

Müller, Melanie; Strack, Lea; Vulović, Marina

## Research Report

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# SWP Comment

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## The EU's Raw Materials Diplomacy: Serbia as a Test Case

**The Rule of Law and Sustainability as Benchmarks for Europe's Raw Materials Cooperation**

*Melanie Müller, Lea Strack and Marina Vulović*

In July 2024, the European Union (EU) and the Serbian government signed a strategic raw materials partnership. For the EU, this cooperation represents an important step towards diversifying its supply chains and strengthening economic partnerships in its neighbourhood. Serbian President Aleksandar Vučić has a geopolitical interest in this cooperation, which he also wants to use to further consolidate his already extensive power domestically. The signing of the partnership agreement has triggered massive protests in Serbia. Critics fear that the implementation of the raw materials partnership could further undermine already fragile rule-of-law structures, as well as environmental and social standards. The case of Serbia illustrates that the EU can only exert limited influence on the country's authoritarian government in a geopolitically tense context. However, it must strategically use its available leverage to mitigate the existing risks.

In 2024, the EU adopted the Critical Raw Materials Act (CRMA) to ensure the collective supply of so-called strategic raw materials — resources that are “of significant importance for the EU and exhibit very high supply risks”. To enhance supply security and, in particular, to reduce the high level of dependence on Chinese raw material imports, the EU aims to expand European capacities in mining, processing, and recycling while diversifying its import sources.

To achieve this diversification, the EU has signed several partnership agreements with resource-rich countries in various

regions of the world. The raw materials partnership with EU accession candidate Serbia is of particular interest for two reasons. First, Serbia has significant deposits of lithium, which is a strategic raw material crucial for battery production. Second, this partnership would allow the EU to expand its geopolitical influence in the Balkan raw materials sector, where China has become increasingly active in recent years.

The signing of the Memorandum of Understanding (MoU) on the EU-Serbia raw materials partnership was publicly celebrated at the Serbian Critical Raw



Materials Summit in July 2024. The MoU, which is not legally binding, consists of five components: cooperation in developing value chains for raw materials, batteries, and electric vehicles; research and innovation; high ESG (environmental, social, governance) standards; the mobilisation of financial instruments; and the development of skills for high-quality jobs in the raw materials and battery sectors.

Serbia and the EU are currently developing a joint roadmap that will list specific activities for cooperation and identify entry points for collaboration between companies. Additionally, the aim is to implement projects while adhering to high, transparent sustainability standards. This includes a commitment to high governance standards, social and environmental criteria, and the enforcement of Serbian environmental and mining laws.

The central element of the raw materials partnership is the planned lithium mining project in the Jadar Valley, a project that is being pursued by the British-Australian company Rio Tinto. The company has been active in Serbia since the establishment of its subsidiary Rio Sava Exploration in 2001, and it has positioned itself as a partner to the EU for the European supply of raw materials. There are very few European corporations capable of implementing a project of this scale. Rio Tinto has relatively little experience in lithium mining, but it aims to secure a larger share of the battery metals market and expand its portfolio.

Both current Chancellor Olaf Scholz and the European Commissioner for Trade and Economic Security, Maroš Šefčovič, have publicly pledged that Germany and the EU will support the successful implementation of the project. Rio Tinto has asked the European Commission to recognise the Jadar Project as a “strategic project” under the CRMA, as it would contribute to the diversification of European raw material imports. Although such recognition does not typically involve financial support, it can facilitate access to low-interest loans and provide political backing from the European Commission and EU member states.

## **Resistance and protests against the “Jadar Project”**

The project has long been highly controversial in Serbia: Even before the signing of the partnership agreement with the EU, protests had erupted as critics feared severe negative consequences for the environment and local communities. The protest movement has gone through various phases. It is now directed not only against the project itself but also against the EU’s project-related support for the Serbian government. The protest has reached a scale that threatens the implementation of the raw materials partnership with Serbia.

### **First phase (2004–2022): Criticism of the mining project and a short-lived protest victory**

As early as 2004, Rio Sava began the geological exploration of the Jadar Valley, which is a predominantly agricultural region in western Serbia near the small town of Loznica. Over the following years, Rio Sava conducted around 500 exploratory drillings and discovered Jadarite, a mineral that is unique in the world due to its composition. Jadarite is rich in lithium and boron and can be used for the production of lithium carbonate, boric acid, and sodium sulphate.

According to estimates by the German Mineral Resources Agency (DERA), the planned production volume of 58,000 tonnes of lithium carbonate per year could cover between 10 and 15 per cent of Europe’s lithium demand by 2030.

