



Executive Summary:

Yemen's investment climate has improved steadily in the past three years, with the economy expected to grow by 5.0 percent in 2014. In April 2014, Yemen's Parliament agreed to join the World Trade Organization (WTO), with the hope that Yemen's eventual accession will lead to a freer and more open market for international and domestic investors. International donors pledged \$7.8 billion in assistance to Yemen in 2012, with segments of that funding intended for large infrastructure projects. Both government officials and the private sector admire the professionalism and high-quality products of U.S. companies and seek to attract American companies to enter the Yemeni market.

However, the overall business-enabling climate presents a number of challenges. Corruption and bribery are common, and some Yemeni officials view foreign investment as an opportunity to seek out personal profit. Navigating the inner workings of competing centers of authority within the government may require a competent local partner. U.S. investors must pay special attention to ensure that they and their local partners remain compliant with the U.S. Foreign Corrupt Practices Act.

Security is a serious threat, as terrorist organizations have a history of targeting Westerners in Yemen. Al-Qaeda in the Arabian Peninsula (AQAP) continues to target infrastructure and government facilities, and terrorists have demonstrated the ability and desire to carry out large-scale attacks. Kidnapping of Westerners is a critical and growing threat, with several victims still being held for ransom by al-Qaeda or local tribes. The January 29, 2014 U.S. Department of State travel warning for Yemen urges U.S. citizens to defer travel to Yemen, and those U.S. citizens currently living in Yemen, to depart.

Other challenges include weak intellectual property rights enforcement, opaque dispute settlement mechanisms, as well as unclear and inconsistent lines of decision-making authority within the government. Official letters and memoranda to investors, as well as instructions within Yemeni ministries, are routinely ignored by government officials.

1. Openness to, and restrictions upon, foreign investment:

Yemen is eager to attract foreign direct investment, and government officials frequently express their openness to investment by U.S. firms. The Investment Law does not distinguish between domestic and foreign investors, and there is no requirement for foreign investors to partner with local companies. The General Investment Authority (GIA), Yemen's primary agency tasked with promoting investment, publicizes investment opportunities and coordinates government support on behalf of investors. GIA is currently implementing a "one-stop shop" process to simplify and streamline the process to register investments. Interested investors can obtain information packets from GIA, including a copy of the investment law, an investment guide summarizing GIA activities, and an application form with instructions, from: Promotion Section,

General Investment Authority, P.O. Box 19022, Sanaa, Republic of Yemen [Telephone: (+967) 1 434-312/13; Fax: (+967) 1 434-314; Website: <http://investinyemen.org/>]

Some investment sectors are not covered by GIA or the Investment Law. Investment in the oil and gas sector is governed by the Ministry of Oil and Minerals, and the Central Bank of Yemen oversees investment in the banking sector. The government of Yemen has sought to attract more international oil companies to invest in the hydrocarbon sector, which generates 60 percent of the government's budget.

Yemen continues to implement the Arab League's anti-Israel boycott. U.S. companies have been accused of having ties to Israel in order to damage their position in the market.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2013	(166 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(123 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014	(133 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(142 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	\$1,270	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or \$4,085 or less, including Yemen. Yemen's MCC scorecard is available here:

<http://www.mcc.gov/documents/scorecards/score-fy14-english-ye-yemen-rep.pdf>.

Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>

2. Conversion and Transfer Policies

Most major currencies, especially U.S. dollars, are readily available and trade freely at market rates. Central Bank interventions have resulted in a steady exchange rate with the U.S. dollar since August 2010. As of April 2014, the Yemeni Riyal was trading at YR 214.89 YR/USD 1.

Profits from investment of foreign funds may be transferred freely outside of Yemen. Investors may bring in funds from abroad for investment, and may re-export invested capital, as cash or in-kind, upon liquidation or project disposal. Cash transfers above \$10,000 must be approved by the Central Bank of Yemen.

