



# Doing Business In Yemen: A Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business In Yemen

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### Market Overview

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- The Government of Yemen is currently working with the private sector to develop a strategic plan to enhance the business environment. It aims to provide more incentives than those currently provided under Yemen's investment law, accelerate Yemen's accession to the WTO, execute free trade agreements with the European Union and the United States of America, and encourage privatization, particularly in the field of telecommunications.

The ROYG held its first general presidential election in September 1999, electing the General People's Congress (GPC) party candidate, Ali Abdullah Saleh (the incumbent), as president for a five-year term (extended to seven years through a February 2001 constitutional amendment). His election in September 2006, along with the parliamentary elections in April 2003, assured a solid parliamentary majority for the GPC and strengthened internal political stability. .

- According to the Central Statistical Organization's most recent report (2006), the population of Yemen is 20.7 million. More than 45% of the population lives below the poverty line with a 35% unemployment rate. The ROYG has sought to improve the economic situation of the people and increase development in different economic sectors. For this purpose, the government established the Poverty Reduction Strategy Paper (PRSP). The PRSP includes a number of strategic projects financed by foreign donors through the Social Fund for Development (SFD), Public Works Project (PWP), and the Social Welfare Support Fund (SWF).
- SFD seeks to reduce poverty, affecting 75% of the population, by improving living conditions and providing income generating opportunities for the poor. SFD was the first organization in Yemen to help introduce micro-finance projects. Since its establishment, SFD has used internationally recognized best practices in the field of micro-finance. SFD provides grants for set-up, training, and technical assistance to enable local organizations to provide sustainable micro-finance services. The PWP is a government-run agency which seeks to deliver and improve services to dense population groups in cities by building roads, hospitals, dams and schools. The SWF focuses on lending to small and micro enterprises with soft loans and long grace periods.
- Ensuring environmental sustainability for Yemen's future is crucial. Few countries face as difficult a challenge as Yemen in environmental sustainability, particularly water depletion. The depletion of groundwater has a direct impact on poverty, employment, and the social order. Given Yemen's heavy reliance on rainfall

capture and diversion of floods for irrigation, watershed protection is a major priority. Groundwater management is now incorporated into joint urban and rural planning efforts. In addition, the rural economy's dependence on agriculture has created the need for a new focus on soil conservation.

- Under President Saleh's leadership, Yemen has remained committed to the comprehensive economic reform program initiated in 1995 under the guidance of the International Monetary Fund (IMF) and the World Bank. The Yemeni government has floated and stabilized its currency, reduced inflation from 70% in 1994 to 19.8% in 2006, and eliminated government subsidies on basic commodities such as wheat and wheat flour. Also, in mid-2005, the Yemeni Government reduced subsidies for oil derivatives.
- Confidence in the Yemeni rial weakened in 2007 as many consumers rushed to dollarize their savings. This caused the rial to drop to 199.21 YR/1USD. During 2006, the Central Bank of Yemen (CBY) was able to supply the market with USD 818 million.
- The sharp rise in world oil prices has significantly increased Yemen's foreign exchange reserves. A CBY report stated that the oil revenues from January to August 2006 increased to USD 1,462 million compared to USD 1,131 million in 2005 and that foreign assets increased to USD 7,232 million against USD 5,713 in the previous year. Statistics are not yet available for 2007.
- The ROYG committed itself to implementing the projects and programs stated in the World Bank's Poverty Reduction Strategy Paper during fiscal years 2003-2005. The program provided 70% of the funding for development and infrastructure projects with financing for the remaining 30% from the international community. The ROYG, with the assistance of the World Bank and the International Monetary Fund, joined the consultative group meeting, which took place in mid-October 2002 in Paris, France. In 2001, Yemen resolved its debt issues with Kuwait and Saudi Arabia, thereby unblocking soft loans for infrastructure projects from these wealthy neighbors. In July 2002, Yemen rescheduled its debt owed to Japan and the United States, and in August 2002 rescheduled debt owed to Italy. Russia's accession to the Paris Club in September 1997 proved fortuitous for Yemen's total bilateral debt obligations. Eighty percent of its debt to Russia, (primarily former South Yemen's debt to the former Soviet Union for arms purchases), was forgiven outright. The remainder of the Russian debt, along with debt from other Paris Club members, was rescheduled. In June 2001, Yemen's stock of debt to Paris Club members was also rescheduled as donors provided an "exit treatment" to allow Yemen to reach a sustainable level of debt. Through a World Bank grant, most of Yemen's commercial debt has also been settled, leaving total external outstanding debt at USD 5.757 billion as of December 2005. Yemen's outstanding debt for 2007, after rescheduling, is approximately USD 5.842 billion, a level considered sustainable by international financial institutions.
- According to the Central Bank of Yemen (CBY) Annual Report for 2006, Yemen's total exports were valued at USD 5.25 billion for 2005 and USD 6.39 billion for 2006, while the country's total imports were valued at USD 4.70 billion for 2005

and USD 5.268 billion for 2006. Furthermore, Yemen's GDP was valued at USD 13.9 billion for 2005 with a growth rate of 4.06%, while 2006's GDP was valued at USD 20.4 billion with a growth rate of 7.04%.

- With the implementation of tax incentives for merchants, Yemen's trade environment is steadily improving but more government focus is needed on privatization and regulatory reform. An April 2004 Presidential directive decreed that land be granted to investors at no cost and that the investment projects enjoy profit tax exemption if the project capital is more than 10 million USD. A privatization program started in 1998 with sixteen enterprises in industry, tourism, and trade, came to a standstill in April 2001 when Parliament refused to approve a World Bank credit to fund a larger, long-term privatization program. However, a few years later, the government funded the privatization program. According to the technical Privatization Office, the government privatized two enterprises in 2005 and the Public Land Transportation Corporation government sector in 2007. Airport services, cements, and medications are at the top of the privatization list.
- A lack of adequate infrastructure, coupled with an uncertain security environment, continues to impede foreign investment; nevertheless, risk-tolerant investors can find attractive opportunities in Yemen. According to the CBY 2006 report, the United States is among the top five exporters to Yemen, with exports totaling USD 374.406 million in 2006. Furthermore, according to the joint World Bank and International Finance Corporation (IFC) report entitled "Doing Business 2007," Yemen ranked 98, better than last year's rank of 101. The report ranked 175 economies, including Yemen, according to criteria such as time and cost necessary to meet government requirements for business start-up operations.
- At the moment, there is almost no gas production in the country, but U.S., French and Korean oil companies, along with the Ministry of Oil and Mineral Resources, formed a liquefied natural gas (LNG) joint venture to process Yemen's 17 trillion cubic feet of proven natural gas reserves for export. Companies such as Canadian TransGlobe Energy and South Korean KoGAS guaranteed to buy the LNG. Yemen's USD 3.5 billion LNG project is scheduled to come on line by 2009. The project will involve construction of gas-gathering facilities, a pipeline to Balhaf at the Gulf of Aden, and an LNG plant. A second pipeline will carry gas for local consumption to Sana'a.
- The main ports of Yemen are Hodeidah, Aden, Mukalla, and Mocha. In addition, Ras Isa serves as a loading point for oil exports, and a small amount of cargo passes through Nashtoon Port. Hodeidah was built by the Soviets in the 1960s, and is the main point of entry for imports to the populous northern highlands. Mukalla serves as Hadramout's major point for imports of goods and exports of oil. An active trade in live animals with Ethiopia is conducted through Mocha. In the port of Aden, a container terminal owned and operated by the Port of Singapore Authority opened for business in March 1999. In October 2003, the government cancelled that contract. In late 2005, Dubai Port World (DPW) assumed management of the container terminal for the next 35 years. However, in June 2006, the Free Zone Authority issued a press statement stating that Yemen had terminated the contract with DPW because Dubai Port International (DPI) was not the same company as DPW as they had been led to believe.

Negotiations between the real DPW and the ROYG are underway.

- Facilities at Aden consist of the Maalla port and the Aden Container Terminal (ACT), which opened in March 1999. The latter has an annual handling capacity of 500,000 twenty-foot equivalent units (TEUs). Aden's location provides it with a natural physical advantage over other container ports in the region: it is just a few KM off the main shipping routes between Europe and Asia and it is one of the world's best natural deepwater harbors. The Port raised 5.3 billion Yemeni rials (USD 27.6 million) in customs revenue in the first half of 2005. Exports via the port totaled 55,942 tons of products, including fish, sweets, bananas, perfumes, and canned tuna, among others -- items that traditionally make up the largest share of Yemen's exports.
- The development of the Aden Free Zone also presents opportunities for manufacturing companies to process and ship products to the Gulf, the Indian subcontinent, and East Africa. Plentiful stocks of fish and shellfish provide opportunities for packing and export. Yemen's unique culture, history and geography offer attractive prospects for tourism development.
- Although the government appears willing to allow private investors to expand Yemen's woefully inadequate electricity generation capacity, the first attempt at a build-own-operate power plant was not successful. Likewise, three years of negotiations with U.S. Northwest Regional Power LLC to build a 400 MW power facility in Marib broke off in late 2002. The USD 45 million project was awarded to an Iranian company after the Iranian President's visit to Yemen in May of 2003.
- Another U.S. consulting company was invited to do a feasibility study for a power plant in the Marib governorate. Other projects are currently in the planning stages, but government revenues are insufficient to guarantee commercial power purchase contracts. In addition to the electricity sector, the World Bank and other donors are financing road, water and sewage treatment projects.
- In November 2006, the British Government hosted the London donors' conference, which was attended by donors such as the U.S., Japan, and members from the EU. The WB and the Yemeni Government chaired the meetings, which were sponsored by the Gulf Cooperation Council (GCC). The conference discussed Yemen's five-year plan and how to achieve economic growth that could qualify Yemen to join the GCC.
- The Embassy believes export potential exists for oil field equipment and services; irrigation and agricultural equipment; electricity generation, transmission and distribution equipment; hotel and restaurant equipment; medical equipment, supplies, and pharmaceuticals, and telecommunications equipment and services. The U.S. Commercial Office periodically posts unplanned market research, tender announcements on Yemeni projects, and commercial highlights for the benefit of U.S. businesspeople on the Department of Commerce Website (see chapter 10). Details on the tenders are available at: [www.export.gov](http://www.export.gov).
- The Ambassador and Deputy Chief of Mission (DCM) take U.S. trade promotion

seriously and are always willing to meet visiting representatives of U.S. businesses. Those interested in doing business in Yemen should contact the Embassy for the latest information available. Seven Political/Economic Officers, a Yemeni Commercial Assistant, and a Yemeni Agricultural Trade Specialist support the efforts of the Ambassador and the DCM. The Embassy's Agricultural Trade Officer resides in Riyadh, Saudi Arabia.

## Market Challenges

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### Major Trends and Outlook

- Real GDP expanded by 3.32% in 2006, compared with 4.56% in 2005. The medium-term challenges are formidable. With no significant findings in the oil sector, most analysts expect real GDP growth to stay at approximately 4.02% for the next few years.
- The ROYG announced reduced subsidies on oil derivatives. In October 2006, the CBY pumped USD 54 million to the market in order to stabilize and improve the deterioration of the currency. In 2007, the CBY pumped a total sum of USD 1.268 billion for the same purpose. As of January 1<sup>st</sup> 2008, the exchange rate was YR199.5 per US dollar.
- Yemen's budget situation remains precarious due to its high reliance (70%) on oil export revenues. In addition, according to the CBY, unfavorable weather, rising public expenditures and an increase in world commodity prices caused the Consumer Price Index (CPI) to increase by 16% in 2006, compared to 11.8 in 2005. In 2007, the Ministry of Social Affairs and Labor estimated that Yemen needed at least 210,000 new jobs annually to engage the rapidly growing labor force. It also estimates the rate of unemployment for 2006 at 17%. The World Bank Investment Climate Assessment Survey (MNSIF) and international organizations, however, estimate the rate of unemployment in Yemen at more than 35%.

### Balance of Payments:

- Yemen's overall balance of payments in 2006 realized a surplus of USD 1.25 billion, primarily as a result of rising world oil prices. Yemen's bilateral and multilateral debt picture continues to improve. Debt to Russia was reduced dramatically with Russia's accession to the Paris Club. Additionally, in 2000 the World Bank financed a commercial debt reduction program. In June 2001, the Paris Club members agreed to reschedule Yemen's stock of debt as Yemeni officials committed to continuing the country's economic reform program. As a result, Yemen's outstanding debt for 2007, after rescheduling, is approximately USD 5.842 billion, a level considered sustainable by international financial institutions.

- Infrastructure: Yemen's infrastructure is inadequate for a country of more than 20.7 million people. According to the Central Statistical Organization's recent report, the Yemeni population will double in 23 years. Yemen's maximum electricity capacity is 600 megawatts, but actual output is between 350 - 400 megawatts, and that reaches only 30 percent of the population. Water and sewage services are even less adequate.
- Most citizens of Taiz, Yemen's third largest city, receive public water only twice every 30 days. In Sanaa, raw sewage runs onto major thoroughfares in some parts of the city, but projects are underway to build sewage systems in the remaining districts. The World Bank and other donors are financing projects to improve water and sewage services. In addition, in Sanaa, a joint U.S.-Yemeni water drainage and flood control project was undertaken in 1996 and is estimated to be finished by the end of 2009.
- Seaport and airport operations are steadily improving. In September 1999, the Aden Container Terminal (ACT) officially opened. The port mainly serves as a trans-shipment hub, but attempts are being made to increase the percentage of local cargo through the development of the industrial and warehousing estate. The industrial and warehousing estate called Aden District Park (ADP) was launched in November 2002. The first 30 hectares are ready for occupation, and there are plans to expand capacity.
- The Port of Hodeidah, Yemen's busiest domestic port, experiences delays in unloading grain and container vessels. The Port of Salif, which is 70 kilometers north of Hodeidah port, is also handling grain vessels and reducing congestion at Hodeidah.
- Aden International Airport has been renovated, including its terminal, tower, navigational equipment and runway. The first and second renovation phases of the Sanaa International Airport were completed in 2005. This project is partially financed by a loan from the Arab Fund for Social and Economic Development. Taiz International Airport has always operated without navigational equipment, despite experiencing the most violent thunderstorms in Yemen. On March 1, 2006, the Civil Aviation & Meteorology Authority (CAMA) signed a USD 114 million project with a Chinese company, Beijing Urban for Construction and Engineering Ltd., to build another international airport in the Jader area, Sanaa. The work began on April 01, 2006 and is scheduled to be completed on September 30, 2008.
- Decent, two-lane paved roads connect Sanaa to Aden, Hodeidah, Sa'ada, and Taiz, but the terrain is mountainous and difficult. It often takes 12 hours to haul a 40-foot container the 346 km from Aden to Sanaa or 6 hours for the 226 km from Hodeidah to the capital. The Arab Fund for Social Development is currently financing a major road project connecting the city of Mukalla in the Hadramout governorate to the Omani border. Nearly 30% of the project is complete. A direct link between Sanaa and Wadi Hadramout and Mahara governorates was inaugurated in early 2002. A parallel new road linking the city of Amran, through Sanaa to Aden, is projected to minimize pressure on the existing road. The Yemen Government is enthusiastic about the project, which will link Amran city to

Aden. The feasibility study estimated the cost to be around USD 1,500 bil. The highway will go through swathes of mountainous territory and will include more than 10 tunnels, including one 2.5 km long. The highway will cut down the journey time between the two cities to about 4 hours from 8 hours, and will positively benefit the trade sector.

