

**The Rio Tinto case:
when Serbian environmentalists
become a force for pressure**

A Rio Tinto-ügy: amikor a szerb környezetvédők
nyomásgyakorló erővé válnak

CINTIA VIOLA



KKI Policy Brief

Series of the Institute for Foreign Affairs and Trade

Publisher:

Institute for Foreign Affairs and Trade

Reviewed by:

Tamás Péter Baranyi

Typesetting:

Tamás Lévárt

Editorial office:

H-1016 Budapest, Bérc utca 13-15.

Tel.: + 36 1 279-5700

E-mail: info@ifat.hu

<http://kki.hu>

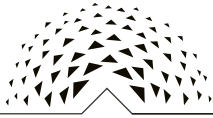
The present analysis and its conclusions reflect the author's opinion and cannot be considered the official position of the Institute for Foreign Affairs and Trade, the Ministry of Foreign Affairs and Trade, or the Government of Hungary.

© Cintia Viola, 2022

© Institute for Foreign Affairs and Trade, 2022

ISSN 2416-0148

<https://doi.org/10.47683/KKIElemzesek.KE-2022.09>



Abstract: Rio Tinto and the Serbian government have planned to open a lithium mine in Loznica this year. Lithium, which is key to the production of electric cars, represents a huge economic potential for the company and for Serbia, but the extraction also has significant negative environmental and social impacts. Since September 2021, Serbian environmentalists have been putting pressure on the government through mass protests, which have led to the temporary shutdown of the Jadar project. Despite this, environmentalist and increasingly anti-government protests have continued unabated and could influence the upcoming parliamentary and presidential elections.

Keywords: Serbia, Rio Tinto, Jadar project, lithium, environmental protests

Absztrakt: A Rio Tinto és a szerb kormány idén tervezték megnyitni a loznicai lítiumbányát. Az elektromos autógyártáshoz kulcsfontosságú lítium óriási gazdasági potenciált jelent a vállalatnak és Szerbiának is, ugyanakkor a kitermelésnek jelentős negatív környezeti és társadalmi hatásai is vannak. A szerb környezetvédők 2021 szeptembere óta folyamatos tömegtüntetésekkel gyakoroltak nyomást a kormányra, így elérték a Jadar projekt átmeneti leállítását. Ennek ellenére a környezetvédők, és egyre inkább kormányellenes tüntetések nem hagytak alább és ez befolyással lehet a közelgő parlamenti és elnökválasztásokra.

Kulcsszavak: Szerbia, Rio Tinto, Jadar projekt, lítium, környezetvédő tüntetések

INTRODUCTION

The Australian-British company Rio Tinto discovered jadarite—a special mineral contains lithium and boron from which the project takes its name—in 2004 during exploration in the Loznica area of Western Serbia. Little did they know at the time that the largest lithium deposit in Europe had been found in Serbia. Questionable how much of the world's lithium demand the Jadar project will contribute, as the amount of lithium extracted depends heavily on the method of extraction. The most widely held estimate is that the Jadar project could supply up to [10%](#) of the world's lithium needs, while the US Geological Survey puts the figure at a much lower [1.51%](#). Lithium is an essential raw material for batteries in electric and hybrid vehicles, but is also used in other electronic products (solar panels, wind turbines) because of its high energy storage abilities. There are currently no other alternatives for producing high-performance, energy-efficient batteries, so lithium is set to become increasingly important.

The Jadar project in Western Serbia therefore represents a unique financial and economic potential not only for Rio Tinto but also for Serbia, but the environmental and social impacts of lithium extraction cannot be neglected. This analysis

highlights the complexity of lithium mining in Loznica, and how Serbia's economic interests are in conflict with environmental and social interests, as exemplified by the recent demonstrations in Serbia. The research is based on discursive analysis of government and Rio Tinto statements, domestic and foreign articles, polls and environmental studies.

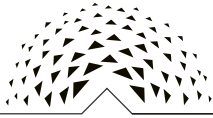
SUPPORTERS OF THE JADAR PROJECT

We can identify three important actors in the field of supporters: (1) Rio Tinto, (2) Serbia, (3) and European Union (EU), most notably Germany. They are all (mainly) motivated by economic interests: Rio Tinto and Serbia could benefit enormously from the sale of lithium, while for the European Union (and especially the German automotive industry) the availability and purchase of lithium from Loznica could be crucial.

