sup>84</sup> Vessels originating from Iran were also seized by multinational maritime forces in 2015 and 2016 carrying weapons of Iranian origin. On the four boats seized, UN investigators identified 2,064 weapons of Iranian origin or manufacture.<sup>85</sup> However, a UN report on the seizures was careful to stipulate that

<sup>80</sup> Sam Jones, Erika Solomon, and Najmeh Bozorgmehr, "Iran's Mahan Airline Defies Sanctions in Shadowy Aircraft Deal," *Financial Times*, May 11, 2015.

<sup>81</sup> United Nations Security Council, 2017, pp. 32–33. See also United Nations Security Council, 2017, "Annex 36, Land Route Smuggling Seizures," 126–128.

<sup>82</sup> The Houthis have claimed they produced the unmanned aerial vehicles themselves, though Conflict Armament Research notes that the Qasef-1 not only shares an almost identical design and construction characteristics with the Iranian unmanned aerial vehicle but also features identical serial number prefixes; Conflict Armament Research, *Frontline Perspective: Iranian Technology Transfers to Yemen*, London: Conflict Armament Research, March 2017, p. 2.

<sup>83</sup> The cargo included Katyusha rockets M-122, heat-seeking surface-to-air missiles, RPG-7s, Iranian-made night vision goggles, silencers, 2.66 tons of RDX explosives, C-4 explosives, ammunition, bullets, and electrical transistors. See Bayoumy and Ghobari, 2014; and United Nations Security Council, 2017, p. 38.

<sup>84</sup> United Nations Security Council, 2015, p. 38.

<sup>85</sup> United Nations Security Council, 2017, p. 31.

while the ships (and weapons) undeniably came from Iran, there was little concrete evidence to prove the cargo was destined for Yemen.<sup>86</sup>

Despite these challenges, the cost and risk of resupply remains relatively low for Iran. So long as the Houthis can maintain good relations with the tribes and other actors along the resupply line to Oman (relations that are likely bought) and they can hold territory along the coast, then Iran will be able to provide resupply. The real determinant will be Iran's willingness or desire to support the Houthis. While the Houthis may be a cheap way to bleed the Saudis, the risk and cost of this relationship may escalate. And at present, there is little evidence to suggest Iran's support and influence is enough to really control the group.<sup>87</sup> After all, the Houthis are not solely dependent on Iranian support; they have financed their warfighting through various forms of rent extraction and smuggling activities. According to the Yemeni government, the Houthi-Saleh forces made millions of dollars by taxing shipments through Al-Hudaydah's port.<sup>88</sup> Anecdotal evidence suggests that the Houthis control many important smuggling routes, especially for fuel, and earn a substantial profit through selling fuel on the black market.<sup>89</sup> These independent revenue streams provide the Houthis with some degree of leverage or at least autonomy when accepting Iranian offers of support.

More important, the interests and goals of Houthi and Iranian leadership do not necessarily align on all issues. While they share a common enemy (the Saudis), the Houthis have traditionally focused on their domestic interests, and are far less inclined to export revolutionary fervor than are some of Iran's other proxies. For all of Iran's rhetoric supporting marginalized groups, it remains a pragmatic, self-interested state. And to the extent the Houthis' interests diverge from Iran's, there is little that Tehran can do to exert its will over the strategic direction of the group. One analyst explains that "the Houthis are, ultimately, an indigenous Yemeni group with an autonomous leadership motivated almost wholly by local Yemeni issues."<sup>90</sup> This viewpoint is shared by many experienced Yemen analysts.<sup>91</sup>

So long as the Houthis can generate their own revenue and continue to hold territory, their focus on local Yemeni issues will limit the depth of their relationship

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<sup>86</sup> The report stated that "the evidence that the vessels originated from the Islamic Republic of Iran is irrefutable, but that seen by the Panel for the onward shipment of their cargo of weapons to Yemen from Somalia, or transfer at sea en-route to divert from a Somali destination to a Yemeni destination is much less firm." United Nations Security Council, 2017, p. 31.

<sup>87</sup> Juneau, 2016; Salisbury, 2015.

<sup>88</sup> Saeed Al Batati, "Military Plan in Place for Hodeida, Says Yemeni Foreign Minister," *GulfNews*, October 16, 2017a.

<sup>89</sup> Salisbury, 2017a, p. 28.

<sup>90</sup> Baron, 2015, p. 5.

<sup>91</sup> See, for example, Hill, 2017; Juneau, 2016; Clark, 2010.



with Iran. This relationship remains largely transactional, serving both sides' interests for the time being. The Houthis benefit from Iranian support, but do not want to be controlled by, reliant on, or beholden to their Iranian benefactors. Iran, meanwhile, is able to cheaply mire its regional rival in a costly, unnecessary conflict. But as the recent death of Ali Abdullah Saleh proved, conditions on the ground can suddenly and dramatically change. And as these political and military conditions change, the relationship may evolve along any number of future paths. We now turn to these potential trajectories.



## Scenario Analysis and the Future of the Houthi-Iran Relationship

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Chapter Four explored the historical foundations of the Houthi-Iran relationship and described the evolution of Iranian support during the Yemeni Civil War. In this chapter we build on this historical analysis and examine the possible scenarios that will shape this relationship in the future. We develop several near-term scenarios for Yemen, which drive distinct trajectories for the evolution of the Houthi-Iran relationship. This scenario analysis, though intentionally simplified and unable to capture the full complexity of the civil war, can help us analyze how the Houthi-Iran relationship might evolve under certain important conditions. These conditions can in turn help identify signposts and reveal warnings of possible futures in the relationship.

We first review the current conditions on the ground in Yemen. While Chapter Four briefly discussed the events that led to civil war, we review the current status in greater depth here. This first section also compares the Houthi-Iran dynamic to Iran's other proxy relations. The discussion directly informs our scenario analysis in the second section, which outlines our key assumptions and drivers. These conditions produce four distinct scenarios that have varying implications for the Houthi-Iran relationship and its long-term prospects. We walk through each of these scenarios and discuss how the relationship may evolve.

### The Yemeni Civil War: Military Stalemate and Political Intransigence

After the Houthis' retreat from Aden in summer 2015, the conflict has essentially been frozen. Not even the defection (and subsequent death) of Ali Abdullah Saleh could dramatically disrupt the military stalemate. According to local reports, since Saleh's death, "dozens of senior members of Saleh's General People's Congress party and military officers" have defected, escaping Houthi-controlled areas to nearby governorates like Ma'rib.<sup>1</sup> Notwithstanding these defections, Houthi forces continue to hold the

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<sup>1</sup> Saeed Al Batati, "Top General Under Saleh Declares War Against Al Houthis," *Gulf News*, December 24, 2017b.

capital city Sana'a and much of the populated northwest. Meanwhile, Hadi's ROYG and the Persian Gulf coalition forces have taken back Aden and other areas in the historic south of Yemen. While the Saudi-led coalition has a decisive edge in air power, it refuses to commit the ground forces necessary to defeat the Houthis, prolonging the war.<sup>2</sup> And despite ROYG's reported gains in Al-Bayda and Shabwah recently,<sup>3</sup> Houthi forces continue to lay siege to the city of Taiz and maintain contested control over the port of Al-Hudaydah, a strategically vital outlet to the Red Sea.<sup>4</sup> Admittedly, this control does not give the Houthis easy access to sea transit, as the Saudi-led blockade limits the Houthis' ability to draw military support from the sea.

The battle for Al-Hudaydah finally began in June 2018. There had for a long time been rumors about the campaign, which could be decisive for the coalition forces. On October 16, 2017, Yemen's foreign minister stated that the government and its allies were planning to launch an offensive on the port of Al-Hudaydah to finally wrest control from Houthi forces and begin the campaign to retake Sana'a. Following the coalition's capture of another Red Sea port, Mokha, in early 2017, the Houthis have likely become more dependent on Al-Hudaydah for revenue and resupply. According to the Yemeni government, the Houthi forces have made millions of dollars by taxing shipments coming through Al-Hudaydah, making the port a vital strategic and economic center for the Houthi campaign.<sup>5</sup>

It appears that Iran has responded to the threat to Al-Hudaydah by providing the Houthis with increasingly sophisticated weaponry.<sup>6</sup> In September 2017 Abdul Malik al-Houthi threatened to attack Saudi oil tankers and launch missiles at the UAE if the coalition challenged the Houthis' hold on the port. In a televised speech, Abdul Malik said his group's ballistic missiles were capable of reaching the UAE's capital of Abu Dhabi and anywhere inside Saudi Arabia.<sup>7</sup> And in November 2017 the Houthis fired a ballistic missile at Riyadh's King Khalid International Airport, deep

<sup>2</sup> Anthony H. Cordesman, *The War in Yemen: Hard Choices in a Hard War*, Washington, D.C.: Center for Strategic and International Studies, May 9, 2017b.

<sup>3</sup> Saeed Al Batati, "Yemeni Army Pushes into Baydha After Shabwa Liberation," *Gulf News*, December 25, 2017c.

<sup>4</sup> Adnan Al-Sunawi, "اليمن: الحوثيون يحققون اختراقا هاما في الشرق والتحالف يدفع بمزيد التبع" ["Yemen: Houthis Achieve Important Breakthrough in the East and Coalition Pushes Increased Reinforcements North"], *Monte Carlo Doualiya*, October 16, 2016.

<sup>5</sup> Al Batati, 2017a.

<sup>6</sup> According to U.S. Vice Admiral Kevin Donegan, Iran is providing the Houthis with antiship and ballistic missiles, sea mines, and explosive boats that have attacked allied ships in the Red Sea or Saudi territory across Yemen's northern border; Schmitt, 2017.

<sup>7</sup> El Dahan, 2017.

in Saudi territory,<sup>8</sup> demonstrating that their capabilities had begun to catch up with their rhetoric.<sup>9</sup>

A diplomatic resolution to the conflict seems unlikely in the near term; neither side appears willing to compromise on what the postconflict political landscape should look like. During the UN-brokered peace talks held in Kuwait in 2016, representatives of the Houthi-Saleh alliance proposed the formation of a new transitional regime made up of a national unity government and a presidential council, while Hadi's delegation insisted on the return of the current government and president.<sup>10</sup> There have been no meaningful negotiations since the Kuwait talks collapsed, and little evidence that either side has moderated its position.

In fact, prospects for a near-term political resolution dramatically declined at the end of 2017 with the inevitable breakdown of the GPC-Houthi alliance. Many observers of the conflict expected that a diplomatic solution would likely flow through Saleh and his more moderate faction of the GPC-Houthi alliance.<sup>11</sup> These arguments appeared vindicated when, in late 2017, Saleh appeared to switch positions and began signaling rapprochement with the Saudis as GPC and Houthi forces clashed in and around Sana'a.<sup>12</sup> These fortunes changed decisively just a few days later, however, when Houthi forces managed to kill Saleh, thus dampening the prospects for a peace with moderate factions that might weaken the Houthis' military position.<sup>13</sup>

But the broader strategic implications of this long-anticipated break in the GPC-Houthi alliance remain to be seen. Had Saleh's forces been able to pin down the Houthis and successfully coordinate with the Saudi military, the Houthis may have been diminished on two fronts. However, the Houthis were able to quickly reestablish control, arresting or executing GPC defectors and cowing many others to remain loyal to Abdul Malik and the National Salvation Government (NSG). If anything, Saleh's betrayal may have simply hardened the Houthis' position by elevating the more hard-line political and military wing, which had already been less inclined to compromise than less hawkish elements found mostly in the administration.

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<sup>8</sup> "Saudi Arabia: Missile Intercepted Near Riyadh," 2017.

<sup>9</sup> For a more detailed discussion of current Houthi missile and other weapons capacity, see Chapter Four.

<sup>10</sup> Haytham Mouzahem, "Yemen Peace Talks Stuck in Stalemate," *Al-Monitor*, May 20, 2016; Associated Press, "Yemen Suspends Peace Talks with Shiite Rebels," *Wall Street Journal*, May 18, 2016.

<sup>11</sup> International Crisis Group, 2017.

<sup>12</sup> Reuters, "Saleh's Offer to 'Turn a New Page' in Yemen Is Welcomed by Saudi Coalition," *New York Times*, December 2, 2017.

<sup>13</sup> Shuaib Almosawa and Ben Hubbard, "Yemen's Ex-President Killed as Mayhem Convulses Capital," *New York Times*, December 5, 2017, p. A7.

### Houthi Objectives

Domestically, the Houthis want greater influence in Yemeni political affairs and inclusion in (or dominance of) whatever new political order emerges following the war.<sup>14</sup> Iranian support has been a useful way to further these goals, and although Iran has been linked to the Houthis since their earliest military campaigns in 2004, Iranian support became especially valuable following the Saudi-led intervention in spring 2015. While some Houthis do call for “a return to the rule of the Zaydi Imam,” their objectives are not primarily religious or internationally focused.<sup>15</sup> The Houthis are a local group with local grievances and objectives; their character appears to have remained constant even as Iranian support and influence has increased. When they initially began fighting the government in 2004, the Houthis wanted a greater role in national affairs; an end to political, economic, and cultural marginalization in Zaydi areas; and an end to Saudi-funded proselytizing in Sa’ada.<sup>16</sup> But their objectives have expanded as their power has increased. While these original objectives remain, given their success on the battlefield the Houthis now demand a much greater role in Yemeni affairs.

The Houthis’ goals, however, are not necessarily limited to domestic politics, particularly for Houthi hard-liners. Some Houthi leaders frame the current conflict not as a civil war between opposing factions in Yemeni politics but as part of a greater conflict between Saudi Arabia and Yemen. Through this conflict they hope to recover traditional Houthi lands now under Saudi control.<sup>17</sup> In many ways, Saudi intervention into the Yemeni Civil War only served to fuel these sentiments, bolstering the position of hard-liners within the Houthi movement. We return to this question of Houthi wings (e.g., hard-liners versus pragmatists) later in the scenario analysis.