Yemen is one of 11 countries listed on the Financial Action Task Force (FATF) public statement for having strategic deficiencies in addressing money laundering and combating the financing of terrorism. The FATF is currently evaluating new amendments designed to strengthen the anti-money launder/combating the financing of terrorism law.

3. Expropriation and Compensation

Since Yemen's unification in 1990, there have been no known cases of expropriation of property owned by foreign investors. 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 any government entity but a court of law. Real estate may be expropriated in the national interest, subject to a court judgment and fair compensation based on the current market value of the seized property.

4. Dispute Settlement

Commercial law enforcement in Yemen remains problematic. The commercial court system is inefficient and subject to bribes and influence by personal connections, and is generally considered unreliable for settling commercial disputes. Court cases can take years to resolve, and the government does not always enforce court rulings.

Many business entities prefer to handle disputes through private arbitration. In 1998, a group of lawyers, bankers, and businessmen established the Yemeni Center of Conciliation and Arbitration, a private arbitration center, as an alternative to the court system. The Arbitration Center has settled 52 disputes, and is slowly gaining recognition as a viable alternative to official courts in Yemen. The Arbitration Center suspended its operations in 2011 as a result of the political crisis in the country, but reopened in 2012. Most Yemeni business owners, however, continue to eschew both government and formal arbitration in favor of informal settlements, resulting in a serious deficiency in the equal application of the law. Foreign investors are best served by including an international arbitration clause in their contracts, establishing an escrow account, and, where appropriate, requesting payment up front.

Several U.S. companies have been involved in investment disputes with the government of Yemen over the past decade after the government reneged on signed agreements. Only one of the companies has received compensation for the abrogated contracts. In 2005, U.S.-based Hunt Oil Company sued Yemen in the International Court of Arbitration. The court's decision has been kept confidential, as agreed upon by both sides. Hunt Oil sold its remaining oil business in Yemen to a Kuwaiti company in 2013, but continues to hold a stake in a large liquefied natural gas facility.

Yemen is a signatory to the 1965 Convention on the Settlement of Investment Disputes, but not to the 1958 New York Convention on Arbitration. There are no specialized intellectual property rights courts. Yemen does not have a bankruptcy law or an insolvency law. The World Bank's Ease of Doing Business Report 2014 ranks Yemen 126 out of 189 in resolving insolvency.

5. Performance Requirements and Investment Incentives

Investment incentives apply equally to foreign and domestic investors. The 2010 Investment Law offers customs duty exemptions for fixed assets of investment projects, and a 50 percent reduction in customs duties for production inputs. The corporate income tax rate for investments worth at least \$3 million and employing at least 100 Yemenis, or in the telecommunications or tobacco industry, is 15 percent; corporate income tax for all other investments is 20 percent. Yemen does not specify performance requirements as a condition for investment.

6. Right to Private Ownership and Establishment

Foreign commercial entities have full rights to private ownership in Yemen, with or without a Yemeni partner, except in the field of arms and munitions. All companies must register with the Ministry of Industry and Trade prior to establishing operations in Yemen.

7. Protection of Property Rights

Yemen has a long history of land ownership disputes due to incomplete or inaccurate land records. The General Land Survey and Planning Authority oversees land ownership and registration, as well as modest government urban planning efforts. In 2011, armed clashes damaged the General Land Survey and Planning Authority headquarters and led to the looting of documents and equipment in the building, thus further complicating land ownership disputes. The World Bank's Ease of Doing Business Report 2014 ranks Yemen 61 out of 189 in registering property. Because banks are wary to accept land as a form of collateral, mortgage lending in Yemen is rare.

Intellectual property rights protection in Yemen is very weak. Yemen became a member of the World Intellectual Property Organization (WIPO) in 1999 and has revised laws protecting patents, trademarks, and industrial designs in 2010 and 2011. In 1999, a large U.S.-based multinational firm won a trademark infringement case in a Yemeni court, but the violator continued to infringe on the trademark despite the court ruling. In a separate case in 2003, the Yemeni Supreme Court ruled in favor of a U.S. company in a trademark dispute, ordering the infringing company to cease production and destroy the products in violation with the ruling, but the court never enforced its decision.

