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POLICY NOTE · INSIGHTS SERIES · OCTOBER 2026

A Strait Held Hostage

The Houthi campaign at Bab el-Mandeb and who pays for it

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October 2026

What happens at Bab el-Mandeb is priced in Riyadh, Cairo, Addis Ababa, and Nairobi — and the Houthi question needs a joint regional strategy, not a series of separate deals.



EXECUTIVE SUMMARY

Since 28 February 2026 the two chokepoints of Gulf trade have failed in opposite ways. Hormuz is closed by force: AIS-tracked transits fell from 85.5 a day in 2025 to 3.5 in early October. Bab el-Mandeb is open but rationed: crude flows through it fell from 5.9 to 1.5 million barrels a day between June and August, and after the Houthi blockade of Saudi-linked shipping on 20 July, war-risk premiums for Saudi ports reached 3–7% of hull value. The Gulf's relief route has inherited the risk it was built to avoid — a *double chokepoint*.

The cost is global and measured: Red Sea transits are down from about 71 a day in 2022–23 to about 27 in September 2026, and Suez revenue from USD 10.25 billion to USD 4.67 billion. Yemen sits on both sides of the map. Its west coast is the chokepoint the Gulf routes around, while Gulf infrastructure on its Arabian Sea coast is built as an *enclave corridor* — bilateral and militarily secured — so Yemen is bypassed by the bypass. The Houthi threat is international in fact but bilateral in management: a *selective siege* that prices risk by flag, is sustained by every bilateral exemption, and whose *resilience premium* is paid in Cairo, Addis Ababa, Nairobi, and Aden by states that own neither the assets nor the decisions.

This note sets out three scenarios to mid-2027 and a six-pillar joint strategy anchored in a UN-led political process, with six recommendations to the Intergovernmental Authority on Development (IGAD), Horn governments, Gulf partners, Yemen's government, European convenors, and the shipping and insurance industry.

3.5	4.67 bn	3–7%	1,360 km
AIS-tracked Hormuz transits a day in early October 2026, against 85.5 in 2025	USD of Suez Canal revenue in FY2025/26, down from USD 10.25 bn in 2023	war-risk premium on hull value for Saudi-linked port calls, September 2026	Houthi strike reach in 2026, from Sana'a to Dhahran

01 THE DOUBLE CHOKEPOINT — HOW 2026 REWROTE THE GULF MAP

The US and Israeli strikes on Iran on 28 February 2026 turned a theoretical vulnerability into an operating condition: Iran claimed the closure of Hormuz the same day.[1] A truce in April gave way to complete closure on 11 June,[2] and a US–Iran memorandum on 17 June brought only a partial reopening.[3] By October the United States was again blocking Iranian ports, and at least 12 ships were attacked near the strait in the week to 16 October.[4] Transits averaged 3.5 a day in early October against 85.5 in 2025 (Figure 1).[5]

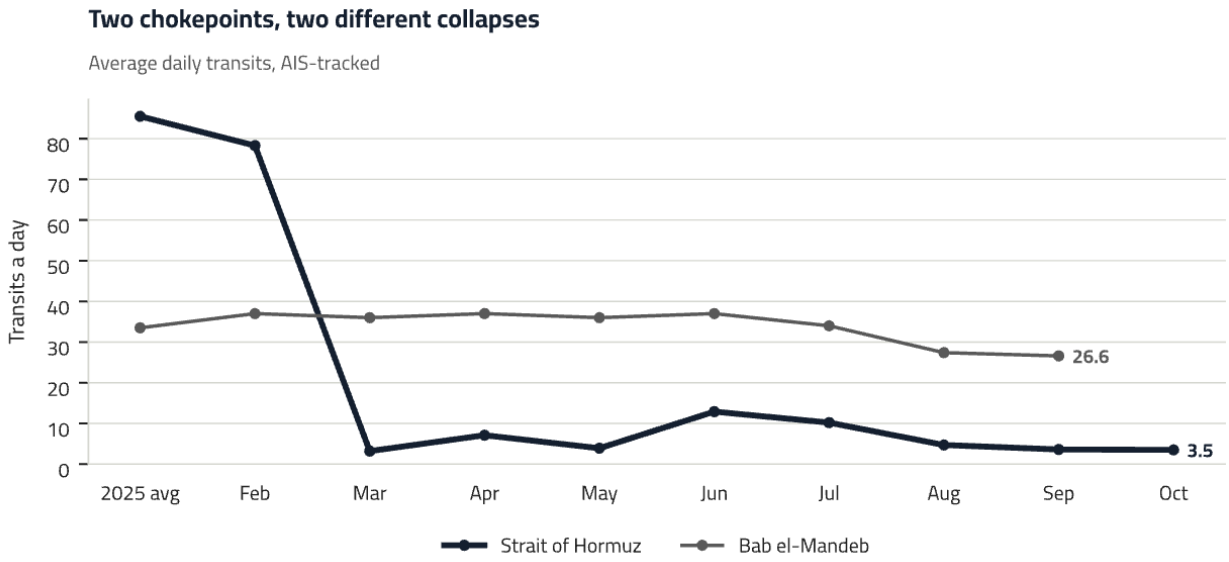


Figure 1: *Average daily transits through the Strait of Hormuz and Bab el-Mandeb, 2025 average and 2026 by month (AIS-tracked).*
Note: *Monthly averages, retrieved 23 October 2026; the war began on 28 February; October covers 1–11 October. AIS counts exclude dark and escorted transits.*
Sources: *IMF PortWatch (2026a); GlobalMilitary.net (2026).*

The Red Sea as relief valve — and the new target

Saudi Arabia pushed crude west. Yanbu exports rose from about 2 to more than 5 million barrels a day (mb/d) by early June,[6] and Bab el-Mandeb oil transits reached 7.4 mb/d in June, about 7% of global output.[7] By mid-October non-Iranian Middle East exports were back above pre-war levels.[8]

The adaptation created the *double chokepoint*: concentrating Gulf exports on the Red Sea transferred the strategic value of Hormuz to Bab el-Mandeb — and to the Houthis on its eastern shore. The 20 July blockade of Saudi-linked shipping and the 11 September drone attack from Iraq that shut the East-West Pipeline both struck the relief valve itself.[9] Each reroute has been followed by an attack on the new route (Figure 2).

