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Flash Executive Summary Report

The Democratic Republic of the Congo, known as “DRC” or the “Congo,” like much of Africa, has a troublesome past. Take, for example, the 19th century when several European nations in “the Scramble for Africa” gobbled up most of Africa for prestige and economic benefit, with no recognition of historic ethnic groups, territories, and the general welfare of the people. In the case of DRC, it may have experienced the worst treatment from its European masters. One of the injustices from this era that continues to the present is the “resource curse,” where impoverished nations blessed with significant natural resources, including rare earth minerals that are in demand, are either stolen, purchased at discounted rates, or sold on the black market.

Pertinent to today’s crisis in the DRC, the conflagration began in the neighboring country of Rwanda with the Rwandan Genocide of 1994, where approximately 800,000 were slaughtered in about three months. Most of the victims were from the Tutsi ethnic group, with most of the killers from the opposing Hutu ethnic group. The genocide ended after a movement of Tutsis led by Paul Kagame and the Rwandan Patriotic Front (RPF) forcibly ended the slaughter. Large numbers of Hutu fearing Tutsi reprisal fled Rwanda to the eastern portion of the DRC along with some of the Hutu killers, that then initiated forays into Rwanda targeting Tutsis. In response, Kagame and the RPF began aggressive counterattacks in neighboring countries where the Hutu rebels had safe haven.

This led to two conflicts, dubbed the First and Second Congo Wars, spanning 1996-2003. The first war was an invasion into eastern DRC by the RPF to eliminate Hutu rebel groups. Then, several neighboring countries sensed an opportunity to depose the unpopular DRC leader Mobutu. It worked – Mobutu’s opposition leader, Laurent-Désiré Kabila, secured power in DRC. But Kabila inherited a challenge with the many occupiers in eastern DRC – both neighboring countries and proxy rebel groups were inspired to stay to either secure their borders and/or to seize the opportunity to mine minerals for profit. Kabila attempted to eject the occupiers, leading to the Second Congo War where Rwanda and Uganda sought to depose Kabila. Kabila was assassinated in 2001, with his son, Joseph Kabila, assuming power. Ultimately, Joseph Kabila restored relative peace with his neighbors, but the cost of the wars was great – somewhere between 3 to 5 million people died during the wars, mostly to malnutrition, with another 2 million displaced.

After the Congo Wars, DRC writ large became more stable. However, the eastern portion remained occupied by many groups numbering as high as 100. The most significant group that formed was the March 23 Movement, commonly called “M23.” It’s named for the date of a peace accord signed on March 23, 2009, where the DRC government attempted to assuage and normalize with Tutsi rebels in the eastern districts. The accord had a weak foundation and was not accepted, thus the rebels formalized “M23” into a growing insurgent force that was too powerful for government forces to subdue. It should be no surprise that M23 mines minerals for its funding. Its financial resourcing does not end there. As reported recently by the BBC, Rwanda has “de facto control of M23 operations.”



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Keeping the areas bordering Rwanda out of Hutu rebel hands has been a priority for Rwanda after the 1994 genocide. Many in the international community believe that Rwanda is no longer in danger of widespread Hutu-Tutsi ethnic violence, and that it is the minerals that Kagame seeks to retain.

It bears noting that Rwanda might later regret supporting M23, as sometimes proxies and associates initially are helpful to a cause but later can become a thorn in the side. Recent examples are with Russia's state-funded Wagner Group led by Prigozhin that did much of Russia's dirty work but then turned on Putin with an attempted coup. Pakistan, likewise, supported the Taliban for decades and today the Taliban are killing Pakistanis. In the same vein, Iran's long-term proxy Hamas ended up greatly weakening Iran following Hamas' 7 Oct massacre on Israelis, resulting in bold actions taken against Iran and its proxies across the region.

As recently as January, M23, along with thousands of Rwandan troops, extended the areas under its control. It took the regional capital of Goma and messaged that it intends to govern the region. Not surprisingly, some of the territorial advances secured mineral mines, along with supply lines back to Rwanda. The DRC government largely appears to be incapable of countering the recent advances of M23 supported by Rwandan troops, although so far the DRC successfully checked advances in one sector.

The UN Organization Stabilization Mission in the DRC (or MONUSCO) has operated in eastern DRC since 1999. It has a strength of about 12,000, mostly soldiers with about 1,000 police. Its UN Security Council (UNSC) mandate for robust "peace enforcement" instead of the lesser and more usual UN role of "peacekeeping." But, like most UN missions, with almost all its troops coming from the Developing World, it has neither the capability nor the will to execute bold operations required to enforce peace. It simply cannot be expected to put up a strong fight, yet it is noble that the force remains in the region, enabling humanitarian aid and a semblance of stability, despite taking casualties.

Last week, the UNSC demanded that M23 immediately cease hostilities, withdraw from all areas that it controls, and "fully reverse the establishment of illegitimate parallel administrations in the DRC territory." It also called on the Rwanda Defense Forces to stop supporting the armed group and immediately withdraw from Congolese territory "without preconditions." This effort, though necessary, will not change Rwandan behavior. What might succeed is sanctioning Rwanda. This brings us to the economic implications.

Economic Considerations:

- Rwanda and its proxy, M23, has significant access to several minerals in eastern DRC including "3TG" (tin, tungsten, tantalum...and gold) among other minerals. The DRC claims to have about 40 percent of the world's tantalum, a mineral in high demand in cell phones, etc., but the percentage under M23/Rwandan control is unknown. Coltan is another mineral in play, but it is problematic to track as it is mined legally in Rwanda and illegally in areas under M23 control. Therefore, it is difficult to differentiate the exact location where it was mined.
- The 2012 Dodd-Frank Act requires companies that are subject to reporting requirements of the Securities Exchange Act, to disclose their use of 3TG conflict minerals. Similarly, an SEC rule states that if a company determines that its 3TG may have originated from the DRC or an

adjoining country, including Rwanda, then it must exercise due diligence on the source and chain of custody of those minerals. Last year, the U.S. State Department also issued a “statement of concern” along these same lines.

- The BBC suggests that some companies have distanced themselves from all minerals from Rwanda. But a demand for these minerals remains, otherwise M23/Rwanda would not place a high priority on securing the mines.
- Last month, the U.S. Department of the Treasury’s Office of Foreign Assets Control imposed sanctions on two key M23 leaders associated with 3TG minerals, that of James Kabarebe, and Lawrence Kanyuka Kingston and his holdings (Kingston Fresh and Kingston Holding).
- Of note, several countries and/or international organizations are either sanctioning Rwanda or are considering doing so. In addition to the United States, this includes Canada, the United Kingdom, as well as the European Union, with actions ranging from embargos, travel restrictions, and asset freezes.
- Companies conducting business associated with Rwandan minerals and/or with potential third parties connected to Rwanda, should thoroughly investigate supply chains to draw informed conclusions and decisions.
- More broadly, companies conducting business with Rwanda writ large should monitor for potential additional sanctions requiring compliance.
- Overall, the economic implications associated with DRC, M23, and Rwanda are complex and multifaceted. U.S. companies need to evaluate risk concentrations in supply chains, especially for rare minerals including copper and cobalt, in the DRC. China, which already controls significant rare earth mineral resources, has made significant investments in DRC mines over the past decade while the U.S. has limited investment and presence. China seeks stability in the region given its investments and has opposed M23 while investing in DRC and balancing its relationship with Rwanda to strengthen its control of rare earth minerals. The DRC situation is another element of Great Power Competition through China’s growing influence in the Global South. The U.S. and free market nations need to consider strategic positioning in the Global South, including access to rare minerals, given the growing demand in the technology sector.

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