The Impact of Conflict and Instability on Global Minerals Security

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Introduction

Critical mineral supply chains are well known to be vulnerable to disruption—Chinese export restrictions have repeatedly hindered the ability of U.S. firms to source needed input materials. In response, the United States is working to "de-risk" these supply chains by reducing dependence on China and expanding sourcing from mineral-rich emerging markets. However, many of these markets are located in high-risk jurisdictions, where issues such as social unrest, violence, and prolonged conflict can disrupt mining activities. These risks present an alternative form of supply chain vulnerability that must be proactively addressed to ensure reliable access to critical minerals.

Securing critical mineral supply chains will require addressing political risks for long-term investments in regions that are prone to civil unrest, coups, challenges to electoral results, and armed conflict. In recent years, political upheaval and social unrest in the global south has impacted graphite operations in Mozambique, copper mines in Peru and Panama, cobalt projects in the Democratic Republic of Congo, and uranium and lithium exploration in Africa's Sahel region. These disruptions carry tangible economic consequences for Western industries. Even short-term disruptions to mining operations can lead to large drops in production levels, mass layoffs, or divestments of critical assets to foreign adversaries. These impacts upstream impact downstream domestic operations that reconfigure supply chains, or risk shortages of essential input materials. This paper examines case studies from six developing countries around the world to offer practical insights into how the United States and its allies can effectively manage political risks affecting strategic Western mining investments in the Global South.

Insight #1 From Mozambique: Political Protests in the Global South Can Directly Disrupt US Minerals Supply

Graphite is an indispensable material for the green energy transition and electric vehicle batteries—but in 2024, the United States was 100 percent import reliant for natural graphite. Mozambique is home to the world's third largest graphite reserves, with 8.6 percent of the world's known-graphite. The Balama Mine has the highest in-situ value of any graphite mine in the world – with a cumulative in-situ value of $353.5 million. In comparison, the second highest value graphite mine, Sarytogan Mine in Kazakhstan, has an in-situ value of $76.6 million. In 2023, Syrah Resources was lauded for creating the first vertically integrated natural graphite anode supply chain outside of China. With the assistance of a $150 million loan from the Development Finance Corporation and a $102 million loan from the Department of Energy's Loan Program Office, Syrah developed a graphite mine in Mozambique that would send its output to Syrah's processing facility in Vidalia, Louisiana to produce battery grade graphite for U.S. industry.

However, by 2024, political instability resulting from an insurgency in Mozambique ground Syrah Resources' vertically integrated supply chain to a halt. The insurgency, led by Ahlu Sunna Waljama'a, began in October 2017. By December 2024, Australian company Syrah Resources declared force majeure at its Balama graphite mine due to escalating instability in the region. This triggered a default on a $150 million loan from the U.S. International Development Finance Corporation and led to a 28 percent drop in Syrah's share price. Without Syrah's graphite mining operations in Mozambique, the Vidalia facility would lose access to the feedstock necessary to produce battery materials.

In April 2025, Syrah reached an agreement with the protesters and government authorities to minimize disruptions and reopen the mine. Operations are expected to begin again in June, but depressed graphite production levels will continue to impact downstream industry. The instability has also led to lasting repercussions on the future development of Mozambique's mining industry. Due to the ongoing conflict, exploration spending in the region dropped sharply—from $25.5 million in 2014 to just $1.4 million in 2024.

Syrah Resources' experience in Mozambique teaches several important lessons. First, it underscores the strategic imperative of diversifying graphite supply sources. Overreliance on a single country or region—particularly one prone to conflict—can leave global supply chains exposed to sudden disruptions. The suspension of operations at the Balama mine due to regional instability not only disrupted global graphite supplies but also triggered financial consequences, including a loan default and a sharp decline in company valuation. Second, Syrah's experience illustrates the importance of robust government-to-government cooperation. Diplomatic engagement, development assistance, and security cooperation can play a vital role in supporting host countries to address the root causes of instability and build a more secure operating environment for mining projects.