In 2017, the Serbian government and Rio Sava signed an MoU, which included the establishment of a joint working group to implement the Jadar Project. The first protests in the region emerged in 2020, when the government adopted the regulation for the “Spatial Plan of the Special Purpose Area for the Implementation of the “Jadar” Project of Exploitation and Processing of Jadarite Mineral”. The protesters criticised the lack of transparency and the absence of a public debate regarding the planned expansion of the mining sector in

Serbia; the environmental risks associated with the extraction and processing of the mineral and the storage of industrial waste; and the uncertainties encountered by land-owners who might face expropriation if they refused to sell their property voluntarily.

In September 2021, the protests reached the capital, Belgrade. After sustained and increasingly nationwide pressure on the government, the authorities revoked all permits previously granted to Rio Sava in January 2022, including the spatial plan, and declared that the project would not be realised.

### **Second phase (2022–2023): Criticism of the government’s reversal and the lack of trans- parency and participation**

However, shortly after, President Vučić declared that halting the project had been his “biggest mistake”. This statement — made immediately after his victory in the parliamentary elections — led critics to suspect that the previous suspension of the project had been merely a tactical move for electoral purposes.

Three further developments fuelled doubts about the finality of the project’s cancellation. A petition submitted to the National Assembly in June 2022, signed by about 38,000 people, calling for a potential ban on the exploration and mining of lithium and boron in Serbia was declared “lost”. This raised concerns, since the National Assembly is legally required to respond to petitions with more than 30,000 signatures. Additionally, the Ministry of Mining and Energy did not terminate the licensing process for the mining permit as legally required. Instead, it extended the deadline for completing the required documentation 18 times without providing any justification. Furthermore, in September 2023, the Serbian government signed an initial Letter of Intent with the European Commission to establish a strategic raw materials partnership, which was formalised into a more concrete MoU in July 2024. These events gave parts of the population

the impression that the project was being pushed forward — despite the official halt — by the Serbian government, the EU, and especially Germany, whose automotive industry has a strong interest in Serbian lithium.

The lack of response to the petition and the partnership agreement with the European Commission further deepened frustration over the lack of transparency and the inadequate level of participation by civil society.

### **Third phase (since 2024): Resumption of the project, pro- tests against the government and the EU**

In July 2024 — shortly before the signing of the EU-Serbia raw materials partnership — the Serbian Constitutional Court invalidated the January 2022 decision to annul the already approved spatial plan. It justified this by stating that the government had exceeded its competencies with the project’s suspension and had therefore acted unconstitutionally.

Two of the ten judges of the Constitutional Court criticised the Court’s hasty decision and the fact that a ruling had been made without initiating a formal procedure — an occurrence that had only happened twice in the past 11 years. Nevertheless, shortly thereafter, the Serbian government issued a decree reinstating the previously suspended spatial plan for the Jadar Project.

This decision triggered another wave of major protests across the country, to which the government responded with increasing levels of repression in the form of police raids, arrests, and the public defamation of opponents of the project.

A bill introduced by the opposition in September 2024 to ban lithium mining in Serbia was rejected by a majority in parliament. This further intensified the frustration of the protesters, who by now were not only criticising the government’s actions but, since the signing of the partnership agreement, were increasingly directing their criticism towards the EU as well.

## Dismantling of the rule of law and democracy

The Serbian government's course of action shows that the EU has chosen a difficult partner. The government in Belgrade has systematically weakened democracy and the rule of law over the past 10 years, as evidenced by rankings in the Rule of Law Index, the Corruption Perception Index, and reports from Freedom House. Significant setbacks have also been recorded in terms of freedom of speech and press: The political opposition, critical civil society actors, and the media are increasingly coming under pressure.

However, experiences from the mining sector show that an open climate for civil society actors and support from the population (the social licence to operate) are crucial for the successful implementation of projects. In the long term, a culture of transparency and monitoring is also necessary, as significant negative impacts can arise even in the later phases of projects, which are often designed to last for decades; continuous oversight is therefore indispensable.

Serbia is far from achieving this: In December 2024, Amnesty International reported that Serbian authorities had planted spyware on the mobile phones of activists and journalists as well as on the phones of individuals protesting against the lithium project. Activists advocating for environmental protection and freedom of expression have been increasingly pressured by the regime since 2024. Many have been arrested, threatened, and targeted with public smear campaigns. A planned legal amendment that would have effectively criminalised activism was only abandoned due to public pressure.