### Iranian Objectives

In supporting the Houthis, Iran has an immediate short-term goal and an aspirational long-term goal. Tehran has flexibility in how extensively to invest in Yemen because critical issues are not at stake for the regime. In the short term, Iran’s main objective is the continuation of the civil war and, more specifically, the current military stalemate between the Houthis and the Gulf militaries operating in the country. The current situation serves several purposes for Iran’s broader geopolitical objectives. First, the ongoing war prolongs instability along Saudi Arabia’s border, which not only mires the Saudis in costly conflict but also increases the opportunity for transnational terrorist elements to cross over the border from Yemen. Second, because of the heightened risk to the kingdom, the ongoing conflict continues to attract Saudi attention and military resources, which could otherwise be focused on Iran. And by propping up the Houthis

<sup>14</sup> Juneau, 2016, p. 647.

<sup>15</sup> Juneau, 2016, p. 652.

<sup>16</sup> Juneau, 2016, p. 651.

<sup>17</sup> International Crisis Group, 2017.

through limited assistance, Iran is able to cheaply exact high costs on the Saudi military without risking a direct confrontation. Finally, and perhaps most important, with the Houthis having their home base in northern Yemen, supporting them provides Iran with a proxy close enough to directly threaten Saudi Arabia.<sup>18</sup>

To be sure, while bleeding Saudi Arabia at low cost is a nice benefit to Iran in the short term, the possibility of developing the Houthis in the long term and having them potentially coming to resemble Hizballah could offer significant value to Iran. Having a strong proxy on Saudi Arabia's border, mirroring Hizballah's position proximate to Israel, would provide Iran with two pillars to focus its activities against its two greatest regional rivals, something Iran has tried (and failed) to do by fostering proxy groups in the Gulf States.

Notably, however, Iran is likely to weigh these benefits against the strategic costs of maintaining the relationship. For Iran, one of the most attractive features to its relationship with the Houthi has been the significant returns on limited investment.<sup>19</sup> If the costs and difficulty of supporting the Houthis mount, Iran's strategic interest in maintaining the relationship may wane, especially if Iran is unable to leverage its continued support toward a greater Houthi alignment with Iran's larger regional goals or if the logistical costs of maintaining the relationship simply outweigh the expected benefit.

### **The Houthi-Iran Relationship in a Comparative Perspective**

During the civil war, the Houthis have largely maintained a transactional relationship with Iran, accepting support to prolong their military campaign, which serves both sides' interests. To better understand this relationship and predict its future trajectory, the previous chapters explored Iran's history of proxy development elsewhere in the region. Iran's investment strategy varies widely across contexts, revealing distinct development paths that these proxy relationships can take. These cases can help identify important characteristics in the Houthi-Iran relationship that may shape its future.

The development of the Houthi-Iran relationship certainly resembles other Iranian proxy relationships. Like post-civil war Lebanon, Yemen's weak state has created structural conditions that allow Iranian support to flow into the country. Lebanon's confessional system of government fractured institutional control and weakened the executive, providing an opening for Iran like the collapse of Hadi's government. Yemen's rugged terrain and coastal access has also facilitated support. Active smuggling routes throughout the country provide overland networks to Sa'ada, and for much of the civil war, Houthi control of Al-Hudaydah has allowed for Iranian support via naval transports. Along with the weak state, Yemen's military has never been particularly strong and largely collapsed in the initial days of the war. Some of the remnants of the

<sup>18</sup> "Yemen Rebel Missile Shot Down 200km from Saudi Capital," 2017.

<sup>19</sup> International Crisis Group, 2017.

military were even folded into the Houthi-Saleh forces. This weak military resembles Lebanon's post-civil war conditions, when each community had its own militias and the state lost any claim to a monopoly over violence. A weak formal military, whether in 1980s Lebanon or in Yemen today, reduces Iran's risk and the costs of entry.

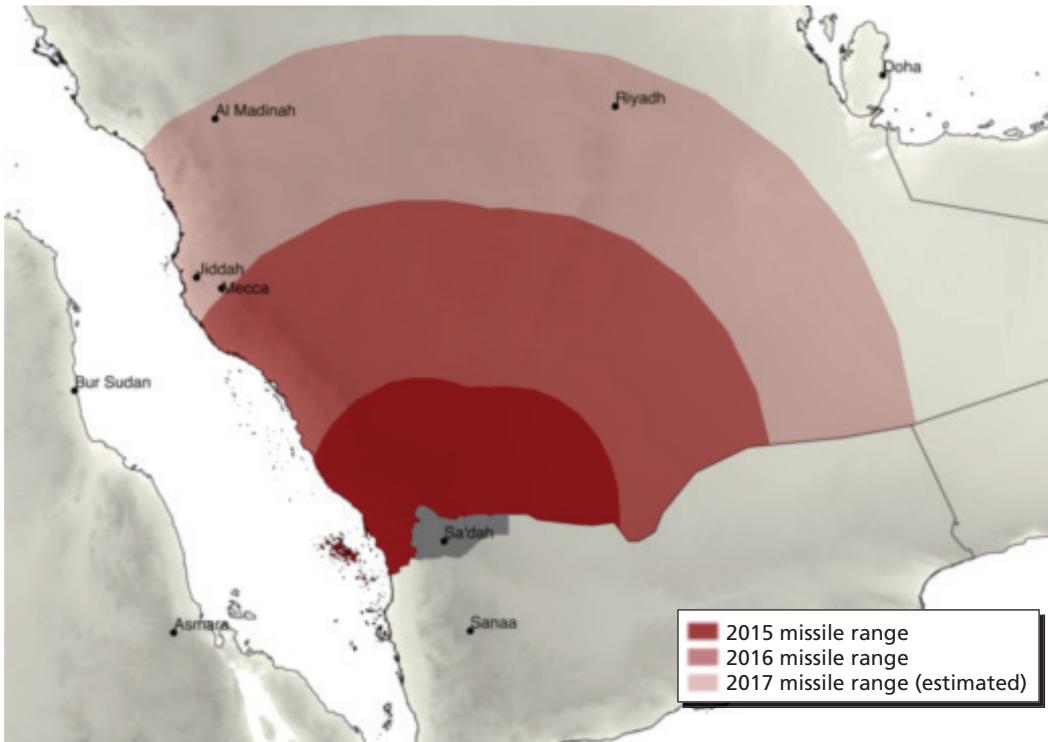
Like the PMF in Iraq today, the Houthis are well-trained, seasoned fighters who are committed to their cause. And just as the PMF needed support for the campaign against ISIL, the Houthis have displayed ample demand for Iranian military and financial support, especially once the coalition intervened. At the outset of the civil war the Houthis proved their potential as their forces swept southward from Sa'ada, dealing strategic blows to the Yemeni military en route to capturing both Aden and Sana'a. Even after the Emiratis and Saudis intervened, helping resistance forces retake Aden, the Houthis' ability to maintain the front lines of the conflict around Sana'a and avoid further retreat signaled their ability to fight a technologically superior force to a standstill. Throughout the course of the war, the Houthis have displayed growing capabilities and achieved significant military successes when provided with sufficient support. At a minimum, the Houthis have shown that, like the PMF, they can be a capable fighting force. But whether these military victories can be translated into enduring political gains remains to be seen for both the Houthis and the PMF. On this dimension, neither have yet proven to be a successor to Hizballah as it transformed itself from a militia into a real political force.

Finally, Yemen's proximity to rival states in the Gulf, especially Saudi Arabia, offers Iran incomparable strategic value, which will only grow if the Houthis gain real power in Yemen. Already the Houthis have shown a willingness and ability to threaten targets as far as Riyadh, putting them on the same dimension of strategic value as Hizballah and its threat to Israel. As Figure 5.1 shows, the Houthis have incrementally extended their reach deeper into Saudi territory. As air strikes in the north continue, enmity for the Saudis has grown, and the Houthis have retaliated by launching deeper missile attacks on civilian centers in the kingdom. This ability to threaten deep into Saudi territory with increasingly sophisticated weaponry provides Iran not only an effective proxy in the present but also, depending on the trajectory of the conflict, the potential for a persistent threat against its greatest rival in the Gulf.

Notwithstanding these many similarities, the Houthi-Iran relationship is also distinct in several important ways. The Houthis follow Zaydism, which is closer to many Sunni practices than most other Shia sects, making for a weaker doctrinal connection to Iran's Twelver Islamism and *velayat-e faqih*. To the extent such doctrinal ties lead to closer relationships, Iran's alliance with the Houthis may depend more on strategic value and common interest when compared to other proxy relationships. And without these deeper ties, Iran may be less inclined to prop up a degraded Houthi movement than it would other militant groups that sustain heavy losses (e.g., Kata'ib Hizballah in Iraq).



**Figure 5.1**  
**Estimated Houthi Missile Ranges over the Course of the Yemeni Civil War**



Additionally, the Houthis' historical objectives in Yemen have been almost entirely domestically focused, and have centered on defeating and replacing the Saleh (and then the Hadi) central government. Some of Iran's other proxies have emerged as a response to an occupying force, which tends to shape their orientation and make them more outward-focused. From Hizballah in Lebanon to the PMF in Iraq, these groups emerged to defeat some external enemy. Often this occupying force has also been an enemy to Iran (e.g., ISIL, Israel), helping unite their interests. Converging interests not only make for better allies but can also shape the proxies' ideology and orientation at its foundation. To the extent Iran can influence this orientation, framing the organization's goals around exporting jihad, it can cultivate a more expeditionary proxy, or at least a relationship that will persist after defeating whatever threat initially united them. Already we have seen how, after the Battle of Mosul, elements of the PMF have traveled to Syria in support of Bashar al-Assad's regime.<sup>20</sup>

<sup>20</sup> Babak Dehghanpisheh, "The Iraqi Militia Helping Iran Carve a Road to Damascus," *Reuters*, September 22, 2017; "Popular Mobilization Forces: Without Us, Syria Would Have Fallen to Daesh," *Middle East Monitor*, August 15, 2017.

While Iran has maintained ties to the Houthis since the 1990s, the movement really began as a response to local grievances against the Saleh government. Since their foundation, the Houthis have focused on local Yemeni issues rather than supporting Iran's broader regional strategy. This orientation, however, may be changing as the civil war persists. The Saudi intervention, and its unpopular air campaign in the north of Yemen, has redefined the conflict for many Yemenis—the Houthis included. As the Saudis become perceived as the real enemy, the Houthi orientation may change and more closely resemble proxies who made liberation their *raison d'être*. If the Houthis' focus remains domestic, it may ultimately limit the potential for growth and evolution in their relationship with Iran. But as the war becomes framed as one of liberation, and the Houthis become ever more fixated on the Saudi presence, their orientation may shift. Under these conditions, it is more likely that the Houthis would focus on inflicting greater harm on their Saudi neighbors, a strategy that Iran would be happy to support.<sup>21</sup>

## Near-Term Scenarios of the Yemeni Civil War

For much of its history, the Houthi-Iran relationship has most resembled the transactional relationships between Iran and the Iraqi groups operating under the umbrella of the PMF. While this transactional relationship has largely persisted throughout the conflict, changing military and political conditions could alter this dynamic. However unlikely, Houthi strategic gains could lead to a relationship more akin to Hizballah after the 2006 war with Israel. After the war, Hassan Nasrallah channeled popular opinion and consolidated power within the Shia community. In a similar vein, a bloodied but ascendant Houthi movement could provide Abdul Malik (or some other leader) the opportunity to transform Ansar Allah into an enduring power within Yemeni politics. Under such conditions, Iran could provide vital financial support and other expertise to help fashion a more sophisticated political operation. Alternatively, Houthi strategic losses could lead to decreased Iranian support. If the Houthis were militarily and politically beaten, Iran might see less value in its potential proxy. And were the Houthis contained to Sa'ada, surrounded and landlocked with a more vigilant Saudi neighbor watching for smugglers, the cost of resupply would increase, making the net benefit of support far less attractive to Iran.

The future of the Houthi-Iran relationship is not set, and its trajectory will depend on how conditions evolve over the next three to five years. To better understand (and prepare for) this future, we develop and examine a series of potential scenarios. These scenarios inform Chapter Six, which highlights the key signposts and warnings for policymakers and analysts to the likelihood of potential trajectories in the Houthi-Iran relationship. An analysis of available open-source information on Houthi objectives,

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<sup>21</sup> International Crisis Group, 2017.

organizational structure, and past behavior, coupled with an analysis of other Iranian clients in similar contexts, underlies our analysis on shifts in Houthi demand and Iranian support across scenarios. We focus these scenarios on a few key assumptions about how the actors in the conflict will likely behave, as well as on the key military and political drivers that influence the Houthis' relationship with Iran. These assumptions and drivers point us to four key scenarios: (1) the political and military status quo largely persists; (2) the Houthis' military and political victories culminate in a power-sharing agreement favorable to them; (3) the Houthis' military and political losses result in a defeat of the Houthis and their exclusion from power; (4) the Houthis splinter and a less hard-line faction accepts a peace agreement. The likelihood of these scenarios varies, but each suggests important implications for the long-term relationship between the Houthis and Iran.

### Key Scenario Assumptions

In developing our potential scenarios, we first outline a few key assumptions that impose scope conditions. These assumptions constrain the potential trajectories of the conflict along its most likely paths. We first assume that the United States will continue to avoid direct military action in Yemen. Although the United States has deployed special operations forces in Yemen to combat al Qaeda in the Arabian Peninsula (AQAP), both the previous and current administrations have refused to expand military operations in Yemen, either by directly intervening against the Houthis or dramatically increasing support to the Saudi-led campaign.<sup>22</sup> As such, we assume that U.S. involvement in Yemen will remain limited and focused on operations against AQAP cells operating in the country. At the same time, we also assume that the coalition forces (i.e., Saudi Arabia and the UAE) remain in the conflict and in support of Hadi's ROYG.

