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Executive Summary Report

GEOIntelligence

This Executive Summary focuses on the Houthi threat and its impact on key global commons in the Bab-el-Mandeb Strait and the Red Sea, affecting maritime transit between the Mediterranean and the Middle East through the Suez Canal.

There are many Iranian-backed non-state terrorist organizations, but the one that is currently the most problematic to international trade and the global economy is the Houthis in Yemen.

The Houthis and Iran:

The Houthis, founded in the early 1990s, began as a theological movement in Yemen. Over time, they evolved into Shiite militants, initially as insurgents countering Yemen's central government in the early 2000s, later growing into a military power during and after the Yemeni Revolution (2011-2012).

The Houthis shared a connection with Iran from the beginning. Initially, the tie between them was predominantly religious; both believe in Shia Islam (noting that the Houthis are from the Zaydi branch that has major differences with Iran's dominant Twelver Shia tradition). As the Houthis grew in prominence and radicalism, Hezbollah (Iran's primary proxy) partnered with the Houthis as both shared objectives to counter Israel, the U.S., and Saudi Arabia, providing assistance with insurgency training, technology transfer (explosives, missiles, drones, etc.), and instructions on how to employ them.

By 2014, the Houthis gained control of Yemen's northwest as well as the capital, Sana. In 2015, Saudi Arabia led a coalition to intervene in support of Sunni allies in Yemen, fighting the Houthis. Iran, seeing an opportunity to tie down Saudi Arabia, its regional protagonist, further increased its support to the Houthis. Over time, the Houthis became one of Iran's many "Axis of Resistance." The Axis is an Iranian-led political and military effort that brings together state and non-state actors in the Middle East with shared ideology to project power across the region.

After years of fighting in Yemen, COVID-19 slowed the struggle, and with a UN-negotiated ceasefire in 2022, hostilities slowed. In 2023, China mediated the Beijing Agreement between Saudi Arabia and Iran, with the promise to bring "security and stability" to the region — hostilities largely ended with Saudi Arabia. But after Hamas' terrible attacks on Israel beginning on Oct. 7, 2023, the Houthis sided with Hamas and attacked shipping in the region as well as sporadic strikes into Israel.

Proxy vs Partner:

The Houthis have a complex relationship with the major Shia power in the Middle East, Iran. Iran and the Houthis ideologically have identical enemies highlighted above, and that is their primary source of alignment. As such, Iran provides military equipment and munitions to the Houthis. Yet, the Houthis maintain a high degree of independence.

The Houthis are probably best categorized as a “partner” that receives support and backing from Iran but does not consistently follow Iranian orders, as opposed to a “proxy,” which receives support and mostly follows direction from its sponsor (like that of Hezbollah, Hamas, et al). As mentioned earlier, the Houthis are Zaydi Shia, which are very different from Iranian Shia. The Iranians’ discrimination against them is one area of divergence. Also, the Houthis seek regional leadership independent of Iran.

Global Commons:

“Global Commons” are the domains that lie outside of the exclusive territory of a state but may be accessed and used by others — and they are essential (for a review of all the Global Commons, please see: Bancroft GEOIntelligence White Paper on Global Commons). The oceans are arguably the most vital of the many global commons, as they are not only essential for sustaining human existence, but also facilitate a large percentage of the international trade of goods. Over 80% of global trade volume travels by ship, amounting to about 70% of global trade value.

Since the start of the Iranian conflict, the Strait of Hormuz has had and continues to have a tremendous impact on everything ranging from world economies to conflict termination (and the lack thereof thus far). The impact of the Strait of Hormuz dominates the media, so most already know these details.

So, this report focuses on the emerging crisis with the Houthis in and around the Bab el-Mandeb Strait, which connects the Red Sea to the Gulf of Aden. This common is the only way to access the Suez Canal from the east, which connects the Red Sea to the Mediterranean Sea. When transporting goods from the Middle East to Europe, for example, the route through the Suez Canal saves commercial shipping approximately 3,500 nautical miles over the much longer path via the Cape of Good Hope and around the African continent, reducing a week of transit time along with the expenses associated with the longer travel. The additional distance going around the Horn of Africa compared to the shortcut through the Suez Canal can grow to an additional 6,000 miles to destinations in North America.