Although the EU criticised these developments in Serbia in its 2024 Rule of Law Report, it has few effective levers and has shown little willingness to push Serbia towards serious reforms. The EU accession negotiations, which have been ongoing since 2014, have effectively stalled in recent years. Serbia is only making slow progress with the necessary reforms.

Critical voices therefore suspect that the government in Belgrade is now pushing for the rapid implementation of the raw materials project, as the 2023 elections — which had to be repeated in some areas due to allegations of election fraud — have confirmed the government and strengthened its position. Vučić seeks to expand his power by diversifying his political and economic ties while simultaneously curbing domestic criticism through economic integration with the EU. The openly aggressive actions that have been taken against critical voices illustrate that Vučić has little concern that restrictions on democratic fundamental rights could jeopardise the partnership agreement with the EU.

However, these developments are increasingly becoming a risk for the EU, as criticism of the planned lithium mining project has now taken on a transnational dimension. At the same time, the project has become a focal point for broader domestic political conflicts. The protests are symptomatic of a deep-seated distrust concerning the government's willingness and ability to uphold the rule of law and properly manage such high-risk projects. This mistrust was further reinforced by an accident in Novi Sad in November 2024 when 15 people lost their lives due to a collapsed train station canopy. Critics are questioning how a government that cannot even ensure the safety of basic infrastructure can responsibly oversee a venture such as the Jadar Project.

The way in which the Jadar Project has been pushed forward in Serbia — and reinforced through government repression — has mobilised people who are criticising in particular the EU's silence on the actions of the Serbian government.

This benefits the nationalist forces that have joined the protest against the project and are using this silence as a justification for their fundamental opposition to Serbia's EU accession. German and US diplomats allege that these forces are being influenced due to Russian interference, which aims to discredit the project and thereby prevent Serbia from establishing closer ties with

the EU. However, they have not yet publicly provided any evidence to support this claim. And even if this suspicion were to be confirmed, it would be overly simplistic to attribute the protest solely to a potential disinformation campaign, given the valid criticisms of the project. The social and environmental risks of the project are well documented – and they highlight potential areas in which improvements can be made.

## **Ecological and economic risks of implementing the raw materials partnership**

### **Environmental risks**

According to Serbian law, mining projects must undergo an environmental impact assessment under certain conditions in order to evaluate their potential effects. The scope and content of the assessment are determined by the relevant authorities.

In November 2024, Serbia enacted new laws on Environmental Impact Assessments and Strategic Environmental Assessments. However, these laws are not yet fully aligned with corresponding EU directives, and the bylaws required for their application are still pending. Furthermore, the European Commission has repeatedly pointed out significant deficiencies in the implementation of these laws and emphasised the need for structural reforms to strengthen administrative capacities at the national and local levels, in regulatory authorities, and within the judiciary.

In November 2024, the Ministry of Environmental Protection defined the scope and content of the environmental impact assessment for the underground mine in the Jadar Valley. Rio Tinto is obliged to submit the required study within one year. However, the ministry's decision has been criticised. Rio Tinto only submitted an application for an assessment of the underground mine, even though environmental impact assessments are also required for the processing plant and the tailings storage facility.

Therefore, the Belgrade-based Renewables and Environmental Regulatory Institute (RERI) fears that Rio Tinto intends to avoid an evaluation of the project's overall impact through this artificial segmentation, a practice known as "project splitting", numerous cases of which have already been documented in Serbia. In some instances, companies have allegedly acted with the knowledge and support of the responsible state authorities in an effort to obscure cumulative environmental impacts or entirely bypass the requirement for an environmental impact assessment.

It is the responsibility of Serbian authorities to prevent such improper project practices and to ensure a transparent and legally compliant environmental impact assessment.

According to Energy Minister Dubravka Handanović, it could take another two years before all of the necessary permits for the project's implementation are obtained. A decision by the Assembly of the City of Loznica on the local spatial plan is also required for the project's realisation. Environmental activists in Serbia have already announced massive protests.

Regulatory oversight by Serbian authorities has repeatedly failed in the mining sector in recent years. One example is the Chinese-Serbian joint venture Serbia Zijin Copper DOO Bor, which operates Serbia's largest copper mine and smelting plant. According to experts, the relevant authorities rarely hold Zijin accountable for regularly exceeding permissible sulphur dioxide emissions and polluting rivers.

Additionally, Zijin has been convicted seven times in the past four years for illegal construction activities; in five cases, only fines below the legally required minimum penalties were imposed. This has undermined the public's trust in the authorities and in their willingness to enforce environmental regulations.