THE RIO TINTO

The growing demand for lithium is underpinned by a steady increase in lithium prices on the world market. In autumn 2021, lithium prices reached an unprecedented high of [215%](#) in the Chinese market, a trend that has proved to be sustained, with prices currently up [506%](#) year-on-year. Rio Tinto [estimates](#) that 2.3 million tons of lithium carbonate will be extracted over the 40-year life of mine, which, even at the [current price](#) of 327500 yuan/tons, represents a staggering economic benefit for Rio Tinto and Serbia. However, the price increase is continuous and expected to be sustained, partly due to the huge demand for lithium and partly because supply is lagging behind demand due to a shortage of the raw material.

Taking into account the rising price of lithium, the \$2.4 billion [investment](#) could be a significant profit for Rio Tinto. The company could enter the lithium market with the Jadar project and become Europe's largest lithium supplier. The Serbian government has a favourable relationship with the Rio Tinto company, as their economic interests are consentaneous, they share the common goal of opening the lithium mine in Western Serbia. The Loznica mine is not even open yet, but Belgrade is already profiting from it. Earlier several conventional and electric car companies have already outsourced their manufacturing and assembly plants to Serbia, but the possible opening of the mine has attracted even more investors to the country. Without being exhaustive, recent lithium-related investments include the electric car engine and battery plants of Japan's [Nidec](#), China's [Mint](#) and Germany's [Groschopp](#).



THE SERBIAN GOVERNMENT

The economic importance of lithium extraction is enormous, so the willingness of the Ana Brnabić-led government and President Aleksandar Vučić to cooperate with Rio Tinto is not unjustified, even though the project has been suspended on 20th January 2022. This *willingness to cooperate* is evidenced by the [documents](#) published by Dragana Đorđević, a consultant at the Institute of Chemistry, Technology and Metalurgy in Belgrade, in November 2021. The documents recall a meeting in Brussels in 2020, where Rio Tinto informed the European Commission that it had the political support of Vučić to open a lithium mine. In addition, the [Memorandum of Understanding](#) signed in 2017 is also proof of support.

Although there is no published agreement other than the memorandum, the legislative activity of the Serbian Progressive Party (*Srpska napredna stranka*, SNS), which is in the majority in the Serbian National Assembly and the Loznica City Assembly, clearly indicates support for Rio Tinto. The first, obvious example of this is the spatial plan [adopted](#) by the Loznica City Assembly on 29 July 2021, which envisaged the construction of a lithium mine in the area.

As the project has raised significant concerns among environmentalists and residents in the area in Loznica, the President has [pledged](#) to put the opening of the lithium mine to a referendum. Because of this promise, the adoption of the [new referendum law](#) by parliament has been sharply [criticised](#) as the law abolished the 50% validity threshold, which would have rendered the referendum about lithium mine pointless. The next step in the preparation of the project the expropriation law [adopted](#) on 26 November, which allow for expedited expropriations of private property if it is considered to be in the public interest. Although the Prime Minister [stressed](#) that the amendment was not in the interests of Rio Tinto, but to accelerate other giga-investments in infrastructure, thousands of people protested against the amendment. Since protests erupted, the political leadership has pursued a two-tiered communication strategy. This strategy has included (1) highlighting the responsibility of previous governments and current opposition MPs, and (2) portraying environmental protesters as anti-government opposition troublemakers. President Vučić has [pointed out](#) that Dragan Đilas, in his capacity as former Minister of the National Investment Plan in the 2007–2008 Cabinet of Serbia and former governments wanted „lithium valley” from Serbia, not the SNS. Contrary, as Boris Tadić, former President [pointed out](#), that Rio Tinto came to Serbia under the government of former Prime Minister Vojislav Koštunica in 2004, and negotiations on exploration in Western Serbia started under late Prime Minister Zoran Đinđić.

On the other hand, the government and the president’s communication [says](#), that the protests have nothing to do with environmental protection and that the protesters are not environmentalists but opposition troublemakers. The social tensions and political fault lines present have been further exacerbated by

pro-government activists who organised counter-demonstrations. Furthermore, violent incidents between perceived opposition and pro-government activists have become more frequent, and [attacks](#) on the independent press have increased.

