The Serbian-EU partnership in procuring critical raw materials

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On 19 July, a high-level meeting on critical raw materials was held in Belgrade. Attendees included Serbia's President Aleksandar Vučić, Germany's Chancellor Olaf Scholz, Executive Vice-President of the European Commission for the European Green Deal Maroš Šefčovič, representatives of European financial institutions (including Italian and German development banks and the EBRD) and German companies (including Mercedes-Benz). During this event, a Memorandum of Understanding (MoU) was signed to launch a Strategic Partnership between Serbia and the EU on sustainable raw materials, battery value chains, and electric vehicles. The MoU is intended to ensure European companies have access to Serbia's lithium deposits.

The document was signed several days after Serbia decided to revive Project Jadar, which involves lithium and borate mining and processing in the western part of the country. The project had been suspended in January 2022 due to large-scale protests. At that time, the government decided to cancel the spatial plan of the Special Purpose Area (SPSPA) that enabled the investment's implementation and revoked the licences related to the project that were held by the British-Australian company Rio Tinto. On 11 July, Serbia's Constitutional Court ruled that the cancellation of the plan was unconstitutional, and on 16 July the government reinstated the plan and the holding company's licences.

Commentary

- For Brussels, ensuring safe and stable lithium supplies is one of its priorities. The strategic partnership with Serbia is another in a series of agreements the EU has recently signed (including with Canada, Ukraine, Kazakhstan, and Namibia) as part of its Action Plan on Critical Raw Materials adopted in 2020 and in compliance with the 2024 European Critical Raw Materials Act. The purpose of these moves is to ensure the supply of raw materials indispensable for the development of production capacity, which is necessary for implementing the EU's green transition and reducing its dependence on countries such as China, which accounts for 79% of the EU's lithium imports. At present, Portugal is the only EU member state that mines this element, which is crucial for the production of batteries. According to estimates, Serbia's lithium deposits are the largest in Europe after those in the Czech Republic and Germany, and plans for their extraction are advanced. This is of particular importance to Germany and its automotive sector; Chancellor Scholz has highlighted the paramount importance of the Jadar project. Countries such as Italy, the United Kingdom, the Unites States, and Australia have also strongly advocated for the resumption of this initiative.

- For the Serbian authorities, the fact that their country possesses a rare raw material, which is highly desired by the European industrial sector, boosts their position vis-à-vis the West. Recently, Belgrade deliberately hinted that Chinese companies were also interested in these deposits. Serbia's strategy in allowing this investment is intended to silence the West's criticism of its close links with Moscow, declining standards of the rule of law, and its aggressive stance towards Kosovo, which remains unrecognised by Serbia; and this approach has proved successful. Incidents which occurred during nationwide parliamentary elections and local elections have not come under harsh criticism from the EU. Pressure on Serbia to join EU sanctions against Belarus and Russia has subsided, and some EU member states have even proposed opening another chapter in Serbia's EU accession negotiations. Scholz's visit to Belgrade also indicates a certain improvement in bilateral relations, which in recent years were tense due to Serbia's regression in the rule of law and its foreign policy, which contrasts EU priorities.
- The Serbian authorities are also hoping that lithium mining will increase the country's attractiveness for other industries. Recently, Serbia has seen the launch of several important investment projects linked to the production of batteries and electric cars. In July, the French-Italian-American automotive company Stellantis inaugurated the production of an electric version of the Fiat Grande Panda in a manufacturing plant in Kragujevac. Additionally, a letter of intent was signed with China's Minth Holdings Limited regarding the construction of a battery production plant. According to the government, the implementation of various investment projects linked with lithium mining and the production of batteries is expected to generate an additional 20,000 jobs.
- However, the issue of lithium mining has sparked major protests nationwide, which is due to the Serbian people's negative experiences with large investment projects that were often carried out with no regard for environmental protection standards and the interests of local communities. There is a widespread conviction in Serbia that the authorities overlook violations of the country's liberal environmental laws, in order to attract investors and win favour with foreign partners. The government and the Constitutional Court made several decisions regarding lithium mining over a brief period following a string of elections that consolidated the current rule during the summer recess, which was likely intended to reduce public mobilisation. Environmental organisations are now facing a serious dilemma, as they need to choose between the EU's green transition goals (lithium is indispensable to this process) and the protection of the local natural environment. Brussels' approach will most likely consolidate the widespread view in Serbia regarding the West's hypocrisy. This belief holds that despite the West declaring its respect for democratic values and environmental protection, it fails to enforce these principles in a country aspiring to join the EU.