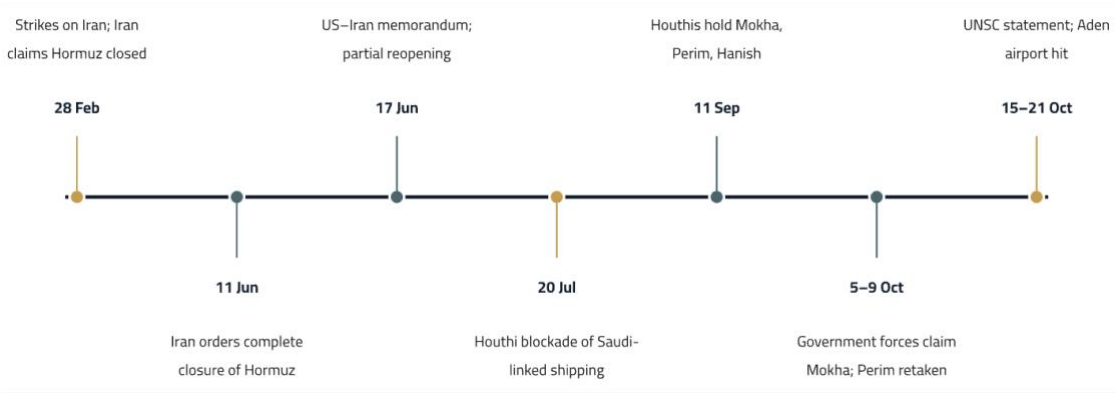


Figure 2: *Key events on the Hormuz and Red Sea fronts, 28 February – 21 October 2026.*

Sources: *S&P Global (2026b); Al Jazeera (2026d); Container News (2026); Al Jazeera (2026m); Al Jazeera (2026e); The National (2026e); ISW/CTP (2026); Arab News (2026c); Arab News (2026a); Core Insights analysis.*

02 THE WEIGHT OF BAB EL-MANDEB — WHO PAYS THE PREMIUM

The Red Sea is the shortest Europe–Asia route and the only major one whose southern gate is partly held by a non-state actor. Before 2023 it carried 12–15% of seaborne trade, 30% of container traffic, and 9.3 mb/d of oil;[10] its cables carry more than 90% of Europe–Asia data capacity.[11]

The damage is measurable (Figure 3). Daily transits fell from about 71 in 2022–23 to about 27 in September 2026;[12] seven-day tonnage from 3.2 to 1.1 million tonnes;[13] and Suez container traffic from 5.9 to 2.19 million TEU.[14] Canal revenue fell from USD 10.25 billion (2023) to USD 4.67 billion (FY2025/26), a loss Egypt puts at more than USD 6 billion a year.[15] The partial return of Far East–Europe capacity — 63% by 21 October[16] — now depends on a front line at Perim.

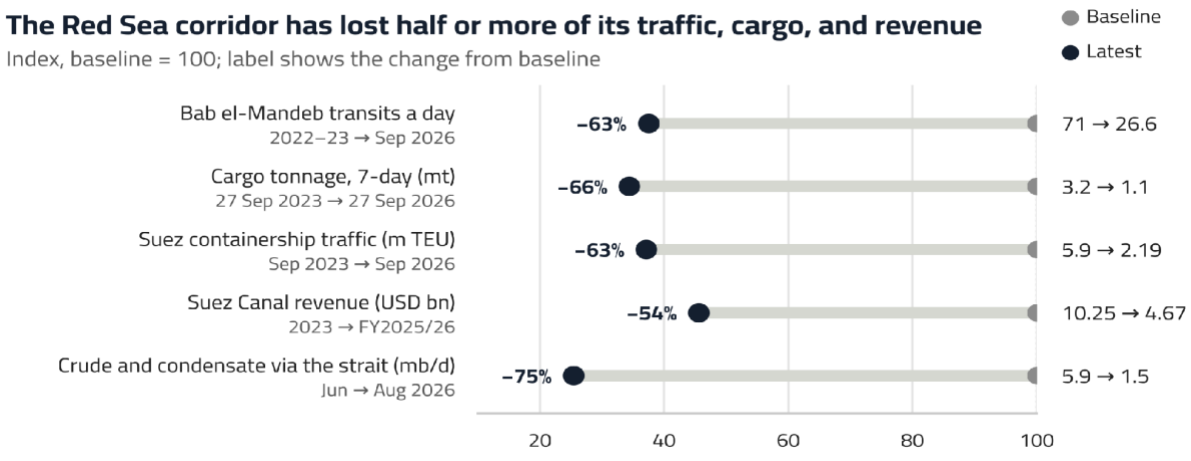


Figure 3: *Red Sea corridor indicators: baseline (pre-crisis or pre-embargo) against the latest available reading, 2022–26.*

Note: *Index, baseline = 100; the percentage printed is the change from baseline. Periods compared are given in each label.*

Sources: *Anadolu Agency (2026); IMF PortWatch (2026a); Lavoix (2026); Lloyd's List Intelligence (2026); Rio Times (2026); S&P Global (2026a).*

The premium and who pays it

Insecurity now carries a *resilience premium* — the extra insurance, freight, fuel, and food cost of an unsafe corridor. Table 1 shows who pays it.

ACTOR	EXPOSURE AND OBSERVED IMPACT (2026)	STRUCTURAL IMPLICATION
Saudi Arabia	Ras Tanura exports 0.93 mb/d in August against 6.41 mb/d in February (Kpler); 2026 real GDP −3.6% (Ministry of Finance) or −3.3% (IMF); East-West Pipeline at 5.8 mb/d on 6 October	The bypass works for volume but not for security
Egypt	Suez revenue USD 10.25 bn (2023) → USD 4.67 bn (FY2025/26); cost put at more than USD 6 bn a year by the prime minister	Canal revenue is hostage to Yemen's west coast
Yemen (government-held areas)	No crude exports since late 2022; war-risk fee of about USD 3,000 per container since March	Fiscal survival depends on the partner whose ships are targeted
Horn and East Africa	Djibouti handles 96.7% of Ethiopia's cargo through sea gateways; Kenya inflation 6.8% in September, transport 15.6%; Sudan food prices +40%	The region pays without owning the assets or the decisions
Global economy	IMF global growth 3.1% in 2026; IEA world oil demand −2.6 mb/d in 2026	The IMF baseline assumes Hormuz begins to reopen only in March 2027

Table 1: *Incidence of the 2026 chokepoint crisis by actor.*

Sources: *Reuters (2026b); TradeArabia (2026); IMF (2026b); Bloomberg (2026); Rio Times (2026); Mujahid (2026); World Bank (2026a); Al Batati (2026); Birr Metrics (2026); Nairametrics (2026); Africa Center for Strategic Studies (2026); IEA (2026b); Enterprise (2026).*

The premium is regressive — Yemen's cereal imports equal 10.8% of GDP[17] — and spreading: by August insurers had extended the listed war-risk area 800 km north to Jeddah and Yanbu.[18]

Egypt's canal, Saudi Arabia's main export route, Ethiopia's sea gateway, and Europe's Asian supply chains converge on a strait 29 km wide.[19] Many states depend on it; the one that could secure its eastern shore is the least able to do so alone.