As part of Yemen's WTO accession requirements, Yemen must take concrete steps to adequately protect intellectual property rights. Yemen has acceded to the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Agreement on Protecting Intellectual Property Rights. Yemen is not yet compliant with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), but the government has an action plan to become compliant by the end of 2016. For

additional information about treaty obligations and points of contact at local intellectual property offices, please see WIPO's Yemen country profile:

http://www.wipo.int/directory/en/details.jsp?country_code=YE.

Embassy point of contact: Danny Devries SanaaCommercial@state.gov

Local lawyers list: http://yemen.usembassy.gov/yemen/layers_info.html

8. Transparency of the Regulatory System

Implementation and enforcement of 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 Automated System for Customs Data (ASYCUDA) systems and WTO-compliant customs valuation methods. The Yemen Standardization, Metrology and Quality Control Organization is the regulator responsible for setting standards for the import, export, and distribution of goods. Proposed laws and regulations are typically not available in draft form for public comment before they are finalized.

9. Efficient Capital Markets and Portfolio Investment

Commercial banks are typically owned and operated by large trading families, and most of their lending goes to associated businesses or well-known partners. Banks are reluctant to issue credit, because many judges reject claims for interest payments as being non-compliant with *Shari'a* (Islamic) law, and because seizure of collateral is difficult to enforce. Because commercial banks can purchase government bonds with a 15 percent interest rate, banks typically charge customers an even higher rate for credit. There is no national credit registry in Yemen.

The banking sector in Yemen is relatively stable; the last bank failure (Watani Bank) occurred in 2006. Since then, the Central Bank of Yemen has made an effort to increase monitoring of the banking sector and improve accounting procedures and loan recovery rates. Because commercial banks are so reluctant to lend to creditors, Yemeni banks are generally highly liquid. Most commercial banks maintain the required eight percent capital adequacy ratio and classification standards for loan portfolios. As of January 2014, the consolidated balance sheet of commercial and Islamic banks amounted to 2759.1 billion YR (\$12.8 billion), a 427.7 billion YR (\$2.0 billion) increase over the previous 12 months. Only four percent of Yemenis have bank accounts, and most financial transactions occur outside of the commercial banking system. Credit card use is rare, but ATMs are located in urban areas.

In 2011, the last remaining U.S. bank operating in the Yemeni market, Bank of New York, closed its correspondence accounts with local banks. Consequently, most Yemeni banks have switched to European or Gulf country correspondent banks for most money transfers and letters of credit denominated in U.S. dollars. Yemen's weak anti-money laundering and combating the financing of terrorism regime, as noted in the Financial Action Task Force public statement, creates potential hazards for international banks looking to facilitate transactions in Yemen.

Inter-bank activities are limited, and there are no equity or bond markets. The government of Yemen plans to establish a stock market in Yemen to promote a private sector-led growth strategy. Most domestic and international observers, however, believe that the country lacks the expertise to establish a stock market, and that there are insufficient Yemeni investors to sustain an active stock market.

10. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are active in various sectors, including electricity, oil and gas, manufacturing, banking, and telecommunications. Yemen Economic Corporation, Public Electricity Corporation, Yemen Petroleum Company, and Yemen Telecommunication Corporation are some of the most prominent examples of SOEs in Yemen. Government ministries supervise the operations of each SOE. There are also enterprises with mixed public/private ownership, including the Yemen Bank for Reconstruction and Development, Yemen Mobile, and the Yemen Drug Company. The government budget appropriates funds to SOEs, but most SOEs are not subject to hard budget constraints and have a degree of independence. The President of Yemen appoints the Executive Directors of each SOE, after receiving nominations provided by the relevant ministers. The Executive Director coordinates with the relevant ministries in vital decision-making. Each SOE is required by law to publish an annual report under the supervision of the related ministry and submit their books to an independent auditing company, but critics allege that the official annual reports do not fully capture the activities of each SOE. Reportedly, very few of the Yemen's SOEs are profitable.