## Market Opportunities

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- The United States supports Yemen's accession to the WTO and is extending technical assistance to help Yemen meet the organization's requirements, especially IPR conditions, technical and health aspects, plant health and issues related to trade, customs tariffs, standardization, local development, poverty reduction, and decentralization.
- The World Bank International Finance Corporation (IFC) opened its Yemen office in 2004 and began supporting appropriate private sector projects. The U.S. Trade and Development Agency (TDA) has financed or partially financed feasibility studies for several infrastructure projects over the past six years, including a study for a private sector oil refinery north of Hodeidah, a cement plant in Bajil (Hodeidah Governorate), a private hospital in Sanaa, expansion of the Marib Oil Refinery, a study for the upgrade of Yemen's electricity grid, and a study for the Wastewater Project in Taiz city.

### Major investment projects are:

- **The Privatization Program:** This program seeks to reinforce the role of the government in the management of the market-based economy by reducing government expenditures on public economic enterprises and enhancing their efficiency on a competitive basis, in addition to encouraging private sector investment and the realization of broader participation in ownership through public subscriptions. The program seeks to accelerate privatization, starting with the preparation of 61 economic units after their evaluation and assessment by specialized and neutral offices. The program includes units from the various economic sectors, including a number of large units expected to be an important step for revitalizing the private sector.
- **The Free Zone:** Supports the role of the Free Zone in Aden and improvement of the competitive capacity of the zone regionally and internationally by developing its management and training its employees to deal with the conditions and properties of the zone, in addition to completion of the infrastructure projects and the utility services for the zone.
- **Port Cities Development:** Enhances the competitive edge of port cities, starting with Aden, Hodeidah and Mukalla by rehabilitating and improving their basic services. It supports the administrative and technical capabilities of the local authorities, keeping them at least in parallel with the systems found in the ports of neighboring states while supporting partnerships between the local authorities and the private sector and facilitating procedures and processing.

- **Improving the Investment Climate:** Undertakes regulatory and institutional reforms for investment and promotion of exports by improving the performance of the General Investment Authority (GIA) and the Higher Council for Exports and its technical organs. The Investment Law stimulates the extractive industry and encourages the private sector to set up industrial zones.
- **Gas Pipelines and Power Generation:** Constructs pipelines to transport gas extracted from the Marib-Shabwah fields to the regions of Aden, Al-Hodeidah and Hadramout for local use. Specifically, seeks to build gas-powered stations and to link to the establishment of industrial estates in those three regions.

To view the Investment Law, please double click on the General Investment Authority's website: <http://www.giay.org/index.htm> . Then, click on Investment Law.

- **Principal Growth Sectors:** Since the discovery of oil in commercial quantities in the Marib Governorate in 1984, the petroleum industry has led Yemen's economic growth. Yemen's oil production currently stands at 400,000 barrels per day. According to the Central Bank of Yemen, oil revenues of 2006 totaled USD 5.5 billion, compared to USD 3.1 billion in 2005, an increase of 44%. While output from the Marib concession is falling, the introduction of new technologies will minimize the decline in the short term. Only new discoveries, however, can sustain Yemen's output in the medium term. Cognizant of its oil dependency, Yemeni officials have worked to improve exploration and production contract terms. According to the CBY, oil production was only 450, 000 per day in 2007. Most international observers believe production will sharply decrease in the next 10 years. On August 30, 2005, the Petroleum Exploration and Production Authority (PEPA) invited international oil companies to bid for the exploration and production opportunities on 14 open oil blocks in Yemen. On February 16, 2006, the Ministry of Oil and Minerals stated that 63 companies, of which five are American, applied to the tender. According to PEPA, there have been no developments since February 16, 2006.
- A long-term prospect for the petroleum industry in Yemen is a proposed liquefied natural gas project (YLNG). Yemen has over 17 trillion cubic feet of proven associated and natural gas reserves. The ROYG negotiated a gas development agreement with Total in 1995, and, in June 2002, renewed the contract for another five years. The investment group includes Total, with 42.9% of LNG shares, Yemen Gas with 23.1%, US Hunt Oil with 18%, South Korean SK Corp. with 10% and Hyundai with 6%. The YLNG project calls for construction of two liquefaction trains with total capacity of 6.7 million mt/y (315.4 billion cu ft/y). The project envisions a USD 20 billion investment over 20-25 years, with two trains of 3.1 million tons producing approximately 6.2 million tons of LNG annually. The facility is located at Belhaf, on the Gulf of Aden, and is connected to the Marib fields by a 320 km pipeline. A Bechtel-Technip joint venture conducted a preliminary engineering study.
- In 2005, YLNG signed two agreements for the sale of 2.5 million mt/y to Tractebel and two million mt/y to Total Gas and Power. Liquefied natural gas

from both proposed deals should be shipped to the United States beginning in 2009.

- In transportation, the government established a Free Zone in Aden and contracted private companies to develop a modern container port, airport facilities, and an industrial estate. The Yemeni government is planning to extend the port to a width of 2 KM. That extension will raise the container capacity of the port to 3 million in two years. The seaport is 18 meters deep, which facilitates the navigation of large ships into the port area. Half of the world's annual container trade and a large number of oil shipments pass within four nautical miles of Aden.
- For more information about the Aden Free Zone, please go to: <http://www.aden-freezone.com/>

## Market Entry Strategy

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- Nature of Political Relationship with the United States: Since their nadir during the 1991 Gulf War, relations between the United States and Yemen have steadily improved. The Yemeni government appreciated the United States' pro-unity stance during the 1994 civil war, and the two countries have cooperated increasingly on regional issues, including counter- terrorism. The U.S. Government significantly increased anti-terrorism training and security assistance to the Yemeni government after 2001.
- The U.S. Agency for International Development's (USAID) strategy in Yemen particularly addresses reproductive, maternal and child health issues; basic education and literacy; food security, and jobs in a predominantly agricultural economy. USAID also makes selected investments at the national level to improve policy and expand options for longer-term sustainable development. In addition, USAID works closely with key ministries at the national, governorate and district levels as they implement the Yemen government's decentralization policy.
- The USAID program is only one part of the United States Government's economic development assistance in Yemen USAID programs, projected to total more than USD 8 million in FY 2006, are complemented by funding from the U.S. Department of State's Middle East Partnership Initiative (MEPI) for economic, education, and political reform, as well as an average of USD 10 million per year from the U.S. Department of Agriculture's food aid programs. The United States also funds smaller grant programs and humanitarian demining assistance.
- Major Political Issues Affecting the Business Climate: Bureaucratic corruption at all levels of government affects every aspect of business in Yemen. Judicial and administrative corruption has distorted the free market economy. Illegal commissions and nepotism involved in trading, tendering and investment undercut transparency and enforcement of related laws and practices. In June 2004, some parliamentarians criticized other members and government officials,

calling on them during parliamentary debate to refrain from operating businesses that receive contracts from the state.

- Thanks to Yemen's June 2000 treaty agreement with Saudi Arabia resolving their 66 year-old border dispute, Yemen now enjoys internationally recognized land and marine borders with all of its neighbors, including Oman and Eritrea, although implementation of the traditional fishing rights sections of an international arbitration agreement with Eritrea remains contentious.
- Yemen suffers from political unruliness, generally from tribesmen in impoverished rural areas, which increases the risks and costs of doing business in Yemen. Tribal kidnappings of foreigners and thefts of foreign-owned vehicles continue, but at sharply decreased levels compared to the late 1990s. Most victims of kidnapping in Yemen have been tourists, diplomats, or oil company workers and have been released unharmed. In 2005 and 2006, the ROYG took decisive legal action against tribal kidnappers, sentencing the group responsible for the most recent kidnappings to 20 years in prison. Tribal kidnappings have since dropped off severely, becoming the exception rather than the rule.
- On 15 September 2006, a group of Al-Qaeda elements attacked two oil facilities in Marib and Ash Shahir with vehicle borne suicide bombers. In June 2007, Yemeni security arrested two men suspected of al-Qaeda links who confessed to an unsuccessful attempt to blow up an oil pipeline with TNT near the port city of Aden. On July 2nd 2007, eight Spanish tourists and two Yemenis were killed in a suspected al-Qaeda suicide car bomb attack on their convoy in the province of Marib. Six other Spanish tourists and two of their drivers/tour guides were wounded in the attack. In August 2007, al-Qaeda militants attacked a power station and a government building in Marib, some 140 kilometers (85 miles) east of the capital, Sanaa, causing a major power outage. The attack was a response to an earlier raid by security forces who killed a senior al-Qaeda operative in the area and three other militants. On November 5th 2007, unidentified tribesmen bombed the oil pipeline in Serwah, 120km to the south of the capital Sana'a, causing fire and a large oil leak. On January 18 2008, gunmen opened fire on a group of tourists in the Dowa'an valley in Hadramout killing two Belgian women and two Yemeni drivers, and wounding two other people.
- In December 2005, World Bank aid to Yemen was reduced from USD 420 million to USD 280 million for the following three years. According to the Bank, the decision was made as a result of spreading corruption in WB projects. In February 2006, the United States and Europe strongly encouraged the Yemeni government to undertake significant short-term reforms aimed at managing public funds more transparently. That same month, President Saleh re-shuffled his cabinet, appointing new ministers of Planning and International Cooperation, Finance, and Health, among others. Seeing the reforms, the WB approved the new Country Assistance Strategy for Yemen, which projects about USD 400 million in credits with 19 projects for the period 2006-2009.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/35836.htm>

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### Using an Agent or Distributor

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Doing business in Yemen can be a difficult, time-consuming and confusing process. Most international companies in Yemen hire a Yemeni agent, although this is not required by Yemeni law. U.S. exporters in particular may require a local agent/distributor to manage their distribution in Yemen. Due to infrastructure constraints and to ensure widespread distribution, U.S. companies may need multiple agents and distributors. Sanaa, Aden, Taiz, Mukalla and Hodeidah are the country's primary commercial centers. At an exporter's request, through the Department of Commerce Export Assistance Center, the Embassy's Commercial Office can research and draft International Partnership Service (IPS), Gold Key Service (GKS), International Company Profile (ICP) reports on a fee basis. The U.S. Commercial Office's website [www.buyusa.gov/yemen/en](http://www.buyusa.gov/yemen/en) lists all services and fees offered by the office.

Yemeni Law 23/1997 (amended) regulates the branches and agencies of foreign trading companies. All agent/distributor agreements with local companies must be registered with the Ministry of Industry and Trade.

To view the Trade Laws of Yemen, go to the Ministry of Industry and Trade website at: <http://www.most.org.ye/>, then click on Trade Laws.

### Establishing an Office

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Following are the World Bank Guidelines:

- Obtain a letter from a Yemeni bank indicating that the business has accounts in

dollars. The cost is free. (Timeframe about 3 hours).

- Rent an office and keep a copy of the rental agreement. (Timeframe 1-3 days).
- Register the company with the Ministry of Industry and Trade (MOIT). On the registration form, indicate the type of business (i.e. import-export, services, wholesaler, and retailer), state the amount of capital, and whether it is a private or a public enterprise. Once approved, the Ministry will assign a registration number. This registration number must be presented upon request to any government agency. The fees for registration, permit and publication in the official gazette and announcement in the commercial register are 67,000 Yemeni rials (USD349). These fees cover the initial payment for commercial registration at the Ministry and are valid for five years. The annual renewable permit fee is 20,000 Yemeni rials (USD 104). (Timeframe 2-3 days).
- Apply for membership with the local chamber of commerce, indicating the name and type of business. The cost is USD 500, plus 10,000 rials (USD 51) per year for renewal of membership. (Timeframe about 2 hours).
- Apply to the municipality, indicating the type of business. The business will be given a permit with a number which must be displayed in the business office. The cost is 47,000 rials (USD 240) including fees for the City of Sanaa Trust Office. (Timeframe 2-3 days).
- Register with the Yemeni government ministry that oversees the business. Depending on the type of business, costs can range from 750 rials up to 47,000 rials (USD 240). (Timeframe 2-3 days)

For information about the World Bank activities in Yemen, please go to [www.worldbank.org/ye](http://www.worldbank.org/ye)

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Yemen's Investment Code (Law 22 of 2002 amended, see Chapter 7) encourages investment in this sector. Presently, Pizza Hut, Kentucky Fried Chicken, and Baskin-Robbins operate in Yemen.

To view the Investment Law, please double click on the General Investment Authority's website: <http://www.giay.org/index.htm> . Then, click on Investment Law.

## Direct Marketing

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To date, telemarketing services have not yet entered the Yemeni consumer market; this may be due to the low levels of landline telephone penetration in the consumer market. Direct marketing and advertising companies may, however, reach mobile phone users.

With the advent of Internet services in Yemen in 1996, direct marketing by major companies via email arrived in Yemen. Noting that high-end consumers are Internet

customers, some Yemeni companies use e-mail to advertise their products/services. Two operators, TeleYemen and the Public Telecommunication Corporation (PTC), provide local Internet services. Connections are generally adequate. Dial up, cable modem and DSL services are available. According to the Central Statistical Organization's Report of 2007, there are more than 80,500 internet subscribers and 7,526 telecommunication centers and internet cafes in Yemen.

### **Joint Ventures/Licensing**

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Most joint ventures are regulated through the new Investment Code, Law 22 of 2002, implemented in October 2003. Section VI (Investment Companies), Articles 42 to 57

To view the Investment Law, please double click on the General Investment Authority's website: <http://www.giay.org/index.htm> . Then, click on Investment Law.

### **Selling to the Government**

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Large government contracts may present opportunities for American investors; however, corruption and extensive bureaucratic procedures hinder the process. In some cases, sealed bids are opened and shown to competitors, contracts are awarded to political contacts, and tender awards canceled.

According to Yemen's tendering law, government purchases are made through a tendering system managed by the Supreme Tender Committee, chaired by the Prime Minister. Law 3/1997 (amended) governs purchasing tenders valued at over 125 million rials (USD 641,025). Local agents can be a critically important factor in shepherding bids through the tender process. Tenders are announced in the local and foreign press. Tender conditions are based on standard international regulations used to evaluate tender offers. Price is usually the determining factor, although quality and nationality of the product also play a role.

Efforts to reform and streamline the tendering system are ongoing. The Embassy has advocated successfully on behalf of U.S. firms in public tender competitions.

### **Selling Factors/Techniques**

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Some producers will provide goods or stocks to retailers who guarantee to increase shelf space; however, many consumer goods are smuggled over the Saudi Arabian border. While some supermarkets and stores are willing to guarantee space on the shelves to provide set quantities of products, legitimately imported products must often compete against an array of smuggled goods, including a large number of counterfeit items.