Prior to 2023 (when the Houthis started to attack shipping), about 10-15% of all maritime trade passed through the Bab el-Mandeb Strait. This included about 12% of all seaborne oil and 8% of Liquefied Natural Gas. Top trading nations that used this route include the EU writ large, China, India, Saudi Arabia, and the UAE.

Historically, Houthi attacks on shipping would ebb and flow sporadically but did not dramatically impact trade through this important global common. The situation changed in 2023.

2023 to 2025:

As mentioned, after the catastrophic terror attacks by Hamas into Israel beginning on Oct. 7, 2023, the Houthis significantly increased attacks on commercial shipping in the areas around the Bab el-Mandeb Strait, stating that the attacks were in support of Hamas, specifically against countries or shipping traveling to Israel. But soon after, the Houthis began to indiscriminately target commercial shipping in the Bab el-Mandeb Strait and the Red Sea, mostly with drones. After dozens of strikes on shipping, commercial carriers such as BP, MSC, Hapag-Lloyd, Maersk and others suspended routing ships through the region, opting for the longer, more expensive, but more secure route around the Cape of Good Hope.

In response to these attacks, the United States formed a maritime coalition named Operation Prosperity Guardian to protect commercial shipping and freedom of navigation in the Gulf of Aden and the Red Sea. Similarly, the EU employed Operation Aspides. Though these efforts provided strong air defense protection, they did not stop the Houthis' aggression against shipping and did not resolve the crisis.

During Operation Prosperity Guardian, the Houthis demonstrated that a relatively low-cost, non-state actor could impose disproportionate operational and economic costs on the international community. Between December 2023 and the 2025 ceasefire, the Houthis launched more than 380 missiles, drones, and other projectiles at commercial shipping and coalition naval forces operating in the Red Sea and Gulf of Aden. In response, the U.S. Navy alone expended approximately 220 advanced surface-to-air interceptors along with naval gunfire to defeat the attacks, illustrating a highly unfavorable cost-exchange ratio in which interceptors costing hundreds of thousands to several million dollars each were routinely used against comparatively inexpensive Houthi drones and missiles. Operationally, coalition warships were forced to maintain a continuous high-tempo defensive posture to protect freedom of navigation, while commercially, the attacks caused many of the world's largest shipping companies to reroute vessels around the Cape of Good Hope, adding 3,500 to 6,000 nautical miles and 7–14 days to many voyages. The resulting increases in fuel consumption, insurance premiums, shipping rates, inventory carrying costs, and delivery delays disrupted global supply chains and contributed to tens of billions of dollars in additional costs to international commerce, despite the coalition's tactical success in preventing most attacks from reaching their intended targets.

Enter Israel. As the Houthis increased attacks into Israel post Oct. 7, 2023, and especially after a successful attack that hit Tel Aviv in July 2024, Israel roughed up the Houthis several times in the following months, sometimes forcing a temporary pause in Houthi attacks. But these efforts did not deter Houthi aggression, be it attacks on Israel or against shipping.

Later, the Houthis paused attacks during an Israel – Hamas ceasefire in early 2025, but when the ceasefire broke down, the Houthis resumed attacks.

At that point, President Trump initiated robust strikes against the Houthis from March to May of 2025, targeting Houthi radars, missiles, and drone infrastructure. Oman brokered a bilateral ceasefire between the Houthis and the United States to end U.S. strikes on the Houthis and for the Houthis not to attack U.S. flagged vessels. However, this did not help other international carriers.

After the October 2025 Gaza Peace Agreement, the Houthis ended their anti-shipping campaign. Trade slowly increased in the Strait until recent events.

Recent Events:

Immediately after the U.S. and Israeli-led strikes on Iran in late February, the Houthis offered moral support to Iran, adding, "Our hands are on the trigger whenever developments require it." Without question, Iran wanted direct military action from the Houthis, most likely renewed attacks on shipping in and near the Bab el-Mandeb Strait to further increase economic costs to the protagonists aligned against Iran. But, as mentioned before, the Houthis are not a proxy of Iran, merely a partner, and partners do not always do what the other wants. However, about a month into the conflict, the Houthis began firing missiles and drones into Israel, in at least six waves of attacks, ending in June. Yet the Houthis did not fire on shipping or attempt to close the Strait, but did make explicit threats to do so.