On the other side of the battle lines, we assume that Iran will not become directly involved in the civil war, either through ground troops or aerial support. As discussed earlier, Iran cultivates proxy groups in part to avoid direct military confrontation. And given the relatively shallow relationship between the Houthis and Iran, it is highly unlikely that Iran would risk its broader regional interests to directly assist the Houthis. Such direct intervention would likely trigger a regional conflagration and provoke a U.S. response, which would cost the regime far more than the loss of a potential proxy.

### Key Scenario Drivers

In order to generate our scenarios, given these scoping assumptions, we juxtapose two key drivers. These drivers help capture actors' motivations across different conditions, thus shaping our scenarios and the potential trajectories that the Houthi-Iran relation-

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<sup>22</sup> Thomas Gibbons-Neff, "U.S. Troops Are on the Ground in Yemen for Offensive Against al-Qaeda Militants," *Washington Post*, August 4, 2017; Gregory Hellman, "House Declares U.S. Military Role in Yemen's Civil War Unauthorized," *Politico*, November 13, 2017.

ship may take.<sup>23</sup> The drivers represent the principal dimensions that underlie the conflict and, by extension, that shape the demand and supply of Iranian assistance to the Houthis.

The first key driver is the success of the Houthis' military campaign. Given how quickly coalition air support helped force the Houthis out of Aden, and considering the current military stalemate along the front lines, it is unlikely that the Houthis could ever again mount a considerable advance toward Aden. Rather, continued military success for the Houthis would likely mean holding the front lines of the conflict around Al-Hudaydah and Sana'a. Controlling this territory, which includes much of the populated northwest of Yemen, provides a strong base to launch attacks in central and southeastern governorates (e.g., Al-Bayda and Shabwah) and remain a threat to the Saudi border in the north. The Houthis' quick recovery after Saleh's defection is no small success, and while they may never again experience the early gains that they once achieved, simply continuing to hold the capital represents a victory, especially as international pressure continues to mount and the coalition forces eventually exhaust their troops, financial reserves, and public's patience.<sup>24</sup>

Houthi losses, by contrast, are more straightforward. The combination of continued air strikes and the prolonged blockade of Al-Hudaydah may slowly bleed and weaken the Houthis, ultimately forcing their withdrawal back toward Sa'ada and the surrounding governorates. Even without committing ground forces, coalition forces could slowly chip away at the Houthis' military strength, cutting off their resupply lines and shaking the resolve of their frontline forces around Sana'a. Once degraded, the Houthis would be forced to retreat toward Sa'ada to consolidate their military resources in a more secure area. Having returned to their home base, a complete victory over the Houthis would be difficult to achieve, but they could be contained to Sa'ada.

The second key driver is international acceptance of Houthi legitimacy, and pressure for the Houthis to be a core political actor in Yemen. At one end of the spectrum, international players recognize that the Houthis must be a part of a future ruling coalition in Yemen. As the conflict persists and the humanitarian crisis grows, international pressure and the costs of sustained military operations may force the Hadi government and its coalition supporters to consider a political compromise, giving the Houthis a greater voice in national politics. Although the Saudi-led coalition is unlikely to come to this assessment independently, it may yield to pressure from Europe, the United States, and/or the larger international community on this issue. At the other end of

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<sup>23</sup> U.S. Government, *A Tradecraft Primer: Structured Analytic Techniques for Improving Intelligence Analysis*, Washington, D.C.: U.S. Government Printing Office, March 2009.

<sup>24</sup> The war effort reportedly costs the Saudis \$6 billion dollars per month; see Bruce Riedel, "In Yemen, Iran Outsmarts Saudi Arabia Again," *Markaz*, blog, Brookings Institution, December 6, 2017. This cost is hardly inconsequential, and will become more difficult to sustain if the economy continues to suffer low growth.

the spectrum, the Houthis are seen as a pariah and rejected by the international community as a legitimate political actor in Yemen. Their behavior is a major factor in determining the direction of this driver. If the Houthis are seen by the international community as using increasingly coercive tools to maintain their hold on power, they are likely to lose international sympathies and isolate themselves from all patrons but the Iranians. In this circumstance, the Hadi government and its coalition allies would likely refuse any compromise with the Houthis and exclude them from power.

Exploring Alternative Future Trajectories of the Houthi-Iran Relationship

Having specified our assumptions and key drivers, we now discuss four possible future scenarios. The key drivers capture two principal dimensions: the political dynamics within Yemen (i.e., the degree of Houthis’ political legitimacy) and military conditions on the ground (i.e., how much territory the Houthis lose or gain/hold). The intersection of these drivers produces distinct future scenarios, which characterize the trajectory of the conflict and its implications for the evolving Houthi-Iran relationship. Table 5.1 summarizes the four scenarios and the specific conditions that support them.

Scenario 1: The Military and Political Stalemate Persists

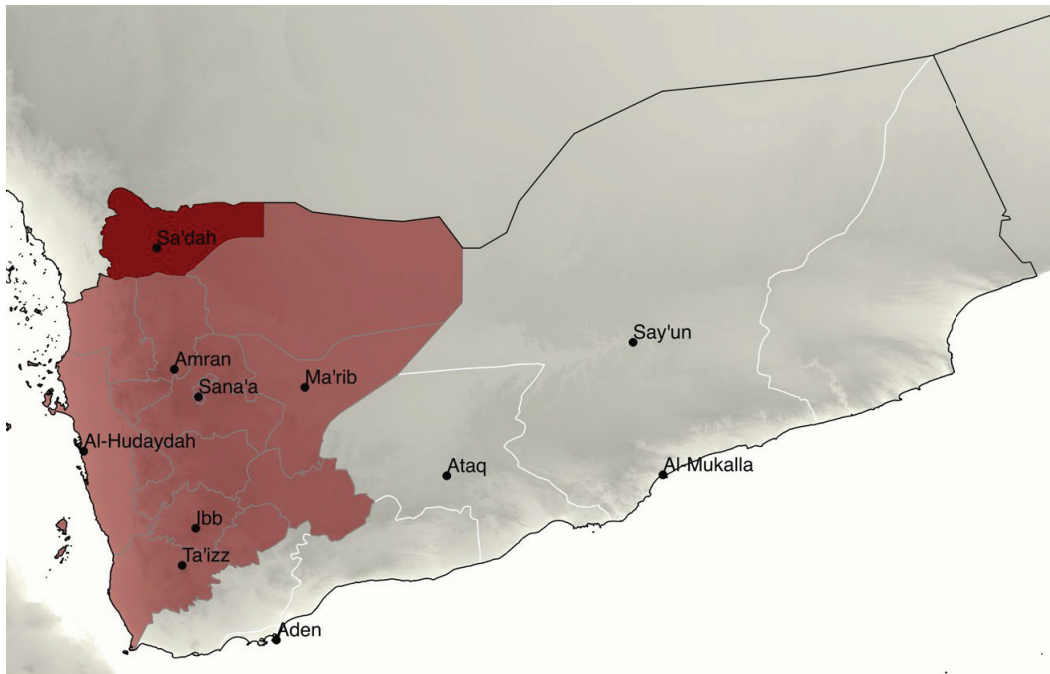
Our first scenario resembles the status quo, as the current political and military quagmire persists. Fighting continues at roughly current levels across active battlegrounds and strategic locations. Even if the coalition forces can retake Al-Hudaydah and begin the move toward Sana’a, the terrain will provide ample cover for Houthi forces, slowing the advance. At the same time, Saudi air forces continue their air campaign in Sana’a and the north, but without committing ground forces the Saudis will be unable to dislodge the Houthis from their positions. To visualize the military scope of this

Table 5.1  
Key Drivers and Future Trajectories of the Houthi-Iran Relationship

	Houthis Hold Territory	Houthis Lose Territory
Rejection of Houthis as Illegitimate	Military stalemate continues and Houthi-Iran relationship remains transactional	Houthis withdraw to Sa’ada; Iranian support increases as Houthis rebuild
Pressure for Recognizing Houthi Legitimacy	Houthis are a key political actor; Iran increases military, political, and economic support	Moderate Houthis are co-opted into Yemeni government; Iranian support decreases

NOTE: The row and column headings of the table represent the possible states of our key political and military drivers, respectively. The cells of the table briefly describe the scenarios and trajectories in the Houthi-Iran relationship resulting from the combination of those key drivers.

**Figure 5.2**  
**Areas Controlled or Contested by Houthi Forces in 2017**



NOTE: Dark red shading indicates areas that were firmly under control of the Houthis in 2017. Lighter red shading indicates areas that were contested (i.e., where coalition forces also controlled some territory).

scenario, Figure 5.2 maps the areas either controlled or contested by Houthis forces in Yemen.

Essentially this scenario encompasses a variety of situations in which fighting continues without significant military gain by either side that meaningfully turns the tide of the war. Critically, neither side is willing to significantly compromise its political demands, and the international community does not put significant pressure to bear on belligerents to include the Houthis as a legitimate political actor. A political settlement to end the war is not realized, and the Houthis increasingly rely on a limited escalation in their military campaign against Riyadh (e.g., missile strikes threatening Saudi cities) to force a favorable settlement or Saudi exit.

As a continuation of the status quo, Iranian support to the Houthis would remain similar to the “train and equip” relationship Iran currently provides to the Houthis, which largely mirrors the relationships Iran has cultivated with various Shia militias in Iraq. Iran would increase its efforts to equip the Houthis with weapons that can threaten Riyadh (see Chapter Three). This setup is beneficial for the Houthis: they receive relatively sophisticated weaponry and other forms of support that enhances



the group's military capacity. This relationship, however, is fundamentally transactional, and in exchange for this sustained supply of military and financial support, the Houthis would bog down the Saudis in Yemen while threatening the Emirati and Saudi homelands.<sup>25</sup>

In this scenario the transactional relationship remains preferable to both parties. The Houthis are capable of bringing in their own revenue and are primarily concerned with local issues. As they are not accepted as a legitimate political actor by the international community, there is little penalty for them to receive Iranian support. While they benefit from Iranian support, the Houthis do not want to be controlled by, reliant on, or beholden to their Iranian benefactors. Were they to accept significantly more support, the Houthis might become more of an Iranian client, which would introduce new costs for the organization. This transactional dynamic also serves Iranian interests in this scenario. The military quagmire largely aligns with Iran's regional strategy and its immediate goals for the conflict, maintaining instability along Saudi Arabia's border and providing a low-cost means of bleeding the Saudi military without much fear of direct confrontation or escalation. With these strategic objectives met, Iran accepts the minimal control that it exerts over the Houthis.

Given these overlapping interests and mutual benefits from the current transactional relationship, the nature of the Houthi-Iran relationship is likely to remain stable in the near term as long as the status quo persists. But this military stalemate will not persist indefinitely. The Saudis have too much at stake to abandon the conflict without some measure of victory, however Pyrrhic it may be. Eventually, ROYG and coalition forces will liberate Al-Hudaydah and begin the slow, inexorable march to Sana'a. Once Sana'a falls, the Houthis will be forced to make a political deal or retreat farther north. As such, this scenario represents an unstable or fragile equilibrium. It may hold for the short term, possibly even years, but it cannot last indefinitely. And as this equilibrium collapses, the conflict will follow the path of one of the remaining three scenarios.

### **Scenario 2: The Houthis Hold Territory and Secure a Favorable Power-Sharing Agreement**

In this scenario fighting continues along the current front lines of the conflict, and the Houthis manage to maintain strategic control of Al-Hudaydah and Sana'a. Despite Saudi naval assets deployed around Al-Hudaydah, the Houthis maintain their communication and supply lines with Iran, largely through overland smuggling networks, allowing them to sustain their campaign. Notably, the Houthis' ability to hold their strategic positions in the face of the prolonged Saudi air campaign not only displays their resolution and military capabilities but also signals to opposing forces that the conflict is unlikely to end in a decisive military victory anytime soon.

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<sup>25</sup> Anthony H. Cordesman, "The Need for a Serious New Strategy to Deal with Iran and the Gulf," Center for Strategic and International Studies, October 13, 2017a.

Given Houthis continued resilience and a mounting humanitarian crisis, international parties put pressure on the coalition and Hadi government to negotiate and embrace a power-sharing agreement with the Houthis. Eventually these negotiations result in a transitional government with a meaningful role for the Houthis. This agreement represents a military and political victory for the Houthis and secures for them a place within mainstream Yemeni politics.

Given the strategic landscape of Yemen, the Houthis in this scenario continue to exist as an armed militant group but also operate a parallel political organization, much like how Hizballah leveraged its success in the 2006 war with Israel to bolster its reputation and consolidate newfound popular support. This scenario would put the Houthis on a trajectory of becoming like Hizballah: a proven militant group that can credibly threaten one of Iran's chief rivals, and a powerful political actor with growing influence in domestic and foreign policy. This scenario would represent Iran's ideal trajectory for the Houthis, who evolve from a proxy into a partner. These investments would ultimately provide Iran with a second partner to extend its influence throughout the region.

To foster this "Hizballah 2.0" in Yemen, Iran would almost certainly increase its military support to the ascendant Houthis. The Houthis would be open to increased military support since, like Hizballah in Lebanon, their political position in Yemen would depend on their ability to maintain sizable military capabilities to threaten internal challengers. As the Houthis consolidated their postwar position, Iran's support would focus on growing more high-end military capabilities, including larger supplies of rockets, artillery, and armor, to further bolster the Houthis' strike threat and defense against future Saudi aggression.

In addition to this standard military support, Iran would also increase its political and economic support, helping buy greater influence in Yemeni politics and further strengthen the Houthis' domestic political position. After Hizballah's 2006 war with Israel, Iranian money helped Nasrallah buy political influence and engender local goodwill in Lebanon through reconstruction projects. After years of the Saudi air campaign, Sana'a and the surrounding governorates have suffered significant losses. Like Nasrallah before him, Abdul Malik could exploit these conditions, helping rebuild northern Yemen to buy support and marginalize the Saudi-aligned ROYG.