03 THE SELECTIVE SIEGE — BAB EL-MANDEB AS A SECOND FRONT

The Houthis attacked no shipping in the first four months of the Iran war. Their re-entry followed the Saudi–Houthi confrontation, not Gaza: after a 13 July strike on Sana'a airport that they blamed on Saudi Arabia, they declared a naval blockade of Saudi Arabia on 20 July.[20] The UN-mediated 2022 truce has effectively collapsed.[21]

The result is a *selective siege*: risk priced by flag, ownership, and cargo rather than geography. In September non-Saudi-linked transits paid war-risk premiums of 0.2–0.3%, while Saudi-linked tankers paid 3% at Yanbu and up to

7% further south — about USD 3–7 million per call, against USD 100,000 before the war.[22] Before October 2023 the Red Sea premium was 0.05% (Figure 4).[23]

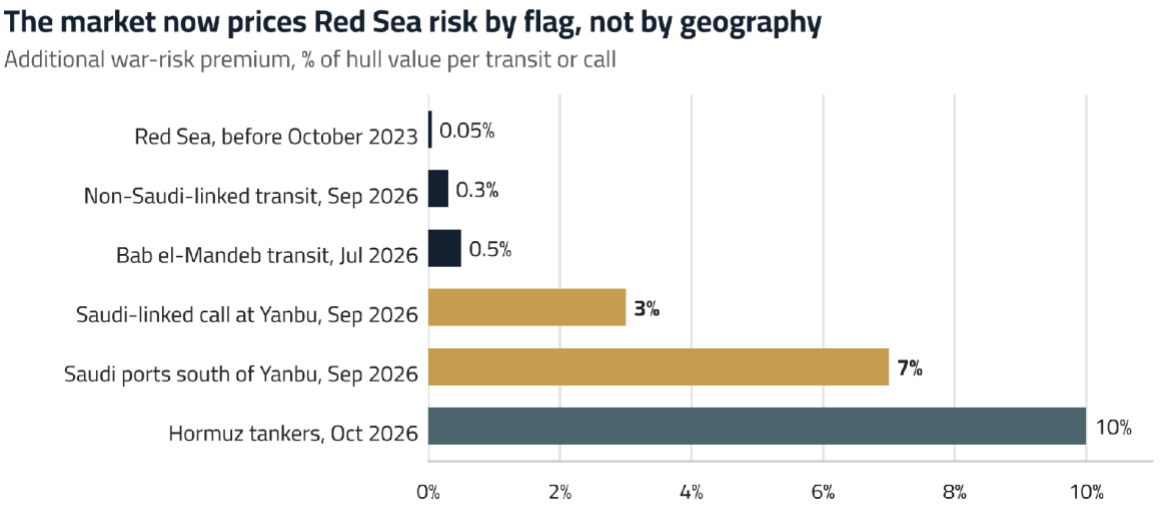


Figure 4: *Additional war-risk premiums by route and vessel affiliation, 2023 – October 2026.*

Note: *Upper bound shown where a range is quoted (0.2–0.3%; 6–10%). The 0.5% value is a Marsh quote.*

Sources: *S&P Global (2025); Reuters (2026d); S&P Global (2026c); Insurance Business (2026).*

Seven of the 10 commercial ships attacked between 13 July and 25 September were Saudi-flagged or Saudi-owned.[24] Selectivity is the business model: maximum pressure on one adversary, and a reason for every other shipping state to stay out.

From siege to territory

On 11 August a double-tap strike on the *Tihamah*, carrying food to Mokha, killed four crew and two Yemeni coastguard rescuers;[25] Mokha port suspended operations days later.[26] By 11 September the Houthis held Mokha, Perim, and the Hanish Islands,[27] and daily crossings of the strait halved.[28]

Government forces launched Operation Yemen Dawn on 4 October and the next day claimed control of Mokha and the coast of the strait;[29] by 9 October they reportedly held Perim, although the Houthis retain positions on the Hanish Islands and the coast near Mokha, from which shipping remains within range.[30] On 15 October the UN Security Council condemned the Houthi attacks on Saudi Arabia.[31] The government presents its gains as a route back to oil exports,[32] but between 17 and 21 October Houthi missiles struck Aden airport and targeted Mukalla.[33]

04 ONE THREAT, MANY VICTIMS — WHY THE HOUTHI QUESTION IS NOT BILATERAL

Regional policy files the Houthis under Yemen or Saudi–Houthi relations, but the 2026 record shows a non-state actor with state-level reach: it has affected or drawn in at least 19 states beyond Yemen, as well as the Gulf Cooperation Council (GCC) and the UN Security Council (Table 2).

Strikes on the Riyadh and Abha airports on 6–11 October killed 19 people and injured 364;[34] the dead across the campaign include nationals of at least 10 countries.[35] The movement struck Aramco in Dhahran on 13 October and declared Aramco sites legitimate targets,[36] and by 15 October had carried out at least 42 attacks on Saudi territory (Figure 5).[37]

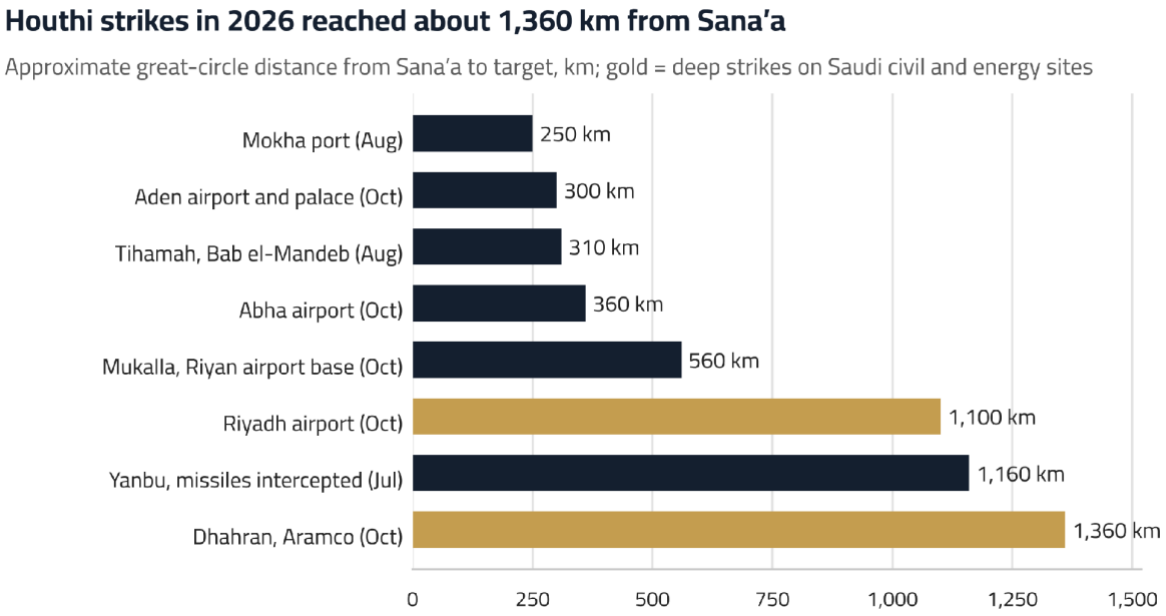


Figure 5: *Houthi targets struck or engaged in 2026, by approximate distance from Sana'a.*