Some SOEs have an exclusive monopoly to operate in their sector, such as the Yemen Petroleum Company's monopoly over fuel imports. Other SOEs, including national oil companies PetroMasila and SAFER, Yemeni Authority for Cement, and the Cooperative and Agricultural Credit Bank, compete with the private sector.

11. Corporate Social Responsibility

Corporate social responsibility (CSR) is not mandated by law, but establishing positive community relations can be crucial to sustaining operations, particularly in tribal areas. Foreign and domestic firms often promote CSR through educational scholarships or charities run by family firms. Companies with operations outside of Sana'a, particularly oil companies working in tribal regions, have faced sabotage of their infrastructure and blockades of supplies by locals who were excluded from jobs, and felt that they did not have a stake in the success of the companies in their regions. Tribes in oil-producing regions claim they are not benefitting fairly from the economic activity in their areas, and investors should be very sensitive to the need to build strong and lasting community relations. The provision of community-based services, such as healthcare and education, can contribute to protecting investments in isolated areas, where the tribal structure is more influential than the formal legal system.

12. Political Violence

In 2011, protests and armed clashes between pro- and anti-regime forces erupted in opposition to 33 years of rule by President Ali Abdullah Salih. Over one thousands Yemenis were killed, and thousands more injured, as tribal and security factions splintered and clashed in the streets of Sana'a. On March 18, 2011, at least 45 anti-government protesters died and over 200 were injured as unidentified gunmen opened fire on peaceful demonstrators in Sana'a in what became known as the "Friday of Dignity" massacre. Following the shootings, several high-ranking officials and military commanders defected from the Saleh regime, including Major General Ali Muhsin, then Commander of the First Armored Division and one of the most powerful figures in Yemen.

On June 3, 2011, President Salih and other officials were injured in an attack on the Presidential Mosque, forcing Salih to seek medical treatment in Saudi Arabia for several weeks. On November 23, President Salih signed the GCC Initiative agreement in Riyadh, agreeing to step down in favor of then-Vice President Abdo Rabbu Mansour Hadi in exchange for immunity, and leading to the inclusion of the opposition in a National Consensus Government. Hadi was formally elected President in a national election in February 2012.

On March 18, 2013, President Hadi launched the National Dialogue Conference (NDC) with the participation of a broad spectrum of political parties and interest groups. Following ten months of meetings and deliberations, the members of the NDC agreed on a final document to serve as a guideline in the constitutional drafting process. Unknown gunmen assassinated two delegates before the conclusion of the NDC, while several other assassination attempts against delegates and political figures failed.

Terrorist organizations, including Al-Qaida in the Arabian Peninsula (AQAP), continue to be active throughout Yemen. The U.S. government remains highly concerned about possible attacks on U.S. and Western citizens, facilities, businesses, and other interests. In a significant blow to counter-terrorism efforts, 23 convicted terrorists, including those behind the 2000 U.S.S. Cole bombing, escaped from a prison in Sana'a in February 2006. On July 2, 2007, eight Spanish tourists and two Yemenis were killed in a suicide car bomb attack on their convoy in Marib governorate. On January 18, 2008, two Belgian tourists and their Yemeni driver were killed in Hadramawt Governorate. In 2008, mortars fired at the U.S. Embassy hit a neighboring girls' school, injuring several Yemeni girls. A September 2008 suicide attack on the U.S. Embassy in Sana'a killed 18 people. A U.S. citizen was killed in Taiz on March 18, 2012 and AQAP claimed responsibility. Protestors stormed the walls of the U.S. Embassy in Sana'a on September 13, 2012, damaging vehicles and facilities, but there were no casualties. Later that year, a member of U.S. Embassy local staff was assassinated outside his home by unknown gunmen.