In the latest turn of events, after consulting with President Trump, the Saudi Crown Prince initiated a series of attacks on Sana'a International Airport early in July — in an attempt to cut off a Houthi resupply from Iran. The Houthis then declared a maritime blockade against any ships porting in Saudi Arabia, further backed up with the attacks on some Saudi-linked tankers. Saudi Arabia extensively used the Bab el-Mandeb Strait for its pipeline exports to its Red Sea ports, which was an economic lifeline prior to the temporary restoration of traffic through the Strait of Hormuz associated with the Memorandum of Understanding (which is effectively terminated). This led to Saudi retaliatory strikes against Houthi drone, missile, and command and control facilities. As of late July, these strikes/counterstrikes continue, with Houthi targets now including Saudi oil infrastructure targets.

As far as the U.S. role in these latest attacks on the Houthis, while green-lighting and politically supporting Saudi Arabia, it appears the U.S. is reluctant to directly engage as it is occupied with the conflict with Iran. The U.S. is reportedly considering military options.

Implications:

- Houthi attacks on shipping in and around the Bab el-Mandeb Strait from 2023 to the present highlight that it is not only the Strait of Hormuz that can have significant impacts on global trade, especially petroleum.
- Houthi weapons and attacks range the critical Saudi port of Yanbu and its associated pipeline infrastructure, which could impact oil export capacity towards the Suez.
- In the most recent set of attacks, the Houthis have only targeted ships and infrastructure associated with Saudi Arabia.
- It is possible that, just like the 2023-2025 timeframe, the Houthis may indiscriminately target commercial shipping in the Bab el-Mandeb Strait and the Red Sea, not just shipping associated with Saudi Arabia. If this happens, global economics will be further pressured.
- Some carriers may choose to accept risk and continue to transit the Bab el-Mandeb Strait. Others will avoid the region and take the long path around the Cape of Good Hope, adding significant costs due to longer distances and delays in getting products to their destinations.
- Expect Saudi Arabia and the Houthis to escalate actions against each other.
- Saudi Arabia's pipeline system to the Red Sea was and is an economic game-changer since the conflict with Iran started. UAE's pipeline to the Persian Gulf was helpful to them as well, though lacking the capability of the Saudi system. Many Gulf states are developing plans to mirror these capabilities to lessen economic impacts with the Iranian closure of the Strait of Hormuz. But with the persistent threat from the Houthis, access to the Suez Canal cannot be guaranteed, so this may reduce the advantages of routing pipelines to Red Sea ports. Time will tell how this evolves.
- Just as U.S. strikes on Iran cannot prevent Iran from continuing to threaten the Strait of Hormuz, the same applies to the Houthis and threats to the Bab el-Mandeb Strait. U.S. and/or Israeli retaliatory strikes against Iran and/or the Houthis can reduce their ability to detect targets on the seas as well as their weapons to attack ships, but they cannot completely

prevent it.

- Big picture: Xi and Putin continue to enjoy the conflict in the Middle East, including the latest developments with the Houthis as the group distracts the United States and impacts Joint Force readiness and munitions. However, the Ukraine-led attacks on Russian energy infrastructure have reduced refining, and even with global market price increases, Russia is not benefiting as it is facing domestic shortages and reduced exports. China also has had to scramble to different oil markets, which is not China's ideal given the Russian, Iranian, and overall Middle Eastern energy supply disruptions and price increases. China has used oil reserve releases to manage the economic impact, although continuing disruptions would be negative to its economy.
- Uncertainty remains high with the multi-theater conflicts in Ukraine and the Middle East placing pressures on the financial markets, specifically, in the energy and defense sectors. While the energy sector continues to experience significant price volatility based on events, the driver is increasing transport costs and risk price premiums and not global scarcity of oil and LNG. The defense sector is seeing extraordinary demand; however, the financial markets remain cautious of the ability to fulfill orders in the near term by the current defense industrial base for restocking and modernization for the U.S., its allies, and partners. Near-term financial markets overall are experiencing volatility and resiliency at the same time, even with sector rotations.
- The Houthis' ability to sustain a maritime denial operation in the Bab al Mandeb Strait is questionable. While certainly problematic in the near term, the Houthis cannot sustain attacks in the long term because munitions, support equipment, and targeting radars all come from Iran. Iran's supply of those same systems is either destroyed, under duress, or being used in its attempt to deny use of the Strait of Hormuz. Therefore, the Houthis' ability to sustain the attacks is dependent upon existing in-country stocks of weapons and radars.