Note: *Great-circle distances from Sana'a, calculated by Core Insights from published coordinates of each named site and rounded to the nearest 10 km. The Tihamah distance is to Perim, at the strait.*

Sources: *Al Jazeera (2026b); Al Arabiya English (2026); The National (2026f); The National (2026a); Al Jazeera (2026i); Arab News (2026a); Arab News (2026b); Reuters (2026a); Al Jazeera (2026c); Al Jazeera (2026l); Core Insights great-circle calculation.*

STATE OR ACTOR	HOW IT HAS BEEN HIT OR DRAWN IN (2026)	IMPLICATION
Saudi Arabia	Naval blockade of Saudi-linked shipping; strikes on Jizan, Dhahran, Yanbu, and the Riyadh and Abha airports	Main export route and civil aviation under attack

STATE OR ACTOR	HOW IT HAS BEEN HIT OR DRAWN IN (2026)	IMPLICATION
Egypt, Ethiopia, Kenya, Djibouti, Somalia	Suez revenue more than halved; Djibouti listed as a war-risk area (3 March); freight surcharges and fuel and food inflation across the Horn	Economic victims with no seat in the response
Pakistan, Indonesia, India, Bangladesh, Jordan, Sudan, Algeria, Morocco	Nationals killed on the *Tihamah* (11 August) and at the Riyadh and Abha airports (6–11 October)	Third-country civilians killed
Greece, UK, France	Greek-operated Patriot system intercepts an attack on the Yanbu area (25 July); UK agrees RAF air-to-air refuelling (21 September); France sends troops, radars, and defence systems to Yanbu (25 September)	European assets committed to Saudi defence
Türkiye, Pakistan	Mecca Alliance for Defence invoked; agreement to deploy forces to Saudi Arabia (5 October)	A tri-national defence pact activated
UAE, GCC	UAE condemnation (7 October); GCC invokes collective defence and seeks terrorist designation (18 October)	The response is regionalising
UN Security Council	Presidential statement condemning the attacks (15 October); 2022 truce collapsed	An international framing already exists

Table 2: *States and actors affected by, involved in, or responding to the Houthi campaign of 2026.*

Sources: *Al Jazeera (2026m); Al Jazeera (2026b); Al Jazeera (2026c); Arab News (2026b); Rio Times (2026); The National (2026a); Al Jazeera (2026i); Khaleej Times (2026); Euronews (2026); Lawless (2026); Al Jazeera (2026f); Al Jazeera (2026j); UAE Ministry of Foreign Affairs (2026); Al Jazeera (2026a); Dawan Africa (2026); New Business Ethiopia (2026); Nairametrics (2026); Africa Center for Strategic Studies (2026); Arab News (2026c); Security Council Report (2026).*

Why bilateral deals feed the siege

The Houthis attack selectively and negotiate bilaterally. In September US officials reportedly met Houthi representatives in Oman, were told US and non-Saudi vessels would not be targeted, and cancelled planned strikes.[38] Each exemption is rational for the party that secures it and ruinous for the system: it confirms that the strait can be closed to one state at a time and shifts the burden to whoever has not yet negotiated (Figure 6).

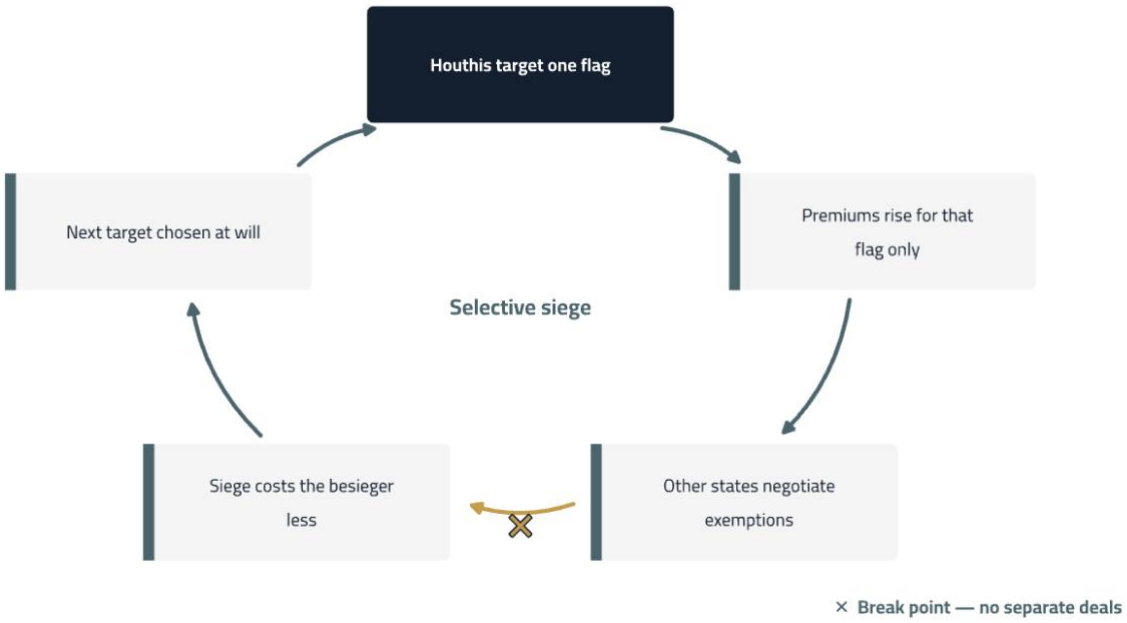


Figure 6: *The selective-siege loop. Each bilateral exemption lowers the cost of the next blockade; a collective no-separate-deals principle is the link that breaks the loop.*

Sources: *Reuters (2026d); Security Council Report (2026); Core Insights analysis.*

A Saudi–Houthi settlement lifting the embargo on Saudi ships would leave the capability, doctrine, and coastline intact for the next selective siege. The UN roadmap needs Saudi–Houthi de-escalation — but any shipping guarantees should sit in a collective framework.

