

Executive Summary

The Houthis' positioning along the southwestern edge of the Arabian Peninsula has enabled the terrorist group to disrupt international maritime traffic transiting the Red Sea and threaten U.S. partners in the region. By misunderstanding and downplaying the threat since the group overthrew Yemen's government in 2014, Washington has contributed to its growth. With the arms and training provided by Iran and Hezbollah, the group has since accumulated battlefield experience and stockpiles of weaponry that few nation-states possess.

In the spring of 2025, President Donald Trump ordered a campaign of withering air strikes against the Houthis. While the volume of missiles coming out of Yemen dropped, it soon became clear that air power alone would not suffice. A broader strategy was needed, to include economic, diplomatic, and other soft power measures.

- **Approach:** The first half of this monograph tracks the shifting response of the United States and its partners in the Gulf. It then turns to an examination of the strengths and weaknesses of the Houthi regime as well as how the threat it poses might evolve. Finally, the monograph considers alternatives to current U.S. policy before laying out a comprehensive strategy to stop the regime's ongoing attacks and, over the longer term, erode the strategic pillars on which the regime rests.
- **Findings:**
 1. **Deterrence Alone is Not Adequate to Deal With the Long-Term Threat:** If merely deterred, the Houthis may exploit any lull in the fighting, as they did during the Saudi-Houthi ceasefire in 2022-23, to consolidate control within northern Yemen, expand their arsenal, and reinforce their protected bunkers and underground tunnels. They could also develop relations with additional foreign states or malign actors beyond the Iran-led "axis of resistance" to create supplementary sources of revenue or enhance their indigenous military production capabilities.
 2. **Comprehensive Strategic Action is Required:** To contain the Houthis, the United States should target the economic, informational, and political pillars that uphold the regime, forcing it to contend with instability or collapse if its destabilizing and rogue behavior persists.

Policy Recommendations

Beyond a strong military response to the Houthi threat, Washington and its allies should also apply economic, informational, and political pressure that has a greater potential to undermine the Houthi regime over the long term.

Economic: Target four key sources of revenue to the Houthi regime.

1. **Diversion of humanitarian aid:** Tens of billions of dollars of assistance have flowed into Yemen over the past decade of conflict. UN agencies and international nongovernmental organizations (INGOs) have done little to prevent the Houthis from controlling and diverting massive amounts of aid. Major donors, especially the United States, should demand greater transparency and hold accountable those who refuse to disclose and stop the diversion.
2. **Control of Hodeidah port:** Washington and its partners should cease all UN funding for the restoration of Hodeidah port and seek to divert commercial traffic from that port so long as the Houthis fail to comply with their commitments under the 2018 Stockholm Agreement. The agreement mandated that a neutral third party administer the port, while its revenue would support public sector salaries.

3. **Houthi-run financial institutions:** Major banks under Houthi control are used to finance terrorism and other destabilizing activities in Yemen and throughout the Middle East. They should be sanctioned by Washington and its partners and disconnected from the SWIFT global financial messaging system.
4. **Maritime extortion:** A UN panel reported claims that shipping agencies are paying the Houthi regime for safe passage through the Red Sea, and this warrants investigation and enforcement efforts.

Informational: Pursue two key lines of effort to counter Houthi propaganda and control of information.

1. **Promote alternatives to Houthi-controlled internet service providers.** Control of TeleYemen and YemenNet provides the regime with hundreds of millions of dollars in annual revenue and enables it to limit and monitor how Yemenis use the internet.
2. **Investigate and sanction human rights abusers and corrupt officials.** Washington should publicize Houthi atrocities and aggressively employ authorities, such as the Global Magnitsky sanctions program.

Political: Isolate the Houthis diplomatically and strengthen its rivals within Yemen.

1. **Pressure third countries, such as Turkey and Oman, to stop providing sanctuary for Houthi operatives.** Oman allows the Houthis to operate a headquarters in the country. Businesses, banks and smuggling networks operate in Oman with impunity. Turkish entities serve as fronts for illicit procurement and money laundering.
2. **Exact a price from the Houthis' patrons.** Continuously target advisers that Hezbollah and Iran send to Yemen to disconnect the Houthis from their key backers.
3. **Promote Israeli-Arab normalization.** Working together, Israel and the Arab Gulf states can counter the Houthis more effectively.
4. **Help unify anti-Houthi forces within Yemen.** Washington should not enmesh itself in internal Yemeni politics but should offer incentives for cooperative behavior.
5. **Demonstrate power and unity of purpose.** Additional U.S.-led military exercises that incorporate regional partners can reinforce deterrence.
6. **Create an intelligence-sharing consortium.** Sharing intelligence among coalition partners would facilitate defense against Houthi attacks employing advanced systems acquired from Iran, Russia, or China.

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