Over the long term, this scenario could be the most dangerous to regional security and U.S. interests. Developing the Houthis into a real partner akin to Hizballah would dramatically grow Iran's strategic reach throughout the region. And with their proven military capabilities, the Houthis could eventually develop an expeditionary wing like Hizballah and the PMF, helping strike Iran's enemies and support its allies in the region. Investing in the Houthis' political development may offer even greater returns. Given the infighting within ROYG, and the constant threat of southern secession, the Houthis could become the dominant force in Yemeni politics, serving Iran's interest in myriad ways. This maturation will take organizational discipline, political savvy, and—above all—ample Iranian support.

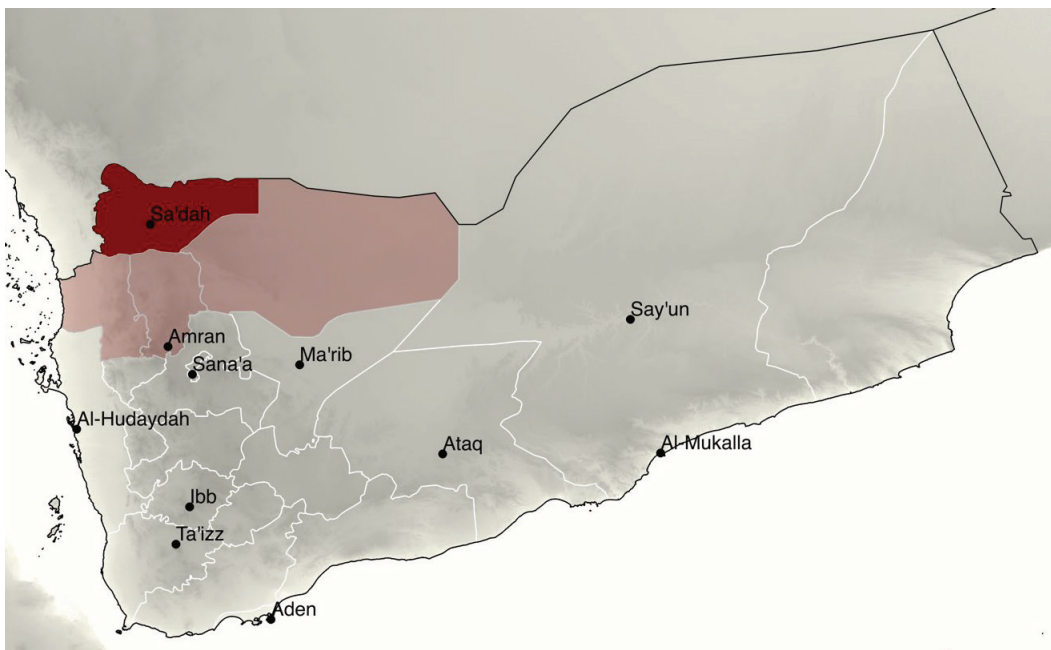


### Scenario 3: The Houthis Retreat and Remain Politically Excluded

In contrast to Scenario 2, which saw Houthi military and political victories redefine the organization's position within Yemeni society, this scenario imagines a future more closely resembling the status quo ante. The increasing defection of GPC military units significantly degrades the Houthi combat power while an escalation in the Saudi air campaign begins to dislodge frontline units. At the same time, the Saudi blockade of Al-Hudaydah cuts off the main axis of Iranian support and the Houthis main source of rent extraction, limiting their ability to sustain their campaign. After the Houthis suffer significant territorial losses, including Al-Hudaydah and Sana'a, their forces retreat to Sa'ada to consolidate their military position. Figure 5.3 maps the areas that would be either controlled or contested by Houthi forces in Yemen under this scenario.

Reports of Houthi corruption and cronyism increase, delegitimizing the Houthis in the eyes of the international community and within Yemen. Having seized the military initiative in the conflict and absent pressure to do otherwise, the Hadi government refuses to negotiate with or accede to the demands of even moderate Houthi factions, dealing the Houthis both military and political losses. In the end the Houthis are beaten back to their position before the war, contained to Sa'ada and largely excluded from mainstream Yemeni politics.

**Figure 5.3**  
**Possible Yemeni Governorates Controlled or Contested by Houthi Forces**



NOTE: Dark red shading indicates areas that were firmly under control of the Houthis in 2017. Lighter red shading indicates areas that were contested (i.e., where coalition forces also controlled some territory).

Yet, while beaten, the Houthis are not defeated, and remain a potential threat in the north, with many of their leaders going underground to rebuild the organization. Having returned to Sa'ada, the Houthis can prepare for a future conflict with the Hadi government. As for internal dynamics, these conditions benefit hard-liners within the Houthi movement. More moderate elements within the movement (e.g., many of the administrators governing Sana'a) have little role in an organization once again built to fight an insurgency. Excluded from power, there is no use for a Houthi political and administrative wing.

In this scenario Houthi demands for Iranian support would increase. The Houthis would require additional resources if they hoped to recapture lost territory or simply retain a deterrent capability against the Yemeni military. The Houthis have historically demonstrated that they will seek support from Iran when external actors threaten them. When the Houthis first came under pressure from the Saudi-led coalition in March 2015, they welcomed additional assistance. Though a primary objective of Saudi Arabia was to limit Iranian influence in Yemen, its intervention likely pushed the Houthis to seek additional Iranian support.<sup>26</sup> Undoubtedly, the civil war has "pushed the al-Houthi movement deeper into the orbit of Iran's proxy network" than they were previously.<sup>27</sup> Even before the 2015 Saudi-led intervention, the Sunni Gulf States' support for Saleh's anti-Houthi campaigns likely pushed the Houthis to "seek external support—which they originally neither needed nor sought—and to obtain it from the only feasible source, Iran."<sup>28</sup>

Given their proximity to the Saudi border, the Houthis, even in a strategically diminished position, could be valuable to Iran. When compared to Iran's nascent proxies in Bahrain or Kuwait, the Houthis have shown themselves to be both willing and able to strike deep into Saudi territory. The geography of the Saudi-Yemen border makes it vulnerable to Houthi attacks on Asir, Jizan, and Najran provinces. For example, most of the Jizan Governorate, including the city of Jizan, its port, a new 400,000-barrel-per-day oil refinery, and a new industrial zone, is within reach of Houthi short-range ballistic missiles and long-range tactical rockets.<sup>29</sup> The November 2017 missile attack on Riyadh has already demonstrated to Iran the value of maintaining ties with the Houthis as a means to threaten the heart of its regional rival.<sup>30</sup>

Perversely, the Houthis' weakened position might even play to Iran's benefit. Despite their historically transactional relationship, the Houthis' increased need for support could make them more attractive to Iran. After all, desperation can make for a more pliable proxy. Iran's support could be made conditional, forcing the Houthis to

<sup>26</sup> Juneau, 2016, p. 660.

<sup>27</sup> Farrukh, 2017.

<sup>28</sup> Juneau, 2016, p. 660.

<sup>29</sup> Boghardt and Knights, 2016.

<sup>30</sup> Almosawa and Hubbard, 2017.

focus more of their operations on Saudi Arabia. Given the Houthis' degraded military capabilities and growing enmity for the Saudis, this is a deal they would likely accept.

But Houthi demand and Iranian willingness may not be sufficient to guarantee increasing support. In this scenario the Houthis are contained to Sa'ada, cutting off many of their resupply lines. The risk and cost of increasing support may become too great for Iran, which has until now enjoyed significant returns on a relatively small investment. Smuggling weapons will be hard enough, but Iran may refuse to risk trainers and other personnel moving in and out of the country. Whether the Saudis or the reinstalled ROYG can intercept these movements will be a major factor in Iran's choice to sustain, increase, or cut its support to the Houthis.<sup>31</sup> Given such costs, Iran may eventually turn its attention to other groups in the region.

#### **Scenario 4: The Houthis Lose Territory but Secure a Limited Power-Sharing Agreement**

In this scenario the Houthis lose a series of battles along their front lines, putting them on the road toward an eventual military retreat to Sa'ada. The effective blockade of Al-Hudaydah, coupled with the sustained bombing campaign around Sana'a, eventually weakens the Houthis enough to allow the Yemeni military to begin rolling back its front lines.

Concurrently, the international community puts greater pressure on Hadi and his coalition allies to reach a political resolution that includes at least some representation for the Houthis. Under this pressure for reconciliation, the Hadi government negotiates a limited power-sharing agreement with moderate Houthi factions. Such moderates include former GPC members, who aligned with the Houthis after Saleh's defection, and some Houthi administrators who have gained government experience managing affairs in Sana'a. This power-sharing agreement provides public positions (with limited authority) for more moderate-leaning Houthi leaders. By including these Houthi figures, Hadi's new government works to consolidate support in the north while framing its government composition as inclusive and broadly legitimate. Critically, though, this token power-sharing arrangement does not dramatically change the overall political landscape in Yemen, keeping most of Hadi's allies in the positions of real prominence.

In terms of internal Houthi dynamics, moderate Houthis tend to benefit in this scenario. But this agreement is not without its risks, especially for Houthis co-opted into the government. Even with the blessing of Abdul Malik, these moderate Houthis would face challenges by others in movement opposed to reconciliation or compromise. Limited power-sharing, especially if it depends on Houthi disarmament or demobilization, would enrage and weaken the hard-liners, many of whom are central to warfighting. While local sources report some tensions between the movement's moderates and

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<sup>31</sup> The Saudi-led coalition enjoys air dominance; Iranian shipments by sea often get intercepted; and land routes via Oman are risky, difficult, and time-consuming; see Chapter Four.

hard-liners,<sup>32</sup> the Houthis remain an opaque organization with strong media discipline. As such, it is extremely difficult to identify the fault lines and potential fissures within the movement, let alone distinct wings. In Chapter Six we explore these vulnerabilities in greater depth, but for now it is sufficient to note that under this scenario the moderates would pursue political concessions while the hard-liners would seek additional Iranian support, both to strengthen their internal positions and to prepare for a second campaign against the Hadi government. Even in a weakened position, these hard-liner Houthi elements would represent an attractive proxy for Iran, and the Iranian regime would likely be interested in prolonging their relationship in exchange for continued operations against Saudi Arabia.

However, even with the persistent structural conditions that have historically favored Iran's development of proxy groups, such as a weak state bureaucracy and limited military reach, Iran would likely find it increasingly difficult to support these hard-liner Houthi elements against the new transitional Yemeni government. While the Yemeni government is still limited in its reach, the inclusion of moderate Houthi elements would increase its military reach into Sa'ada. At the same time, co-opted Houthis—now interested in preserving their new political positions and their associated benefits (e.g., patronage, rent extraction)—would have incentive to help police hard-liners back in Sa'ada. Such conditions would constrain Iran's movements and operations, not only in Sa'ada but in all of Yemen. Ultimately, Iran's costs to support the Houthis would increase, and its expected benefits would decrease. By co-opting parts of the Houthi movement, the Hadi government could undermine the organization, degrading its potential value to Iran.

## Chapter Summary

Our scenarios capture four distinct trajectories that the relationship between the Houthis and Iran may take in the near future. Drawing on a few assumptions and two key drivers, we have described how this relationship may remain fairly transactional (Scenario 1), evolve into a deeper partnership (Scenario 2), return to its low-level, prewar conditions (Scenario 3), or largely break down as the Houthi movement fractures (Scenario 4). Across these scenarios, the Houthi-Iran relationship varies widely, both in terms of depth and durability. While it is impossible to predict which of these scenarios will occur, there are distinct observable implications that could signal critical changes in the relationship. Building on this scenario analysis, Chapter Six discusses some potential indicators and warnings that may help policymakers respond to these changes.

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<sup>32</sup> Joost Hiltermann and April Longley Alley, "The Houthis Are Not Hezbollah," *Foreign Policy*, February 27, 2017.

## Indicators of Political and Military Change

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Having described the future scenarios, we now discuss potential indicators that may signal important changes in the Houthi-Iran relationship. As was discussed in Chapter Five, our scenario analysis depends on two key drivers, which largely define the military and political conditions that shape the conflict. In broad terms, the military driver captures the degree to which the Houthis gain or lose territory; the political driver represents how much the Houthis are included as a legitimate political party in the postconflict power structure. Despite the death of Ali Abdullah Saleh and the small opening it initially offered in December 2017, the conflict has largely returned to its previous equilibrium, with little progress evident on the military or political front.

Given these dynamics, it is critical that policymakers watch for indicators of changing military and political conditions on the ground. These changes will directly inform the Houthis' response and their relationship with Iran. We now discuss several potential indicators, beginning with events that may augur territorial change. We then discuss the uncertain political future of Yemen, where Houthi governance and leadership will play a decisive role in shaping the postconflict political order.

### Fluid Military Conditions

As Saleh's defection showed, events on the ground can suddenly upend conventional wisdom, changing expectations and redefining relationships. At the same time, the Houthis' quick military recovery after this death showed their resiliency on the military front. Even after losing several Saleh-aligned units, the Houthis have largely maintained their front lines, and the war remains a stalemate. This stalemate cannot last indefinitely. In the immediate term, there are two factors that are likely to influence the key drivers we identified in Chapter Five and push the status quo toward one of the alternative futures described in our four scenarios. The first is how effectively the GPC regroupes and reconstitutes itself with an independent agenda, and the second is the extent of coalition infighting. Possible specific indicators for each are presented in Tables 6.1 and 6.2, respectively.

### Can the General People's Congress Strike Back?

Two of the four scenarios (described in the right-hand column of Table 5.1) begin with Houthi territorial losses. Such losses are more likely if Saleh's political network can be reconstituted by ROYG, and its military forces rebuilt by the coalition. After Saleh's failed gambit, the GPC exists in name only. In January 2018 the GPC Standing Committee, which serves as the chief political body within the party, met for the first time since Saleh's death. The meeting was convened by the Houthis, whose armed troops stood guard, playing more the role of jailer than partner.<sup>1</sup> During the meeting, the Standing Committee elected Sadiq Amin Abu Ras to be the new chairman of the GPC and, unsurprisingly, voted to continue its partnership with the Houthis.<sup>2</sup> In its present condition, it is hard to imagine that this broken political and military organization could represent a challenge to the Houthis anytime soon. And while ROYG hopes its anti-Houthi rhetoric can help inspire a popular uprising in Sana'a, the GPC is in no position to lead any local resistance movement. If the GPC has any chance of survival, let alone a resurgence, it will not be found in Sana'a.