### **Electronic Commerce**

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While Internet cafés are sprouting rapidly in most major cities in Yemen, the general population does not utilize the banking system needed to facilitate financial transactions over the Internet, such as checking account, credit card or debit card purchases. Only three percent of the population owns a checking account. Even fewer have a credit

card. In February 2005, the International Bank of Yemen introduced Yemen's first credit card. Cash transactions dominate most of the consumer market even for most durable goods purchases. In fact, the lack of a viable credit system stymies the durable goods market so that any anticipated e-commerce growth must await technological and financial infrastructure advancements and acceptance.

## Trade Promotion and Advertising

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Yemen has three television channels. Two are state-run television channels based in Sana'a and Aden. The third TV channel is a private one broadcasting from Cairo. Yemen also has six individual AM Radio broadcasters: Sana'a Radio, Aden Radio, Ta'izz Radio, Mukalla Radio, Hodeidah Radio, and Sayoun Radio. Yemen TV transmits from Sanaa and can be seen locally and throughout the Arab world. Channel Two transmits from Aden for local viewers only. Most programs are in Arabic, but there is one nightly newscast in English. Sanaa University is preparing to launch the first-ever independent channel with programming directed at youth. The university has completed setting up studios for the new channel and provided it with a professional cadre and necessary equipment. The channel was supposed to begin broadcasting in September 2006. However, there have been no updates as to when the channel will actually air.

The Public Corporation for Radio and Television offers two pricing schedules for media advertisements, differentiating between locally-manufactured domestic products and imported ones. For imported products, Channel One ad rates range from USD 300 to USD 650 per half-minute in addition to the commercial agency's commission. Ad rates on Channel Two start at USD 200 per half-minute for imported brand products during late afternoon hours. During prime time, rates increase to USD 350 per half-minute; this rate does not include the commercial agency commissions. For more information, please contact Al-Khail for Advertisement and Information Services, Fax: 967-1-237-376, Telephone: 967-1-226-143, email: [alkhail2000@y.net.ye](mailto:alkhail2000@y.net.ye).

Due to low literacy rates, television is one of the primary marketing and communications media, while the market for print advertisements is comparatively small. The World Bank estimates a 50 percent literacy rate for adults 15 years and older. The daily newspaper circulation for non-government papers is on average 20,000 to 40,000 issues. Government newspapers, distributed free of charge throughout many ministries, print more copies. Newspaper advertising rates depend on page space, and rates vary between daily and weekly papers. The general advertisement rates for foreign firms or products start at USD 500 for a quarter page up to USD 2,000 for a full-page in the official daily newspaper. Official newspapers offer special rates for locally-manufactured domestic products of a foreign company: 36,500 rials for a quarter page to 44,000 rials for a full-page advertisement. The average rates for advertisement for foreign firms or products in the daily independent newspapers are: USD 500 per quarter page to USD 1,500 per full page. The average rates for an advertisement for products in the two weekly English-language newspapers are: USD 400 for a quarter page to USD 1,400 for a full-page. For color advertisements, the rates usually double.

Following are contact addresses for Yemen's leading daily and weekly newspapers:

Al-Thawra (Arabic official daily)

P. O. Box 1475 or 2195, Sanaa, Republic of Yemen

Telephone: 967-1-321-528/ thru 533, Advertising: 967-1-274-038, Fax: 967-1-274-035

Fax: 967-1-274-035 or 967-1-332-505

E-mail: [al-thawrah@y.net.ye](mailto:al-thawrah@y.net.ye) ; or [editor@althawra.gov.ye](mailto:editor@althawra.gov.ye)

Website: [www.althawra.net](http://www.althawra.net)

Al-Gumhurriyah (Arabic official daily)

P. O. Box 6604, Taiz, Republic of Yemen

Telfax: 967-4-230-953

E-mail: [alqomhuryah-np@y.net.ye](mailto:alqomhuryah-np@y.net.ye) Website: [www.y.net.ye/al-qumhuryah](http://www.y.net.ye/al-qumhuryah)

14th October (Arabic official daily)

P. O. Box 5487, Ma'alla, Aden, Republic of Yemen

Telephone: 967-2-242-660, Advertising: 967-2- 241-186/247-297

Telfax: 967-2-241-193/242-301/ 241-764

E-mail: [14oct.adn@y.net.ye](mailto:14oct.adn@y.net.ye) ; Website: [www.14october.com.ye](http://www.14october.com.ye)

Al-Ayyam (Arabic Independent daily)

P. O. Box 648, Crater, Aden, Republic of Yemen

Telephone: 967-2-255-170/254-135 or 967-1-449-733;

Fax: 967-2-255-692 or 967-1-449-722

E-mail: [editor@al-ayyam-yemen.com](mailto:editor@al-ayyam-yemen.com) ; Website: [www.al-ayyam.info](http://www.al-ayyam.info)

26th September (weekly, issued by the Ministry of Defense)

P.O. Box 17, Sanaa, Republic of Yemen

Telephone: 967-1-262-626, 282-626; Fax: 967-1-274-139

E-mail: [26Sept@y.net.ye](mailto:26Sept@y.net.ye); Website: [www.26sep.net](http://www.26sep.net)

Yemen Times (Independent English bi-weekly)

P. O. Box 2579, Sanaa, Republic of Yemen

Telephone: 967-1-268-661/2/3, Advertising 264-253; fax: 967-1-268-276

E-mail: [yementimes@yementimes.com](mailto:yementimes@yementimes.com); Website: [www.yementimes.com](http://www.yementimes.com)

Yemen Observer (Independent English weekly)

P. O. Box 19183, Sanaa, Republic of Yemen

Telephone: 967-1-203-393, Fax: 967-1-207-239

E-mail: [editor@yobserver.com](mailto:editor@yobserver.com); or [info@yobserver.com](mailto:info@yobserver.com)

Website: [www.yobserver.com](http://www.yobserver.com)

Below is a list of the local advertising agencies:

Hams

P. O. Box 19038, Sanaa

Republic Of Yemen

Phone: 967-1-240-455

Fax: 967-1-240-460

Contact: Nadeem A. Hassan Ali

Mass Advertising

P. O. Box 5302, Taiz

Republic Of Yemen

Phone: 967-4-218-086

Fax: 967-4-218-086

Contact: Abdul Rahman Beshar, Manager

Vidcom Advertising  
P. O. Box 7042, Sanaa  
Republic Of Yemen  
Phone: 967-1-208-910  
Fax: 967-1-208-910  
Contact: Abdulkarim Al-Maqaleh

Sscom Advertising & Marketing  
P. O. Box 1289, Al Muthahar Building  
Sanaa, Republic Of Yemen  
Phone: 967-1-206-283  
Fax: 967-1-207-777  
Contact: Naguib Saleh Ibrahm, Owner & Director

Vision Advertising & Marketing  
P. O. Box 25159, Sanaa  
Republic Of Yemen  
Phone: 967-1-218-142  
Telefax: 967-1-209-940  
Contact: Masood R. Al-Harazi, Gen. Mgr.

## **Pricing**

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Most items and products in Yemen do not carry price tags, as buyers and sellers usually negotiate with each other until they agree on a price. However, there are fixed prices on certain items, like pharmaceutical products, petroleum derivatives and items sold in western-style grocery stores.

The government of Yemen removed subsidies for wheat and flour in 1999. Subsidies for diesel, electricity, water, and sewage services were reduced slightly in 2001. Subsidies on petroleum products were further reduced in 2005. The free market sets all other prices. When the rial appreciates and retail prices fall, distributors often demand immediate rebates on stock in possession; however, when the rial falls, they usually raise retail prices to capture windfall profits. The CBY exchange rate by late 2007 was as follows: buying USD 1= YR199, selling USD 1= YR199.21.

## **Sales Service/Customer Support**

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Strong customer service can provide a competitive advantage in Yemen, but development of an effective sales/service team may require considerable training. If training must be conducted in the United States, early and close coordination with the Embassy's Consular Section on visa matters is strongly encouraged. Additionally, the use of promotional materials, like bumper stickers, posters, and low-value gifts associated with the product or company help to engender goodwill in the community.

## **Protecting Your Intellectual Property**

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As Yemen prepares for WTO accession, the government must improve IPR laws and practices. In short, Yemen has an adequate copyright law (Law 19/1994), but a weak legal system. It is a member of the World Intellectual Property Organization (WIPO) but has not acceded to any international IPR conventions. Yemen is in the process of revising its IPR laws under WIPO guidance to meet international standards. In 1999, a major U.S. multinational corporation with a small processing plant in Yemen won a significant trademark infringement lawsuit in the local courts after a multiyear legal battle. However, enforcement of the judgment has not been effective and the case remains under appeal in the Yemeni Supreme Court. In 2003, the Supreme Court rejected the appeal of the company producing the infringing products and ordered it to cease production and delete the infringed trademark, but the Ministry of Industry and Trade has not yet enforced the decision, pending the submission of additional evidence for the defense.

The WTO General Council accepted Yemen's application to join the WTO in 2000. As a next step in the accession process, Yemen presented to the WTO a memorandum of foreign trade regime on 2002. Yemen is currently responding to questions raised by members of the WTO regarding issues such as IPR, environment, and commercial laws. Within this framework, Yemen is working to ensure that its laws are TRIPS-compliant and moving closer to the international trade community on these issues. In October 2005, a delegation from the Ministry of Industry and Trade attended a WTO session in Geneva, Switzerland and discussed the above mentioned issues. In October 2007, a delegation from the Ministry of Industry and Trade again attended a WTO session in Geneva and discussed with the working group issues related to IPR and commercial laws in Yemen. A Yemeni delegation will visit Washington DC to discuss WTO issues in late February 2008.

## **Due Diligence**

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An updated list of attorneys is available from the Embassy Commercial Office. The Embassy advises the use of local counsel in the drafting of contracts to help prevent future disputes. Yemen's legal dispute resolution mechanisms are underdeveloped and many contracts specify that arbitration be conducted overseas. There is also a private arbitration center, the Yemeni Center for Conciliation and Arbitration, that was established in 1998 to resolve commercial disputes. It has gained a reputation as a viable alternative to the courts. Commercial disputes among Yemenis are often resolved via extra-judicial means such as private arbitration.

## **Local Professional Services**

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While KPMG, Ernst and Young, and Deloitte and Touche have partner offices in Yemen, few firms use the services of internationally accredited accounting services.

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## Chapter 4: Leading Sectors for U.S. Export and Investment

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### Telecom

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Telecom is one of the most promising sectors available in Yemen for trade and investment. A recent regional study showed that the Yemeni GSM (Global System of Mobile) market is growing very rapidly compared to the markets in other Arab countries. Currently three GSM-mobile companies (Sabafon, MTN and HitsUnitel), are operating with exclusivity contracts from the Ministry of Communications. The first two companies launched mobile-phone services in early 2001 after winning 15-year licenses at a cost of USD 10 million each in mid-2000. The expansion of their network, which currently covers about 60% of the population, by a French firm, Alcatel, is continuing. In May 2004, the Ministry of Telecommunications announced operations for a third mobile telecom provider, YemenMobile, which was owned exclusively by the Ministry until 55% of the company's shares were put for sale in mid-2006. YemenMobile started operations on the CDMA (code division multiple access)-protocol. Yemen is the only country to utilize the standard in the Middle East. There is no separation of power between the regulatory function of the Ministry and the state-owned competitor company, YemenMobile, which should cause concern for any international telecom investor. Nonetheless, by informal estimates, the market has grown from some 8,000 subscribers in the first year to an estimated 1.3 million in 2005. The number of internet surfers rose to 110,000 in 2006, compared to 3800 in 1991. According to the Central Statistical Organization's Report of 2004, there were more than 798,136 telephone land lines. In 2005, UNITEL was awarded a contract to operate Yemen's third GSM-mobile company, but has been unable to raise the funds necessary to pay for the contract, despite repeated extensions from the ROYG. The contract award was criticized by international observers because, although UNITEL was the highest bidder, it had no experience in mobile telephone operation and no significant financial backing. HitsUnitel (Y) launched its operation in December 2007 at a cost of USD 10 million.

## **Best Prospects/Services**

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As is common in technologically evolving countries, ongoing opportunities will continue to open as the mobile telecommunications networks out-pace land line telephone operations. Demand is expected to double according to sources in the network project implementation sector. The marketing of more advanced services has also reached the consumer in Yemen with the existing operators now offering services such as multimedia messaging, internet browsing, camera phones, and friends and family group rates.

## **Opportunities**

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It appears from its promotional strategy that YemenMobile is targeting low income customers. Since purchasing power in Yemen is low, YemenMobile offers CDMA handsets with full accessories to public sector employees who sign agreements authorizing the company to deduct a certain amount from their salary (installment selling). This technique has captured a wide market and created more demand for handsets.

As YemenMobile builds its networks, the demand for CDMA handsets, accessories, towers, switches, and other equipment related to creating a new network continues to increase.

In May, 2006, the Public Telecommunication Corp announced that it has signed a USD 40 million project to link Yemen to the world maritime cable network, which would enable Yemen to attain direct world telecommunication and internet services and meet the increasing demands in this sector. Falcon Telecom was awarded the deal.

## **Construction Equipment**

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The construction industry in Yemen witnessed much progress over the last decade. Construction of asphalted roads facilitated the import and movement of building materials such as cement, steel, wood, etc. According to the WB, Yemen now has approximately 5,960 KM of asphalted roads compared to 365 KM in 1973.

One problem faced by the construction industry is bottlenecks in supply. This is especially true of cement, which is often stockpiled by some cement wholesalers in anticipation of price increases. In mid-2005, the price of cement doubled for several weeks, but no major slowdown in industry growth occurred. In fact, some observers believe that construction in Yemen is one of the least affected industries due to a steady demand for building supplies associated with the housing needs of a rapidly growing population.

On the consumer level, most Yemenis approach medium-sized construction companies to build their homes. These companies purchase equipment such as cranes, mixers, and trucks and are able to take full responsibility for an entire construction project.

Observers of the construction industry believe that it suffers from a lack of feasibility, cost management, and construction studies. There are often questionable construction practices or inappropriate material selections. However, no formal research has been conducted and little data exists on the extent of the problem.

## Best Prospects/Services

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Yemen's population growth is one of the highest in the world at 3.5%. Such a rapid growth in population pushes demand for housing.

Furthermore, the Foreign Trade Statistics for 2004, issued by the Ministry of Planning and International Cooperation, listed construction equipment and supplies such as cement, electric motors, generators, and wire rods of iron and steel, as the top import items of Yemen.

The largest contributor by far to the sector's output is oil refining, which accounted for almost 40% of the sector's output in 2004. Yemen has two oil refineries, one in Aden and the other in Marib. The former was built in the 1950s and its equipment, which was damaged during the 1994 civil war, is now outdated. According to officials, the Aden Refinery produces about 80,000 b/d, considerably below its nameplate capacity of 170,000 b/d. However, the government is planning to upgrade the refinery, with the construction of a USD 200 million fractionation unit to produce unleaded petrol. The Marib facility is much smaller, processing just 10,000 b/d into petrol and diesel for the local market.