05 BYPASSED BY THE BYPASS — YEMEN'S CORRIDORS AND THE CONSENT DEFICIT

Yemen has three coasts and three security realities (Figure 7): a Red Sea coast that is Houthi-held or contested; a Gulf of Aden coast under the Internationally Recognised Government (IRG) but within missile range; and an Arabian Sea coast in Hadramout and Al-Mahra that, like Oman's, lies beyond both straits — though not beyond Houthi missiles, as the 21 October strike on Mukalla's Riyan airport showed.[39]

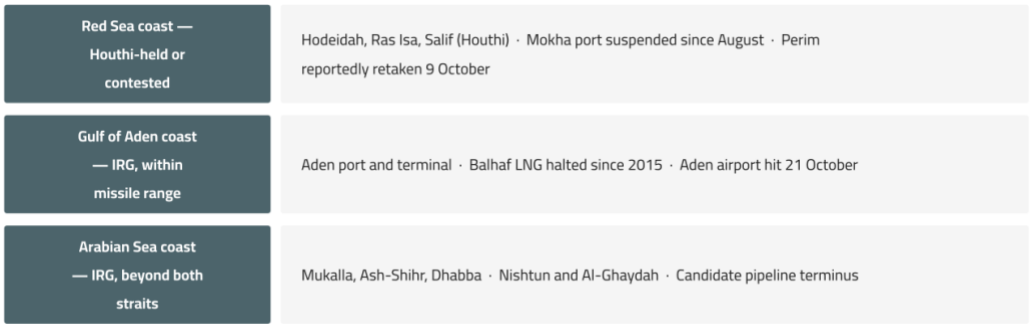


Figure 7: *Yemen's three coasts and their corridor assets, October 2026.*

Sources: *Mujahid (2026); Reuters (2026e); The National (2026e); ISW/CTP (2026); Arab News (2026a); Total (2019); Core Insights analysis.*

A decades-old idea, revived in 2026

A Saudi pipeline across Yemen to the Arabian Sea is an old idea: agreed in principle in 2002,[40] shelved by President Saleh over a Saudi buffer-zone demand.[41] It resurfaced after Saudi forces deployed to Al-Mahra in 2017, then stalled again amid local opposition.[42]

In April 2026 a Yemeni presidency source said the pipeline led Yemeni–Saudi talks;[43] nothing has been published since. Aramco has confirmed engineering work on two unnamed export routes,[44] MEES reports that Oman's Duqm is the preferred conduit,[45] and Robin Mills puts such a line at about USD 7 billion.[46] **The Yemeni route is politically alive and technically dormant; the Omani route is politically quiet and technically advancing.**

Enclave corridors and the consent deficit

Yemen's corridor assets (Table 3) are viable and under-used, and each is governed as an *enclave corridor*: a bilateral deal between a Gulf sponsor and a local force, secured militarily rather than anchored in a national plan.

ASSET	STATUS (OCTOBER 2026)	GOVERNANCE
Aden port and container terminal	465,000 TEU in 2019; activity +25% in 2025; war-risk fees on Yemen-bound containers since March 2026	Aden Ports Development Company since September 2012; Ministry of Transport
Mukalla, Ash-Shihr, and Dhabba (Hadramout)	Mukalla ~1.1 Mt a year; Ash-Shihr operating again by mid-April 2026 after a suspension from December 2025; Dhabba crude exports halted since late 2022	Ministry of Transport
Nishtun and Al-Ghaydah (Al-Mahra)	SDRPY-funded expansion of Nishtun port	Nation's Shield forces took over Nishtun port and Al-Ghaydah airport in December 2025; local sit-ins against the Saudi presence since 2018

ASSET	STATUS (OCTOBER 2026)	GOVERNANCE
Balhaf LNG (Shabwa)	Production halted since 2015; no restart date	Yemen LNG consortium (TotalEnergies 39.6%)
Subsea cables	Cut in February 2024; repairs progressed only in July 2024	Permits split between authorities in Sana'a and Aden
Mokha (Red Sea)	USD 138.9 m expansion memorandum; operations suspended in August; government claims recapture (October)	Front line

Table 3: *Yemen's corridor assets, October 2026. SDRPY = Saudi Development and Reconstruction Program for Yemen.*

Sources: *Port of Aden (n.d.); Port of Aden (2026); Al Batati (2026); Logistics Cluster (n.d.); Al-Mahriah (2026); Mujahid (2026); Yemen Monitor (2026a); Asharq Al-Awsat (2025); South24 (2025); Al-Sewari (2019); Total (2019); Clark (2024); Sana'a Center (2026); Reuters (2026e).*

Yemen has exported no crude since Houthi drones hit Dhabba and Rudum in late 2022, a loss of about USD 7.5 billion;[47] government revenue is 5.6% of GDP,[48] and Saudi Arabia has pledged about USD 3 billion for 2026 salaries.[49] Local actors now price their consent after the fact: Hadramout demands 20% of oil revenue, the Shabwa Tribes Alliance 50%, and the Southern Transitional Council rejects any use of southern revenues.[50]

This is the *consent deficit*: the route and the sovereign exist, but the bargain between them does not. Nor are regional institutions wired to it. IGAD's Red Sea Task Force is drawn from IGAD members only,[51] the Red Sea Council exists largely on paper,[52] and the Saudi-led maritime alliance of July 2026 is a military instrument.[53] No forum links the security of Yemen's coast to the Horn's economic exposure.

06 THE HORN'S BILL — SHIPPING, PORTS, CORRIDORS, AND NAVIGATION

The Horn sits at the receiving end of both chokepoints: Hormuz supplies its fuel and fertiliser, Bab el-Mandeb carries its Europe–Asia trade. The two shocks arrived through four channels as one bill (Figure 8).

