

# DRC Conflict Minerals

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## Brief overview and analysis of conflict viability

The Democratic Republic of Congo (DRC) is a resource rich nation with a history of violence. Although its nine-year civil war which killed 5 million people ended in 2003, violence has continued in the resource-rich east of the country. This violence has been centred on controlling the illegal extraction of conflict minerals which are smuggled into legitimate supply chains throughout East Africa. A report by Global Witness estimates that between 2010-2012, the DRC lost USD\$1.36bn to the trade of conflict minerals. Considering the money involved, it is unsurprising that armed groups will use violence to maintain control over the lucrative trade. This often leads to fighting involving armed groups, local communities, government security forces and UN peacekeepers who are deployed to maintain stability. Subsequently, 17% of the population needs humanitarian aid, but with presidential elections scheduled for December 2018, there is potential for the situation to worsen.

## Conflict minerals

Conflict minerals commonly mined in the eastern DRC include tin, tantalum, tungsten and gold. Given the illegal nature of this activity, there is little regard for consequences beyond their extraction which is conducted by artisanal miners. These miners use crude and inefficient methods which in some cases are only able to recover 20% of minerals extracted from the ground. Where gold is mined, substances such as cyanide and mercury are used in the refining process without use of protective equipment which poses a serious risk to health and causes lasting environmental damage. Despite this, the lack of employment opportunities in the region mean that there are always people willing to work in artisanal mining which is a vital part of the local economy.

Once extracted, minerals are trafficked into legitimate supply chains inside the DRC and neighbouring countries. This is facilitated by bribing officials and security forces to turn a blind eye to smuggling and the sale of minerals to legitimate mines and/or brokers. There exists government and NGO schemes throughout countries in East Africa to audit and account for minerals when they leave legitimate mines to ensure correct payment of tax and detect conflict minerals. However, it is still possible to smuggle conflict minerals onto mine sites and put them through these audit processes without detection. Once this is achieved, the minerals are legitimised and able to pass through the legitimate mineral supply chain to smelters and export worldwide where they are used in manufacturing. Meanwhile, the profits from the sale of these conflict minerals are used to fund further crime, bribe officials and maintain influence to continue mining conflict minerals.

The scale of global supply chains and outsourcing in the manufacturing sector has increased the possibility of conflict minerals being used in household and commercial goods. A [report](#) in 2017 suggested that as much as 80% of companies could not confirm whether their supply chains contained conflict minerals from the DRC. Efforts have been made to increase pressure on businesses to demonstrate that their supply chains are free of conflict minerals through the introduction of legislation, such as the [US Dodd Frank Act](#) and the [European Union \(EU\) Supply Chain Due Diligence Obligations](#). There is now an increased requirement for companies to demonstrate ethical sourcing in their supply chains. Companies such as Apple have now started publishing annual reports to demonstrate this and in 2017, Apple went one step further by declaring that they would only use recycled rare earth metals in their products. Although this

is laudable, the increasing use of electronics suggests it unlikely that demand can be solely satisfied through recycled minerals. Therefore, until improved supply chain transparency is adopted on a larger-scale, money from sale of conflict minerals is likely to perpetuate conflict in the eastern DRC.

### Impact of violence

Since 2016, there has been an increase in the intensity of fighting in the eastern DRC which is linked to refusal of President Joseph Kabila to hold general elections at the end of his second term (these elections have now been scheduled for December 2018). Violent protests have been conducted against President Kabila's continued rule which have been met by a harsh response from government security forces leaving hundreds in jail and dozens killed. Withdrawal of security forces back to Kinshasa has exacerbated the situation in the eastern DRC and other population centres in the western DRC to maintain government control.

Although the 18,000 UN peacekeepers stationed in the DRC represents the UN's biggest active peacekeeping mission, these soldiers are responsible for maintaining stability in a country the size of eastern Europe. Already stretched, the mission's budget was cut by 8% in 2017 and in December 2017, 14 UN peacekeepers lost their lives in an attack against their base in the eastern DRC: this was the biggest single loss of life on a UN mission in 25 years.

While the international community fails to mount a credible response, 4.1m people are internally displaced inside the DRC and 13.1m (17% of the population) people need humanitarian aid. Regional governments are now having to host and support the 750,000 refugees who have fled the violence. Despite a UN appeal for USD\$363m to fund the refugees, according to figures on 10 April 2018, only USD\$11m had been received. Meanwhile, a conference by the EU to raise funding for the growing crisis fell short by over USD\$1bn. The biggest recipients of refugees are currently Uganda, Rwanda, Burundi and Tanzania; all countries whose budgets are already stretched. Money spent on providing for refugees is therefore likely to decrease spending on their own development and threaten regional stability.

There is almost certain to be significant political, economic and social impacts on neighbouring countries if a conflict in the DRC emerges. Tanzania and Rwanda have already faced difficulties in coping with the influx of Burundi refugees after the 2015 Burundi general election and have outlined plans to reduce refugee numbers. A rise in refugees fleeing the DRC conflict could encourage neighbouring states to adopt a larger military presence on the border with the DRC, as already seen in Tanzania and this would entail increased military spending. Despite reductions in military budgets such as in Uganda, it is possible that military budget increases will be required to fund greater border security. A large influx of DRC refugees is likely to also put pressure on social services such as healthcare and education in neighbouring countries. This is unlikely to be popular with citizens in neighbouring states who may call on their governments to take a harsher stance against DRC refugees. Neighbouring governments may begin closing refugee camps and placing restrictions on citizenships as a way to prevent DRC refugees from permanently residing in their countries.

#### Predictive assessment:

- Any delays to the December 2018 elections or attempts by President Kabila to amend the constitution to stand for a third presidential term are likely to fuel an escalation in violence which could see the country return to civil war.
- Given the lack of a UN response to the escalating crisis thus far, there is no evidence to suggest that they will take meaningful action to resolve the DRC situation. This could change if civil war broke out, however, any

response is likely to be hampered by the reduction in US funding to the UN and difficulty securing funding from other donors.

- Neighbouring countries are currently struggling to provide for refugees who have fled the DRC which is threatening to decrease their own available funds for development.
- Any increase in unplanned government spending in response to a regional refugee crisis in the DRC is likely to require an increase in the 2018/19 budgets of neighbouring countries. It is possible that this may result in a rise in taxes for corporations who would be required to fund the shortfalls in government budgets.

### Assaye Risk Research and Analysis

Assaye Risk's research and analysis team can provide periodic assessments of events in the DRC for clients. This includes bespoke risk assessments, security incident monitoring and competitive benchmarking. For further information contact the research and analysis team on +44 (0) 20 7042 5110 or email [info@assayerisk.com](mailto:info@assayerisk.com).