The resolution of the political crisis has done little to slow down periodic assassinations and terrorist attacks against Yemeni security forces and facilities. On May 22, 2012, nearly 100 soldiers were killed and more than 200 were injured in a terrorist attack during a rehearsal for a military parade on 70 Meter Road in Sana'a. On September 11, 2012, Minister of Defense Mohamed Nasser Ahmed narrowly escaped an assassination attempt when a car bomb targeted his motorcade, killing seven and injuring 12. On December 5, 2013, al-Qaeda militants carried out a complex attack against the Ministry of Defense compound in Sana'a, killing at least 52

people. Video footage captured attackers killing patients and civilian employees at a hospital inside the compound. The backlash against the brutality of the attack was so severe that al-Qaeda issued a formal apology. On February 13, 2014, more than two dozen prisoners believed to be connected to AQAP broke out of the Sana'a Central Prison. Assassins on motorbikes have killed dozens of military, security, and intelligence officials since 2012.

Terrorists have also targeted economic interests in Yemen, especially in the important oil sector, which accounts for 60 percent of government revenue. Since 2006, attacks against oil and gas infrastructure have resulted in the interruption of operations and occasional deaths, though most attacks are against lightly protected oil pipelines and do not result in casualties.

Kidnappings of expatriates, and occasionally Yemenis, have long been a frequent occurrence in Yemen as a means for tribes to pressure the government to accede to their demands for resources or improved services, or to settle business disputes. Recently, however, tribes have begun to sell kidnapping victims to AQAP, who demands ransoms in the millions of dollars to finance operations. Tribes have also hijacked vehicles belonging to foreign companies and set up roadblocks around their facilities in order to pressure the central government to provide additional social services in the area.

Violent crime is also a growing problem; local media reported the murder of two U.S. citizens in Taiz and Aden in 2013. In addition, piracy in the Red Sea, Gulf of Aden, and Indian Ocean is a security threat to maritime activities in the region.

Houthi rebels have expanded their influence through parts of northern Yemen by forming new tribal alliances.

The January 29, 2014 U.S. Department of State travel warning for Yemen urges U.S. citizens to defer travel to Yemen and those U.S. citizens currently living in Yemen to depart. The latest travel warnings for U.S. citizens is available here:

http://yemen.usembassy.gov/yemen/citizen_services.html

13. Corruption

Corruption is rampant in Yemen, and poses a significant challenge to U.S. investors. Analyses by international and local observers, including Transparency International, agreed that corruption affects every branch and level of government, and especially the security sector. Political leaders and most government agencies have taken negligible action to combat corruption.

The culture of corruption is pervasive, and petty corruption is widely reported in nearly every government office. Job candidates are often expected to purchase their positions. Tax inspectors undervalue assessments and pocket the difference. Many government officials and civil service employees receive salaries for jobs they did not perform or multiple salaries for the same job.

Government procurement is also greatly affected by corruption. The government has a long history of awarding large contracts to companies controlled by entrenched elites. Many projects are not awarded by tender, and even when they are, the process can be opaque. Prospective local

partners often flaunt their connection to government decision-makers, not realizing that the nature of their relationship may run afoul of U.S. anticorruption laws and norms.

Corruption is a particularly serious problem throughout the military-security establishment and intelligence bureaucracy. Government progress on reorganization within the Ministry of Defense and Ministry of Interior explicitly addresses corruption. Some police stations reportedly maintain an internal affairs section to investigate abuses by police and security force, and citizens have the right to file complaints with the Prosecutor's Office. The Ministry of Interior has a fax line for citizens to file claims of abuse for investigation.