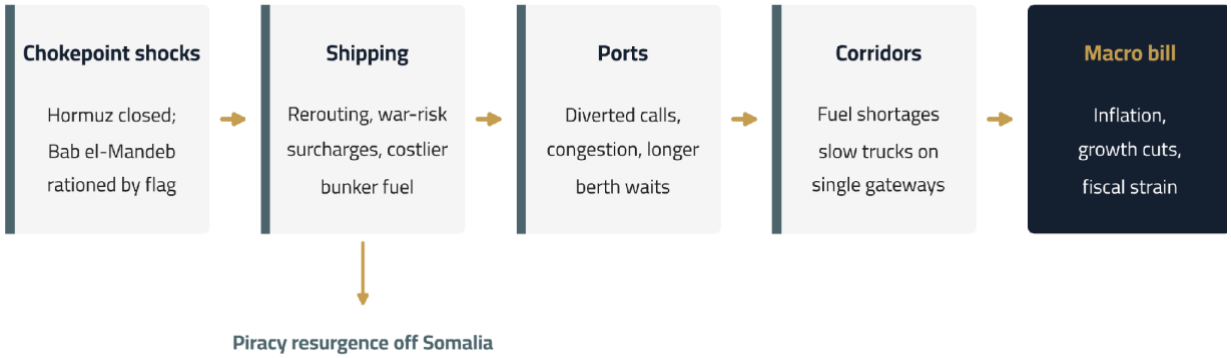


Figure 8: *Transmission of the 2026 chokepoint shocks to the Horn and East Africa.*

Sources: *Lloyd's List (2026a); Hedvat (2026); Northern Corridor Observatory (2026); Yewondwossen (2026); The Maritime Executive (2026b); Core Insights analysis.*

Shipping — the cost of distance and risk

Bab el-Mandeb traffic fell below two-fifths of its pre-crisis level after the 20 July blockade.[54] Red Sea avoidance removes about 12% of effective container capacity, and bunker fuel cost 68% more than in February.[55] East African lanes absorbed surcharges first: USD 2,000–4,000 per container on UAE–East Africa cargo from March, and USD 2,000 on China–Mombasa boxes from June.[56] Djibouti joined the listed war-risk areas on 3 March (Figure 9).[57]

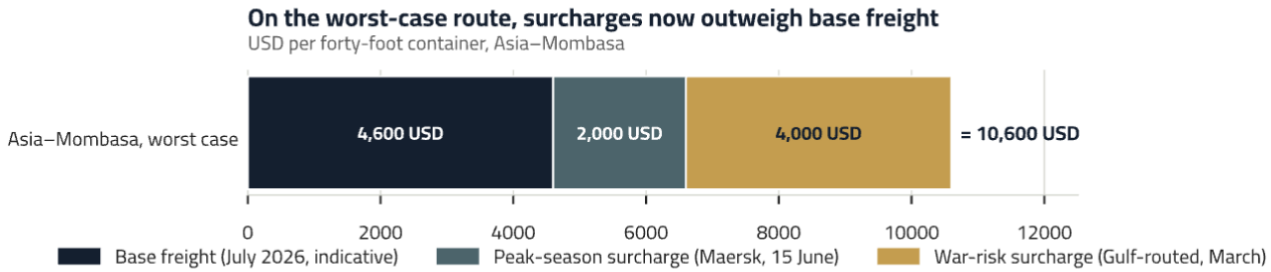


Figure 9: *Illustrative worst-case cost of a forty-foot container from Asia to Mombasa, 2026.*

Note: *Illustrative: not every charge applies to every shipment. Upper ends of the quoted ranges: base freight USD 3,700–4,600 (July 2026 forwarder benchmark); war-risk charge USD 2,000–4,000.*

Sources: *Great Hensen (2026); Nation Media Group (2026); Hedvat (2026).*

Ports and corridors — fuller, slower, single-gateway

The ports filled rather than emptied. Mombasa set a record 45.45 million tonnes in 2025[58] and grew 5% in H1 2026, but berth waits rose from 31 to 46 hours, peaking at 70–82.[59] Dar es Salaam posted a record 33.7 million tonnes,[60] and Lamu went from 20 calls in all of 2024[61] to more than 70 by April 2026.[62] Berbera, by contrast, runs at about 30% of capacity,[63] and Somalia's January cancellation of its UAE agreements leaves that corridor politically exposed.[64]

Djibouti handled 96.7% of Ethiopia's maritime-gateway cargo in 2025/26.[65] In April, 120,000 tonnes of Ethiopian diesel sat stranded in the Gulf, with spot premiums 10 times term rates,[66] and fuel shortages cut truck arrivals at Doraleh.[67] The Mombasa–Kampala transit averaged 118 hours against a 70-hour target.[68] A single-gateway structure leaves no alternative to absorb the shock.

Navigation — the world's piracy hotspot

Global piracy is at its lowest since 1992, yet Somali pirates account for 94% of crew taken hostage worldwide,[69] with a series of hijackings off northern Somalia since April.[70] The response is fragmenting: Ethiopia is outside the Saudi-led alliance,[71] Egypt, Eritrea, Somalia, and Sudan insist that Red Sea control stay with coastal states,[72] and IGAD listed freedom of navigation among its priorities only in September.[73]

The macro bill

Forecasters have cut the region's 2026 growth, citing the Middle East war (Table 4): Kenya to 4.4–4.5% from 4.9%, and East Africa to 5.9% from 6.6% in 2025.[74] Kenya's remittance projection fell by USD 313 million,[75] and urea passed USD 850 a tonne in April, 80% above February.[76]

COUNTRY	SHIPPING AND PORTS	FUEL AND PRICES	MACRO EFFECT
Kenya	Mombasa imports +13% (H1); berth wait 31 → 46 h	Petrol KES 226.96 a litre in Nairobi (from 15 October); CPI 6.8%, transport 15.6% (September)	Growth forecast 4.4% (World Bank) or 4.5% (IMF); remittance projection –USD 313 m
Ethiopia	96.7% of maritime-gateway cargo via Djibouti; April fuel shortage cut Doraleh truck arrivals	Fuel subsidy bill nearly 272 bn birr; CPI 14.9% (September)	120,000 t of diesel stranded in the Gulf; spot premium USD 92.88 a barrel
Djibouti	Joint War Committee listed area from 3 March	Port operating and fuel costs up	Slight rise in transhipment, offset by higher costs
Tanzania	Dar es Salaam record 33.7 Mt (2025/26)	Petrol TSh 2,864 → 3,820 a litre (April)	Record throughput despite higher fuel costs
Somalia	Berbera at ~30% of capacity; UAE agreements cancelled (January)	Fuel USD 0.60 → 1.50 a litre over the year	Somali pirates hold 94% of crew taken hostage worldwide
Sudan	~54% of seaborne fertiliser supplies from the Gulf	Fuel prices up nearly 30%; food prices up 40%	Fertiliser and fuel shock on an economy at war

Table 4: *The geoeconomic bill by country, 2026.*

Sources: *Northern Corridor Observatory (2026); Local Forecaster (2026); Nairametrics (2026); Musau (2026); Muiruri (2026); World Bank (2026b); Mwaniki (2026); Birr Metrics (2026); Yewondwossen (2026); Zekarias (2026); Diarra (2026); Al Banyan Tree Research (2026); Dawan Africa (2026); Prosper (2026); Mosoku (2026); Bashir (2026); Al Jazeera (2026h); Africa Center for Strategic Studies (2026); The Maritime Executive (2026b); Mercy Corps (2026).*

> **WHAT THE YEMENI CASE TELLS THE HORN**
>
> A single gateway is a single point of failure, in Djibouti as at Yanbu. Port investment without corridor politics is stranded capital, as Berbera shows. And the premium is set by the shore, not the ship: while Yemen's west coast is contested, no port capacity lowers the price of a box to Mombasa.