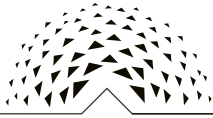
Although the government's communication did not change, as a result of the persistent protests across the country, the spatial plan was [cancelled](#) by the Loznica City Assembly - probably on [Vučić's orders](#) - and the expropriation law was [repealed](#) by the government on 8 December, 2021. Vučić had signed the law on the referendum and the people's initiative but [suggested](#) that the government adopt amendment to the law that is in line with the Venice Commission's remarks, as well as the demands of the protesters. With these measures, Vučić has once again become a problem-solver man, a role in which he has been seen on several occasions. Despite this, the government and the president's position has not changed, the opening of the lithium mine is in Serbia's economic interest. But Vučić, under pressure from the growing protests (and the upcoming elections), has [met](#) most of the protesters' demands. In fact, the government was even willing to [withdraw](#) all legislation (including the permit and laws passed) related to Rio Tinto's lithium mining on 20 January, 2022. Meanwhile, the government and the president's communications show the ongoing protests as a [political game](#) of the opposition.

THE EUROPEAN UNION

However, it is not only their own voters who are putting pressure on the government, but also the European Union. The EU has a strong economic interest in the opening of the lithium mine in Serbia, as lithium plays an important role in the green energy transition, as it is a key raw material not only for batteries in electric vehicles, but also for solar and wind power plants. Within the EU, Germany is most [interested](#) in Serbian lithium, as it is a leading country in the electric vehicle industry with a large number of companies in the Western Balkans, so the increased interest is understandable.

This open German interest gave President Aleksandar Vučić the opportunity to portray the environmental protests as an oppositional mass movement organised from abroad. According to the President's [statement](#), European countries are investing considerable sums in protests against Rio Tinto in order to get another company, such as a German one, to take over the license to exploit the lithium mine.

EU economic interest was reflected in a [public statement](#) by the European Commission, which made clear that the EU supports the opening of the lithium mine in Loznica, but that strict environmental standards are essential for its implementation. Therefore, Serbia and Rio Tinto must reach an agreement on the extraction of lithium in line with the Green Agenda. Failing this, Serbia will not be able to trade lithium in the EU and could be further away from EU accession. Given



the environmental impact of Rio Tinto's previous projects around the world and the unclear circumstances surrounding the lithium mine in Loznica, it seems unlikely that the company will be able to bring its lithium mining in Serbia into line with EU environmental standards.

OPPONENTS OF THE JADAR PROJECT

In contrast to the supporters of the Jadar project, the opponents of the project cannot be divided into well-defined categories. Therefore, the analysis takes a different approach to outline the opponents of the project. This approach stems from the analysis reveals the most salient motivations for the country-wide protests and presents the groups of opponents along these motivations. Two motivations can be distinguished as the main drivers of the protests: resistance to the Jadar project's (1) environmental, (2) and social impacts. These effects have led to recent protests since last September, which have become a major pressure force in Serbian politics. The protesters succeeded in achieving a complete halt to the project.

ENVIRONMENTAL IMPACTS

Lithium extraction is known to be environmentally damaging, which is why environmental groups and activists oppose the opening of the mine. The most harmful environmental impact of lithium mining is the pollution of rivers and underground water. According to Dragana Đorđević's [calculations](#), extract the lithium from the jadarite an amount of 1,000 tons of concentrated sulfuric acid is needed every operating day. This means that 5,000-6,000 tons of water would be used every day, before the contaminated water is returned to the Jadar River. Underground water contaminated with arsenic, mercury, lead and other harmful substances would poison most watershed. This would not only be harmful for Serbia but would also have a negative impact on the waters of neighbouring countries through the Drina, the Sava and the Adriatic Sea. The proposed tailing facility could also threaten underground water supplies in Western Serbia and the drinking water supply of Belgrade and Šabac.

Another environmental impact is air pollution, which is already affecting Belgrade. [IQAir reports](#) that Belgrade is one of the world's most polluted cities, competing with cities such as Lahore in Pakistan, Delhi in India and Dhaka in Bangladesh. According to an official recommendations from IQAir, the air quality in Belgrade is so unhealthy that it is not advised to stay outside, and windows should be kept closed. Treating jadarite with sulfuric acid produces toxic gases that can spread over a radius of more than 10 kilometres. This means that lithium extraction indirectly corrodes the skin and lungs of humans and animals.