In May 2006, Yemeni and Saudi investors signed a deal for the construction of a new 45,000 b/d refinery at Ras Isa. Construction work has already begun and the Indian contractor, Furance Fabria, completed the first phase of the project, costing USD 200 million, in June 2007. The second phase is likely to cost an additional USD 500 million and is expected to be completed by the end of 2008.

Media reports stated that plans for the establishment of a third new refinery near Mukalla in Hadramout are moving ahead. Should all these projects come to fruition, they would more than double Yemen's output of refined products, adding upwards of 150,000 b/d to the existing capacity of just 120,000 b/d.

## Opportunities:

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Skilled and cheap manpower is available locally. Foreign expertise may be recruited from abroad. According to the Ministry of Industry and Trade, Sanaa and Aden are select locations for investment opportunities in the construction industry due to the high growth and expansion in both the private and public sectors.

The Yemen Government is enthusiastic about building a 460 KM highway, which will link Amran city to Aden. The feasibility study estimated the cost to be around USD 1.5 billion. The highway will go through swathes of mountainous territory and will include more than 10 tunnels, including one 2.5 km long. The highway will cut down the journey time between the two cities to about 4 hours from 8 hours, positively benefiting the trade sector.

However, no financing for the highway has yet been sought. According to Yemeni officials, the project was going to be carried out on a build-operate transfer (BOT) basis, but Sanaa might seek funding from the Gulf Cooperation Council (GCC) or other Arab funding agencies. If no such funding is found, the Yemen government might consider

tendering the project on a Build-Operate (BO) bases only. Senior officials at the Ministry of Roads and Highways assured Post that the Amran–Aden Highway will be tendered according to international standards and that bidding documents will be made available to all companies.

## Resources

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For more information, please contact the Embassy's Commercial Assistant, Lutfi al-Mushrqui, at [al-mushrqila@state.gov](mailto:al-mushrqila@state.gov).

## Electrical Power Systems (ELP)

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Electricity supply problems are rampant throughout the country. Hadramout, which is not yet connected to the national grid, suffers severe shortages. Likewise, around Sanaa and elsewhere in the north, power is not sufficient to meet demand and brownouts are frequent. As a step towards addressing these shortages, the government has been looking to promote independent power projects, with a particular focus on using gas from the Marib Oilfield. However, differences over pricing and infrastructure problems have led to delays in the scheme, and few projects have got off the ground.

Because of Yemen's mountainous terrain, only 30% of the population utilizes publicly-produced electricity. The terrain makes it unlikely that the national grid will reach the majority of rural Yemenis during the next few years. With the constant optimal sunlight conditions and wind funneling terrain in Yemen, alternative power sources such as solar and wind power may present opportunities for rural electrification.

## Best Prospects/Services

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The Ministry of Electricity hopes to increase power capacity by 1.1 gigawatts over the next ten years. Demand is expected to rise more than 10% annually. Furthermore, Yemen will need to strengthen its transmission and distribution systems.

In March 2005, the government announced that a consortium of Germany's Siemens and Saudi Arabia's Bernco Contracting had won a contract to build a gas-fired power plant in Marib. Work on the 340-MW plant has begun, and it was projected to come on line in 2008 but is still underway.

## Opportunities:

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Rural Yemenis, comprising more than 75% of the population, continue to depend on private and village diesel generators for power rather than on the national grid. The demand for small generators up to 2 MW is great.

Many of Yemen's rural areas are perfect for solar or wind generators. Yemen's Public Telecommunications Corporation, for instance, relies on solar cells to run its national microwave transmission grid.

Yemen's climate suggests that alternative energy sources hold excellent potential for providing electricity to rural Yemen. According to Yemen's Civil Aviation and Metrological Agency (CAMA), weather stations across the country show sunlight energy averages of 350-500 cal/sq cm/day. Weather conditions in northern and southern Yemen are perfect for solar applications.

Furthermore, Ministry of Electricity officials cite Socotra Island, where winds blow almost constantly, as a prime location for wind-generated energy applications and technology. Throughout the country, Yemen's deep canyons often act as funnels, increasing wind velocity in certain isolated rural locations. However, to date, donor countries, with the exception of the Dutch, have not funded a wind power project, nor has the Ministry of Electricity had the resources to finance the purchase of wind turbines. A senior Yemeni official stated that Yemen is considering the option of using nuclear energy in order to cover the shortage of electricity. The Ministry of Electricity and Energy signed an initial agreement with an American company to produce power via nuclear energy but the Yemeni cabinet halted the deal because the Yemeni Supreme National Anti Corruption Commission (SNACC) presented documents citing that the American company is not eligible to carry out such a project.

#### **Resources**

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For more information, please contact the Embassy's Commercial Assistant, Lutfi al-Mushrqui, at [al-mushrqila@state.gov](mailto:al-mushrqila@state.gov).

#### **Healthcare Technologies**

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There are approximately 8000 private health care entities in Yemen. Sanaa has approximately 1800 of these, including 34 private, general and specialty hospitals and more than 1750 clinics and pharmacies. The growth in private health care started to accelerate after 1990, driven mainly by deteriorating quality and low coverage of public services. At that time, free venture capital combined with an influx of foreign physicians after the Gulf War in 1991 made private health care an increasingly attractive investment option.

#### **Best Prospects/Services**

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There continues to be a great demand for equipment used to treat patients with problems related to diabetes, hepatitis, and high blood pressure, as the number of patients with these problems continues to increase.

In September 2006, The Yemen Drug Company for Industry and Commerce (YEDCO), a subsidiary of the Yemen Economic Corporation (YECO), signed an agreement to distribute a wide variety of Johnson & Johnson medical tools, supplies, and equipment.

#### **Opportunities:**

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In May 2006, the U.S. Commercial Office participated in the MEDIPHARM Yemen 2006 Trade Show. During the show, it was noted that most of the participants were companies that represented the latest in dental technology and equipment. The country's growing demand for dentistry products is due to the fact that many Yemeni

chew qat (*catha edulis*), an evergreen shrub related to the tea family that is damaging to teeth and gums in the long term. Therefore, dental technology and equipment are the healthcare sectors with the greatest demand.

## Resources

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For more information, please contact the Embassy's Commercial Assistant, Lutfi al-Mushrqui, at [al-mushrqui@state.gov](mailto:al-mushrqui@state.gov).

## Agricultural Sectors

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Although the oil sector is the primary source of government revenue and export earnings, agriculture remains, in many respects, the mainstay of the Yemeni domestic economy. According to the latest official figures available, it is a source of employment for 54% of the economically active population. In addition, it has consistently accounted for above 20% of real GDP since the 1990s. Within this sector, farmers lack the necessary purchasing power to buy inputs such as fertilizer. As a result, Yemen suffers from low crop yields; the WB estimates that Yemeni yields average 25% below those of comparable countries.

One of the main changes in this sector in recent years has been the increase in the use of irrigation, which has shifted the ratio of crop production. Statistics from the UN Food and Agriculture Organization (FAO) suggest that output of fruits is more than five times the level of the early 1960, and vegetable production has risen almost six fold. Government restrictions on the imports of fruits and vegetables have, according to the World Bank, also encouraged farmers to shift their output to these crops.

Water scarcity is by far the greatest challenge facing the agriculture sector. Rainfall is generally limited throughout the country and there is heavy reliance on ground water extraction. However, depletion of this vital resource is an increasingly serious problem. The country's annual water extraction is about one and a half times its recharge and, as a result, Yemen's water table is falling by about two meters a year. In agricultural areas, depletion has resulted in large part from the increased use of pumps for irrigation, which has been encouraged by the subsidies on diesel fuel. However, the problem is not confined to rural or agricultural areas. The WB's International Development Association (IDA) has warned that, without remedial action, Sanaa's groundwater supplies are expected to be largely exhausted in five to ten years.

In 2006, Yemen's population grew at a rapid 3.5% and unofficial estimates anticipate that the population will double by 2026. With only 3 percent arable land, the country will remain a net food importer for the foreseeable future. Wheat is the largest U.S. agricultural export, but opportunities for other products are growing. Currently, the poultry industry demands significant non-wheat products and services. Other livestock industries may modernize in the near future, thereby increasing demand. Additionally, U.S. processed foods appear to be competing effectively for consumers.

The urbanization of Yemen's growing population is creating a large demand for fresh and processed food products. Additionally, the Yemeni government has made significant progress recently in reducing barriers to trade and opening up their market (see chapter six). While the market remains small, U.S. exporters can expect to find

growing opportunities for selected foodstuffs. Total 2006 value of exports of agricultural, fish, and forestry items from the U.S. to Yemen reached USD 146 million.

## Wheat

### Overview:

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The U.S. has consistently exported approximately 500 thousand metric tons (MT) of wheat and approximately 200 thousand MT of wheat flour to Yemen in each of the last few years. Wheat and wheat flour have also been a significant part of USDA's food aid programs over the past 6 years. The withdrawal of government subsidies on wheat and wheat flour in the first half of 1999 did not have a significantly negative impact on consumption. Even with subsequent world price increases in the following years, as a staple in the Yemeni diet, wheat bread exhibits an inelastic market demand. The Embassy believes the U.S. will continue to be a major supplier of wheat to Yemen along with India and Australia. Wheat is the largest U.S. agricultural export to Yemen.

	2004)	2005	2006
Total Market Size	398	408	456.5
Total Local Production	17.86	18	26.5
Total Exports	15.66	17	4.6
Total Imports	380.80	390	430
Imports from the U.S.	98.12	100	130.7

Source: Yemeni Ministry of Agriculture, and Ministry of Trade

### Best Products/Services

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Shipping from the United States is one of the major trade constraints between the U.S. and Yemen. Providing cheaper shipping services would reduce costs dramatically. In 2006, shipping premiums to Yemen's ports levied following the 2002 attack on the Limburg oil tanker in the port of Mukalla were lifted.

### Opportunities

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The Embassy believes the U.S. will continue to be a major supplier of wheat.

### Resources

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For further information, please contact Embassy Agricultural Specialist Mohamed Sharaf-Aldin at: [sharafaldm@state.gov](mailto:sharafaldm@state.gov)

## Corn

### Overview:

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Corn is the main ingredient for animal feed, especially in the poultry industry. Major local traders import feed as cartels to resell to other poultry producers. The usual feed shipment size is 27,000 MT, with a composition of 70% corn and 30% soybean meal. The U.S. supplies approximately 20 thousand MT out of 300 thousand MT of corn imported by Yemen each year. Long-term prospects for the poultry industry in Yemen remain strong and will continue to have a positive effect on U.S. corn exports to Yemen.

	2004)	2005	2006
Total Market Size	81.39	84.0	93.7
Total Local Production	39.51	41.0	45
Total Exports	---	---	---
Total Imports	41.88	43.0	48.7
Imports from the U.S.	2.7	3.0	3.5

Source: Yemeni Ministry of Agriculture and Ministry of Trade

### Best Prospects/Services

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Shipping from the United States is one of the major trade constraints between the U.S. and Yemen. Providing cheaper shipping services would reduce costs dramatically. In 2006, shipping premiums to Yemen's ports levied following the 2002 attack on the Limburg oil tanker in the port of Mukalla were lifted.

### Opportunities:

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The poultry industry in Yemen is growing, and therefore prospects for U.S. corn exports is positive with a steady growth potential.

### Resources

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For further information, please contact Embassy Agricultural Specialist Mohamed Sharaf-Aldin at: [sharafaldm@state.gov](mailto:sharafaldm@state.gov)

## Soybean Meal

### Overview:

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Market prospects are also good for soybean meal, the other main ingredient of poultry feed. The U.S. is generally one of the main suppliers of soybean meal to Yemen and soybean meal is frequently imported and shipped with corn. Strong price competition by other suppliers, however, has limited the growth of U.S. soybean sales.

	2004	2005	2006
Total Market Size	0.75	5.0	16
Total Local Production	0	---	0
Total Exports	--	---	0
Total Imports	0.75	5.0	16
Imports from the U.S.	0	0.1	0

Source: Yemeni Ministry of Agriculture and Ministry of Trade

### Best Prospects/Services

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Shipping from the United States is one of the major trade constraints between the U.S. and Yemen. Providing cheaper shipping services would reduce costs dramatically. In 2006, shipping premiums to Yemen's ports levied following the 2002 attack on the Limburg oil tanker in the port of Mukalla were lifted.

### Opportunities

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The U.S. is generally one of the main importers of soybean, as feed composition frequently combines soybean meal with corn.

### Resources

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For further information, please contact Embassy Agricultural Specialist Mohamed Sharaf-Aldin at: [sharafaldm@state.gov](mailto:sharafaldm@state.gov)

## Rice

### Overview

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As of 1999, the Yemeni government no longer subsidized rice, a major commodity in the market and the Yemeni diet, particularly in the southern and eastern regions. American long-grain rice is considered the best quality product, for which Yemeni consumers are willing to pay a premium. The demand for American long-grain rice is especially high in the northern regions. However, Thai and Pakistani rice dominate the southern and eastern markets.

	2004	2005	2006
Total Market Size	133.76	150.0	55.5
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	133.76	150	55.5
Imports from the U.S.	2.04	3.0	1.0

Source: Yemeni Ministry of Agriculture and Ministry of Trade

### Best Prospects/Services

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Shipping from the United States is one of the major trade constraints between the U.S. and Yemen. Providing cheaper shipping services would reduce costs dramatically. In 2006, shipping premiums to Yemen's ports levied following the 2002 attack on the Limburg oil tanker in the port of Mukalla were lifted.

### Opportunities

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American long grain rice is considered the best quality product, for which Yemeni consumers are willing to pay a premium.

### Resources

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For further information, please contact Embassy Agricultural Specialist Mohamed Sharaf-Aldin at: [sharafaldm@state.gov](mailto:sharafaldm@state.gov)

## Honey

### Overview

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Honey is a traditional food product in Yemen, but a significant amount is imported to supplement local production. Good quality U.S. honey can be shipped at competitive prices. U.S. exports of honey to Yemen declined from 600 thousand MT in 2003 to nearly 240 MT in 2006.

	2004	2005	2006
Total Market Size	8.66	10.6	9
Total Local Production	8.21	10	8
Total Exports	3.02	4.5	1.0
Total Imports	0.45	0.6	1.0
Imports from the U.S.	0.06	0.1	0.1

Source: Yemeni Ministry of Agriculture and Ministry of Trade

### Best Prospects/Services

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Shipping from the United States is one of the major trade constraints between the U.S. and Yemen. Providing cheaper shipping services would reduce costs dramatically. In 2006, shipping premiums to Yemen's ports levied following the 2002 attack on the Limburg oil tanker in the port of Mukalla were lifted.

### Opportunities

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The Yemeni market appears to prefer U.S. honey. Good quality honey can be shipped at competitive prices.