The law provides criminal penalties for corruption; however, enforcement of the anticorruption law is weak, and officials frequently engage in corrupt practices with impunity. According to Article 136 of the Constitution, a criminal investigation may not be conducted on a deputy minister or higher-ranking official without a one-fifth approval vote in Parliament. A two-thirds majority parliamentary vote and presidential permission are then required to bring criminal investigation results to the general prosecutor for indictment, a burdensome process that effectively shields high-ranking officials from prosecution. The government did not use the procedure to prosecute high-ranking officials during 2013 and only employed it infrequently in prior years. Yemen does not have a "whistle-blower" law extending protections to public or private employees from retaliation for making internal or public disclosure of corruption. NGOs reported many cases of individuals losing their jobs or suffering other harm after revealing instances of corruption.

The independent Supreme National Authority for Combating Corruption (SNACC) was formed in 2007 to receive complaints and develop programs to raise awareness of corruption. According to SNACC officials, 100 corruption cases were referred for prosecution during the 2013, but no corruption sentences were pronounced by year's end.

The Central Organization for Control and Audit (COCA) is the national auditing agency for public expenditures and the investigative body for corruption. The President appoints its top officials. COCA presents its reports to Parliament, but the reports are not publicly available. In cases involving high-level officials, COCA submits reports directly to the President, who has the power to refuse the reports. Only low-ranking officials have been prosecuted for corruption since COCA's inception in 1999.

Yemen Parliamentarians Against Corruption (Yemen PAC), the local branch of Arab PAC, is part of a network of parliamentarians organized in 2006 to stimulate legislative branch action against corruption. Though it does not have any legal mandate, Yemen PAC monitors the activities of SNACC and COCA, and provides limited, unofficial oversight of their activities.

The law requires disclosure of financial assets to SNACC by all ministers, deputy ministers, heads of agencies, and members of Parliament and the Shura Council. The SNACC reserves the right to request disclosures from any other government employee. Disclosures must be submitted annually, but government officials do not need to disclose the assets of their children or spouses. SNACC publishes the disclosures on its website and notes the names of officials who have failed to submit a disclosure. The law provides for penalties for filing false

information. A total of 25,621 public employee financial disclosure statements have been filed with the SNACC, with 686 noncompliance cases submitted to the Public Prosecutor's Office for action. However, the Public Prosecutor's Office has not brought any cases to trial.

Ultimately, it is the responsibility of the U.S. company to ensure that it and its local partners comply with the Foreign Corrupt Practices Act. Because of the rarity of prosecution for corruption, local Yemeni companies may be more willing to engage in corruption, with or without the knowledge of their partners.

Transparency International's 2013 Corruption Perception Index ranked Yemen 167 out of 177 countries, a drop from Yemen's 2010 ranking of 146th. Yemen has signed and ratified the United Nations Convention against Corruption.

To report corruption:

Supreme National Authority for Combating Corruption

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14. Bilateral Investment Agreements

The United States and Yemen signed a Trade Investment Framework Agreement (TIFA) in 2004. The United States and Yemen do not have a bilateral taxation treaty. According to the General Investment Authority, Yemen has more than 60 bilateral trade and investment agreements, including with Algeria, Austria, Bahrain, Belarus, Belgium, Bulgaria, China, Czech Republic, Egypt, Ethiopia, France, Germany, Hungary, India, Indonesia, Iran, Italy, Jordan, Kuwait, Lebanon, Luxembourg, Malaysia, Morocco, Netherlands, Oman, Pakistan, Qatar, Russian Federation, South Africa, Spain, Sudan, Sweden, Syria, Tunisia, Turkey, Ukraine, the United Arab Emirates, and the United Kingdom. For more information on Yemen's bilateral investment agreements, please see: <http://investinyemen.org/>.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) can provide support to finance and insure both private and public sector projects in Yemen under the terms of a 1972 investment guarantee agreement, but OPIC has not supported any project in Yemen since at least 2006. Potential investors should consult early on with representatives from OPIC regarding the financing profile

of a given project. The Export-Import Bank (Ex-Im Bank) is currently barred from operating in Yemen. Yemen is a member of the Multilateral Investment Guarantee Agency.