07 THREE SCENARIOS TO MID-2027

The IMF's October baseline assumes that Hormuz begins to reopen in March 2027 and names prolonged war as the region's biggest risk.[77] Our base case is not reopening but a protracted selective siege (Table 5). Scenario C is already partly under way: between 15 and 21 October Houthi missiles struck Aden and targeted Mukalla.[78]

SCENARIO	WHAT IT LOOKS LIKE	LEADING INDICATORS	IMPLICATIONS FOR THE HORN
A. Negotiated reopening	US–Iran deal; Hormuz recovers through H1 2027; Saudi–Houthi war at lower intensity	Mine clearance; Hormuz premiums below 2%; Joint War Committee de-lists Jeddah and Yanbu	Freight and fuel ease; a window for Horn–Yemen coordination
B. Protracted selective siege (base case)	Hormuz contested; Saudi crude relies on Yanbu; blockade and strikes continue; Aden and Mukalla hit intermittently	Saudi-linked premiums of 3–7%; no confirmed Yemeni crude cargo; Aramco–Duqm feasibility announced	Sustained fuel inflation in Ethiopia and Kenya; cereal-financing stress by Q2 2027
C. Southern spill-over	Campaign extends to the Gulf of Aden and Arabian Sea; convergence with Somali piracy; pipeline frozen	Attacks on vessels east of Aden; strikes on Dhabba or Nishtun; Berbera–Jebel Ali service suspended	Berbera, Bosaso, and Mombasa lanes repriced; IGAD drawn in with or without a mandate

Table 5: *Scenarios to mid-2027. Probability judgement: B most likely; A and C roughly equal, with C rising if the October escalation continues.*

Sources: *Enterprise (2026); Core Insights assessment.*

08 KEY ANALYTICAL FINDINGS

01

KEY FINDING

The bypass inherited the chokepoint

Rerouting Gulf exports to the Red Sea moved the strategic value of Hormuz to Bab el-Mandeb. Diversification without security relocates the target.

02

KEY FINDING

The Red Sea's losses are global, measured, and regressive

Transits, tonnage, canal revenue, and crude flows have fallen by half or more; the poorest cereal importers carry the heaviest share.

03 KEY FINDING

Selectivity is the business model, and bilateral deals sustain it

Premiums of 0.2–0.3% for non-Saudi cargo against up to 7% for Saudi-linked calls show a market pricing risk by flag. Each separate exemption confirms the strait can be closed to one state at a time.

04 KEY FINDING

One threat, many victims, no joint management

A 1,360 km strike reach, victims from at least 10 countries, and foreign forces committed to Saudi defence describe an international problem still managed bilaterally under a lapsed UN truce.

05 KEY FINDING

Yemen hosts others' diversification, not its own

Without a national corridor strategy or a settled local bargain, Gulf investment migrates to Duqm, and Yemen's east coast is routed past as its west coast is routed around.

06 KEY FINDING

No forum links the shore that sets the premium to the region that pays it

Yemen is outside IGAD's Task Force, the Red Sea Council is largely on paper, and the alliances are military or naval. Connecting existing bodies closes most of the gap.

09 FROM FRAGMENTED RESPONSES TO A JOINT STRATEGY

Several instruments address the Houthi threat; none addresses it whole. The coalition fights a territorial war; Aspides and the US-led Combined Maritime Forces (CMF) protect ships but cannot change the shore; UN mediation has lost its truce; and bilateral channels buy exemptions that feed the siege.[79] IGAD is in none of them. Table 6 sets out a joint strategy.

PILLAR	WHAT IT MEANS	LEAD ACTORS
1. No separate deals	No party negotiates its own flag-by-flag exemption from a Houthi blockade; political talks run on a separate track; an attack on one flag is treated as an attack on the corridor	GCC, Egypt, IGAD states, EU, US, major flag states
2. One maritime picture	A shared liaison and data cell linking Aspides, the CMF, the Saudi-led alliance, UKMTO and the Joint Maritime Information Center, and Horn coastguards	EU, CMF, Saudi Arabia, Djibouti, Somalia, Kenya, Egypt

PILLAR	WHAT IT MEANS	LEAD ACTORS
3. A secured coast under a capable state	Support civilian administration of Mokha and Perim by the recognised government; finance coastguard and port security	Saudi Arabia, PLC, UK, France, EU, World Bank
4. Close the war-economy pipeline	Deny the fuel, finance, and component flows that sustain the campaign while protecting humanitarian imports	UN Panel of Experts, UN inspection mechanism, sanctions bodies, Gulf customs
5. A seat for the Horn	Horn states represented in corridor and security forums, with contingent financing for the premium they pay	IGAD, Red Sea Council, African Union, Egypt, Saudi Arabia, EU
6. A political track	Security and economic measures in support of a UN-led process with Omani facilitation; corridor guarantees tied to verified de-escalation	UN Special Envoy, Oman, Saudi Arabia, PLC, US, EU

Table 6: *Six pillars of a joint strategy on the Houthi question.*

Source: *Core Insights analysis.*

The logic is to invert the movement's business model. Selectivity depends on exemptions — remove them. Reach depends on a contested shore — shorten it with a capable coastal state. Escalation is cheap because bystanders pay — give them a seat. No new treaty body is needed, only existing ones connected around one principle (Figure 10).

Recommendations

01

RECOMMENDATION · FOR: IGAD AND ITS RED SEA SPECIAL ENVOY · 0–6 MONTHS

Open a Yemen track and seek a seat in Red Sea forums

Invite Yemen's government into a standing corridor-risk dialogue with Djibouti, Somalia, Ethiopia, and Kenya, linked to the Red Sea Council, and seek observer status in the Saudi-led maritime alliance and a liaison presence in the Joint Maritime Information Center. Start with shared transit and premium data, port-status notices, cable-repair permitting, and displacement contingency.