### Resources

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For further information, please contact Embassy Agricultural Specialist Mohamed Sharaf-Aldin at: [sharafaldm@state.gov](mailto:sharafaldm@state.gov)

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## Chapter 5: Trade Regulations and Standards

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### Import Tariffs

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The Yemeni Customs Authority (CA) continues to be an inefficient agency prone to corruption. Frustrated by several months of delay after the arrival of their shipments, international companies have been known to “hire” customs officials -- putting them on the company payroll -- to facilitate payments to expedite the slow process. Since 2004, the CA has been recognized by western representatives as one of the key agencies contributing to the corruption and economic stagnation endemic throughout the government and in need of focused attention and reform.

A party to regional and global customs protocols, Yemen has the opportunity to build upon a solid foundation of laws and regulations to achieve more openness and transparency in customs procedures. Since 1993, Yemen has been a member of the World Customs Organization (WCO). The Yemeni Customs Authority follows Law 37/1997, which regulates tariffs on imported goods. In 2001, in exchange for participation in the Gulf Cooperation Council (GCC) institutions, Yemen moved toward amending customs levies to levels closer to those adopted by the GCC.

In April 2000, in an effort to facilitate procedures and enhance transparency, the Customs Authority (CA) installed the Automated System for Customs Data (ASYCUDA). ASYCUDA, programmed in compliance with Yemeni legislation and national security, helps combat smuggling, fraud, and document counterfeiting. In 2004, CA launched an electronic clearance processing service at 15 entry points. The USD 23-million-Container Vehicle X-ray Special System was fully installed and operational in a number of entry posts.

The Yemeni Customs Authority assesses the value of imports at the Central Bank exchange rate, which is allegedly the same as the market rate. From 1996 to 2005, in an effort to simplify and make transparent the customs procedures, the ROYG steadily reduced tariffs as the Cost of Insurance and Freight (CIF) decreased for all imports. The tariff schedule consists of ad-valorem duties of 5, 10, 15 and 25%. At the 10% or less

bracket, duties are levied on 3,134 items, about 51% of the total of 6,237 scheduled items.

Under the positive influence of Yemen's pursuit of WTO accession, the government contemplates reducing the custom tariffs. In 2004, CA submitted a draft custom tariff law for approval by the Cabinet and the Parliament. The draft law proposed significant tariff reduction on several high-tariff goods, decreasing from 15 percent and 25 percent to 5 percent or less. The tariff reduction proposal was implemented in 2005.

## **Trade Barriers**

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The ROYG demonstrated constructive movement to remove trade barriers by eliminating import licensing in 1996 on most products except for controlled materials and products such as alcohol and explosives, and cut tariff rates to four bands between 5% and 25% ad-valorem. On the other hand, unlike other countries in the region, Yemen imposes tariffs on raw materials that are not available locally. It instituted an excise tax on industrial inputs and a production tax on local manufacturers in a declared effort to create a level playing field between imports and local industrial products. The Yemeni government also streamlined customs procedures somewhat, but businesses still consider them to be the primary trade barrier. In 1995, the government renounced the secondary and tertiary aspects of the Arab League boycott of Israel, but the primary aspect remains in force.

Bureaucratic corruption at all levels of government affects every aspect of business in Yemen. Judicial and administrative corruption has distorted the free market economy. Illegal commissions and nepotism involved in trading, tendering and investment undercut transparency and enforcement of related laws and practices. In June 2004, some parliamentarians criticized other members and government officials, calling on them during parliamentary debate to refrain from operating businesses that receive contracts from the state.

An annual income tax remains on commercial, industrial and service establishments as well as transport, shipping, cargo and packing service businesses. The tax is based on the company's profits and the owner's profits, and depends on which sector the company operates in, whether industry, trade, finance or real estate.

## **Import Requirements and Documentation**

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Import documentation and requirements are available from the Ministry of Industry and Trade and/or the relevant ministry governing a company's activities. A health certificate must be obtained to export animal and fisheries products. The government eliminated import licensing in 1996, except on controlled products and materials such as alcohol and explosives.

The following documents are required:

### **- Commercial Invoice**

Three copies of the ordinary commercial invoice should accompany shipments. The invoice should contain a full and accurate description of the goods, the marks and numbers, value of the merchandise, country of origin and net and gross weight.

- Certificate of Origin

A separate certificate of origin is required for shipments to Yemen. The general form sold by commercial stationers is acceptable.

- Bill of Lading

There are no regulations specifying the form or number of bills of lading required for any particular shipment. A bill of lading customarily shows the name of the shipper, the name and address of the consignee, port of destination, description of the goods, the listing of the freight and other charges, the number of bills of lading in the full set, and the date and signature of the carrier's official acknowledging receipt on board of the goods for shipment.

- Health Certificate

A health certificate is required for shipments to Yemen of animal stock, food, and agricultural products.

- Free Sale certificate

Imports of pharmaceuticals require a free sale certificate stating that the commodities in question are in free circulation in the country of export.

In a dispute between the CA and the shipment's owner, it shall be referred to two experts, one appointed by the authority and the other by the goods owner, within 8 days. If both experts agree, their opinion shall be final. If not, an arbitration committee, consisting of a permanent representative of the Minister of Finance or two CA and Yemen Standardization, YSMO, and Metrology Organization representatives, shall make a final and binding decision, and the losing party shall incur the arbitration expenses.

## U.S. Export Controls

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The government does not tax exports, though it does require export licensing for statistical purposes. However, in 2005, the Ministry of Fisheries imposed a 6% Fish Catch tax on all fisheries at the time of catch.

In order to maintain stock and oceanic health, the Ministry of Fisheries limits the export of certain categories of seafood products. In addition, exports of antiques and archeological items exceeding USD 100 in value are prohibited. Often, airport customs officials confiscate souvenirs, mistaken for antiques, without properly identifying or investigating the item or providing compensation.

## Temporary Entry

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Temporary entry of equipment and furniture for projects is allowed provided that they are re-exported upon completion of the project; otherwise, they will be taxed. Goods coming through the Free Zones into local markets are considered imports and, therefore will be subject to all applicable taxes and measures.

Commercial samples are recorded in the visitor's passport and deleted once they are taken out of the country. A significant number of samples imported for exhibitions and expos require a cash guarantee or deposit covering the customs and tax duties. If the items are sold or disposed, the deposit will be returned with a deduction.

## Labeling and Marking Requirements

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Yemen observes a few clear labeling requirements: the country of origin must be clearly marked in English on all imported goods, foodstuffs or pharmaceutical products entering Yemen and production and expiration dates must be clearly printed on the package. Otherwise, GCC and international standards are followed.

## Prohibited and Restricted Imports

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The government prohibits or restricts the importation of some items such as pork and pork products, coffee, alcohol, narcotics, a limited list of fresh fruits and vegetables during their local production seasons, weapons, explosives and the endangered rhinoceros horn.

To view the list of prohibited items, please double click on the Ministry of Trade and Industry's website at: <http://www.most.org.ye/> , then, click on "Prohibited Goods."

## Customs Contact Information

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P. O. Box 2466, Sanaa, Republic Of Yemen  
 Phone: 967-1-260-388, Fax: 967-1-260-383  
 Chairman, Dr. Ali Ali Saleh Al-Zubaidi Tel: 260385, Telfax: 260-384/5/6  
 Office Manager Mohamed Al-Mahfadi, Tel: (967 1) 260386, Mobile: (967) 777181920,  
 Dr. Deputy Chairman, Dr. Lutf Mahmoud Barakat t Tel: (9671) 500522, Mobile:  
 (967)777111213 Fax: 260381/3  
 Assistant Deputy Chairman for Customs Enforcement, Dr. Abdulrazaq Al-Marani, (9671) 500459  
 Technical Assistant Deputy Chairman, Dr. Hamoud Shamsan (967 1) 500979  
 Legal Affairs, Abdullah Rajih, (9671) 500461  
 Yahya Yassin: Supervision Dept (9671) 261024

## Standards

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## Overview

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Multiple organizations within the Yemeni government are responsible for standards and product quality control. Among them are the Yemen Standardization, Meteorology, and Quality Control Organization (YSMQCO) of the Ministry of Industry; the Customs Authority (CA); the Environmental Protection Authority (EPA); and the Environmental Department of the Ministry of Construction, Housing and Urban Planning. Yemen is a member of the International Standards Organization (ISO 9000), the World Meteorological Organization, and the Arab Standards Organization. YSMQCO

supervises testing imports and has legal authority to order a product's removal from the market if it does not meet accepted standards. On August 16, 2002, the Prime Minister issued a decree to adopt the GCC standards and specifications on Yemeni and imported products.

### **Standards Organizations**

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Standardization, Metrology and Quality Control law 44 of 1999 established the Yemen Standardization, Metrology, and Quality Control Organization (YSMQCO) in order to protect human, animal and plant health and environmental safety. YSMQCO works in association with customs staff on all the major land, coastal, and air ports of entry. A relatively young institution still negotiating its mandate and authority in the panoply of government agencies, YSMQCO has limited capabilities, with only one central laboratory and a limited number of modest laboratories.

A government decree imposes the GCC standards and specifications on local and imported products. Yemen is a member in the International Standardization Organization (ISO9000), World Meteorological Organization and the Arab Standards Organization.

### **Conformity Assessment**

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YSMQCO requests the following documents from the importer:

- bill of lading
- certificate of origin
- analysis certificate, and
- packing list

### **Product Certification**

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For product certification of animal imports, YSMQCO requests the above documents in addition to the following:

- health certificate
- Halal food certificate, and
- A certified document from the country of export proving that imports are not affected by epidemics or were not exposed to radioactivity

For plant imports, YSMQCO adds the following documents:

- A certified document from the country of export proving that imports are not affected by epidemics or were not exposed to radioactivity

### **Trade Agreements**

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Yemen has entered into major trade agreements with Saudi Arabia and has applied for World Trade Organization (WTO) accession. Provisions of the 1934 Taif Treaty with Saudi Arabia call for establishment of open markets, a single customs system for both countries, reciprocal most favored nation trading status, and unimpeded transit rights through both nations. The treaty was reaffirmed in the June 2000 Saudi-Yemeni border treaty, also called the "Jeddah Treaty." Yemen is also a founding member of the Indian Ocean Rim Association, has applied for membership in the British Commonwealth, and

was granted observer status at the WTO in 1999. In 2000, the General Council of the WTO accepted Yemen's application for accession. Yemen presented a memorandum of foreign trade regime to the WTO in 2002 and had its first working party meeting in November, 2004. In 2005, Yemen's request to join the WTO discussion was considered and a delegation from the Ministry of Industry and Trade attended its first meeting in Geneva, Switzerland. Discussions and negotiations between WTO and Yemen is ongoing but Yemen still has a considerable ground to cover in order to comply with WTO standards. A Yemeni delegation will visit Washington DC to discuss WTO issues in late February 2008.

The Yemeni government passed a Free Trade Zone Law (Law 4 of 1993) and designated 170 square kilometers of land in Aden as the country's first free trade zone.

#### **Web Resources**

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For more information about the Aden Free Zone and/or the Aden Container Terminal, please visit: <http://www.aden-freezone.com/>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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As one of the world's least developed countries, Yemen offers international investors natural resources and an inexpensive labor force. On April 14, 2000, the government of Yemen requested accession to the World Trade Organization (WTO) to integrate more fully into the world economy, and gained observer status in 2002. In November 2004, the United States Trade Representative, Department of State, Department of Commerce and other key US agencies began talks under the bilateral Trade and Investment Framework Agreement (TIFA). The United States anticipates that Yemen's preparation for WTO accession will further facilitate a free and open investment climate for international investors.

Since the unification of North and South Yemen in 1990, the Republic of Yemen embarked on a series of reforms aimed at stabilizing the economy and increasing investment. An International Monetary Fund (IMF) and World Bank-sponsored government economic restructuring program began in 1995. The IMF helped introduce indirect monetary policy instruments, such as open market operations, rediscount facilities and reserve requirements. Since then, Yemen's macroeconomic factors have largely stabilized. Inflation, as measured by the Consumer Price Index (CPI), declined from 70 percent in 1994 to 11.8 percent in 2005, and preliminary figures show continued double digit figures for 2005 and 2006.

These new policies helped create foreign currency reserves that by January 2006 reached USD 6.3 billion, or 19.1 months of imports. As of June 14, 2001, the Paris Club rescheduled most of the external debt, which currently stands at USD 4.43 billion, and commercial debt has largely been eliminated through a World Bank grant program. In 2004, the IMF reported Yemen's debt-to-GDP ratio at 23 percent and its debt service-to-export of goods and services was 3.6 percent, although the World Bank projects a steady increase in each of these figures over the next ten years.

After adopting key economic reforms in the 90s, progress stalled in 2001. In October 2004, a World Bank report noted, "because of the slackening pace of reforms [in Yemen] downside risks to medium-term macro-economic stability have increased." In the summer of 2005, however, the ROYG took steps to restart reform, partially introducing a General Sales Tax (GST) and reducing petroleum subsidies, both part of the government's strategic plan to improve revenue mobilization in Yemen. Yemen still has considerable ground to cover in order to comply with WTO standards, but in 2005 the ROYG took the significant step of streamlining tariff policies and is in the midst of a number of administrative and legal reforms.

With the implementation of tax incentives for merchants, Yemen's trade environment is steadily improving but more government focus is needed on privatization and regulatory reform. An April 2004 Presidential directive decreed that land be granted to investors at no cost and that the investment projects enjoy profit tax exemption if the project capital is more than 10 million USD. A privatization program started in 1998 with sixteen enterprises in industry, tourism, and trade, came to a standstill in April 2001 when Parliament refused to approve a World Bank credit to fund a larger, long-term privatization program. However, few years later, the government funded the privatization program. Between 2003 and 2004, 8 companies were privatized, 7 of which in public auction. The remaining company was transferred to the Yemeni Economic Corporation (YECO). Also, according to the technical Privatization Office, in 2005, the government privatized 2 enterprises and is working to privatized 3 more by the end of 2006. Recently, the Yemen government announced it would continue the process of privatization by privatizing 15 factories in 2007, which are suffering from economic stagnation. Airport services, cements, and medications are at the top of the privatization list.

Commercial banks have also been required to improve their accounting procedures and loan recovery rates, and the Central Bank recently raised capital requirements to YR 6 billion, or about USD 30 million. According to the CBY report for 2006, the balance sheet of the banking sector for 2006 to be around YR 950 billion (USD 4.79 million). The banking system remains weak, however, with most commercial banks owned by large business families who are reluctant to lend outside small circles. Roughly three percent of Yemenis have bank accounts and most financial transactions occur outside of the commercial banking system. On January 2, 2006, the CBY announced the first liquidation of a local bank, the Watani Bank. A CBY committee was assigned to evaluate the bank's assets and financial obligations in order to start distributing the available and collected funds to the depositors and creditors.