While the UAE has been trying to rebuild the GPC forces, it remains unclear who will claim Saleh's leadership position.<sup>3</sup> Among the GPC's old guard, many of the remaining hopes tend to rest with Saleh's oldest son, Ahmed Ali, who has resided in Abu Dhabi throughout the conflict.<sup>4</sup> According to some reports, Saleh's failed exit strategy was engineered in part to elevate Ahmed Ali, who would take up the mantle as leader of the GPC and, potentially, reclaim the presidency after the war.<sup>5</sup> Despite his bold claims to avenge his father,<sup>6</sup> Ahmed Ali has done little to prove that he can reorganize or marshal the scattered GPC forces.

If not Ahmed Ali Saleh, then ROYG's field marshal and vice president, Ali Mohsen al-Ahmar, may be the leader to unite the GPC. Ali Mohsen's ties to the GPC go all the way back to its founding, making him an attractive alternative to Ahmed Ali. A longtime ally to Saleh, Ali Mohsen is not only the architect of Yemen's modern intelligence services but also enjoys strong ties with Riyadh and with Sunni Islamists in

<sup>1</sup> "شاهد بالصور اجتماع قادة المؤتمر بأحد فنادق صنعاء بحضور قيادات ومشرفين من مليشيات الحوثي" ["See the images: GPC leaders meet at a Sana'a hotel in the presence of Houthi militia leaders and supervisors"], *Al Mashhad Al Yemeni*, January 7, 2018.

<sup>2</sup> "عاجل : المؤتمر من صنعاء يعلن استمرار شراكته مع الحوثي ويعين صادق امين ابو راس رئيس للمؤتمر" ["Breaking: The GPC from Sana'a announce continued partnership with the Houthis and announce Sadeq Ameen Abu Ras as GPC Chairman"], *Al Hadath Yemen*, January 8, 2018.

<sup>3</sup> Middle East Eye Correspondent, "How the UAE Put Aden Under the Control of the Militias," *Middle East Eye*, February 1, 2017a.

<sup>4</sup> Ali Mahmood, "Houthi Rebels Execute Two of Saleh's Top Commanders," *The National*, December 6, 2017.

<sup>5</sup> Robert F. Worth, "Even out of Office, a Wielder of Great Power in Yemen," *New York Times*, January 31, 2014.

<sup>6</sup> Shuaib Almosawa and Alan Cowell, "Son of Slain Yemen Leader Is Said to Vow Revenge," *New York Times*, December 5, 2017.



the country.<sup>7</sup> However unpalatable he may be to American and European policymakers, Ali Mohsen represents one of the few remaining viable options on the ground, and perhaps the figure with the best chances of leading the advance on Sana'a.

Ali Mohsen enjoys support not only from the units under his control in the Yemeni National Army but also from the tribes of the north.<sup>8</sup> These tribes will be critical if Ali Mohsen's forces hope to liberate Sana'a. The major tribes around Ma'rib and Sana'a proved decisive in Saleh's defeat at the hands of the Houthis. When the December 2017 clashes first began, a key question emerged: Would the powerful tribes in the area join Saleh, who had long cultivated these tribal relationships through patronage and personal ties, or stick with the Houthis, who had by then proven to be the strongest, most resilient military force in Yemen?<sup>9</sup> Ultimately, the tribes decided to stay neutral, delivering a critical blow to Saleh's chances of defeating the Houthis.<sup>10</sup> With the element of surprise, these combined tribal forces may have successfully helped Saleh drive out the Houthis from Sana'a. But that window has since closed, and the Houthis are now better positioned to repel such an attack. After defeating the GPC forces in Sana'a and consolidating their hold, the Houthis have reportedly moved large weapons stock closer to the city, helping prepare for any future offensive to retake the capital.<sup>11</sup> According to one Yemen expert, the Houthis will now "launch reprisals" against any tribal leaders viewed as GPC sympathizers in the governorates surrounding Sana'a, which could reshape the "alignment of tribal armed forces."<sup>12</sup>

Table 6.1 summarizes the various indicators that could signal major changes in the role and strength of the GPC.

### Coalition Support or Schism?

No matter how these dynamics play out, the GPC forces are unlikely to tip the balance decisively one way or the other. The Houthi position will remain largely unchanged so long as the coalition forces—most notably, the Emiratis and Saudis—do not escalate the war. After all, the Houthis had all but won in April 2015 when they entered the southern city of Aden, and they may have held the city were it not for the Saudi-led intervention. The Emirati and Saudi forces have been crucial to the war effort, and

<sup>7</sup> Peter Salisbury, "Yemen's Ali Mohsen al-Ahmar: Last Sanhan Standing," Arab Gulf States Institute in Washington, December 15, 2017b.

<sup>8</sup> Maher Farrukh and Katherine Zimmerman, "President Saleh Is Dead. What's Next for Yemen?" *Critical Threats*, December 4, 2017.

<sup>9</sup> Sami Hamdi, "Why Riyadh Will Toe Line with UAE in Yemen," *Middle East Eye*, February 2, 2018.

<sup>10</sup> Gamel Gasim, "Ali Abdullah Saleh's Assassination and Yemen's Tribes," *Al Jazeera*, January 12, 2018.

<sup>11</sup> "الحوثيون يسحبون عتاد عسكري باتجاه صنعاء خوفاً من تقدم الجيش الوطني" ["Houthis redeploy military equipment to Sana'a in fear of the national army's advance"], *Yemen Press*, January 7, 2018.

<sup>12</sup> Hannah Porter, "Analysis: Yemen's King of Snakes Is Dead, and Only the Snakes Remain," *Middle East Eye*, December 5, 2017.



**Table 6.1**  
**Possible Indicators Related to the General People's Congress**

**Possible Indicators of a GPC Revival**

High-profile GPC figures take frequent meetings or travel to Abu Dhabi or Riyadh

A charismatic leader of the GPC emerges

Northern Yemeni tribes declare allegiance to a new GPC leader

The GPC formally moves to break their partnership with the Houthis

**Possible Indicators of a Further Weakening of the GPC**

The Sana'a-based GPC is further co-opted by the Houthis

The Islamist party al-Islah and southern secessionists fill the political vacuum and replace the GPC

their future choices will play a major role in deciding how much and how quickly the Houthis lose territory. The most important of these choices concerns the campaign to reclaim the port city Al-Hudaydah from the Houthis, which is crucial to Houthi resupply lines. Were Al-Hudaydah to fall, we should expect the Houthis to suffer further territorial losses as the coalition forces advance toward Sana'a from both the west and the east.

For a sustained military campaign, ROYG will need significant support from its coalition partners, who would likely suffer heavy casualties and other costs. Were the Emiratis and Saudis so willing to absorb such losses, the Al-Hudaydah offensive would probably have begun early in 2017, when the rumors first began to spread that the Red Sea campaign was imminent. The offensive finally began in June 2018, with the Emiratis taking the lead.<sup>13</sup> Despite some initial success taking various strategic locations around the city,<sup>14</sup> the offensive stalled as coalition forces approached the city center, where urban warfare would likely inflict much higher casualties on the Emiratis and their partners.<sup>15</sup> With major operations now suspended, low-level conflict persists as the UN and other international actors try to broker a diplomatic solution.

Unless the UN can find some kind of diplomatic agreement, renewed and more intense fighting around Al-Hudaydah will be unavoidable. Presently, the Saudis do not appear willing to commit the resources necessary to support such a campaign. Instead they continue to focus their efforts on defending against border raids and intercepting Houthi missiles launched into Saudi territory. Offensive Saudi assets are mostly deployed in the air campaign, which may help contain Houthi troop movements but has had diminishing returns when it comes to retaking territory.

<sup>13</sup> Dion Nissenbaum and Margherita Stancati, "Yemeni Forces, Backed by Saudi-Led Coalition, Launch Assault on Country's Main Port," *Wall Street Journal*, June 13, 2018.

<sup>14</sup> Asa Fitch, "Saudi Coalition Beats Back Houthi Rebels From Hodeidah Airport," *Wall Street Journal*, June 20, 2018.

<sup>15</sup> Margaret Coker, "In Yemen, a Pause in Fighting Raises Hopes for Peace Talks," *New York Times*, July 1, 2018.

As for the Emiratis, their forces remain largely focused on the south, where special operators work with local ground forces to not only combat the Houthis but also pursue counterterrorism operations against AQAP and other Islamists. According to U.S. military trainers in Abu Dhabi, the Emirati forces are overstretched in Yemen, which has revealed core challenges to their long-term sustainment.<sup>16</sup> Without additional support from Sudan, whose Janjaweed soldiers have deployed under the UAE banner,<sup>17</sup> the exhausted Emirati forces would be hard-pressed to mount a sustained campaign of urban warfare to retake Al-Hudaydah, especially given the humanitarian cost and international outrage.

While neither Saudi Arabia nor the UAE appear ready to dramatically escalate the fight, this position could suddenly change if the Houthis strike populations in Abu Dhabi or Riyadh with a missile. The former seems especially unlikely. Although the Houthis have threatened to attack the UAE, there are no credible reports that they have ever launched a missile at Abu Dhabi. And given the UAE's continued focus on counterterrorism in the south, the Houthis have little interest in drawing the UAE further into the conflict. A successful attack on Riyadh, however, is far more likely. Since 2015, as the Houthis developed greater missile capabilities, they have regularly tested their reach, firing on Saudi Arabia's southern provinces until finally demonstrating their ability to reach Riyadh in 2017. While they have not yet landed a missile in Riyadh, it is a credible threat and a potential game changer for the conflict. The Saudi crown prince and minister of defense, Mohammed bin Salman, would have to retaliate to such aggression, ushering in a new stage of the conflict that would be characterized by greater violence and the inevitable loss of Houthi territory.

Alternatively, the Houthis might continue to hold or perhaps even gain territory in the short to medium term. Recent events in Aden have made these gains much more likely, which few observers would have predicted given the course of the war. In an interview a day after Saleh's death, the director of the Yemen Peace Project, Will Picard, predicted that the coalition would likely "intensify its air campaign," leading to more civilian casualties.<sup>18</sup> Picard expected the violence to dramatically escalate in Yemen, which could only mean more pressure on the Houthis. This prediction, at least initially, seemed correct, as the coalition scored several key victories along the Red Sea coast and in the southern governorates. And according to some Saudi-aligned media reports, the coalition's new bombing campaign had made it more difficult for Iranian and Hizballah advisers to move about the country or provide support at the front.<sup>19</sup>

<sup>16</sup> Authors' interviews with U.S. military personnel, October 2017.

<sup>17</sup> "دولة 'الجنجويد' تتمدد من السودان... إلى اليمن" ["The 'Janjuweed' state extends from Sudan . . . to Yemen"], *New Arab*, March 10, 2017.

<sup>18</sup> Porter, 2017.

<sup>19</sup> "صحيفة سعودية تكشف عن توجيهات إيرانية لخبرائها باليمن للقيام بهذا الأمر" ["Saudi newspaper reveals Iranian instructions to their experts in Yemen"], *Al Mashhad Al Yemeni*, December 28, 2017.

But since those initial victories, there has been relatively little change in the battle lines. And renewed infighting within the coalition has opened up a rare opportunity for the Houthis. The coalition forces comprise a mix of formal Emirati, Saudi, and Yemeni military units, along with a variety of militias attached to Islamist and resistance groups. Since 2015, these groups have maintained a fragile working relationship, but tensions have been simmering since February 2017, when Hadi's presidential guard forces clashed with Emirati-backed militias in Aden.<sup>20</sup> The battle included heavy arms and left bad blood on both sides, with Hadi skeptical of the UAE's interests in Yemen. With Riyadh's intervention, and their common Houthi enemy, both sides were able to paper over their divisions and reach an uneasy détente.

Less than a year later, however, these tensions were reignited in Aden, when UAE-backed militias supporting the Southern Transitional Council, a secessionist movement, used tanks and heavy artillery to take control of the city from ROYG.<sup>21</sup> The UAE developed the militia forces, who have come to control more areas and bases than ROYG in the city. Before wresting control of Aden, the Southern Transitional Council issued an ultimatum, demanding that the corrupt government resign within a week. The ultimatum was "similar in tone and terms" to the one the Houthis gave Hadi before seizing Sana'a in 2014.<sup>22</sup> And just as the Houthis followed through on their threat, the secessionist militias seized complete control by quickly cutting off roads leading to the city and calling on UAE air support to attack entrenched ROYG positions.<sup>23</sup> While the secessionists' leaders have promised to work with their coalition allies to defeat the Houthis, they remain committed to carving out a new southern state.<sup>24</sup>

Now the coalition appears to be on the brink of collapse. While both Riyadh and Abu Dhabi have pledged support for Hadi's beleaguered government, few outsiders believe that this support is particularly strong. According to some reports, the Emiratis and Saudis have both given up on Hadi, but they also need him to serve as the figurehead of the legitimate Yemeni government.<sup>25</sup> The Emirati and Saudi intervention is already unpopular enough; it cannot afford to lose the patina of legitimacy that comes with operating in concert with and at the invitation of the displaced president.

Notwithstanding the coalition's claims that these divisions can be repaired, this infighting represents a rare opportunity for the Houthis, who have been on the losing

<sup>20</sup> "Boiling Tensions: Yemen's Pro-Coalition Forces Fight for Aden Airport," *New Arab*, February 13, 2017.

<sup>21</sup> Sudarsan Raghavan, "In Yemen, Southern Separatists Seize Strategic Port City, Further Splintering Country," *Washington Post*, January 30, 2018.

<sup>22</sup> Middle East Eye Correspondent, 2017a.

<sup>23</sup> Middle East Eye Correspondent, 2017a.

<sup>24</sup> Raghavan, 2018.

