

DESPITE THE TERRORISM DESIGNATION, THE HOUTHIS REMAIN UNDETERRED

Bottom Line Up Front:

- The U.S. designation of the Ansarallah movement (Houthis) as a “Specially Designated Global Terrorist” organization last week is unlikely to stop Houthi attacks on commercial shipping through the Red Sea.
- The Houthis’ leaders are defying U.S.-led retaliatory attacks and the terrorism designation, insisting their attacks will only cease when the Israel-Hamas war ends.
- Sanctions imposed by the terrorism designation will not affect the Houthis’ military capabilities, which are provided by Iran, declared by the United States as the world’s leading state sponsor of terrorism.
- U.S. officials are trying to limit the effect of the terrorism designation on the humanitarian situation in Yemen or the prospects for a settlement in the internal conflict there.

Last week, citing more than [30 Houthi attacks](#) on commercial shipping in the Red Sea over the past month, U.S. officials designated the Houthis in Yemen as a “Specially Designated Global Terrorist (SDGT)” group. The decision essentially, although not formally, restores the Trump administration’s naming of the Houthis as a [Foreign Terrorist Organization \(FTO\)](#), announced just weeks before that Administration left office. Within weeks, the incoming Biden administration revoked the Houthis’ FTO status as part of an effort to forge a Yemen peace settlement and increase the flow of humanitarian assistance to the Yemeni people. The sanctions imposed as a consequence of an SDGT and an FTO designation are similar, although the FTO designation is widely considered to represent a more determined, adversarial U.S. stance than an SDGT designation. The Houthis have not only been attacking commercial shipping but also naval vessels participating in U.S.-led maritime security operations, including a 14-nation mission, Operation Prosperity Guardian, established in December to enhance Western efforts to deter the Houthi launches.

Some U.S. officials and experts criticized the decision to label the Houthis as an SDGT rather than an FTO, arguing that the [significant threat](#) Houthi attacks on shipping pose to U.S. and global interests merited the FTO label. However, either designation would not stop Iran – perhaps the most heavily sanctioned country in the world and a vocal U.S. adversary – from continuing to try to supply the Houthis with missile and armed drone technology. On January 11, two U.S. special operations force personnel were lost at sea, off the coast of Somalia, during a boarding operation of a small boat containing Iranian weapons technology bound for the Houthis. Iran fully backs the strategy of the Houthis, who are key members of Iran’s “axis of resistance,” to damage the global economy in order to pressure the United States to prevail on Israel to end its offensive against Hamas. Iran - which was been designated by the United States as a state sponsor of terrorism in 1984 - has deployed Islamic Revolutionary Guard Corps – Qods Force (IRGC-QF) and other personnel to help the Houthis identify commercial vessels linked to Israel, which the Houthis claim are their main targets. The Houthis have nonetheless fired on ships with no apparent linkage to Israeli interests.

U.S. officials hope that the terrorism listing might restrict the Houthis’ financial wherewithal to wage war, but most experts assess that the practical effect of the designation will be marginal, at best. Whether as an SDGT or an FTO, terrorism designations penalize companies and banks that transact business with the listed entity. However, the Houthis are already mostly shut out of the international financial system and global commerce, and the group’s leadership generally uses illicit financial networks to hold and

transfer the organization's money. The terrorism designation will, therefore, likely have little, if any, effect on the group's ability to finance its operations. Some critics assert that U.S. officials should have designated the Houthis as an FTO because an FTO designation, unlike that of an SDGT, provides for criminal penalties for U.S. persons determined to have provided "material support" (such as donations) to the FTO. Yet, no assessment has found that contributions from U.S. or other Western country residents provide the Houthis with critical amounts of funds. Others assert that an FTO designation would have prevented all Houthi members from obtaining visas to enter the United States, but many Houthi leaders and their financial enablers have already been [separately sanctioned](#) as terrorism supporters and have long been barred from entering the United States.