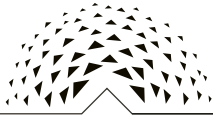
Examining at the environmental impacts of lithium extraction, we can argue that environmental protection as a driver of opposition to the Jadar project is perfectly understandable. Not only environmentalists, but all Serbian citizens are interested in clean drinking water and air, which is why anyone can easily identify with the protesters' demands to this end.

SOCIAL IMPACTS

There is a direct impact of lithium extraction on the population of Loznica, especially those in whose neighbourhood the mining complex is building. They will either be forced to live with the gigaproject or sell their land and move away. On the other hand, there is a more indirect social impact of the Jadar project that affects everyone, and that is the consequences of environmental pollution. After all, environmental damage is not just an environmental issue, it can affect all Serbian citizens, and from here on it becomes a social issue.

As for the impact on the population of Loznica, the Jadar project could change the entire settlement structure and agriculture of the region. Rio Tinto has bought up dozens of plots of land and properties from local residents in recent years, typically at very low prices (especially when the value of lithium is taken into account). One of the largest and most active organisers of the protests is [Ne damo Jadar](#), a group of 335 property owners who have refused Rio Tinto's offer to buy their land. Nonetheless, the company has bought up a number of properties, but in addition to the land it has acquired, Rio Tinto still needs a lot of land to establish the 250 hectares mining complex.

A significant part of Serbian society would only support the Jadar project if the relevant environmental standards were met, according to a poll conducted by [Demostat](#) in July 2021. In the survey, 29% of the 1,200 respondents said that Rio Tinto should not be allowed to open a mine under any circumstances, and 59% said that certain environmental conditions should be respected when granting a permit (e.g. the need to prepare an independent environmental impact assessment). 83% of respondents believe that the Serbian government is more concerned with economic benefits than environmental damage, with environmental protection taking a back seat. The results of the opinion poll illustrate the importance of environmental protection for a large part of Serbian society. This is also confirmed by the [petition](#) to ban the Jadar project launched by several environmental organisations, individuals and academics. So far, just under 293 000 people have signed a petition calling for the permits to be withdrawn, citing environmental and social damage. In this context, the demonstrations show that they are willing to stand up not only for the protection of their own property, but also for the protection of the environment.



CONCERNS ABOUT RIO TINTO

The social image of the Jadar project is further damaged by [Rio Tinto's reputation](#) is not positive, and this is due to the environmental destructiveness of its projects, such as in [Juukan Gorge](#) and [Grasberg mine](#) project cases. May also be concerns that the company has still not published the feasibility study, which could be examined by the Serbian authorities or the Serbian public - although Rio Tinto [promised](#) the feasibility study by the end of 2021. Contrary to this, Rio Tinto hoped to start mine construction in 2022 and commission the lithium mine in Loznica in 2026. However, in January 2022, Rio Tinto has [announced](#) that it was pushing back the timeline for lithium mine by at least a year. A major factor in this announcement was the growing pressure on the Serbian leadership from protesters demanding a complete halt to the project and the expulsion of Rio Tinto. However, even with the announcement, Rio Tinto was unable to prevent the Serbian government from suspending the project.

DEMONSTRATIONS

By making environmental protection a social issue, the protesters have also brought it into the political discourse. Environmental protection has now become an inescapable issue and the protesters have become a prominent part of the Serbian domestic political space as a force for pressure.

Although there have been small, usually local, protests against Rio Tinto's investment in the past, a second, "[ecological uprising](#)" began in September 2021, organised by several environmental organisations, one of the Ne damo Jadar NGO, which was specifically set up to prevent the Jadar project. It was the first mass protest against the problems surrounding the lithium mine, and the number of protesters grew from week by week. The demonstrations peaked after the laws were passed at the end of November, with more than [20,000 people](#) taking to the streets against Rio Tinto. For comparison, the scale of mass environmental protests was similar to the largest mass demonstration to date, the '1 Out of 5 Million' [anti-government protests](#) in 2018-2019. The environmental protesters were perceived by the government as opposition protesters, which is partly true, as several opposition parties and movements are involved in the protests as organisers (such as the Democratic Party and the '1 Out of 5 Million' movement).