<sup>25</sup> Middle East Eye Correspondent, "Analysis: Saudi Arabia Plays Puppet Master as Yemen Slowly Breaks Apart," *Middle East Eye*, February 2, 2018.

**Table 6.2**  
**Possible Indicators Related to Coalition Cohesion**

Possible Indicators of Renewed Coalition Commitment
Saudi Arabia moves to conduct ground operations
Houthis strike against Riyadh or the UAE
Coalition mounts a sustained campaign to retake Al-Hudaydah
Possible Indicators of Further Coalition Schism
Criticism of the war from domestic publics or leading political figures increases
There are public signals that Riyadh and Abu Dhabi are distancing themselves from Hadi

end of this war since the Saudi intervention began in 2015. While the Houthis have lasted far longer than anyone expected, the trend has been clear: most of the Houthi gains came in late 2014 and early 2015, before the Saudi-led intervention turned the tide of the war and began the slow campaign to retake territory. Coalition infighting not only distracts from the war against the Houthis but also threatens to open up another front entirely. The UAE-trained militias have become the most effective fighting force in the south, bringing their secessionist dream closer to reality than ever before. If they wait until after the war, their window of opportunity may have closed indefinitely. The Houthis have a chance to exploit this division to push the offensive or simply consolidate their hold over Sana'a. Which path they take will offer a glimpse into the Houthi movement's long-term goals and play a critical role in shaping the future trajectory of the Houthi-Iran relationship.

Table 6.2 summarizes the various indicators that could signal significant change in the coalition's political and operational cohesion.

## Political Uncertainty

The Houthi movement stands at a crossroads. Will it become a militia, a movement, a party, or a state? Across the region, Iran's proxies have taken each of these paths at some point in their development. Hizballah remains the gold standard, having evolved from a Shia militia into Lebanon's most powerful political actor. The Iraqi PMF has reached a critical juncture in its development. With the PMF now having largely extirpated ISIL in Iraq, some of its leaders have announced their intent to run in parliamentary elections. Their electoral and future legislative success may very well determine their future, and whether they can translate military victory into a sustainable position in Iraqi politics. The Houthis' choices over the next year could decide which course they will ultimately follow, having manifold implications for their relationship with Iran.

### Houthi Governance Strategies

Governance lies at the heart of this choice. Since defeating their longtime enemy-cum-partner, the Houthis have consolidated their hold over Sana'a and large parts of northern Yemen. They have historically been excluded from power, but now represent the state authority for millions of Yemenis. Their governing strategy will not only affect their survival but also signal what kind of partner the Houthis would be if included in a postconflict power-sharing agreement.

Notwithstanding this potential opportunity, Houthi governance looks much like it did before Saleh's death. Houthi rule in Sana'a is predicated on fear. Everyday forms of coercion can be seen on the streets, where checkpoints have increased around the city as Houthis routinely stop and search residents, hoping to find any evidence of GPC sympathies.<sup>26</sup> Such heavy-handed tactics can also be seen in the treatment of GPC leaders and party members. Although the Houthis recently released many of the Saleh supporters arrested in the December 2017 crackdown,<sup>27</sup> they have not forgotten Saleh's (and by extension the GPC's) betrayal. After ROYG announced a new parliamentary session would begin in Aden in February 2018, the Houthis reportedly threatened retaliation against the families of any members of parliament who made the trip south.<sup>28</sup> Not surprisingly, GPC party members in Sana'a hold a dim view of Houthi governance. According to a recent report, a GPC official criticized the Houthis as having "no political agenda. . . . How can they be trusted? They do not believe in partnership."<sup>29</sup>

Such criticisms are hardly new. In August 2017, several months before the dramatic end to the GPC-Houthi alliance, Saleh gave a speech in which he referred to the Houthis as a *militia*—a term that many Houthis find offensive—and then proceeded to criticize their poor governance and state mismanagement.<sup>30</sup> Even after besting Saleh, whose reputation for political gamesmanship was unparalleled in Yemen, critics described the Houthis as "an unsophisticated movement" whose inexperience would "catch up with them."<sup>31</sup> But so far the Houthis have proven to be remarkably resilient. And beneath this surface of coercive rule, we have also seen evidence of learning and growth within the organization, suggesting an unrealized potential for the movement.

<sup>26</sup> Ali Al-Mujahed and Sudarsan Raghavan, "A Climate of Fear and Silence Emerge in Yemen After Killing of Former Dictator," *Washington Post*, January 3, 2018a.

<sup>27</sup> "الحوثيون يفرجون عن 206 مدنياً من أنصار 'صالح' المخطوفين على ذمة أحداث صنعاء" ["Houthis release 206 Saleh supporters detained in the wake of events in Sana'a"], *Al Masdar Online*, January 22, 2018.

<sup>28</sup> "المليشيات الحوثية تهدد أعضاء مجلس النواب بتصفية عائلاتهم إذا سافروا إلى عدن" ["Houthi militias threaten to liquidate the families of members of parliament if they travel Aden"], *Yemen Press*, January 22, 2018.

<sup>29</sup> Al-Mujahed and Raghavan, 2018a.

<sup>30</sup> Middle East Eye Correspondent, "'Saleh the Traitor': Houthi-GPC Schism Spills onto Streets of Yemen Capital," *Middle East Eye*, August 23, 2017b.

<sup>31</sup> Hubbard and Youssef, 2017.

Since 2015, the Houthis have displayed growth among various capabilities, including their increasing sophistication in media and propaganda. While it remains to be seen whether they can effectively govern in the long term without Saleh, their propaganda machine remains operational. The Houthi-owned television network Almasirah has become an especially useful tool, shaping the organization's narrative of the war and reporting on conditions throughout the country. Since Saleh's death, the Houthis have further consolidated their control over other media sources. In January 2018 the Houthi prime minister Abdel-Aziz bin Habtour visited the Ministry of Information, celebrating its successes and stressing how the "resistance media should be focused on bolstering the domestic front and directed against the [Emirati and Saudi] aggression."<sup>32</sup> Such rhetoric is intended as much for external audiences as it is Houthi supporters, representing a maturing political savvy.

But the Houthis' growth is not only limited to messaging and propaganda. Since Saleh's death, they have consolidated their hold over various key ministries;<sup>33</sup> they had been preparing for this takeover long before their alliance with Saleh collapsed. While nominally ceding many of the administrative duties to their GPC allies, the Houthis had placed loyal supporters in key administrative positions, shadowing their GPC counterparts as they prepared for the day when the alliance would no longer serve their strategic interests. In the lead-up to the December 2017 clashes, reports indicated the Houthis had begun replacing Saleh's people in Sana'a ministries.<sup>34</sup> These moves suggest that the Houthis were becoming more self-sufficient—having learned the basics of Yemeni governance and supplanted Saleh's networks

Make no mistake, however: Sana'a remains a police state, and the Houthis' first and most favored instrument of control is coercion. While this strategy may ensure internal stability and broad compliance from the population, it does little to win over Yemenis critical of the Houthis and their heavy-handed rule. Nor does coercion make the Houthis appear to be any more ready for power sharing. But if the organization can continue to grow and show some aptitude for governance, it may be able to shed its reputation as little more than fighters from the northern highlands. And whether Hadi likes it or not, the longer the Houthis persist and prove minimally competent, the harder it will be to not include them in some postwar power-sharing agreement.

### Potential Houthi Splits

The future of the Houthi movement, and its relationship with Iran, may ultimately depend on which wing proves ascendant. Throughout this report we have treated the

<sup>32</sup> "رئيس الوزراء يزور وزارة الإعلام ويشيد بجهودها في مواجهة العدوان" ["The prime minister visits the Ministry of Information and praises its efforts in the face of aggression"], *Saba Net*, January 21, 2018.

<sup>33</sup> Al-Mujahed and Raghavan, 2018a.

<sup>34</sup> For example, the Houthis forcibly replaced a minister loyal to Saleh in early October 2017; "Houthis Storm Health Ministry in Sana'a," 2017; Farrukh, 2017.



Houthi movement as a strategic unitary actor with well-defined interests. Such simplification has been necessary, allowing us to analyze the movement's behavior through a strategic actor framework. But this approach also tends to treat actors or groups as monolithic, which can be limiting. While the Houthi movement may be an opaque organization, we can nonetheless identify distinct wings.

Abdul Malik al-Houthi represents the ultimate authority who, by all accounts, is the political, military, and inspirational leader of the movement. Yet, however powerful a figure he may be, Abdul Malik does not rule alone and depends on a variety of other family members, associates, and even former GPC elites to help manage the state and wage war. In broad strokes we can break the movement into three functional wings: administrative, political, and military. The administrative wing is principally responsible for everyday state management and governance. The political wing, by contrast, plays a more strategic role, shaping the Houthi media and diplomatic strategy. Finally, the military wing oversees the war effort and internal security.

These wings are not mutually exclusive and are visualized as overlapping circles in Figure 6.1.<sup>35</sup> The figure also includes most of the Houthi leadership, who have been sorted into the three wings. In the figure, boldfaced names indicate actors who have deep, enduring ties to the Houthi movement and can be expected to remain loyal to the end. Some of the other figures, by contrast, are former GPC operatives whose loyalty may be less than assured but nonetheless retain their position due to their experience and usefulness.

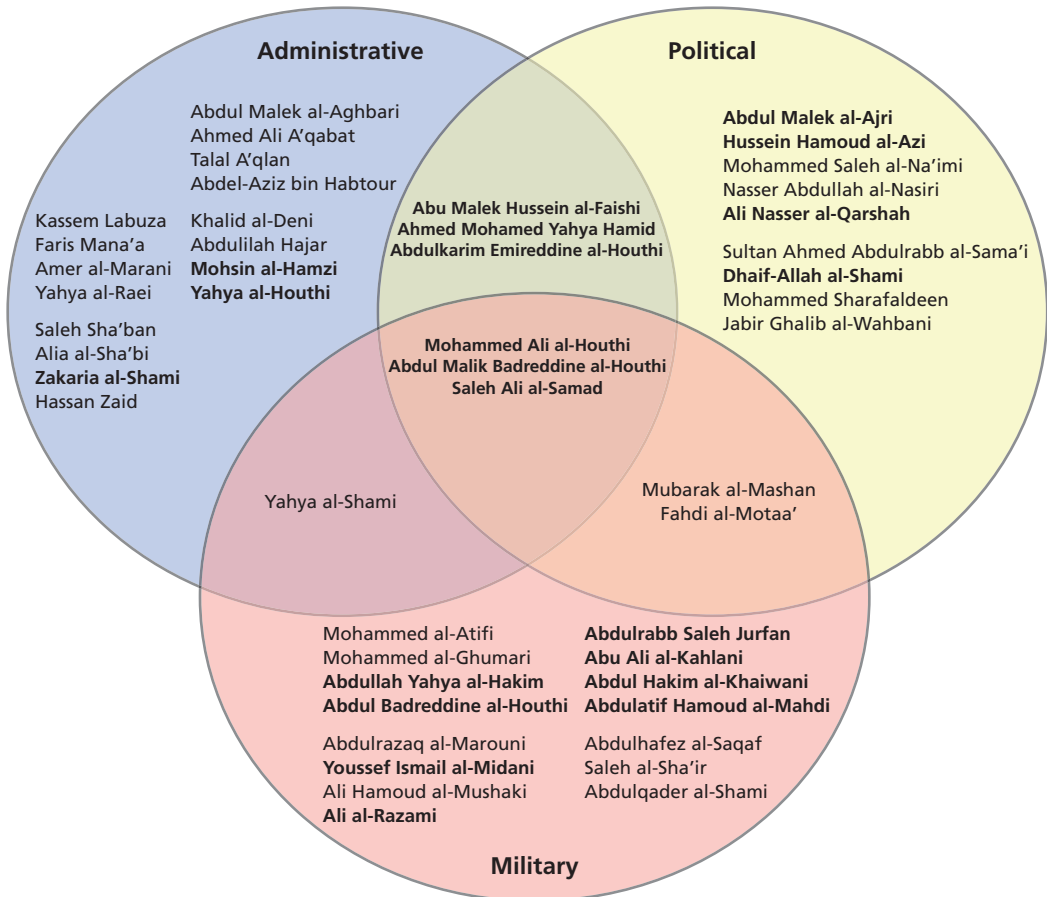
Note that the highlighted figures' strong ties indicate closeness to the Houthi movement rather than to Abdul Malik himself. In practice, there is a strong overlap: actors with deep ties to the Houthi movement also tend to be close to Abdul Malik. However, such a relationship is not always guaranteed, and it can be more complicated for some figures. Consider, for example, Youssef Ahsan Ismail al-Midani, who was a longtime follower of Badreddin al-Houthi but has repeatedly butted heads with Abdul

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<sup>35</sup> The list of actors largely derives from two general sources. First, we draw on press releases and other official reports that identify actors holding formal administrative positions (e.g., ministerial posts) within the Houthi-controlled NSG. Second, we include any Houthi name identified in the bounty list released by the Saudi Ministry of Interior. The Saudis released the bounty list in November 2017, identifying forty Houthi military commanders and other prominent figures. These bounties range widely and associate with a figure's general importance. Although the Houthis are a famously opaque organization, these two sources largely capture the major political, administrative, and military leaders of the movement as of June 2018. In addition to these sources, we also identified some figures through our regular, passive media searches. A team of Arabic-speaking researchers regularly monitored Houthi and ROYG news media sources, along with the social media accounts of prominent Yemeni influencers. In the course of this monitoring, if a Houthi actor appeared multiple times or seemed especially prominent, we included that actor on the list. Having identified the list of figures, we then conducted a deep dive on each actor, drawing on open-source media to develop a short profile. In addition to basic biographical information, we also focused on identifying each actor's ties to Ansar Allah. While many of these actors trace their association with the Houthis back to Sa'ada, others are more recent converts from the GPC. These ties help us identify those actors who may be expected to remain loyal to the Houthis until the end.



**Figure 6.1**  
**Wings of the Houthi Movement**



NOTE: Names are those of various GPC and Houthi leaders. Boldfaced names indicate actors with deeper, enduring ties to the Houthi movement.