The Houthis have remained defiant in the face of not only the [terrorism label](#) but also U.S.-led retaliatory attacks on Houthi targets in Yemen. Several Houthi volleys against ships in the Red Sea have taken place since the SDGT designation last Wednesday. The Houthis have been able to continue their assaults despite ongoing U.S. and UK-led strikes on their missile and armed drone launch sites and storage facilities, including pre-emptive destruction of missiles positioned for launch. Global shipping companies are still re-routing their shipments to avoid the Red Sea. Suggesting the Houthis remain unbowed, on January 18, one day after the SDGT designation, Houthi leader Abdul-Malek al-Houthi said it is "a great honor and blessing to be confronting America directly." He claimed that the U.S. and UK strikes on Yemen only sharpened his group's military technology capabilities, and that the Houthis' strategy was "working" to damage the economies of Israel, the United States, and their allies. That same day, President Biden indirectly corroborated the Houthi leadership assessment by telling reporters: "When you say [are US strikes on the Houthis] working, are they stopping the Houthis? No. Are they going to continue? Yes." The Washington Post reported that the Biden administration is now "crafting plans for a sustained military campaign targeting the Houthis in Yemen," which is leading some in Washington to grow concerned about the U.S. ending up in an open-ended military operation with unclear objectives. There are also well-founded concerns about what a sustained military campaign could do to the peace process in Yemen.

In making the SDGT designation, U.S. policymakers sought to balance the potential deterrence benefits against likely consequences. In particular, U.S. officials weighed the potential for the designation to [derail diplomatic efforts](#) to end the conflict in Yemen, which pits the Houthis against a Saudi-led Arab coalition supporting the ousted Republic of Yemen Government. Some U.S. officials reportedly were concerned the terrorism designation, as well as the U.S. and U.K. strikes on Houthi targets, might cause a collapse of a tacit ceasefire that has held since April 2022. The truce had paved the way for serious talks between Houthi representatives and Saudi officials on a permanent end to the war. Thus far, neither the terrorism designation nor the U.S. and U.K. strikes have derailed the diplomatic engagement or revived all-out Houthi-government combat in Yemen. Perhaps as difficult was insulating the Yemen humanitarian situation from any consequences of the terrorism designation. The Yemeni people have already been plagued by more than a decade of war that has forced the country to depend on foreign donors and international aid groups. U.S. officials explained they decided to designate the Houthis as an SDGT rather than as an FTO to "make sure that there aren't unintended consequences for the humanitarian situation and the people of Yemen." International aid groups and other donors tend to be deterred from even permissible humanitarian-related transactions with representatives of designated FTOs because of perceived reputational effects and uncertainty about whether a transaction might be sanctionable under U.S. law. By comparison, donors are less deterred by an SDGT designation. To further try to mitigate adverse consequences, U.S. officials determined the SDGT designation would go into effect in 30 days (February 16) – time that would enable officials to issue specific licenses and other determinations that clarify the exemption from sanctions for humanitarian transactions.

A broader question is what steps the Houthis might need to take in order to again see their terrorism label revoked, as U.S. officials did in early 2021. Upon making the designation, senior U.S. officials asserted the SDGT designation gives them more flexibility to revoke the label than would an FTO designation. Removing a group from the FTO list requires a lengthy and complicated inter-agency process to determine whether the FTO is no longer committing acts of terrorism and has verifiably

pledged not to do so in the future. Presumably, a decision by the Houthi leaders to end attacks on shipping in the Red Sea might potentially justify lifting the terrorism label. However, U.S. officials are not likely to consider lifting the label unless the Houthis also agree to a [peace settlement](#) with the Republic of Yemen Government and its benefactors in Riyadh and Abu Dhabi. It has always been easier to add groups to any U.S. terrorism list than to remove them, and Houthi statements, actions, and alignments provide no reason to foresee a U.S. rollback of the terrorism listing any time soon.