16. Labor

Unemployment in Yemen is high, with some estimates at 50 percent. Most Yemenis work in the agricultural sector or the informal economy. According to the World Bank, 45 percent of the population lived below the international poverty line of \$1.25 per day. The workforce of Yemen is largely unskilled, and wages are low. Though many workers have earned a college degree, few Yemeni universities approach the level of education at U.S. universities. Some Yemenis have degrees from Western or other Arab universities, but these workers represent a small subset of the Yemeni labor force. The Investment Law does not require foreign firms to hire Yemeni workers.

The labor code provides for the right of salaried private sector employees to organize and bargain collectively without government interference. The labor code also protects employees from antiunion discrimination, including dismissal for union activities. Unions may negotiate wage settlements for their members and may conduct strikes or other actions to achieve their demands.

Although not required by law, all unions are federated within the General Federation of the Yemeni Workers' Trade Unions (GFYWTU). Unions are most active in the public sector, but exist in the private sector, as well. A 2014 strike by employees of French oil company Total in Hadramawt Governorate created a temporary interruption of work. The government has at times sought to influence unions by inserting its own personnel into groups and organizations. In some instances, political parties attempted to control professional associations by influencing internal elections or placing their own personnel in positions of influence.

There is no minimum wage for private sector employees, but there are requirements for overtime pay, paid holidays, and leave. The law specifies a maximum 48-hour workweek and a maximum eight-hour workday, but many employees regularly work longer hours without compensation. The law prohibits compulsory and child labor, but a 2013 ILO child labor survey found that 11 percent of children between the ages of five and 11 were involved in child labor. The Ministry of Social and Labor Affairs is responsible for regulating workplace health and safety conditions, though enforcement is weak.

17. Foreign Trade Zones/Free Ports

The Aden Container Terminal and the Aden Free Zone are promising areas for investment, especially in the fields of light industry, repackaging, storage, and distribution. The government plans to further develop the Aden Free Zone to increase heavy industry and tourism infrastructure. Free zone incentives include the possibility of 100 percent foreign ownership, no personal income taxes for foreigners, a corporate tax holiday for 15 years (renewable for 10 additional years), full repatriation of capital and profits, no currency restrictions, and no restrictions on the employment of foreign staff. Aden's main selling point is its strategic location – nine days steaming from Europe and seven from Singapore – directly off the main Far East-to-

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; Website: <http://www.adenfreezone.com/Index.php>

The annual capacity of the Aden Container Terminal is 650,000 twenty-foot equivalent units (TEUs). The 35 hectare container yard can store up to 10,000 boxes. The Yemen Ports Authority recently constructed a new 270-meter long and 12 meter deep dock assigned for unpacking wheat-loaded vessels in order to alleviate the burdens on the other seven docks in the port. In November 2013, the government of Yemen pledged \$507 million to rehabilitate the Port of Aden, including dredging the port to grant access to heavier ships. For more information about the ACT, please visit <http://www.portofaden.net/Default.aspx>.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

The General Investment Authority has not released foreign direct investment statistics for 2013. According to the World Bank's Foreign Direct Investment Report, FDI into Yemen (\$349 million in 2012) once again exceeded outflow. Most U.S. investment in Yemen is in the oil and gas exploration and production sectors.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

Economic Data	Year	Amount	Year	Amount
Yemen Gross Domestic Product (GDP) <i>(Millions U.S. Dollars)</i>	2012	\$32,748	2012	\$35,650
Source:	Yemeni Central Statistical Organization		World Bank	
Foreign Direct Investment	Year	Amount	Year	Amount
U.S. FDI in Yemen <i>(Millions U.S. Dollars)</i>	<i>n/a</i>	<i>n/a</i>	2008	\$700
Yemen's FDI in the United States	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Source:	Yemeni Central Statistical Organization		U.S. Bureau of Economic Analysis	

19. Contact at Post to learn more:

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