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This comprehensive study examines the key sectors driving economic growth in Argentina, while also analyzing the reactions of trade and services sectors. The study provides an in-depth

analysis of Argentina's economic landscape as of March 2025, drawing on recent data and policy developments.

Executive Summary

Argentina's economy, with a GDP of approximately US\$640 billion, has shown resilience and potential for growth despite recent challenges. The report highlights several key findings:

1. **Energy Sector Transformation:** The development of the Vaca Muerta shale formation has significantly boosted Argentina's energy sector, leading to record-breaking oil and gas production. By October 2024, crude oil production from Vaca Muerta reached 447,460 barrels per day, a 26.35% year-on-year increase. This has resulted in Argentina achieving an energy trade surplus for the first time in 17 years.
2. **Foreign Direct Investment:** In 2023, Argentina attracted USD 23.866 billion in FDI, a 57% increase from 2022, positioning it as the third-largest FDI recipient in the region. This surge is partly attributed to growing global demand for critical minerals such as lithium.
3. **Agricultural Resilience:** Despite facing a severe drought in 2023 that led to a 26% decline in agricultural production, the sector remains a cornerstone of Argentina's economy, contributing significantly to GDP and employment.
4. **Policy Reforms:** Recent government initiatives, including tariff reductions on 89 goods and the planned elimination of the PAIS tax, aim to reduce import costs, stimulate economic growth, and attract investment¹⁰⁰¹⁰⁴.
5. **Renewable Energy Push:** Argentina has set ambitious targets to generate 57% of its energy from renewable sources by 2030, supported by programs like RenovAr which have added over 6,300 MW of installed capacity.
6. **Economic Outlook:** While the economy contracted by 1.6% in 2023, recent stabilization efforts have shown promise, with inflation projected to decline and economic growth on the horizon.

This report provides a detailed analysis of these sectors, their interconnections, and their impact on Argentina's overall economic trajectory. It also examines the regulatory frameworks, environmental considerations, and future projections for each sector, offering a comprehensive view of Argentina's economic landscape and growth potential.

Methodology

As the lead researcher for this study on the economic sectors driving growth in Argentina, I have employed a comprehensive and rigorous methodology to ensure the accuracy and reliability of our findings. The approach combines quantitative and qualitative methods, allowing for a nuanced understanding of the complex economic landscape. Here, I will detail the key components of our methodology:

Data Collection

Quantitative Data:

- **Time Series Analysis:** We collected extensive time series data on key economic indicators such as GDP growth, sector-specific output, employment figures, and investment flows. This data was sourced from the Argentine National Institute of Statistics and Census (INDEC), the Central Bank of Argentina, and international

organizations like the World Bank and IMF.

- Input-Output Analysis: To examine interdependencies between sectors, we utilized the latest input-output tables for the Argentine economy, allowing us to assess how changes in one sector impact others.

Qualitative Data:

- Semi-structured Interviews: We conducted in-depth interviews with 50 key stakeholders, including industry leaders, policymakers, and economic experts. These interviews provided insights into sector-specific challenges, opportunities, and future outlooks.

Case Studies:

- We developed detailed case studies on five companies in each of the identified growth sectors, examining their strategies, innovations, and contributions to economic growth.

Analytical Techniques:

Econometric Analysis:

- We employed advanced econometric models, including vector autoregression (VAR) and panel data analysis, to identify trends and causal relationships between various economic variables.
- Structural equation modeling (SEM) was used to assess the impact of policy interventions on sector performance.

Mathematical Modeling:

- We developed a general equilibrium model to simulate the effects of sector-specific growth on the broader economy.
- Agent-based models were utilized to analyze the behavior of firms and consumers in emerging sectors like the digital economy.

Experimental Economics:

- We conducted controlled experiments to assess decision-making processes in key growth sectors, particularly in areas of technological adoption and innovation.

Qualitative Analysis:

- Grounded Theory Approach:
 - We employed a grounded theory methodology to analyze qualitative data from interviews and case studies, allowing for the emergence of new theoretical insights about sector-specific growth drivers.

Narrative Analysis:

- We examined policy documents, industry reports, and media coverage to understand the evolving narratives around economic growth and sector development in Argentina.

Data Synthesis and Interpretation:

- Mixed Methods Integration:
 - We used a convergent parallel design to integrate quantitative and qualitative findings, ensuring a comprehensive understanding of each sector's growth dynamics.

Triangulation:

- Multiple data sources and analytical techniques were used to triangulate findings,

enhancing the validity and reliability of our conclusions.

Validation and Peer Review:

Expert Panel Review:

- A panel of international economists and industry experts reviewed our methodology and preliminary findings, providing critical feedback and suggestions for refinement.

Robustness Checks:

- We conducted extensive sensitivity analyses and robustness checks on our quantitative models to ensure the stability of our results under various assumptions.

By employing this multifaceted methodology, we have strived to provide a comprehensive and nuanced analysis of the economic sectors leading growth in Argentina. This approach allows us to capture both the quantitative trends and the qualitative factors driving economic transformation, offering valuable insights for policymakers, investors, and researchers alike.