Insight #2 From Peru: A Weak Social License to Operate Can Stop Production and Deter Future Exploration Investment

Peru is endowed with significant mineral wealth, with the world's second largest copper reserves (12 percent) and fourth largest zinc reserves (11 percent). Despite this, while most major Latin American mining jurisdictions experienced growth in exploration investment between 2019 and 2024—with Chile increasing by 21.6 percent, Mexico by 26.9 percent, Brazil by 51.7 percent, and Argentina by 105.4 percent—Peru was the only country in the region to register a decline, with exploration investment falling by 12.6 percent. This downturn coincided with a notable surge in mining-related social unrest. In August 2023 alone, Peru recorded 71 mining-related protests. Fitch Ratings, one of the world's leading credit agencies, has identified such unrest—including protests and blockades—as a key obstacle facing the country's mining sector. Peru's standing on the Fraser Institute's Investment Attractiveness Index also deteriorated, dropping from 24th out of 76 jurisdictions in 2019 to 59th out of 86 in 2023. This decline is largely attributed to persistent challenges with social license to operate and repeated disruptions to mining activities. The mining industry has long faced opposition from poor indigenous communities, who have protested the unequal distribution of mining profits and the harmful effects of resource extraction on scarce water supplies. Several prominent cases illustrate the extent of social unrest in Peru's mining sector.

In the Apurímac region, the Las Bambas copper mine—operational since 2016—has repeatedly faced road blockades, especially along the Southern Mining Corridor, resulting in significant export losses. In Arequipa, the Tía María copper project, owned by Southern Copper Corporation, was suspended for over a decade commencing in 2011 despite securing an environmental permit. Local farmers and residents have strongly opposed the project, citing concerns over potential water contamination and harm to agricultural activities. In the Ancash region, the Antamina mine—jointly owned by Glencore, BHP, Teck, and Mitsubishi—briefly suspended production in 2021 following road blockades by nearby communities demanding a renegotiation of development agreements. In 2022, Freeport McMoRan announced it would be slowing its expansion of the Cerro Verde mine, Peru's top copper producer, as it faces protest-induced supply delays and strikes. In 2023, Glencore suspended operations at its Antapaccay mine for eleven days as protestors looted the premises for the third time in a one-month period.

These cases demonstrate a recurring pattern across Peru's mining regions: inadequate consultation, environmental harm, and perceived inequities in profit-sharing consistently spark conflict. the underlying drivers often extend beyond individual projects, rooted instead in systemic issues such as social exclusion, environmental injustice, and persistent underdevelopment. In the absence of a credible social license to operate, even well-designed and economically significant mining ventures remain vulnerable to disruption, delays, or indefinite suspension. Western companies investing in Peru's mineral resources must ensure that they secure the social licenses needed to operate in mining jurisdictions from local communities, in addition to mining concessions and permits secured from the state.

Insight #3 From Panama: Volatity in the Mining Sector Can Have Spillover Macroeconomic Consequences

The closure of Cobre Panamá—one of the world's largest copper mines—has become a stark example of how political risk can jeopardize major investments by Western mining firms. Developed and operated by Canada's First Quantum Minerals, the project marked Panama's largest-ever private investment, amounting to $10 billion—roughly 12 percent of the nation's GDP. Since production commenced in 2019, the mine quickly emerged as a cornerstone of the economy, accounting for nearly 5 percent of GDP, 7 percent of external revenues, and employing approximately 40,800 people, or about 2 percent of the national workforce. Globally, Cobre Panamá was particularly significant, as it was one of the few large-scale copper projects to commence operations in the past 15 years—contributing to supply at a time when many major copper mines are aging and production is declining.

Trouble for Cobre Panama began in 2018 after a Supreme Court ruling questioning the legality of Panama's 1997 mining concession. After years of negotiations, a new contract with First Quantum was signed in October 2023, granting long-term operating rights. However, the new agreement triggered swift and widespread public opposition, leading to mass protests and road blockades. Detractors claimed the contract disproportionately favored the company, raising concerns about insufficient royalty arrangements, threats to national sovereignty, and the absence of provisions addressing environmental impacts. By 2023, as tensions escalated and protests led to violence, First Quantum faced disruptions to operations forcing the company to scale back production and lay off 7,000 workers.

The economic consequences of the Cobre Panamá mine's closure have been far-reaching. With operations halted, the government has experienced a sharp decline in revenue. GDP growth slowed to just 2.9 percent in 2024, a notable drop from the 7.4 percent recorded in 2023. The shutdown of Cobre Panamá has deeply affected Panama's dollarized economy and has shaken investor confidence and prompted credit downgrades from three major rating agencies.

The case of Cobre Panamá underscores the critical importance of robust arbitration protections for Western mining investments operating in politically and legally volatile environments. As a flagship project representing the largest private investment in Panama's history, its abrupt shutdown demonstrates how legal uncertainty and governance challenges can swiftly derail strategic, long-term investments—even when projects are technically sound and economically vital. Moreover, U.S. engagement in dispute resolution mechanisms—whether through direct diplomatic channels, multilateral institutions, or trade and investment frameworks—could help safeguard strategic projects from politically motivated shutdowns and ensure that contractual obligations are honored.