Malik and allegedly attempted to assume leadership of the movement following unverified rumors that Abdul Malik had been killed in a Saudi air strike in 2009.

Although the leadership appears fairly distributed across the three wings, a cursory glance reveals an important trend: a disproportionate number of Houthi stalwarts (i.e., the boldfaced names) can be found in the political or military wings. These wings also tend to include many of the more hawkish figures within the Houthi movement. Actors in the military wing mostly comprise commanders who actively lead Houthi forces. In some cases, however, these political and military actors do not control ground units, but instead manage the Houthis' much feared internal security apparatus. Some of these actors are especially important, like Abdulrab Saleh Jurfan. Jurfan may not

directly control any units, but he is the head of the National Security Service and has purportedly trained with the IRGC, making him a critical bridge between Iran and Abdul Malik.<sup>36</sup>

Since Saleh's defection in December 2017 and the earlier collapse of the peace talks, the more hawkish wings of the Houthi movement have been ascendant. Despite their prominence, these actors are not always aligned, and divisions can quickly erupt within these camps. In some cases, simple conflicts or disagreements may escalate, pitting allies against each other. One such example can be seen in the reported clash between Abu Ali al-Kahlani, the head of Abdul Malik's security detail, and Mohammed Hamadin, the former director of criminal investigations in Al-Hudaydah. According to anti-Houthi media, al-Kahlani and Hamadin competed for control of the lucrative drug trade.<sup>37</sup> Al-Kahlani ultimately prevailed, having Hamadin arrested and sent to prison.

Such divisions can even be seen at the highest levels, presenting potential opportunities in the future. Abdullah Yahya al-Hakim, a prominent Houthi commander, has reportedly clashed with other senior Houthis, including Abdullah al-Razami and Yahia Badreddin al-Houthi. In 2016, al-Hakim was even alleged to be sowing internal Houthi discord at the behest of Ali Abdullah Saleh.<sup>38</sup> While al-Hakim clearly remains in good standing with Abdul Malik, having been crucial to the Houthi crackdown on the GPC in late 2017, such episodes of discord offer a rare glimpse at potential divisions among prominent hawks in military and political wings.

While there are no real "doves" within the Houthi movement, there are certainly some more moderate figures who have shown a greater willingness or openness to negotiation or reconciliation. These moderates tend to fall in the administrative wing. Unfortunately, there are relatively few actors in the administrative wing who have deep or long-standing ties to the Houthi movement, making their position relatively weak within the broader movement. Many of these actors have prior experience in government and ties to the GPC but have been crucial to maintaining the state apparatus. Over time, we should expect the Houthis will purge some of these actors as they develop their own indigenous technocratic base.

Although relatively weak compared to the other wings, there are several key figures with close ties to Abdul Malik who have shown some degree of moderation. Ali Nasser

تعرف على اكبر ناهبي الخزينة المالية عبدالرب صالح احمد جرفان المكنى بابو طه مسؤول جهاز المخابرات للحوثية" 36 ["Comprehensive Report: Learn about Abdul Rabih Saleh Ahmed Jarfan Al-Makeni Babu Taha, a Houthi intelligence official accused of kidnapping and killing dozens of anti-Houthi activists and opponents"], *Ad Dali News*, February 19, 2017.

37 "اعتقال مدير البحث الجنائي بالحديدة بعد خلافه مع قيادات حوثية حول تجارة مخدرات" ["The director of criminal investigations in Al-Hudaydah arrested after dispute with Houthi leaders about drug trade"], *Al Sahwa Yemen*, March 4, 2017.

38 "بسبب علي عبدالله صالح.. «يحيى بدرالدين الحوثي» يهدد أبو علي الحاكم بالسجن" ["Yahya Badreddine Al-Houthi threatens Abu Ali Al-Hakim with prison because of Ali Abdullah Saleh"], *Yemen Press*, June 22, 2016.

al-Qarshah has been closely tied to the Houthis for decades, having served as their representative in negotiations with Saleh (after the Sa'ada Wars) and the Saudis. His willingness to negotiate may indicate an openness to compromise. Saleh Ali al-Samad may be the president of the SPC, but he also represents a potential for compromise. Al-Samad is one of the most prominent leaders of Ansar Allah, having commanded troops in the Sa'ada Wars before becoming the most recognizable representative of Ansar Allah operating in Sana'a. He not only advised President Hadi before the Houthi coup but has also given interviews that strike a more conciliatory tone than most other high-profile Houthi leaders.<sup>39</sup>

## Chapter Summary

Over time, the Houthi movement may mature into a more traditional state actor. Such growth would likely benefit more moderate leaders within the administrative wing, whose position and influence depends on their effective management of the government. But for the time being, the political and military wings remain ascendant, shaping the Houthis' extremist rhetoric and driving the war effort.

Which wings prove ascendant will also shape Iran's future calculus and its relationship with the Houthis. Iran's investment will not only depend on its potential proxy's capabilities, but also the kind of relationship that Tehran wants to cultivate. Does Iran want to invest in a long-term partner, like Hizballah, which may yield a high return on investment but also carries significant costs and potential risks? Alternatively, does Iran prefer a more transactional relationship, as it has with some PMF militias who offer short-term benefits at a relatively small cost? As we will discuss in Chapter Seven, this choice may very well depend on which of our four future scenarios prevails.

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<sup>39</sup> Rod Nordland and Shuaib Almosawa, "U.S. Embassy Shuts in Yemen, Even as Militant Leader Reaches Out," *New York Times*, February 10, 2015.



## Conclusion

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At the time of this writing in July 2018, the Saudi-led coalition had finally begun its long-promised campaign to retake Al-Hudaydah.<sup>1</sup> Led by Emirati forces, the coalition initially saw battlefield success, advancing on the airport and other strategic locations.<sup>2</sup> But as these forces approached the city center, urban warfare “stalled the offensive” and the UAE temporarily suspended operations, allowing the UN to pursue a diplomatic solution and avoid a humanitarian catastrophe.<sup>3</sup> No such solution has yet been found. The battle has settled into a lower-level conflict, but it cannot persist indefinitely. Escalating violence may be unavoidable unless a diplomatic solution can be brokered. If the Al-Hudaydah campaign succeeds—either by force or diplomacy—it could disrupt the prevailing political and military equilibrium and ultimately determine which future scenario obtains.

We should be careful, however, in reading too much into these events on the ground. Since 2011, there have been many other moments that have seemingly upended conventional wisdom and left Yemen watchers predicting a swift, dramatic change. In the days immediately following Saleh’s death, ROYG forces began an offensive along the Red Sea coast that reached as far as Al-Khokha,<sup>4</sup> only 75 miles from Al-Hudaydah. Over the next week, coalition forces also celebrated strategic victories in the southern governorates of Al-Bayda and Shabwah. But since those initial victories, there has been relatively little change in the overall front lines of the conflict. The Houthis quickly recovered from those initial coalition advances, moving key commanders and additional forces to vital areas as conditions on the ground dictated.<sup>5</sup>

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<sup>1</sup> Nissenbaum and Stancati, 2018.

<sup>2</sup> Fitch, 2018.

<sup>3</sup> Coker, 2018.

<sup>4</sup> “Yemen’s Al Khokha City Liberated from Houthi Militias: UAE Forces,” *Gulf Today*, December 7, 2017.

<sup>5</sup> “البخيتي يصل الحديدة لتجنيد مقاتلين ويبدأ حملة تكفير لمناهضي الميليشيا” [“Al-Bukhaiti arrives in Al-Hudaydah to recruit fighters and begins campaign to make penance with the militia’s opponents”], *Al Mashhad Al Yemeni*, January 23, 2018.

While violent clashes and air strikes remain a daily part of Yemeni life, no side enjoys a decisive advantage on the battlefield. And with territorial lines largely fixed, neither the Houthis nor the coalition have much interest in negotiating a political settlement to the conflict. After Saleh's death, some Yemen watchers gloomily predicted that the Houthis would have even less of an incentive to negotiate.<sup>6</sup> According to this argument, the Houthis have no incentive to compromise until the coalition reclaims large swaths of territory or the Houthis lose control over some strategically valuable position.

Nor have coalition forces shown any appetite for restarting the peace process. With ROYG's newly stringent preconditions for negotiations,<sup>7</sup> and secessionist infighting between coalition allies in the south,<sup>8</sup> there is no obvious negotiating partner for the Houthis were they even inclined to come to the table. Until peace talks can make progress on the postconflict political order, both sides will remain entrenched, each claiming to represent the legitimate Yemeni state authority.

In this final chapter we conclude the report by returning to our central question: What is the future of the Houthi-Iran relationship? In answering this question, we recap several key findings from earlier in the report. We begin by briefly discussing how the Houthis' development tracks with Iran's other proxy investments. This historical comparison complements our scenario analysis, informing our final conclusions on the future of the Houthi-Iran relationship.

## The Houthis in Comparative Perspective

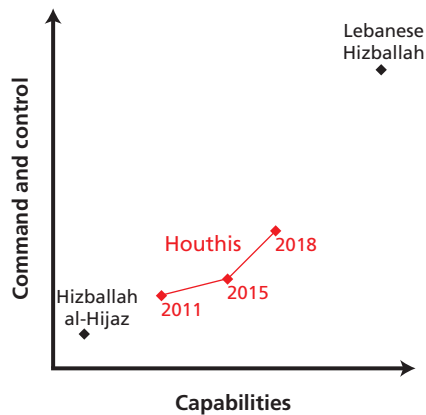
In Chapter Three we discussed Iran's history of proxy development across several illustrative cases in order to gain parallel insights into possible trajectories of the Houthi-Iran relationship. Like its relationship with the Houthis, Iran's relationship with the PMF remains to be determined. How the relationship evolves will likely depend as much on security conditions on the ground as partisan maneuvering among Iraqi political actors. The case studies from Lebanon and the Persian Gulf offer more concrete lessons for understanding the Houthi-Iran relationship. Notably, these cases also provide stark contrasts in the potential trajectory that this relationship may take. Figure 7.1 helps illustrates these distinct paths, providing a notional mapping of Houthi development relative to other notable Iranian proxies discussed in Chapter Three. One axis of Figure 7.1 focuses on the military and political *capabilities* of Iranian proxies; the other axis centers on the level of command and control that Iran can directly exert over each proxy group.

<sup>6</sup> Anthony H. Cordesman, "Saleh and the War in Yemen," Center for Strategic and International Studies, December 4, 2017c.

<sup>7</sup> "شروط للقبول بمفاوضات جديدة مع الحوثيين" ["Conditions for beginning new negotiations with the Houthis"], *Al Hadath Yemen*, January 6, 2018.

<sup>8</sup> Ali Al-Mujahed and Sudarsan Raghavan, "Yemen's War Is So Out of Control, Allies Are Turning on One Another," *Washington Post*, February 3, 2018b.

**Figure 7.1**  
**Houthi Proxy Development over Time**



NOTE: The y-axis represents Iran's apparent command and control over the group, while the x-axis captures that group's military and political capabilities. The point for Lebanese Hizballah represents the present today, while the point for Hizballah al-Hijaz represents the time around 1993. These locations, along with the Houthi growth curve, are notional and not intended to capture actual differences in magnitude.

At one end of the spectrum is Lebanese Hizballah. After decades of support and investment, Hizballah represents the gold standard for Iranian proxies. As we previously discussed, Hizballah's military *capabilities* have grown substantially over time. Its forces are better equipped, trained, and experienced than many small states' armies. At one time, Hizballah was only a defensive force, resisting Israeli presence in the Levant, but it has long since developed expeditionary capabilities and has even taken on a train-and-advise role to support Iran's other proxies. But Hizballah's, and by extension Iran's, greatest success can be found off the battlefield. Hizballah has evolved far beyond its militant origins, and now represents the most powerful political actor in Lebanon. This development has taken decades, as Iran's support has helped Hizballah grow into a mature organization with sophisticated media and political capabilities.

While these capabilities have undoubtedly grown, there has been less overt, but still suggestive, evidence that Iran retains strong command and control over Hizballah. As a proxy develops its capabilities, the sponsor risks losing control. Capability growth creates opportunities for the proxy to conduct more ambitious and new types of operations, offering additional value to the sponsor. But these new capabilities can also be deployed in ways contrary to the sponsor's interest. In Chapter Two we described this risk—a form of moral hazard endemic to principal-agent relationships—and discussed how it can dramatically increase the cost of proxy support.



In the case of Hizballah, however, there is little open-source evidence that Iran has suffered such costs. Inferring changes to command and control is difficult but the observable indicators suggest that the relationship remains as strong as ever. Hizballah's rhetoric and public positions remain closely aligned to Iran, even if at times Hizballah has had to deviate from Iran's strict ideological principles for pragmatic domestic reasons. But more than words, Hizballah's actions reveal a strong commitment to Iranian regional strategy. Hizballah's participation in the Syrian Civil War, for example, has damaged its reputation in the Sunni Arab world.<sup>9</sup> According to some reports, Nasrallah initially resisted Iranian requests to send fighters to Syria, fearing that it would undermine Hizballah's domestic position and be "bad for the brand."<sup>10</sup> Despite these concerns, Hizballah's public support for the Assad regime has not wavered, and it is support that has proven critical to the regime's war effort. The high cost of such support reveals the continued influence, if not overt command and control, that Iran enjoys over Hizballah.

Other regional proxies, however, have yielded far less of a return on Iran's investment. Given their initial promise, Hizballah al-Hijaz represents one particularly disappointing failure for Iran. In the late 1980s Hizballah al-Hijaz launched a series of attacks targeting the police and oil and gas facilities in Saudi Arabia. But up against the Saudi state, with the latter's vaunted internal security apparatus, the organization gained little popular support and was largely broken by the early 1990s. Unlike Lebanese Hizballah, which not only grew its fighting power but also developed its political capabilities, other proxies like Hizballah al-Hijaz never reach this more mature stage of development. Instead its leaders may be co-opted and its cells broken before it can develop an enduring and sophisticated political organization.