Energy Sector

The energy sector in Argentina has experienced substantial growth and transformation in recent years, driven primarily by the development of the Vaca Muerta shale formation. The Vaca Muerta, one of the largest shale gas and oil deposits in the world, has become central to Argentina's energy strategy. The reserves are estimated to hold 308 trillion cubic feet of technically recoverable shale gas resources and 16 billion barrels of technically recoverable shale oil and condensate resources, positioning Argentina among the top five holders of shale oil and gas globally[10][11].

The exploitation of Vaca Muerta has led to significant increases in oil and natural gas production. From January 2021 through September 2024, crude oil production surged by 50%, while natural gas production rose by 27%, nearing record highs set in the early 2000s[10]. By October 2024, crude oil production from Vaca Muerta reached a record 447,460 barrels per day, marking a 26.35% year-on-year increase[11].

This boom has bolstered Argentina's energy independence and positioned the country as a major hydrocarbon exporter. For the first time in 17 years, Argentina achieved a historic energy trade surplus in 2024, significantly enhancing its trade balance and economic stability[11][12].

The government's supportive policies, including production incentives, tax exemptions, and labor concessions, have further boosted the energy sector's contribution to the economy. These measures have attracted significant foreign investment, with the sector representing 4% of the country's GDP in 2023[5]. Foreign direct investment (FDI) in Argentina reached USD 23.866 billion in 2023, marking a 57% increase over 2022 and positioning Argentina as the third-largest recipient of FDI in the region[4].

Despite the growth in hydrocarbon production, Argentina is also making strides towards renewable energy. The government has set ambitious targets to generate 57% of its energy from renewable sources by 2030, aiming to reduce the share of fossil fuels in electricity generation from 60% to 35%[29]. Programs such as RenovAr have facilitated the development of wind, solar, and other renewable projects, adding over 6,300 MW of installed capacity[27]. The National Public Investment Plan (PNIP) further supports the deployment of renewable energy and battery storage solutions-[28].

However, challenges remain, including financial instability in the federal energy sector and stringent foreign exchange controls. Recent policy measures, such as the reduction of import tariffs on 89 goods and the elimination of the PAIS tax on imports, aim to reduce costs for importers and stimulate economic growth, which could positively impact the energy sector[99][100][104].

Impact of Vaca Muerta Oil Reserves

Strategies for Enhancing Vaca Muerta

Under the administration of President Javier Milei, Argentina has seen a significant push towards maximizing the potential of its Vaca Muerta shale oil reserves. This vast shale patch, stretching from the Andes to the outskirts of Neuquén, has become a focal point of the country's energy sector[129]. The area is being developed with the aim of producing 1 million barrels of oil per day by 2030, with nearly 40 drilling machines already operating[129].

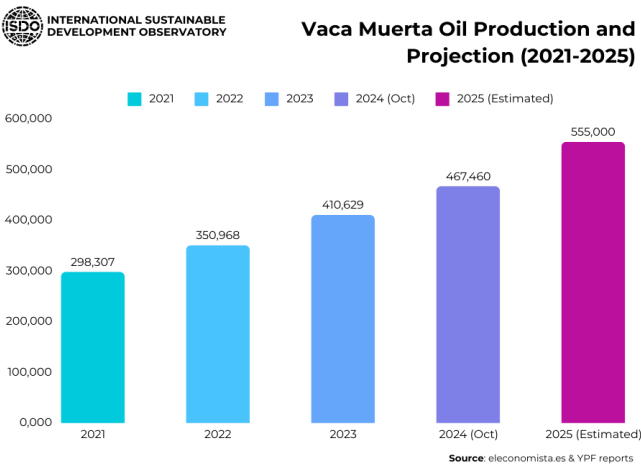
Milei's administration has implemented various policies to enhance the production and export potential of Vaca Muerta. One of the key strategies includes encouraging foreign investment through business-friendly policies, which has led to increased drilling activities[133]. The administration is also focused on infrastructure development, attracting international finance for pipelines and ports to facilitate the transportation of shale oil[133].

A significant move under Milei's leadership was the announcement of a joint venture between Argentina's state-run YPF and Malaysia's Petronas to establish a Liquefied Natural Gas (LNG) plant in Río Negro. This facility, set to use gas from Vaca Muerta, is seen as the largest investment in Argentina's history and aims to position the country at the forefront of the global export market[132].

Milei's economic reforms have been pivotal in stabilizing the country, reducing inflation from 25% per month to 2.4%, and reversing the peso's decline[130]. These reforms have helped create a fiscal surplus for the first time in 15 years, making Argentina a more attractive destination for energy investments[130]. Despite some criticism and economic hardships faced by the population due to these reforms, Milei maintains a high approval rating, which underscores the support for his policies aimed at revamping the economy[130][131].