Amid general criticism of the integrity of Serbian authorities, a debate has emerged regarding the information that is available on the Jadar Project. According to Rio Tinto's current plans, approximately 220 hec-

tares of land will be required for the underground mine and processing plant, with an additional 167 hectares needed for the industrial waste landfill.

In addition to the resulting loss of agricultural land, forests, and biodiversity, critics fear negative effects on the region's drinking water reservoir and on the adjacent rivers Drina and Jadar. These risks are to be analysed in the already mentioned environmental impact assessment, with preliminary drafts for the assessment having been published by Rio Tinto in June 2024.

However, doubts have been raised about the credibility of these drafts. Scientists from the Faculty of Biology at the University of Belgrade, who were originally involved in preparing a report for Rio Tinto, concluded that the project posed significant risks to the ecosystem and distanced themselves from the company's claims.

A study published in a scientific journal in July 2024 on the impact of the Jadar River and the soil near the exploratory drill holes, which had allegedly already been affected by the test drillings, further reinforced these concerns. Rio Tinto raised doubts about the study's data collection methodology and requested its withdrawal. However, the subsequent revisions made by the authors were minor, and the journal did not find fault with the methodology. Rio Tinto, on the other hand, argues that the elevated heavy metal concentrations in the Jadar River were caused by the collapse of the tailings dam at the former "Stolice" antimony mine during the 2014 floods and denies any connection to the exploratory drilling.

Assessing this controversy is further complicated by the fact that, according to Rio Tinto, one of the eight authors had repeatedly spread false claims about the project. Additionally, in December 2023, he ran as a mayoral candidate in Belgrade for a Eurosceptic, ultranationalist, and pro-Russian opposition coalition, raising questions about his scientific independence.

Another unresolved question is who would be responsible for cleanup costs if the project were to cause an environmental disaster. Rio Tinto has attempted to counter

this criticism, stating that it models extremely rare events, such as catastrophic floods, and designs the mine's infrastructure accordingly. Furthermore, Rio Tinto asserts that it is legally required to obtain insurance that would cover third-party damages in the event of an accident. However, many Serbians remain sceptical, as the mere existence of legal regulations does not necessarily guarantee that the responsible authorities will actually ensure compliance.

There is widespread doubt among the public about both the willingness and the ability of Serbian authorities to adequately enforce environmental laws. Additionally, due to the repression of Serbian civil society, there is a lack of independent actors who can monitor the available data — especially since many people in Serbia distrust the data provided by Rio Tinto. Their scepticism is reinforced by the fact that Rio Tinto has faced legal action and been convicted in other countries for violations of environmental standards. As a result, many do not view Rio Tinto as a trustworthy actor.

## **Economic viability**

The economic viability of the project has also been a subject of contention. The Serbian government has successfully attracted foreign investments through an active subsidy policy: In recent years, the proportion of targeted state aid has ranged between 2 and 5 per cent of GDP, whereas the European average is just 0.5 per cent. In the course of Serbia's EU accession, it would be required to significantly reduce this rate. In recent years, the country has deepened its ties with China, which has now become Serbia's second-largest investor after the EU. The Serbian government's support for the Jadar Project can also be interpreted as a signal to the EU and the United States, indicating its intention to better balance its international relations and strengthen its negotiating position on the global stage.

Rio Tinto has already invested €475 million in the project and expects an additional €2.55 billion in investments, making it Ser-



bia's largest foreign direct investment to date. The company plans to create an average of 1,500 jobs during the four-and-a-half-year construction phase, with a peak of around 3,500 jobs. Once fully operational, the project is expected to create 1,300 permanent positions, of which 90 per cent should be held by Serbians.

From the first year of full production, taxes and other levies could contribute around €48 million annually to the Serbian state budget, with long-term projections estimating €185 million per year, of which €24.5 million is earmarked for the municipality of Loznica.

Additionally, Rio Tinto plans to spend approximately €300 million annually on supplies, with 70 per cent of them expected to be sourced from Serbia.

However, a recently published report by economists and business experts casts doubt on the figures provided by Rio Tinto, arguing that the Jadar Project offers only limited economic benefits for Serbia. The authors highlight, among other issues, uncertain infrastructure costs such as for roads and wastewater systems. So far, there are no reliable estimates for the total costs nor for the distribution of expenses between the Serbian government, local municipalities, and Rio Tinto.

The government has reaffirmed its intention to establish downstream industries with higher added value within Serbia. Recently, Vučić stated that at least 87.1 per cent of the extracted lithium should be processed domestically.

