Mining investment in Argentina

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Abstract

Argentina’s significant mining potential has long been recognized; however, it has traditionally been overlooked in view of the country’s other tremendous natural resources. Recent world interest in mineral projects, particularly in neighbouring Chile, has caused the Argentine government to review its policy with respect to mining. This paper provides an overview of the mining environment and the changes required to encourage investment in it.

1 Introduction

The Secretaría de Minería commissioned Norwest Mine Services, Inc. (Norwest) of Salt Lake City, Utah, U.S.A. to conduct a feasibility study on the environment required to encourage mining investment in the Republic of Argentina. Work commenced in August 1992 and was completed in August 1993. This paper summarizes Norwest’s appraisal of Argentina’s mining environment and changes required to stimulate mining investment.

Argentina is widely regarded as a country with significant mineral resources, but with a very limited mining tradition. Mineral production currently contributes only 0.3% to the Argentine gross domestic product (excluding oil and gas). Argentina’s mining law dates from 1886, and though it has been modified from time to time in an attempt to meet various regulatory needs, the modifications have not been adequate to bring about a nationwide improvement in the mining sector. Current federal legislation places ownership of mineral resources in the hands of the individual provinces. Provincial laws governing royalties, taxes, and incentives are inconsistent from province to province, and are in need of standardization.

Argentina’s recently accomplished economic stabilization has provided an atmosphere that is much more conducive to high risk, long term investments such
as mineral development projects. The overall objective of the feasibility study was to analyze the conditions necessary for the development of new investment in mining activities in Argentina within this new economic climate. Specific tasks required to meet the objectives of the study are summarized as follows:

Evaluation of available geological and mining information produced by previous exploration programs, and the implementation of new ideas and technology to determine specific geographic areas of interest for mineral development. This evaluation is focused on potential polymetallic ore deposits associated with Tertiary Andean volcanism, with special emphasis on gold occurrences.

Recommendation of streamlined institutional structures for fiscal, tax, financial, royalty, and economic policies as alternatives to the current national, provincial, and municipal system. This includes preparation of a draft proposal for simplified and uniform rules in all provinces.

Evaluation of laws currently in force in Argentina, and a review of laws in other countries which have encouraged and enabled mining investments. This evaluation includes not only laws which directly involve mining, but also includes foreign investment laws, tax laws, environmental laws, and legal provisions on imports and exports and on exchange transactions. An analysis of provincial laws includes recommendations on adaptations to conform with current international practices.

Recommendation of comprehensive, environmental guidelines (air, water, and soil). This specifically addresses the environmental impact of mining and all related activities. The recommendations can serve as a foundation for national and provincial legislation.

While the focus of this paper is exclusively on the mining investment aspects of Argentina, a very brief review of the geological prospects was conducted. The overall conclusion was that the potential for the discovery of new deposits of gold may be higher in Argentina than in Chile. However, the potential for new discoveries of porphyry copper deposits appears to be greater in Chile than in Argentina. Also, because the requisite conditions for formation are the same, the structural/tectonic favorability for gold in Argentina translates to highly prospective terrain for large deposits of borates, including both the tincal and hydroboracite species. Regarding the likely styles of gold mineralization to be encountered in northwest Argentina, it is concluded that high sulfidation systems of the El Indio and porphyry gold-types (Maricunga) have