Iran's success in developing Lebanese Hizballah is all the more impressive and unique given the command and control it continues to exert over its proxy. No such success can be seen in the case of Hizballah al-Hijaz. After 300 Iranians were killed at the 1987 hajj, Iran supported the formation of Hizballah al-Hijaz, which was founded by a group of expatriate Saudi Shia clerics who had moved to Iran after the revolution.<sup>11</sup> With direct access and influence over its leaders, Iran initially found the "more pliant, militant" Hizballah al-Hijaz to be more useful than some other potential proxy groups in Saudi Arabia.<sup>12</sup> And yet despite Iran's role in helping create Hizballah al-Hijaz, Tehran eventually lost control over the organization and its leaders. Over time, Hizballah al-Hijaz's leaders realized that their cause had failed to build broad support among Saudi Shia, in part because of the group's relationship with Iran.<sup>13</sup> By the

<sup>9</sup> Daoud, 2014. See also Morris and Haidamous, 2013.

<sup>10</sup> Entous and Gorman, 2013.

<sup>11</sup> Matthiesen, 2010, p. 180.

<sup>12</sup> Matthiesen, 2010, pp. 182–183; Wehrey, 2013, p. 6.

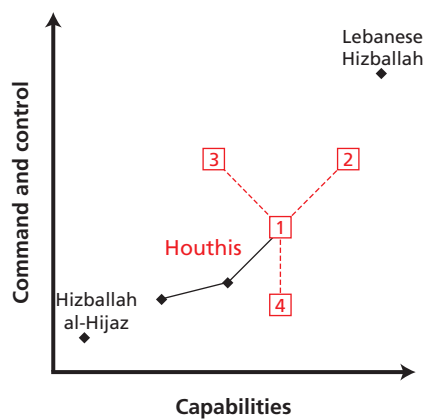
<sup>13</sup> Matthiesen, 2010, p. 197.

early 1990s, the Saudi state had effectively broken Hizballah al-Hijaz, whose leaders returned home to Saudi Arabia after pledging to engage strictly in “religious and social activities.”<sup>14</sup> In the end, Iran’s investment had done little to develop, let alone control, a capable and reliable proxy.

As is illustrated in Figure 7.1, the cases of Lebanese Hizballah and Hizballah al-Hijaz offer two vastly distinct possible futures for the Houthi-Iran relationship. In Chapter Four we traced the recent evolution of the Houthi-Iran relationship. Thanks in part to Iranian support, the Houthis have significantly increased their political and military capabilities since 2011. Perhaps less obviously, they also appear to have a closer relationship with Iran, whose influence, if not control, over the organization has grown during the course of the war. Iranian assistance remains crucial to the war effort, providing leverage over the Houthis today. From Iran’s perspective, the Houthis have already enjoyed far more success than any other potential proxy in the Persian Gulf. But their future is not set. And while they may yet still become Hizballah 2.0, they have a long way to go.

In Chapter Five we developed a series of scenarios to help capture four distinct trajectories that the Houthi-Iran relationship may take in the near future. Figure 7.2 illustrates these possible scenarios. We described how this relationship may remain fairly transactional (i.e., Scenario 1), particularly, in the short term so long as conditions do not dramatically change. But depending on political progress and/or territorial

**Figure 7.2**  
**Houthi Proxy Development Across Future Scenarios**



NOTE: The numbered boxes associate with the corresponding scenarios, as discussed at length in Chapter Five. Note that these locations are purely notional and intended to capture the rough direction of change, rather than magnitude. Furthermore, some scenarios (e.g., Scenario 4) are more complex and may have ambiguous implications for changes along the axes. The locations of the scenarios relative to each other is most important.

<sup>14</sup> Matthiesen, 2010, p. 189.

changes, Houthi demand for various types of support may grow and the relationship could evolve into a deeper partnership (i.e., Scenario 2). Alternatively, if the Houthi position weakens and conditions return to the status quo ante, the relationship may resemble the prewar dynamic (i.e., Scenario 3), but with Iran having gained leverage over the Houthis, whose diminished state makes Iranian support as important as ever. Finally, external pressure and internal divisions could result in the Houthi movement fracturing (i.e., Scenario 4), which is especially complicated and has myriad implications for its relationship with Iran.

## The Future of the Houthi-Iran Relationship

Having explored the Houthis in comparative perspective, we conclude this report with a brief discussion on two especially important scenarios: a transactional relationship versus a partnership. We discuss the conditions that make these scenarios more or less likely and consider Iran's interest in each of these types of relationships.

### A Transactional Relationship

As we discussed in Chapter Six, since Saleh's defection political hard-liners and hawkish military figures appear to be driving the Houthi movement. Houthi hard-liners have shown little desire to negotiate, having effectively broken the GPC, whose Sana'a-based members have either fled the area, been arrested, killed, or cowed into compliance. Internal security has been assured through coercion, while the focus turns to the war front. Although the Houthis are a proven and an able fighting force, unless they can transition into an effective governing party, they are unlikely to realize greater, more sustainable gains, let alone persuade most Yemenis to give them a chance.

Absent such change, Iran will likely maintain a largely transactional relationship with the Houthis, not unlike some of the militias under the PMF banner. While Iran maintains close ties with many PMF militias, others represent more of a marriage of convenience. Iraqi nationalists loyal to Ayatollah Ali Sistani, for example, do not subscribe to Khomeinism but have gladly accepted Iranian support in the past. For such groups the relationship has been transactional. But with ISIL defeated in Iraq, the loss of their shared adversary may lead their interests to diverge from the Iranian regime. Already we have seen such divergence, with Sistani calling for the PMF to be incorporated into the Iraqi state security force, while Iranian-aligned militias, like Asa'ib Ahl al-Haq and the Badr Organization, have resisted such a move.<sup>15</sup>

The Houthis could follow a similar path once the war ends. Historically, the Houthis have focused on Yemeni affairs, showing far less interest in broader regional

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<sup>15</sup> Amir Toumaj and Romany Shaker, "Top Iraqi-Shiite Cleric Endorses Incorporation of PMF into the State," *Long War Journal*, December 28, 2017.

competition between Iran and its enemies. If the Saudis can reach a durable *détente* with the Houthis—who could perhaps receive some form of regional autonomy in exchange for maintaining the peace—Iran would offer far less appeal. Without a common enemy the Houthis would be less willing to tolerate Iranian interference in their affairs, just as Tehran would lose much interest in a militia that is no longer waging war against its chief rival. Under such conditions, neither side would have a great demand for growing their relationship, which would likely recede to pre-2014 levels. This transactional relationship, however, is ultimately a flexible one. Were the fragile peace to collapse, the Houthis and Iran would have shared interests again, redefining their relationship once more.

### **A Partnership**

Alternatively, if the Houthis can establish themselves as a competent governing and political force in Yemen—which would be much more likely if the moderates in the administrative wing were to gain the advantage within the Houthi movement—then Iran might be poised to gain a formidable ally. As Tehran's cold war with Riyadh rages, the Houthis could prove to be a critical tool in Iran's regional strategy, helping shape Yemeni policy and pushing back against their northern neighbor. Like Lebanese Hizballah, the Houthis have the potential to become a decisive political and military force on the border of one of Iran's greatest rivals. While this outcome remains unlikely, its chances have grown dramatically since the start of the civil war.

And like the Houthis' humble beginnings, Hizballah has grown significantly since its initial days as a fledgling Iranian proxy. In the early 1980s Iran could not have imagined Hizballah becoming the social, political, and military force that it is today. As Hizballah evolved, growing beyond its militia foundations into a more sophisticated political operation, Iran helped it develop the Al-Manar television network and create a media relations office. These tools have helped Hizballah shape its message and extend its influence beyond the Shia of southern Lebanon. Hizballah has paid this support forward, having supported the growth of the Houthis' own channel, Al Masirah, which operates out of the Hizballah stronghold of Dahieh, Beirut.

Hizballah's transformation took years to achieve. A pivotal moment came in 2006 after Hizballah's war with Israel. Nasrallah seized Hizballah's unprecedented popularity to grow the group's support base while also consolidating influence within the Shia community. If the Houthis are to become a real partner, a major question is whether Abdul Malik can replicate Nasrallah's success and redefine the Houthis' role in Yemeni political life. On the one hand, the Houthis have already exceeded expectations, proving to be the most effective fighting force in Yemen. Even if they must surrender, they can claim a moral victory in defeat, just as Hizballah did in 2006, having shown resilience against a superior enemy.

On the other hand, Nasrallah could frame the 2006 war as one of Zionist aggression, tapping into decades of anti-Israeli sentiment to more broadly appeal to Sunni

outside of Hizballah's traditional base. It is not immediately clear whether Abdul Malik could do the same in Yemen, though the Houthis have certainly tried to push such a narrative. The Houthis have spent the last three years framing the war as driven by the Saudis, with the United States complicit for backing Riyadh. Almasirah and other Houthi-aligned media outlets have shown incredible discipline in their messaging. When reporting on the war, these media sources typically refer to "Saudi-American aggression."<sup>16</sup> This messaging campaign would be far less resonant were it not for the unpopular bombing campaign, which continues to exact a devastating toll on the civilian population in the north. However unpopular the Houthis may be in some occupied areas, the image of Saudi-flown, American-made jets has helped shape the narrative as one of foreign aggression rather than a local Yemeni dispute.

While Iran may hope for the Houthis to become the next Hizballah, this outcome still remains unlikely. And if any proxy has such a potential, it is likely found in Iraq, where some PMF leaders (e.g., Hadi al-Amiri and Qais al-Khazali) enjoy much stronger, enduring ties with Tehran and whose forces have already shown an expeditionary willingness, fighting alongside Hizballah in Syria. After all, notwithstanding IRGC major general Mohammad Ali Jafari's claims to the contrary,<sup>17</sup> the Houthis are not a product of the 1979 revolution. Their inspiration is more local in origin, and they have shown far less interest in supporting Iran's regional strategy than have other proxies.

### The View from Tehran

Beyond these local Yemeni dynamics, Iran's evolving investment in the Houthis may also offer a window into Tehran's strategic calculus and its future interests. Typically, when we talk about changes in Iranian support, we tend to focus on volume—more missiles, more advisers, more funding—but perhaps just as important is the change in the *type* of Iranian support. If Iran begins to shift its investment strategy, focusing more on diplomatic and political support, this change may reveal an effort to professionalize the Houthi movement and help normalize its position within the international community. Such support will be critical to transforming the Houthis into an enduring political partner. The Houthis cannot become a real force in Yemeni politics until it gains recognition as a legitimate political actor.

However, if the focus remains on supporting the war, we may surmise Iran's interests to be more fixated on the short term. Admittedly, such a focus would be justifiable; if the Houthis cannot hold their territory, they have little leverage in negotiating for a

<sup>16</sup> "مستجدات العدوان خلال الـ 24 ساعة الماضية" ["Updates on the aggression in the past 24 hours"], *Almasirah*, February 25, 2018.

<sup>17</sup> سپاه در محرومیتزادایی دنبال منافع اقتصادی نیست/ کودتا علیه انصارالله یمن در نطفه خفه شد/ سعودیها با دستور "امریکا دنبال تفرقه در جهان اسلام هستند" ["The Revolutionary Guards do not pursue economic interests through deprivation / Coup against Yemen's Ansar Allah is strangled / On U.S. orders, the Saudis seek to divide the Islamic world"], *Fars News Agency*, December 5, 2017.

place in the postwar political order. And if recent reports are to be believed, Iran's support for the war effort has recently increased. While the exact number of Iranian advisers in Yemen remains unclear, Saudi-aligned media have claimed a growing presence since Saleh's death. According to one recent report, Iranian agents captured in Yemen purportedly claimed that there were as many as 500 advisers—some Iranian, some Hizballah—in the country, with most of these advisers found in Houthi-controlled Sa'ada and near the front lines.<sup>18</sup> While these claims remain unverified, and likely exaggerate the relationship between the Houthis and Iran, they represent real fears in Riyadh, which views an Iranian proxy on its border as an existential threat.

At the beginning of the war, it seemed unlikely that the Houthis could ever become Hizballah 2.0; the prospects that Iran could develop them into a real proxy seemed small. But after nearly three years of war, this outcome appears far more likely than it once did. And policymakers would be wise to note the history of Hizballah when evaluating the possible future of the Houthi-Iran relationship; Hizballah, too, was once underestimated and has since grown from a proxy militia to become Iran's greatest partner.

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<sup>18</sup> "صحيفة سعودية تكشف عن توجيهات إيرانية لخبرائها باليمن للقيام بهذا الأمر" ["Saudi newspaper reveals Iranian instructions to their experts in Yemen"], 2017.





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In recent years Iran has dramatically increased its investment in the Houthi movement, raising speculation that the Houthis will evolve into another regional proxy that serves to protect and promote Iranian interests. Iran has frequently turned to sponsor-proxy relationships to expand its reach in the Middle East and antagonize its adversaries while minimizing the risk of inviting direct conflict. The Houthis represent an attractive opportunity on both of these counts—giving Iran reach into Yemen and the adjacent Red Sea and providing Iran a means to harass its rival, Saudi Arabia. This report documents the results of a project analyzing the prospect that Iran will further invest in the Houthis and develop them into an enduring proxy group in Yemen. The authors focus on the history of the Houthi movement, its current relations with Iran, and possibilities for the future. To inform this analysis and better capture Iran’s strategic calculus vis-à-vis the Houthis, the project also explores Iran’s history of proxy development in three distinct contexts: Lebanon, Iraq, and the Persian Gulf. Lessons from these cases have informed the analysis of the trajectory of the Houthi-Iran relationship, and the authors pose scenarios for the future. The project’s findings should be of interest to a wide-ranging audience in the foreign policy and defense community, and particularly those interested in proxy warfare and conflict dynamics in the Middle East. The analysis can help policymakers better understand Iranian motivations throughout the region, while offering clear signals and warnings of potential escalation in Yemen.



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