The government adopted a policy of uniform treatment for all investors, domestic and foreign in 1992. The lead government agency is the General Investment Authority (GIA), established in the same year. The GIA coordinates between 8 government agencies to identify investment opportunities and viable projects for investors as well as

obtains necessary approval needed by government agencies on behalf of investors. Over the last decade, the GIA has cooperated with the World Bank's (WB) Foreign Investment Advisory service to update Yemen's Investment Law 22 of 1991 (as amended). The alternative Investment Law Number 22 of 2002 was adopted by Parliament on June 2002 and signed by the President on July 20, 2002. Implementation began in October 2002.

As written, the 2002 investment law safeguarded all exemptions and benefits called for in the previous investment law and mandates that the GIA de-emphasize licensing and focus on registration and promotion. Recently, the GIA published registration and tax exemption procedures as well as administrative appeals and disputes procedures on line for foreign and local investors

The law eliminated government and GIA intervention in investment projects and gave wider freedom to investors in running their projects. The law canceled some legal provisions, which provided special exceptions for investors from obtaining import and export licenses from the Ministry of Industry and Trade. The law is intended to encourage local production by reducing customs duties by 50 percent on imported raw materials and 100 percent on raw materials produced locally for agricultural and fisheries projects. Finally, the law canceled some tax categories. This investment law falls under the government's financial, economic and administrative reform program, and is intended to encourage foreign investment.

Under amended Law 22 of 2002, the GIA registers and promotes investment opportunities. The GIA provides potential investors with an information packet that includes a copy of the investment law, an investment guide summarizing GIA activities, and an application form with instructions. Packets may be obtained from the promotion section, General Investment Authority, P.O. Box 19022, Sanaa, Republic of Yemen (Telephone: 967-1-262-962/3 or 268-205; Fax: 967-1-262-964, E-mail: [mohdhussein@yahoo.com](mailto:mohdhussein@yahoo.com); Website: [www.giay.org](http://www.giay.org)).

The GIA welcomes investment in all sectors with the exception of arms and explosive materials, industries that could cause environmental disasters, banking and money exchange activities, and wholesale and retail imports. Investments in the exploration and production of oil, gas and minerals are subject to special agreements (e.g., production sharing agreements) under the authority of the Ministry of Oil and Minerals and do not fall within the purview of the GIA. Investment is open to Yemeni, Arab, or foreign investors acting solely or in partnership on any project.

Boycott issues: However, occasional reports of violations have occurred due to Yemeni companies use of old purchase order forms that contain prohibited language. Yemen has stated that it will not renounce the primary aspect of the boycott absent an Arab League consensus. Occasionally individuals or organizations will call for boycotts of U.S. products.

In November 2004, the government announced the creation of three industrial zones in Aden, Hodaida and al-Mukallah that will concentrate on manufacturing. The Executive Order provides for the regulation, management, and supervision of industrial zones. In conjunction with the establishment of the industrial zones, the government is lobbying industrialists to invest in these zones, construct its infrastructure, and manage operations. However, the private sector, represented by the chambers of commerce in

major cities, has repeatedly expressed their concern towards the government's shifting the infrastructure responsibility over the private sector's shoulders.

### **Conversion and Transfer Policies**

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The Yemeni Riyal is currently trading at 198YR/1USD. Most foreign currencies, especially US dollars, are readily available and trade freely at market rates. Investors may transfer funds in hard currency from abroad to Yemen for the purpose of investment and may re-export invested capital, whether in kind or in cash, upon liquidation or project disposal. Net profits resulting from investment of foreign funds may be transferred freely outside of Yemen. Cash transfers are limited to 10,000 USD. Transfers above that amount must receive approval from the Central Bank of Yemen.

The Central Bank of Yemen intervenes regularly in the currency market. At the end of 2005, the Central Bank of Yemen (CBY) infused USD 476 million into the market in order to control currency depreciation. In January 2006, the CBY added another USD 65 million into the market. One month later, another USD 96 million was pumped into the market. In October 2006, the CBY has pumped USD 54 million to the market in order to stabilize and improve the deterioration of the currency. Today's exchange rate is YR198.21 per one US dollar. Since early 2006, CBY has pumped a total sum of USD 818 million in 14 interventions.

### **Expropriation and Compensation**

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In the Republic of Yemen's fifteen-year history, there have been no cases of outright property expropriation, although a dispute with Yemen Hunt over the extension of a production sharing agreement is currently in arbitration. The government recognizes that expropriation (which existed in the former socialist Peoples' Democratic Republic of Yemen (PDRY) until reunification in 1990) is contrary to its economic aspirations. Most of the lands expropriated by the PDRY were returned to the rightful owners. Land registration, however, is in its infancy and disputes over both residential and commercial plots are frequent and nearly impossible to adjudicate legally (see Dispute Settlement section). Since deed information is inexact, owners can sell multiple copies of a deed, and commercial suit options are extremely time-consuming, prone to corruption, and judgments are often not enforced.

Yemen's investment law stipulates that private property will not be nationalized or seized, and that funds will not be blocked, confiscated, frozen, withheld or sequestered by other than a court of law. Real estate may not be expropriated except in the national interest, and expropriation must be according to a court judgment and include fair compensation based on current market value.

### **Dispute Settlement**

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Yemen is a signatory to the Convention on the Settlement of Investment Disputes, but not the 1958 New York Convention on Arbitration. Yemen is currently engaged in arbitration in Paris with American company Hunt Oil. Yemen is expected to abide by the arbitration decision.

Yemen's judicial system is inefficient and subject to influence from bribes or family connections. While Yemen's investment-related laws are generally sound, enforcement remains problematic at best. The government has special commercial courts which provide a mechanism for commercial dispute resolution, but they are generally considered unreliable.

Business disputes are generally handled by informal arbitration or within Yemen's court system. In 1998 the Yemeni Center of Conciliation and arbitration, a private arbitration center, was created by a group of lawyers, bankers, and businessmen as an alternative to the courts. The center has settled about 52 disputes so far in the areas of trade, finance, construction and industry, and is gaining recognition as a viable alternative to court battles.

Most investors are best served by establishing a partnership with a Yemeni who knows the system, and by including an international arbitration clause in their contracts. In cases involving interest, most judges use Shari'a (Islamic) law as a guideline, under which claims for interest payments due are almost always rejected. Local commercial banks are sensitive to this problem, and rarely lend to other than large established trading houses well known to them.

### **Performance Requirements and Incentives**

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Yemen's investment law does not specify performance requirements as conditions for establishing, maintaining or expanding investment. Incentives permitted under the law include, but are not limited to: Exemption from customs fees and taxes levied on fixed assets of the project; tax holiday on profits for a period of seven years, renewable for up to 18 years maximum; the right to purchase or rent land and buildings; and, the right to import production inputs and export products without restrictions and registration in the import/export register.

### **Right to Private Ownership and Establishment**

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While foreigners may own property, Yemen's commercial law requires foreign companies and establishments to operate through Yemeni agents. Law 23 of 1997 (as amended) regulates agencies and branches of foreign companies and firms and outlines the requirements for establishing a Yemeni agent. Chapter 3 of Law 23 permits foreign companies and firms to conduct business in Yemen by establishing foreign-owned and managed branches. Foreign establishments wishing to open branches in their own names must obtain a permit by decree from the Minister of Industry and Trade.

Under the 2002 investment law, foreigners can own 100 percent of the land and can execute projects without a Yemeni agent and without obtaining import/export license from the Ministry of Industry and Trade or implementing Law 23 of 1997 (the investment law implemented in October 2002 has precedence over other laws. This is contradicted by the commercial law, however, which limits foreign ownership to 49 percent. The government is currently reviewing the laws in an attempt to remove inconsistencies.

Mortgage lending in Yemen is rare because of the unwillingness of the court system to uphold the payment of interest or to accept land as a form of collateral. In addition, Yemen has a long history of incomplete or inaccurate land records and frequent land ownership disputes, making the use of real estate as collateral difficult. While the General Survey Authority is working to establish a just and legally defensible land registry system, implementation remains years away. A republican decree has been issued in 2006 to merge agencies overseeing land tenure, registration and urban planning in one agency to avoid overlapping.

## Protection of Property Rights

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Yemen has a record of inadequate protection of intellectual property rights (IPR), including patents, trademarks, designs, and copyrights. In late 2004 the Cabinet approved the Berne Convention for the Protection of Literary and Artistic Works, as well as the International Agreement on Protecting Intellectual Property Rights. Parliament has yet to ratify these agreements. Yemen has yet to accede to any international IPR conventions and its IPR Law number 19 of 1994 is not TRIPS compliant. Yemen's Ministry of Industry and Trade drafted a new patents law; trademark law, and a design and copyrights law, pending final adjustments the laws will be sent to the Cabinet and later to Parliament for final approval. In continuing efforts, the Ministry of Culture and Tourism drafted the Related Rights Law, which awaits Parliament's approval. In March 1999, Yemen became a member of the World Intellectual Property Organization (WIPO) and is now revising its laws with WIPO guidance. Yemen's application to join the World Trade Organization (WTO) was approved in July 2000 and the country gained observer status in 2002. Yemen held its first working party meeting for WTO accession in November 2004 and held its second meeting in 2005. As part of its accession requirements, Yemen will need to enact its recently revised IPR legislation and take concrete steps to enforce these laws adequately.

In 1999, a large US-based multinational firm litigated successfully a trademark infringement case in Yemen's courts. The ruling is now under appeal and the violator continues to infringe on the trademark despite the court ruling. A final resolution was expected by the end of 2000, but it is still pending in the Supreme Court. Three rulings by Primary Court, Appeal Court and Supreme Court were in favor of the US Company. Due to the difficulty in enforcing the ruling, both disputing parties agreed on an amicable arbitration. In a second case involving a US Company's trademark, the Appeal Court handed down a final ruling in April 2001 in favor of the US Company. In August 2003, the Supreme Court rejected the appeal of the company producing the infringed products and ordered it to cease production and destroy the infringed trademark. However, this ruling has not been enforced.

## Transparency of Regulatory System

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Implementation and enforcement of Yemen's environmental protection regulations and labor laws are inadequate and non-transparent. Health and safety standards are rudimentary and not enforced. Customs tariff regulations and tax laws remain inconsistent and smuggling is common, but the government has taken steps in recent years to standardize the process with ASYCUDA systems and a WTO-compliant valuation methods.

## Efficient Capital Markets and Portfolio Investment

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In the 1990s Yemen's banking system suffered from a large volume of non-performing loans, inadequate loan provisioning, low bank capitalization, and weak enforcement of prudential standards. Under a 1997 World Bank-sponsored financial sector reform program, the government took actions to address these problems. A bank reform law was passed in 1998 to update, strengthen, and regulate the industry. By 2000, the Central Bank of Yemen (CBY) had circulated strict regulations pertaining to credit risk management, liquidity, insider lending, foreign exchange exposure, financial leasing and external auditors. Banks are required to reach a capital adequacy ratio of eight percent and meet new classification and provisioning standards for loan portfolios and most comply. Nevertheless, commercial banks still suffer from extremely low capitalization rates and are essentially owned by large trading families who establish the bank to service their own business needs.

In 2005, the Cabinet of Ministers restructured the Agricultural Cooperative Credit Bank into the Rural Development Bank and raised its working capital to 32 million USD. The new bank aims to augment the state's efforts in the local rural development.

Private sector lending is constrained by a lack of judicial recourse to recover bad loans. To correct this weakness, a steering committee produced a series of reform recommendations in 1999. Among the recommendations was the establishment of special loan recovery courts. The recommendations have not been implemented.

In 1999, under the WB/IMF's financial sector reform effort, the government announced the merger of four majority-government-share banks with an eye toward privatizing the merged entity. In 2004, the press speculated that the National Bank of Yemen was solvent and would be part of the merged entity. The Yemen Bank for Reconstruction and Development was also restructured and likely to be part of the privatized bank. The two remaining specialized banks, housing and agriculture, were also restructured but are not healthy enough to be merged with the others. At present, the merger has not moved forward on any of the four government-owned or majority government-share banks.

In June 2000, the president signed the Central Bank Law Number 14 granting the CBY greater independence. Its mandate is to focus on price stability, limit public sector

financing to emergency loans, adopt its own monetary and exchange rate policies, and enforce greater commercial bank accountability. The CBY is authorized to conduct inspections of all bank implementation provisioning and capital increase schedules, and it enforces penalties and corrective measures. In 2003, Parliament passed a Money Laundering Law, which the CBY has begun to implement and enforce.

Inter-bank activities are limited, and there are no equity or bond markets. In the recent past, the government hoped to establish a stock market in Yemen to promote the government's private sector-led growth strategy. However, the consensus of most Yemeni and foreign observers is that the country currently lacks the expertise to establish a stock market, and there are not sufficient numbers of Yemeni investors to sustain an active stock market. The CBY began offering treasury bills in December 1995. Commercial banks purchased a large share of the bills, investing up to 30 percent of their assets. The interest rate on T-bills was gradually reduced from a high of 23 percent in 1999 to about 13 percent in 2006 in order to encourage investment lending.

## Political Violence

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Yemen faces recurring problems with political and tribal violence. Kidnappings have traditionally been seen as a means for tribes to pressure the government to accede to their demands, such as development projects or improved services. Abductions have generally declined over the past five years in the wake of government crackdown.

In December 2005, however, a former German diplomat and his family were kidnapped and released unharmed several days later. Shortly thereafter, four Italian tourists were kidnapped by a tribe in the Mareb region. The hostages were released after several days following extensive negotiations and a successful rescue operation by the Yemeni government. Earlier in the year, two Spanish tourists and representatives of UNICEF were also kidnapped. The last incident involving Americans came in December 2002, when three American doctors were killed near the city of Ibb. The perpetrator was caught, convicted and sentenced to death. The sentence was carried out in February 2006. The government of Yemen has sent strong signals that it will no longer tolerate kidnapping..

Some tribal elements hijack automobiles or other expensive equipment owned by foreign companies as means to pressure the government to share wealth with local tribes or resolve tribal disputes. This occurs most frequently in areas of oil and mineral extraction, with some tribes in these regions claiming they are not getting their share of the wealth. Investors in such ventures should be sensitive to the need to build community relations. The provision of community-based services, such as healthcare and education contribute to protecting investments in isolated areas.

The Republic of Yemen Government and the United States cooperate closely on counter-terrorism. The October 2000 attack on the USS COLE in Aden harbor, in which 17 US servicemen and women were killed, and the October 2002 bombing of a French oil tanker the M/V Limburg off the coast of Mukalla were acts of international terrorism. In January 2006, 23 convicted terrorists managed to escape from the Political Security Organization's prison in Sanaa. According to Yemeni and U.S. government sources, some of the escaped terrorists were behind the attack on USS COLE and the French oil

tanker the M/V Limburg. The Yemen government's efforts to recapture the escapees have resulted in the surrender of 9 of the fugitives to date.

Since 2004, the government has periodically been involved in armed conflict with rebels in the northern Sa'ada governorate, originally led by anti-American Shiite cleric Al-Houthi, who was killed in August of 2005. In early 2006, the government reached a cease-fire with rebels and there have been no recent attacks on government forces.