02

RECOMMENDATION · FOR: HORN GOVERNMENTS · 6–12 MONTHS

Treat Red Sea exposure as a fiscal-risk line

Quantify the resilience premium in budget frameworks: fuel and grain reserves for a 90-day Bab el-Mandeb disruption, a pooled regional war-risk facility, and pre-negotiated capacity at Lamu and Dar es Salaam. With Egypt and the GCC, declare that an attack on any flag is an attack on the corridor.

03

RECOMMENDATION · FOR: SAUDI ARABIA, THE UAE, AND THE GCC · 6–18 MONTHS

Protect the corridor collectively and make Yemeni corridors conditional on consent

Saudi Arabia — and the UAE, with ports from Jebel Ali to Berbera — gains more from a collectively protected corridor than from bearing the confrontation alone. Place any pipeline, port, or airport investment in Hadramout, Al-Mahra, or Shabwa within a published revenue-sharing and consultation framework: an enclave corridor is a target; a compact is an asset — and Duqm offers one by default.

04

RECOMMENDATION · FOR: PLC AND THE IRG · 6–18 MONTHS

Table one national corridor offer and hold the coast as a state

Replace sequential bilateral deals with one Arabian Sea Gateway strategy packaging Aden, Mukalla, Ash-Shihr, and Nishtun; publish a transparent concession framework for Aden; and turn the 20% producing-governorate share from a claim into law. On the west coast, seek multi-year financing for a coastguard and a civilian port administration at Mokha.

05

RECOMMENDATION · FOR: EU, ITALY, AND MED-OR · 0–12 MONTHS

Fund one maritime picture and an independent corridor observatory

Europe already provides naval escorts through Aspides, whose mandate runs to February 2027,[80] as well as Greek, British, and French support to Saudi air defence.[81] Pay now for coherence: a small observatory pairing Yemeni and Horn analysts with UKMTO, IMF PortWatch, and insurer data, and publishing monthly baselines on transits, premiums, port status, and cable incidents.

06

RECOMMENDATION · FOR: PORT OPERATORS, CARRIERS, AND INSURERS · 0–12 MONTHS

Price the corridor, not the flag

Treat the Gulf of Aden as one market: a scheduled Aden–Djibouti–Berbera feeder network on the template of DP World's Jebel Ali–Berbera service, convoy and information sharing with Aspides and the CMF for cargo under declared threat, and shared contingency berthing. Pool corridor risk rather than reward flag-by-flag exemptions.

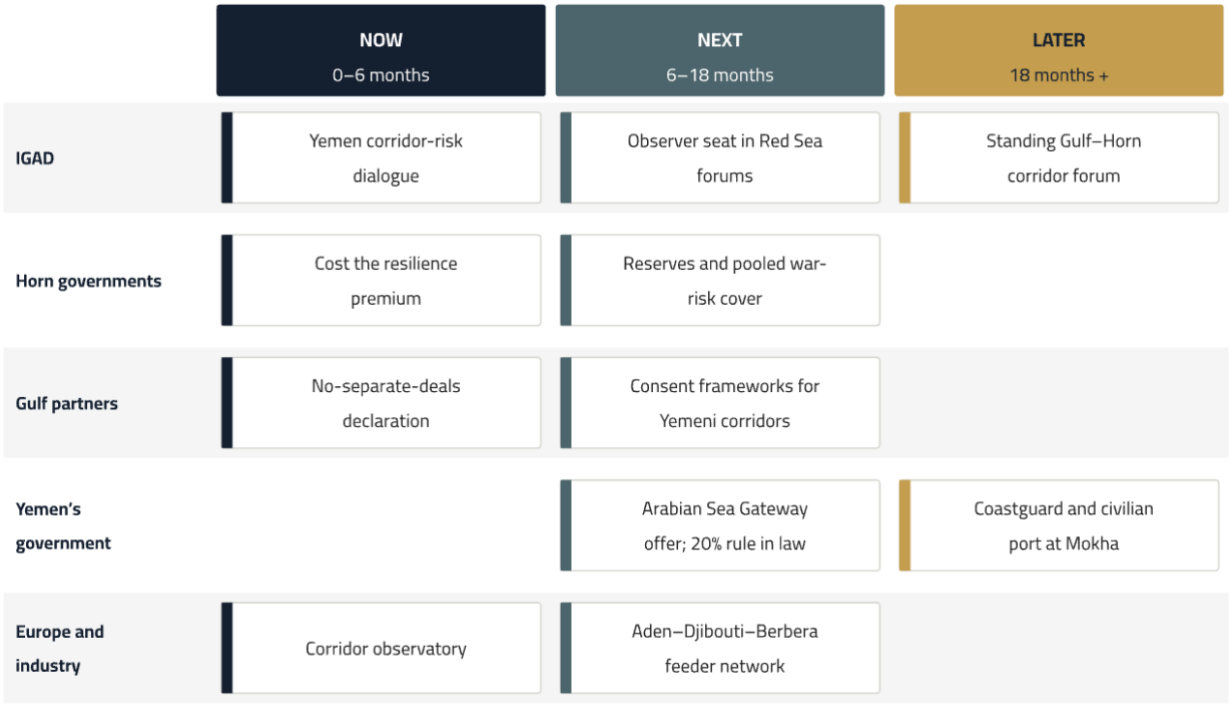


Figure 10: *A joint-strategy roadmap across three horizons, by addressee.*
Source: *Core Insights analysis.*

10 CONCLUSION — THE BYPASS IS ONLY AS SECURE AS THE STATE IT CROSSES

The choice between commercial venture and resilience investment is not the investor's alone; it also belongs to the territory and to whoever holds its shore. Egypt's canal revenue, Ethiopia's fuel bill, and Kenya's inflation are set in part by a campaign none of them can influence.

Corridors through fragile territory carry a resilience premium that needs public anchoring — revenue-sharing, consent, political-risk guarantees, and collective security — before private capital will price them as commercial ventures. For the Lamu Port–South Sudan–Ethiopia Transport (LAPSSET) corridor, Berbera, and the Djibouti–Ethiopia corridor, the principle is the same: compacts first, concrete second.

The Houthi question is already a Horn question. The region can keep paying for a confrontation managed bilaterally, or help turn it into the collective protection of a shared corridor under a UN-led process — **built by the Gulf, the Horn, and Yemen's government as a compact rather than an enclave.**

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Core Insights Consults is a specialist advisory firm focused on governance, institutional reform, and political economy analysis in fragile and conflict-affected states, with particular expertise in Yemen and the broader Middle East. Our Insights series publishes independent analysis aimed at informing evidence-based policy.

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SUGGESTED CITATION Mubarak, M. (2026). A Strait Held Hostage: The Houthi campaign at Bab el-Mandeb and who pays for it (Policy Note). Core Insights Consults.

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