Currently, the government is negotiating with various companies regarding the construction of a cathode factory. In September 2023, Serbia signed an MoU with the Slovak battery manufacturer InoBat to build a battery factory in Cuprija starting in 2025. The Serbian government has pledged €419 million in subsidies for the project. Additionally, companies such as Mercedes and Stellantis have expressed interest in establishing agreements with Serbia to develop a lithium value chain.

Thus, the implementation of the Jadar Project could serve as an impetus for in-

creased European corporate activity in Serbia. According to EU estimates, this could create up to 20,000 jobs. However, few concrete commitments or results have materialised so far. Nonetheless, further economic commitments alone will not be enough to dispel the well-founded criticisms of the project.

## Conclusion and policy recommendations

Given Serbia's deficiencies in the rule of law, the increasing restrictions on speech and the media, and the strong resistance within the country, the realisation of the Jadar Project carries several risks. In recent weeks, the government has come under increased pressure due to widespread corruption and a political system that is dominated by the ruling party. Following several weeks of mass protests, Prime Minister Miloš Vučević resigned on 28 January. This once again highlights how little trust the population has in the government's ability to uphold legislation and standards of any kind.

So far, the EU has publicly signalled its commitment to implement the raw materials partnership and the Jadar Project. To maintain credibility, it must demonstrate that it is actively addressing the sustainability risks of the project and will push the Serbian government to adhere to high environmental protection standards. The EU accession process provides some concrete, albeit limited, levers to demand this compliance. After all, environmental concerns and compliance with the Green Agenda (including in the raw materials sector) are not only part of Cluster Four of the accession negotiations ("Green Agenda and Sustainable Connectivity"), but also an integral part of the EU's Growth Plan for the Western Balkans. This plan links the disbursement of financial aid to the implementation of reforms, particularly in the area of the rule of law.

This strategy remains effective, even if Serbia is not seriously pursuing EU mem-





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#### SWP

Stiftung Wissenschaft und Politik  
German Institute for  
International and  
Security Affairs

Ludwigkirchplatz 3–4  
10719 Berlin  
Telephone +49 30 880 07-0  
Fax +49 30 880 07-100  
[www.swp-berlin.org](http://www.swp-berlin.org)  
[swp@swp-berlin.org](mailto:swp@swp-berlin.org)

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bership. The EU-Serbia raw materials partnership should not be viewed in isolation from ongoing processes, but rather as a supplement to existing efforts. The EU should also leverage the ESG conditions agreed upon in the partnership agreement to strengthen institutional capacities within the responsible authorities. The implementation and enforcement of the Environmental Impact Assessments, the Strategic Environmental Assessments, and measures against environmental crimes should be prioritised and made a condition for further cooperation.

Although regulatory enforcement is the responsibility of Serbian authorities, Rio Tinto has also expressed openness to being supervised by independent international experts. Given Germany's strong involvement in advancing the raw materials partnership, it should seize this opportunity to provide expertise in environmental impact assessment and monitoring. Furthermore, Germany can support local civil society in critically monitoring raw material extraction and advocating for rapid certification under the multi-stakeholder standard of the Initiative for Responsible Mining Assurance (IRMA).

Regarding the economic viability of the project, the European Commission could commission an independent assessment to evaluate the actual project costs, ensuring a transparent evaluation. This document should be published in Serbian. Additionally, the EU could make concrete infrastructure investment offers. Although Rio Tinto should finance the infrastructure necessary for its operations, the EU could support additional infrastructure projects through the Global Gateway initiative to provide tangible benefits to the local population.

However, these measures are only meaningful if Germany and the EU actively advocate for democratic rights and the rule of law, publicly and unequivocally criticise the Ser-

bian government's repressive actions, and ensure that voices in Serbia can express criticism without fear of intimidation or threats. The project should not be realised at the expense of civil society and its repression.

Given years of backsliding on the rule of law and limited progress in Serbia's EU accession negotiations, the EU must retain the option of withdrawing its support for the Jadar Project – whether or not it is recognised as a “strategic project” – should standards in the country fail to improve. Although this would entail geopolitical and economic losses, they remain manageable, given the possibility of geographically diversifying the raw materials sector if necessary.

Ultimately, what is at stake in Serbia is not just economic interests, but the EU's credibility as both a political actor and a community of shared values.

*Dr Melanie Müller is Deputy Head of the Africa and Middle East Research Division at SWP and co-heads the Research Network Sustainable Global Supply Chains. Lea Strack works as a Research Assistant in this project, which is funded by the Federal Ministry for Economic Cooperation and Development (BMZ). Dr Marina Vulović is a Visiting Fellow in the EU/Europe Research Division at SWP and a member of the academic staff at the University of Potsdam.*