The protests against Rio Tinto have turned into general demonstrations against polluting corporations such as the Chinese [Linglong](#) company project in Zrenjanin and copper and gold mine [Zijin](#) in Bor. Protesters demanded stronger action to protect the environment and demanded that the government enforce existing laws and pass new, more strict legislation. However, the Serbian parliament ignored their demands and passed the expropriation and

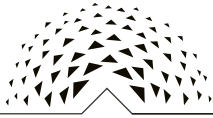
referendum laws in November, 2021. After the laws were passed, protesters [blocked](#) roads and bridges in an attempt to put pressure on decision-makers to repeal the pro-Rio Tinto legislation.

The demonstrations were not free of [violence](#), with several protesters detained in brutal police action. Police brutality was legitimised by Interior Minister Aleksander Vulin's [call](#) for the use of force against protesters. The protesters were not only victims of police violence, but their personal freedoms may also have been violated during the protests. According to some [sources](#), the police used Huawei phones with facial recognition technology to identify the protesters and later used the software to arrest and fine them. The assumption may be well-founded, based on the previous [similar practices](#) of Serbian law enforcement forces during anti-government demonstrations. There were several incidents of [masked assailants](#), armed hooligans and pro-government activists attacking protesters. The biggest media attention was given to the [Šabac incident](#), where unknown persons tried to bulldoze protesters.

During the ongoing protests, President Vučić has condemned the protests, but has also sought to dampen social opposition to Rio Tinto. In 4 December, Vučić [visited](#) Gornje Nedeljice where he held a press conference, then, bowing to pressure from the protesters, he called on decision-makers to repeal and amend the legislation. The President's policy is understandable as the April 2022 elections approach. The SNS cannot afford a scandal of this magnitude, which is why the President's action was necessary. Previously it had seemed unthinkable, but the protests and the tense political atmosphere have led the government to withdraw the relevant legislations, thereby halted the Jadar project. This act, however, seems to be more of a political manoeuvre than a real commitment to cancel the project. It seems that Vučić and the Brnabić-government have shelved the project in view of the elections, but after their presumed victory in April they could easily give the project the go-ahead. There is a similar fear on the part of the demonstrators, which is why they are now protesting for a [complete moratorium](#) on lithium mining. Almost certain that such a project with such significant economic benefits will not be halted permanently, but the contractor could still be change. By 'replacing' the infamous Rio Tinto, and by carrying out an independent environmental impact assessment, the government may be able to gain greater social support for the project, even if this [does not seem realistic](#) at the moment.

CONCLUSION

As the analysis has shown, the case of Rio Tinto in Serbia is extremely complex. There are clear positive economic and financial returns from the start of lithium mining, but the adverse environmental and social impacts cannot be ignored.



Although it seems that President Vučić and the Brnabić-led government have made concessions to the protesters, the conflict does not seem to be resolved. The declared aim of the protesters is to ban lithium mining in Serbia, a demand that could cause serious problems for the ruling party before the elections.

Vučić is fond of presenting himself as a problem-solver man, not only in Serbia, but throughout the Balkans. For the time being, he does not seem to be able to settle this situation, although in [his interpretation](#) he has managed the problem, as he has met most of the demands of environmentalists and the project has been stopped. However, we must see that the extraction of lithium, which has enormous economic potential, is in Serbia's national economic interest.

However, the acceptance of a possible new company instead of the Rio Tinto questionable due to the environmental impact of lithium mining. This is because Rio Tinto has become a symbol of pollution in Serbia, and the protests against Rio Tinto are also protests against all polluting companies and the government. The environmental protests triggered by Rio Tinto fit into a pattern of increasingly frequent and significant environmental protests not only in Serbia, but throughout the Balkans. Based on this trend, this policy field will become increasingly important in the future.

As environmental protests play an [increasing role](#) in shaping policy in the Balkans, the series of protests in Serbia is likely to have an impact on the Serbian elections, to be held in early April. However, given the power structures in place and the resources available, the SNS is expected to win the elections again, but they may be represented in the National Assembly in a slightly smaller proportion than before.

In the case of Serbia, the results of the mass protests have also shown how society can become a powerful force for pressure. This is also shown by the halting of the Rio Tinto project. Despite the [PM's](#) and [President's](#) earlier firm refusal to revoke its license, or it would mean paying serious [compensation](#) to company, the question of compensation is still open.