## **Corruption**

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In 2005, Yemen's ranked 103<sup>rd</sup> out of 158 countries on Transparency International's corruption perception index. One of the poorest countries in the world with a hugely overstuffed and underpaid civil service, Yemen has a significant and widely acknowledged corruption problem. Illicit activities include soliciting and paying bribes to facilitating or obstructing projects, leveraging dispute settlements, skewing taxation and customs tariff augmentations, and engaging in family or tribal nepotism. The government recognizes that it must enact civil service and administrative reforms to create new disincentives to corruption, but progress has been slow. In 2003, a new Minister of Civil Service was appointed who initiated several programs to improve the civil service. In September 2004, the Cabinet approved the United Nations' Convention combating different forms of corruption. In 2006, the government proposed a law creating an independent anti-corruption committee, which awaits approval by Parliament.

## **Bilateral Investment Agreements**

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The US and Yemen signed a Trade Investment Framework Agreement in 2004. According to the General Investment Authority, Yemen signed three agreements in 2003 and one in 2004, bringing the total bilateral treaties to 35. Yemen has bilateral investment treaties with Algeria, Austria, Bahrain, Belarus, Belgium, Bulgaria, China, Djibouti, Egypt, Ethiopia, France, Federation of Russia, Germany, Hungary, India, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Morocco, the Netherlands, Oman, Pakistan, Qatar, South Africa, Sudan Sweden, Syria, Tunisia, Turkey, the UAE, Ukraine, and the United Kingdom. Yemen has initialed agreements with Croatia, Mongolia, and Romania.

## **OPIC and Other Investment Insurance Programs**

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Yemen and the United States signed an investment guarantee agreement in 1972. As of October 1997, OPIC and EXIM Bank provide guarantees for both private and public sector projects of short and medium duration (up to seven years). Yemen is a member of the Multilateral Investment Guarantee Agency (MIGA).

## Labor

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The Yemeni government generally follows International Labor Organization (ILO) standards regarding labor laws and worker rights. In 1999 it ratified ILO conventions on the elimination of the worst forms of child labor and the minimum work age for employment. As in other areas, enforcement of labor laws is weak. Child labor is an issue of special concern. Some children work with their families in agriculture. To address this issue, the government signed an agreement to cooperate with the International Program on Elimination of Child Labor (IPEC) in 2000. After ratification of the ILO, the government established the Child Labor Unit at the Ministry of Social Affairs and Labor to implement and enforce child labor laws and regulations. Investors find the local pool of skilled labor for technology intensive ventures limited.

Yemen's overall illiteracy rate for persons age 15 and older is 50 percent (World Bank, September 2004), 28 percent for men and 68 percent for women. In 2005, the Ministry of Social Affairs and Labor estimated that Yemen needs at least 210 thousand new jobs annually to encounter the rapidly growing local labor force. There are conflicting reports from different government agencies about the rate of unemployment, but the Ministry of Labor and Social Affairs estimates the rate of unemployment for 2006 as 17 percent. Many local and international organizations estimate the rate of unemployment in Yemen to reach 35 percent or higher.

Those who complete secondary education and university studies in Yemen often do not possess the same professional standards as their counterparts from Western educational institutions. University graduates also experience difficulty finding appropriate employment and are sometimes unwilling to accept lower skilled jobs. The government is beginning to focus on increasing access to and improving the quality of vocational training as a means to develop a cadre of skilled laborers in high demand fields, including construction workers, medical technicians, electricians, plumbers and carpenters.

## Foreign-Trade Zones/Free Ports

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The Yemen Free Zone Public Authority was established in 1991 to develop the Aden Free Zone. Yeminvest, a joint venture between the Port of Singapore Authority (PSA) and the Bin Mohfoud Group of Saudi Arabia, was awarded the concession to develop the area. The government bought out the Yeminvest contract in October 2003 and Overseas Port Management is temporarily operating the Aden Container Terminal. In 2005, Dubai Port World (DPW) won a tender to become new operator for the Aden Container Terminal (ACT), but is awaiting approval of the bid from Parliament. Opened in September 1999, ACT logged steady growth through 2001. The October 2002 terrorist attack on the French oil tanker M/V Limburg caused shipping insurance premiums to raise 300 percent. As a result, ships were diverted to the ports of Djibouti and Salalah in Oman. Since the summer of 2003, shipping insurance premiums have

dropped to zero percent, as is standard in Dubai and other nearby ports. The port mainly serves as a transshipment hub, but attempts are being made to increase the percentage of the local cargo through the development of the industrial and warehousing estate.

In its first phase of development, ACT planned to handle up to one million Twenty-foot Equivalent Units (TEUs) annually on its two-berth, 700m quay. Those plans have been scaled back, and current capacity is 650,000 TEUs annually. The 35 hectare container yard can store 10,000 boxes. Yemen Ports Authority constructed a new 270-meter long and 12 meter deep dock assigned for unpacking the wheat-loaded vessels. The dock will alleviate burdens of the other seven docks in the port.

An industrial and warehousing estate called Aden District Park (ADP) was launched in November 2002. The Aden Container Terminal and the Aden Free Zone are promising areas for investment. Opportunities in light industry, repackaging and storage/distribution operations are welcomed. Future plans include development of heavy industry and more extensive tourist facilities in the greater Aden area.

Free zone incentives include 100 percent foreign ownership, no personal income taxes for non-Yemenis, and a corporate tax holiday for 15 years (renewable for 10 additional years), 100 percent repatriation of capital and profits, no currency restrictions, and no restrictions on, or sponsoring required, for the employment of foreign staff. Aden's main selling point is its strategic location – nine days steaming from Europe and seven from Singapore. It is four nautical miles off the main Far East - Europe sea route. For further information, contact: Free Zones Public Authority (AFZPA), (Main Center) P.O. Box 5842 Khormaksar, Aden, Republic Of Yemen, Telephones: 967-2-234484/5/6, Fax: 967-2-235-637, e-mail: [Adenfz@Y.Net.Ye](mailto:Adenfz@Y.Net.Ye); Website: [www.Aden-Freezone.Com](http://www.Aden-Freezone.Com)

In May 2001, a new terminal at Aden International Airport was officially opened. In addition, a study was completed in August 2001 for future plans for the airport to include a duty free zone and cargo village to facilitate transit trade with the Aden Free Zone port facilities.

## Foreign Direct Investment Statistics

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According to the GIA, the foreign direct investment in Yemen for 2005 is approximately USD 205 million, 44 percent of total investment. Most U.S. investment in Yemen is in oil exploration, production and oil field services.

## Web Resources

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United States Embassy in Sanaa, Yemen  
<http://usembassy.state.gov/yemen/>

The US Embassy website provides latest embassy news, reports, travel warnings, visa information, programs and events.

Export.gov  
<http://www.export.gov/>

Export.gov provides online trade resources and one-on-one assistance for American businesses who would like to start or expand global sales.

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

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The Embassy strongly recommends that all contracts and transactions be paid through confirmed and irrevocable letters of credit (LOCs) or cash payment in advance.

### How Does the Banking System Operate

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Twelve commercial banks and one public sector specialized bank (Cooperative Agricultural Credit) operate in Yemen under the oversight of the Central Bank of Yemen (CBY). Since 1996, three Islamic banks opened and are competing successfully in the banking sector. In August 2006, the CBY licensed Qatar National Bank (QNB), which has branches in London and Paris. QNB is expected to open in 2008.

CBY has maintained a 13 percent interest rate on rial deposits and now allows each commercial bank to determine interest on its foreign currency accounts. The change reflects expectations for a high but stable inflation rate and for a stable rial-to-USD currency exchange in 2006.

In addition to its oversight of 14 banks, the CBY issues licenses for banking activities to supervise the banking sector. Of the 17 licensed banks, 10 are national banks, three are local branches of foreign banks, and four are joint venture banks. CBY licenses only the banks rated as "A+" by Dunn and Bradstreet, who meet the Basle Standards, i.e. a minimum capital adequacy ratio of 8 to 12 percent.

CBY directs monetary policy with modifications to the overnight reserve requirement as needed. Any CBY officer must have CBY written approval in order to possess more than 10 percent of voting power or shares in any commercial bank. The banking and currency exchange-related laws do not contain any discriminatory provisions against the US bank of a company.

New investors will find it difficult to obtain financing or credit from a bank in Yemen. The

banking system suffers under system-wide structural problems such as non-performing loans, the absence of a credible credit rating system and uneven implementation of existing regulations. However, the most significant constraint on lending to new investors lies in the non-independent judiciary that cannot reach judgments in a timely manner, cannot enforce judgments, and is prone to bribery. In that context, banks are disinclined to lend to customers with whom they do not already have a well-established relationship.

The banking system is not an effective vehicle for financing investment. Most Yemeni bank assets are invested in foreign banks or treasury bills. They do not provide the required cash margin of 50 to 100 percent for letters of credit. Most of the credit activity and financing of the commercial banks deal solely with the large family-owned enterprises that dominate the business sector and are the main shareholders of the banks.

On January 2, 2006, the CBY announced the first-ever liquidation of a local bank, the Watani Bank. A CBY committee was assigned to evaluate the bank's assets and financial obligations in order to start distributing the available and collected funds to the depositors and creditors. CBY officials instructed banks in Yemen to raise their capital up to YR 6 billion, about USD 30 million.

### **Foreign-Exchange Controls**

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There are no limits or controls on the transfer of funds into and out of Yemen or on funds garnered from an investment in Yemen. Any individual or company may import foreign currency into Yemen; exporting currency out of Yemen should not exceed USD 10,000 unless otherwise approved by the Central Bank. Again, CBY does not impose restrictions on foreign payments and transfers and allows the transfer of foreigners' accounts resulting from foreign transactions. Commercial banks and private exchangers are allowed to purchase foreign currency from customers and to hold a percentage of foreign exchange for import payments. There are no taxes on purchases or sales of foreign exchange.

The Yemeni rial has floated freely since 1996, and the exchange rate was stable in the 174-175YR/1USD range until October 2002. After falling to 182-183 YR/1USD by the end of 2002, the rial has remained relatively stable. At the end of 2007, the rial sold at a market rate of 199 YR/1USD. In order to evaluate imports for tariff collection, the Customs Authority bases its calculation on a monthly average exchange rate published by the Central Bank of Yemen set to the prevailing market rate.

### **U.S. Banks and Local Correspondent Banks**

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While U.S. banks or branches have not set up operations in Yemen, most Yemeni banks have U.S. correspondent banks.

List of Banks with Correspondent U.S. Banking Arrangements: Arab Bank, Credit Agricole Indosuez, International Bank of Yemen, National Bank of Yemen, Yemen Commercial Bank, Yemen Kuwait Bank for Trade and Investment, Yemen Gulf Bank, and Shamil Bank of Yemen and Bahrain. (See Section 9 for contact information.)

### **Project Financing**

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The international credit ratings of Yemen's commercial banks have been steadily improving in recent years. International commercial banks confirm locally issued LOCs on less than 100% cover and are lengthening their tenure from sight to 90-120 days. Local banks have sufficient stock to lend to the private sector for most projects, but they will lend only to known customers because the Yemeni legal system will rarely support their claims against defaulters.

Both OPIC and EXIM Bank have been "on cover" in Yemen since October 1997 for both private and public sector projects of up to seven years duration. The Embassy strongly recommends that all contracts require payment via confirmed irrevocable letter of credit or cash in advance.

The ROYG committed itself to implementing the projects and programs stated in the World Bank's Poverty Reduction Strategy Paper managed by the Ministry of Planning and International Cooperation (MOPIC). These projects cover areas of economic growth, human resources development, infrastructure, and social protection. Some of the projects were implemented during the 2003-2005 period and 70 percent of these projects were self-financed through the ROYG budget. The government seeks assistance from the international community to finance the remaining 30 percent.

The U.S. Trade and Development Agency (TDA) has financed or partially financed feasibility studies for several infrastructure projects over the past six years, including a study for a private sector oil refinery north of the Red Sea port of Hodeidah, a cement plant in Bajil (Hodeidah Governorate), a private hospital in Sanaa, expansion of the Marib Oil Refinery, a study for the upgrade of Yemen's electricity grid, and a study for a wastewater project in Taiz.

## Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>  
Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

International Cooperation for Development: <http://www.ciir.org>

International Trade Agency: <http://www.ita.gov>

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## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Information](#)

### Business Customs

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Personal relationships are the key to developing business ties in Yemen. Although Yemeni law does not require an agent, businesses rarely succeed without a local agent working on their behalf. While Yemenis will agree to formal business meetings, most effective discussions occur at "qat chews" after lunch. These events are held at businessmen's homes where guests sit on cushions on the floor. Chemically related to amphetamines, qat is a "Class 1" controlled substance under U.S. law and may not be brought to the United States. Individuals with heart problems, high blood pressure, insomnia, or gastro-intestinal problems should not chew qat.

Yemenis have been engaging in trade for millennia and have refined the art of negotiation. Delay is a favorite tactic, but it can also be a polite refusal. The common use of the phrase "inshallah" (God willing) should not necessarily be interpreted as approval or agreement.

Most private sector business offices open in the mornings, close for lunch, and reopen in the early evening. The Embassy's workweek is Saturday-Wednesday from 8:00 a.m. to 4:30 p.m., the Yemeni government workweek is Saturday-Wednesday from 9:00 a.m.-1:00 p.m., and the private sector workweek is Saturday-Wednesday from 8:00 a.m.-1:00 p.m. and 4:30 p.m.-7:30 p.m. and Thursday mornings from 8:00 a.m.-1:00 p.m. Bank hours vary from bank to bank. However, all banks are open Saturday-Thursday from 8:00 a.m.-1:00 p.m. and some offer evening hours.

During the month of Ramadan, most Yemenis fast from dawn to dusk. Private businesses elect various schedules such as working in the morning and/or late evening or simply closing for the entire month. Ramadan is celebrated according to the lunar calendar, so the exact time varies from year to year. Government ministries are open for two to three hours a day from 10:30 AM to 1:30 PM. Most private companies work from 10:00 AM to 2:00 PM and from 9:00 PM to 12:00 AM. Many private and public sector contacts will take leave from work during the week preceding and the week following Ramadan.

"Guide for Business Representatives" is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, telephone: (202) 512-1800, fax: (202) 512-2250). Business travelers to Yemen seeking appointments with U.S. Embassy Sanaa officials should contact the Commercial Section in advance.