Insight #4 From the Democratic Republic of Congo: Jurisdictions that Receive 'Minerals Deals' Will Still Require an Ecosystem of Support

The Democratic Republic of Congo (DRC) contains some of the world's greatest mineral resources, particularly for high-grade cobalt and copper. However, the United States has historically underinvested in its relationship with the DRC, especially in its mining industry. In contrast, China has prioritized its minerals investments in the DRC, committing $3 billion in infrastructure projects over the past 15 years in exchange for access to vast minerals deposits valued at $93 billion.

In February 2025, the escalating conflict between Rwanda and the DRC led DRC President Felix Tshisekedi to propose granting the United States access to the country's mineral resources in return for military support. Rwanda-backed M23 rebels have seized large portions of the mineral-rich eastern region and recently captured Goma—a key regional hub with a population exceeding 2 million—marking a significant development in a conflict that has persisted for over three decades. In April 2025, the United States helped facilitate the signing of a Declaration of Principles between the DRC and Rwanda in Washington, which established a, "Pathway to peace, stability, and integrated economic development in the eastern DRC region and the resumption of normal bilateral relations between the Participants." Massad Boulous, a Senior Advisor to President Trump, has announced that peace and minerals deals will be signed between the United States, DRC, and Rwanda by July 2025.

However, even with a U.S.-DRC minerals deal, several significant challenges are likely to continue to hinder the DRC's ability to attract Western investment, including ongoing conflict, a challenging business environment and corruption, strong Chinese market dominance, and insufficient infrastructure. Nevertheless, a bilateral deal presents an opportunity for the United States to create a new, mutually beneficial framework for engagement as an attractive alternative to the Chinese model while promoting peace and stability.

Insight #5 From Africa's Sahel Region: Conflict Deters Exploration Investment and Negatively Impacts the Mining Sector's Long-Term Development

Exploration is vital to establishing and sustaining a country's mining sector through the discovery of new, high-value deposits. However, exploration investment in the Sahel region has been discouraged by ongoing political instability and repeated coups. In Niger—where military coups have been a persistent feature since independence—exploration spending declined dramatically by 89.8 percent, falling from $66.4 million in 2012 (with uranium comprising 87.8 percent of that total) to just $6.8 million by 2024. Mali has seen a more recent but significant drop, with exploration investment halving over the past two years—from $153.9 million in 2022 to $72 million in 2024. Similarly, Burkina Faso experienced a steep 68.7 percent decline in exploration activity following its January 2022 coup, with spending decreasing from $121 million in 2021 to $37.9 million in 2024. Given the complex and often unstable political and social dynamics across many African nations, political risk insurance will be a critical tool for unlocking and sustaining investment in mineral exploration.

Political risk insurance offers several key benefits for mineral exploration projects. First, it shields investors from harmful government actions—such as expropriation, contract breaches, license cancellations, or abrupt fiscal changes—that could undermine project viability. Second, it mitigates risks associated with conflict and instability, as demonstrated in countries such as Niger and Mali, by covering losses caused by war, terrorism, or political violence that may disrupt operations. Third, political risk insurance improves a project's bankability by protecting against noncommercial risks, thereby making it easier to secure financing. Lastly, it supports long-term investment by giving companies the confidence to operate through uncertainty, a crucial factor given the high-risk, capital-intensive nature of exploration.

Conclusion

Ultimately, strengthening critical mineral security is not only a matter of geology—it is a challenge of governance, diplomacy, and risk management. If the United States and its partners wish to build a durable alternative to China's mineral dominance, they must be prepared to engage deeply in the political and social landscapes of the resource-rich developing world. The case studies presented—from Mozambique and Peru to Panama, the Democratic Republic of Congo, and the Sahel—demonstrate that mineral-rich countries often pose substantial challenges due to political instability, weak governance, social unrest, and legal uncertainty. These risks can interrupt production, deter exploration, and trigger broader economic disruptions with consequences that ripple through global supply chains.

To address these vulnerabilities, Western governments must move beyond traditional risk assessments and adopt a more proactive, whole-of-government approach. This includes expanding access to political risk insurance, strengthening diplomatic support for arbitration and dispute resolution, and fostering long-term development partnerships that build trust with host governments and communities. Securing a "social license to operate" should be treated as essential as obtaining a legal mining permit, with clear strategies to engage local populations, distribute benefits equitably, and address environmental concerns. Additionally, the United States must better leverage tools such as development finance, technical assistance, and security cooperation to stabilize strategic mining jurisdictions and unlock private sector investment.

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