

# Developing Argentina's mining potential: a relay race

Argentina needs to increase and diversify its exports. The growing investments in lithium and the resources identified in copper allow us to project a relevant role for our country in the global energy transition scenario. However, stating our potential is not enough to put it into action: the revision of the regulatory framework would allow us to dynamize and deepen the contribution of mining to federal development.

## DIAGNOSIS

- **The geological and mining potential of our country is underdeveloped compared to other countries**, such as Chile or Peru. In the case of lithium, the potential is beginning to take off, but copper could be the biggest long-term bet: the red metal is crucial for the electrification of the energy matrix.
- **Santa Cruz, San Juan, Catamarca, Salta and Jujuy** account for more than 95% of mining exports: these 5 mountain range provinces find in mining an opportunity to develop their productive networks based on their resource endowment, which differs significantly from the central region of the country. In this sense, the activity can balance the development of the national territory.
- **The Investment Regime for the Mining Activity [Law 24.196 \(LIM\)](#)** -in force since 1993- promotes investment through several tax incentives and has fiscal and exchange rate stability as a core benefit. However, neither of these two conditions has been fully complied with in the 30 years that the Regime has been in force.
- **Mining investment is characterized by long maturation periods that extend beyond government cycles.** Therefore, it is essential to establish broad and sustainable cross-party agreements on key aspects that define the regulatory framework for investment.
- **The current tax regime for the sector is the result of a succession of disjointed measures and instruments across different levels of government.** A common feature among them - royalties, contributions, export duties - is their lack of progressivity, which is incompatible with the pursuit of a stable framework.

- **More stable regimes, like those in Chile or Peru, are typically linked to operating results.** In contrast, a regressive regime discourages investment and prevents the State from capturing higher revenues during high-price cycles.
- **Mineral resources are non-renewable**, and currently, there is virtually no specific allocation to ensure that future generations benefit from their exploitation.



**In lithium, the potential is beginning to take off, but copper may be the most significant bet in the long term: the red metal is key to the electrification of the energy matrix. Argentina needs to increase and diversify its exports. Growing investments in lithium and the identified copper resources position our country to play a relevant role in the global energy transition. However, merely stating our potential is not enough to realize it: revising the regulatory framework would enable us to accelerate and deepen mining's contribution to federal development.**

**PUBLIC POLICY CONTRIBUTIONS**



Promoting investment to transform mineral resources into production requires a sustainable, long-term framework that ensures reasonable access to foreign currency, a more flexible tax regime, greater provincial participation in revenues, and efficient, transparent use of those rents.

- Introduce a 10-year alternative to the current 30-year term offered by the LIM, but with stronger compliance guarantees, as evidence suggests that the existing timeframe has been ineffective.
- Developing geological potential is intrinsically tied to the availability of infrastructure in a given region, particularly in transportation and energy. Therefore, fostering public-private investment in these areas will create synergies that can boost not only mining but also sectors like tourism and agribusiness.
- The stability of tax schemes is intrinsically connected with their ability to adapt to cost fluctuations and the supercycle profits associated with international prices.
- Any redesign of the tax system should be strongly coordinated with provincial governments to improve their share of fiscal revenues. Given the disparities within the sector, it is recommended that these discussions be subdivided into copper, gold and silver, and lithium. This segmentation would allow for regionalized debates that address the specific needs of each subsector.
- The discussion on the tax regime is not exhaustive in its design, as the challenges of a progressive system require greater efforts in control and transparency due to corporate maneuvers related to tax base erosion and profit shifting.

- The decisive factor in determining investment location in the mining sector, as in other sectors requiring large amounts of sunk capital, is the stability and predictability of the regulatory framework. A more flexible and progressive tax regime would enhance stability by discouraging frequent revisions or the introduction of new taxes.
- In terms of foreign exchange, improving the design of the MULC access regime to ensure the remittance of profits and the fulfillment of external commitments for both new and existing investments would strengthen intertemporal credibility. The precautionary measures imposed by external restrictions create a circular paradox in which the investments that could alleviate these restrictions fail to materialize.

**Lecturas recomendadas**



- Murguía, D. y Godfrid, J. (2019). "*Continuidades y rupturas en el marco regulatorio y las políticas públicas para el sector minero metalífero argentino (1990-2019)*". Revista de Economía Política de Buenos Aires 19, 137–170.
- Jorratt, M. (2022). "*Renta económica, régimen tributario y transparencia fiscal de la minería del litio en la Argentina, Bolivia (Estado Plurinacional de) y Chile*". Documentos de Proyectos (LC/TS.2022/14), Comisión Económica para América Latina y el Caribe (CEPAL).



This report is derived from Argentina Productiva 2030 (2023). "*Misión 8. Desarrollar el potencial minero argentino con un estricto cuidado del ambiente*". Plan for the Productive, Industrial and Technological Development - National Ministry of Economy and Fundar.