### Travel Advisory

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For the latest, most up-to-date travel information, U.S. citizens can refer to the State Department's Consular Information Sheet; available 24 hours per day at (202) 647-5225 or on the Internet at [www.travel.state.gov](http://www.travel.state.gov). Upon arrival to Yemen, Americans should register with the Embassy's Consular Section for information and assistance in case of emergency at 967-1-755-2266 or at [consularsanaa@state.gov](mailto:consularsanaa@state.gov). More information such as any recent warden messages is available at <http://usembassy.state.gov/yemen/citizenservices>

## Visa Information

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Since July 2004, citizens of the G-8, GCC, and selected countries, including the U.S., may obtain a visa upon arrival at the airport. In practice, airport visas are difficult to procure for U.S. citizens. The Embassy strongly recommends that U.S. citizens traveling to Yemen obtain an entry visa prior to arrival. Visas can be obtained from the Embassy of Yemen in Washington, DC or from Yemen's UN Mission in New York City. Please note: Immigration officials may turn back travelers with Israeli, Pakistani, Iranian or Afghan visas in their passports. More information may be found at the following websites:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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#### U.S. Embassy Trade Personnel

Stephen Seche, Ambassador  
 Angie Bryan, Deputy Chief of Mission  
 Andrew Mitchell, Political/Economic Section Chief  
 Brian McGrath, Economic Officer  
 David Duerden, Economic/Commercial Officer

Mohamed Sharaf-Aldin, Agricultural Specialist  
 Telephone: 9671-755-2199  
 E-mail: [sharafaldm@state.gov](mailto:sharafaldm@state.gov)

Lutfi al-Mushrqui, Commercial Assistant  
 P. O. Box 22347, Sanaa, the Republic of Yemen  
 Telephone: 967-1-755-2198  
 E-mail: [al-mushrqila@state.gov](mailto:al-mushrqila@state.gov)

#### Washington-based U.S. Government Country Contacts

Department of State  
 Natasha Franceschi, Yemen Desk Officer  
 2100 C Street  
 NEA/ARP, Room 4224  
 Washington, D.C. 20520  
 Telephone: (202) 647-6558;  
 Fax: (202) 736-4459

International Trade Administration, Department of Commerce  
 Tyler Hoffman, Yemen Desk Officer  
 14th and Constitution Avenues, NW  
 Washington, D.C. 20230  
 Telephone: (202) 482-0879; Fax: (202) 482-0878  
 Email: [Tyler.hoffman@ita.doc.gov](mailto:Tyler.hoffman@ita.doc.gov)

Advocacy Center, Department of Commerce  
 Christopher James, Senior Regional Manager  
 Middle East & North Africa  
 Telephone: (202) 482-3896; Fax: (202) 482-3508  
 Email: [christopher.james@ita.doc.gov](mailto:christopher.james@ita.doc.gov)

TPCC Trade Information Center, Department of Commerce  
 Abdul Quadar Shaikh

Telephone: 1-800-USA-TRADE; Fax: 01-202-482-4473  
 Email: [abdul.shaikh@ita.doc.gov](mailto:abdul.shaikh@ita.doc.gov)

U.S. Trade and Development Agency (TDA)  
 Henry D. Steingass, Regional Director, Africa & Middle East  
 1000 Wilson Boulevard, Suite 1600  
 Arlington, VA 22209-3901  
 Telephone: (703) 875-4357; Fax: (703) 875-4009  
 Email: [hsteingass@tda.gov](mailto:hsteingass@tda.gov) ; or [info@tda.gov](mailto:info@tda.gov)  
 Website: [www.tda.gov](http://www.tda.gov)

Overseas Private Investment Corporation (OPIC)  
 Abed Tarbush, Investment Development Manager  
 1100 New York Avenue, NW  
 Washington, D.C. 20527  
 Telephone: (202) 336-8632; Fax: (202) 408-5145  
 Email: [atarb@opic.gov](mailto:atarb@opic.gov)  
 Website: [www.opic.gov](http://www.opic.gov)

Export-Import Bank of the United States (EXIM Bank)  
 Veronique M. Cavallier, Officer for the Middle East  
 811 Vermont Avenue, NW  
 Washington, D.C. 20571  
 Telephone: (202) 565-3946 or (202) 566-8990; Fax: (202) 565-3380  
 Email: [veronique.cavallier@exim.gov](mailto:veronique.cavallier@exim.gov)  
 Website: [www.exim.gov](http://www.exim.gov)

U.S. Department of Agriculture (USDA)  
 Foreign Agricultural Service  
 Trade Assistance and Promotion Office  
 Telephone: (202) 720-7420; Fax: (202) 720-3799  
 Email: [hoffman@fas.usda.gov](mailto:hoffman@fas.usda.gov)  
 Website: [www.fas.usda.gov](http://www.fas.usda.gov)

### **Chambers of Commerce in Yemen**

Yemen Chambers of Commerce  
 Sanaa Chamber of Commerce & Industry  
 Hassan Mohammed Alkbous, Chairman  
 Mohamed Kawkaban, General Manager  
 P.O. Box 195, Sanaa, Republic of Yemen  
 Telephone: 967-1-232-361/2  
 Fax: 967-1-232-412  
 Email [sanaacomyemen@y.net.ye](mailto:sanaacomyemen@y.net.ye)  
 Website: <http://www.scci.com.ye/>

Aden Chamber of Commerce & Industry  
 Mohamed Omer Bamashmous, Chairman  
 Ahmed Hadi Salem, General Manager  
 P.O. Box 473, Crater, Aden, Republic of Yemen  
 Telephone: (dir)967-2- 260327- 221-176 or 251-104 or 255-446  
 Fax: 967-2-255-660

Email: [cciaden@y.net.ye](mailto:cciaden@y.net.ye)  
 Salwa al-Amri, 02/ 257376, 733558688

Hodeidah Chamber of Commerce & Industry  
 Abdul Galil Thabet, Chairman  
 Nabil Al-Wajeeh, General Manager 733234245  
 P.O. Box 3370 Hodeidah, Republic of Yemen  
 Telephone: 967-3-217-401/217-621; Fax: 967-3-211-528  
 Email: [hodcci@y.net.ye](mailto:hodcci@y.net.ye)

Hadramout Chamber of Commerce and Industry (Mukalla)  
 Omer Abdul Rahman Bagersh, Chairman  
 Lutfi Salem Belfakeih, General Manager 777950217  
 P.O. Box 8302  
 Mukalla, Hadramout, Republic of Yemen  
 Telephone: 967-5-353-258/307-674/308-044 - 315400  
 Fax: 967-5-303-437  
 Email: [HADRAMOUTCH@YEMEN.NET.YE](mailto:HADRAMOUTCH@YEMEN.NET.YE)  
 Fatima al- Saban,

#### **Yemen Government Agencies**

Ministry of Electricity  
 H.E. Dr. Mustafa Yahya Bahran, Minister  
 Eng. Ahmad Al-Aini, Deputy Minister  
 Eng. Abdul Moti al-Junaid, Managing Director  
 Public Electricity Corporation  
 P.O. Box 11422, Sanaa, Republic of Yemen  
 Telephone: 967-1-326-193 or 326-191/6; Fax: 967-1-326-198 or 326-150/1  
 Email: [yempec@y.net.ye](mailto:yempec@y.net.ye)

Ministry of Oil and Mineral Resources  
 H.E. Khaled Mahfouz Bahah, Minister  
 Eng. Abdul Malik A'alama, Deputy Minister  
 P.O. Box 81, Sanaa, Republic of Yemen  
 Telephone: 967-1-202-309 through 13; Fax: 967-1-202-314  
 Email: [momormastr@y.net.ye](mailto:momormastr@y.net.ye)

Ministry of Telecommunication and Technology  
 Eng. Kamal Hussein Al-Jabri, Minister  
 Yassin Mahmoud Ali, Deputy Minister  
 P.O. Box 17045, Sanaa, Republic of Yemen  
 Telephone: 967-1-331-460/1; Fax: 967-1-331-473

Ministry of Industry and Trade  
 H.E. Dr. Yahya Mohammed Al-Mutawkil, Minister  
 Ali Al-Siaghi, Vice Minister  
 Iqbal Yassin Ba-hader, Deputy Minister (Trade Sector)  
 Hazem Baker, Deputy Minister (Industrial Sector)  
 P.O. Box 7296, Sanaa, Republic of Yemen  
 Telephone: 967-1-252-471/9-252-340; Fax: 967-1-251-570  
 Website: [www.most.org.ye](http://www.most.org.ye)

Ministry of Planning and International Cooperation  
 H.E. Abdulkarim Ismail Al-Arhabi, Minister  
 Hisham Sharaf Abdullah, Deputy Minister for International Cooperation  
 P.O. Box 175, Sanaa, Republic of Yemen  
 Telephone: 967-1-250-101 through 3; Fax: 967-1-250-665  
 Email: [mpdminister@y.net.ye](mailto:mpdminister@y.net.ye)  
 Website: <http://www.mpic-yemen.org/>

General Investment Authority  
 Salah al-Attar, Chairman  
 Mohamed Abdul Aziz Abdul Ghani, General Manager  
 Mohamed Ahmed Hussein, Chief, Promotion Sector  
 P.O. Box 19022, Sanaa, Republic of Yemen  
 Telephone: 967-1-262-962/3 or 568-205; Fax: 967-1-262-964  
 Website is: [www.giay.org](http://www.giay.org)

### **Commercial Banks (with U.S. correspondent banks)**

Arab Bank PLC  
 Abdul Mahdi Allawi, Regional Manager (Tel: 276-582)  
 P.O. Box 1301 & 475, Sanaa, Republic of Yemen  
 Telephone: 967-1-276-585, 276-592/3; Fax: 967-1-276-583, 276-475  
 Email: [arabbank@y.net.ye](mailto:arabbank@y.net.ye);  
 Website: [www.Arabbank.com](http://www.Arabbank.com)  
 (Arab Bank PLC, New York)

Credit Agricole Indosuez Yemen  
 Robin De Mouxy, General Manager  
 P.O. Box 651, Sanaa, Republic of Yemen  
 Telephone: 967-1-274-371/2/3 or 274-351; Fax: 967-1-274-501  
 Email: [caindosuezye@y.net.ye](mailto:caindosuezye@y.net.ye)  
 (Citibank of New York)

International Bank of Yemen  
 Mohamed Mokbil Al-Ameri, General Manager  
 P.O. Box 4444, Sanaa, Republic of Yemen  
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 Email: [a.t.alabsi@y.net.ye](mailto:a.t.alabsi@y.net.ye)  
 Website: [www.ibyemen.com](http://www.ibyemen.com)

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 Aden, Republic of Yemen  
 Telephone: 967-2-253-753, 252-403; Fax: 967-2-252-325 or 252-484  
 Email: [nby.ho@y.net.ye](mailto:nby.ho@y.net.ye)  
 Website: [www.natbankofyemen.com](http://www.natbankofyemen.com)

(JP Morgan Chase Bank, Bank of New York, Citibank of New York)

Yemen Bank for Reconstruction and Development  
 Hussein Fadhl Mohamed, General Manager  
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 Telephone: 967-1-274-171 or 271-626 (GM), 270-483/1, 273-649  
 Fax: 967-1-271-630 or 271-684  
 Email: [ybrdid@y.net.ye](mailto:ybrdid@y.net.ye)  
 Website: [www.ybrd.y.net.com](http://www.ybrd.y.net.com)  
 (JP Morgan Chase Bank NA, NY, Doha Bank Ltd.,  
 NY, Bankers Trust Co., NY, Riggs Bank, Washington)

Yemen Commercial Bank YSCC  
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 Website: [www.ycbank.com](http://www.ycbank.com)  
 (Citibank Group, Bank of New York-)

Yemen Kuwait Bank for Trade and Investment YSC  
 Hussain Mohamed al-Maswary, Chairman  
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 Website: [www.yemenkuwaitbank.com](http://www.yemenkuwaitbank.com)  
 (Bank of New York, Citibank Group)

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 Email: [ygbank@y.net.ye](mailto:ygbank@y.net.ye)  
 Website: [www.yg-bank.com](http://www.yg-bank.com)  
 (Bank of New York)

Shamil Bank of Yemen and Bahrain  
 Mohamed Nageeb, General Manager  
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 Fax: 967-1-264-703, 503-350  
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 (J.P.Morgan Bank, New York)

#### **Other Offices**

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 Country Manager Mustapha Rouis  
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 Website: [www.worldbank.org](http://www.worldbank.org)

### Useful Websites

Ministry of Industry and Trade	<a href="http://www.most.org.ye">www.most.org.ye</a> <a href="http://www.yemen.gov.ye/egov/industry-english/">http://www.yemen.gov.ye/egov/industry-english/</a> <a href="http://www.mpic-yemen.org">www.mpic-yemen.org</a>
Ministry of Planning and International Cooperation	
Who is Who in Yemen	<a href="http://www.al-bab.com/yemen/biog/who">www.al-bab.com/yemen/biog/who</a>
Yemeni islands promising of investments and job opportunities	<a href="http://www.islandsauthority.gov.ye">www.islandsauthority.gov.ye</a>
Labor Market Information System	<a href="http://www.lmis-yemen.org">www.lmis-yemen.org</a>
Yemenia Airlines	<a href="http://www.yemenia.com.ye">www.yemenia.com.ye</a>
Social Fund for Development	<a href="http://www.sfd-yemen.org">www.sfd-yemen.org</a>
Aden Free Zone	<a href="http://www.aden-freezone.com">www.aden-freezone.com</a>
Central Bank of Yemen	<a href="http://www.centralbank.gov.ye">www.centralbank.gov.ye</a>
General Investment Authority	<a href="http://www.giay.gov.ye">www.giay.gov.ye</a>
Customs Authority	<a href="http://www.customs.gov.ye">www.customs.gov.ye</a>
Tax Authority	<a href="http://www.tax.org.ye">www.tax.org.ye</a>
National Information Center	<a href="http://www.nic.gov.ye">www.nic.gov.ye</a>
Central Organization for Control and Auditing COCA	<a href="http://www.coca.gov.ye/in_eng.html">www.coca.gov.ye/in_eng.html</a>
Petroleum Exploration and Production Authority	<a href="http://www.pepa.com.ye">www.pepa.com.ye</a>
Sana'a Chamber of Commerce	<a href="http://www.scci.com.ye">www.scci.com.ye</a> under construction
Yemeni Industrialists Association	<a href="http://www.madeinyemen.org/index.htm">http://www.madeinyemen.org/index.htm</a>
Sabafon	<a href="http://www.sabafon.com">www.sabafon.com</a>
MTN	<a href="http://www.mtn.com.ye">http://www.mtn.com.ye</a>
Yemeni Trading companies	<a href="http://www.y.net.ye/hostedinynet.htm#Governmental%20Web%20Pages">www.y.net.ye/hostedinynet.htm#Governmental%20Web%20Pages</a>
Hayel Saeed Anam Group of companies	<a href="http://www.hsagroup.com">www.hsagroup.com</a>

### Market Research

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To view market research reports produced by the U.S. Commercial Office at the Embassy, please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are available only to U.S. citizens and U.S. companies. Registration on the site is required, but free of charge.

**Trade Events**[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

To find information trade exhibitions in Yemen, the websites of the two exhibition centers are listed below.

Sana'a International Exhibition Center: <http://www.shumaila-group.com/site/events.htm>

Apollo International Exhibitions: <http://www.exposanaa.com/eventscalender.htm>

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

[www.buyusa.com](http://www.buyusa.com)

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.