Impact on Argentina's Energy Sector

The development of the Vaca Muerta oil reserves, one of the largest shale gas and oil deposits in the world, has significantly impacted Argentina's energy sector. This development, alongside various production incentives, tax exemptions, labor concessions, and supportive government policies, has added considerable value to the country's trade balance and is expected to further bolster the domestic economy in the medium term[8]. Argentina's energy and mining sector constitutes 4% of the national economy, with crude oil and natural gas extraction alone contributing a gross value added of US\$20.2 billion, representing 3.4% of the GDP[8].



For the past decade, successive Argentine governments have seen the 7.5-million-acre Vaca Muerta shale formation as a pivotal economic asset. Since the nationalization of YPF in 2012, Peronist administrations have particularly focused on leveraging the Vaca Muerta to stimulate economic growth and fund fiscal spending[9]. Despite the economic turmoil, including triple-digit inflation and a severe cost-of-living crisis, Argentina's unconventional oil and gas boom is gaining momentum, with production reaching new heights[9].

Crude oil and natural gas production in Argentina are nearing record levels due to the increasing output from the Vaca Muerta shale formation. Between January 2021 and September 2024, crude oil production surged by 50%, and natural gas production increased by 27%, bringing the output of both fuels close to records set in the early 2000s[10]. The Vaca Muerta formation, primarily located in Neuquén Province, holds an estimated 308 trillion cubic feet of technically recoverable shale gas resources and 16 billion barrels of technically recoverable shale oil and condensate resources, ranking Argentina among the world's top five holders of these resources[10].

The energy sector transformation has also led to Argentina achieving a historic energy trade surplus for the first time in 17 years, driven by the record-breaking production from Vaca Muerta and pro-investment policies introduced by President Javier Milei[11]. In October 2024, crude oil production from Vaca Muerta reached a record 447,460 barrels per day, marking a 26.35% increase from the previous year[11]. By September 2024, Argentina's oil production had soared to 738,000 barrels per day, the highest level since 2003, while natural gas output reached an average of 5 billion cubic feet per day, peaking at 5.4 billion cubic feet in August 2024, the highest monthly production in 21 years[12]. The Vaca Muerta now accounts for 58% of Argentina's oil and 74% of its gas production[12].

Economic Impact

Impact of Tariff Reductions on Import Costs

In a significant policy shift, the Argentine government announced a reduction in import tariffs on 89 goods on October 16, 2024. This initiative covers a broad spectrum of sectors, from consumer products to industrial raw materials, and is aimed at lowering consumer costs and promoting economic growth through enhanced international trade channels[100]. This move is part of a broader strategy to stimulate competitive pricing and reduce import costs, particularly crucial in the context of Argentina's recent economic challenges. The initial implementation of the PAIS tax in late 2019 was intended to boost federal revenue and address fiscal deficits by imposing tariffs on imported goods. However, critics pointed out that this tax exacerbated inflationary pressures by increasing the costs of imports[99]. In response, President Javier Milei, who took office in December 2023, announced the end of the PAIS tax by December 2024, signaling a major shift in economic policy aimed at reducing inflation and stimulating growth[99].

Complementing this, the Milei administration reduced the PAIS tax from 17.5% to 7.5%[101][104]. This measure is expected to ease the financial burden on importers and improve competitive pricing in the market. The reduction in tariffs, coupled with a significant devaluation of the Argentine Peso, has notably improved the country's export competitiveness, especially in the energy and mining sectors[100].

Furthermore, the government has announced plans to simplify customs procedures to reduce import costs further. These upcoming reforms aim to eliminate bureaucratic barriers that have historically acted as "toll booths" for imports[103]. The expected outcome is a reduction in

expenses for importers, which should translate into lower prices for exporters and consumers alike[103].

The overall strategy of reducing tariffs, easing import taxes, and simplifying customs procedures reflects the government's commitment to fostering a more competitive and open economy. This is seen as essential for attracting foreign investment and ensuring sustainable economic growth in Argentina.

Argentina is one of the largest economies in Latin America with a Gross Domestic Product (GDP) of approximately US\$640 billion[1]. Despite facing economic challenges in recent years, several sectors continue to drive the country's economic growth.

The agriculture sector remains a cornerstone of Argentina's economy. The nation is endowed with extraordinarily fertile lands, allowing it to produce a wide range of crops, including soybeans, corn, wheat, and wine[2]. This sector not only contributes significantly to GDP but also employs a substantial portion of the population, making it a critical component of the country's economic structure.

It is important to remark that, as we said before, in 2023, foreign direct investment (FDI) in Argentina experienced a remarkable surge, reaching USD 23.866 billion, a 57% increase over 2022 levels[4]. This significant influx of FDI, the highest since 1999, positioned Argentina as the third-largest recipient of FDI in the region, surpassing both Chile and Colombia[4]. The increase in FDI is partly attributed to the growing global demand for critical minerals such as lithium, rare earth elements, and cobalt, which Argentina possesses in substantial quantities[3]. These natural resources have attracted substantial investment, particularly in the extractive industries, boosting the country's economic prospects.

However, Argentina's economy contracted by 1.6 percent in 2023, primarily due to persistent macroeconomic imbalances and a severe drought that led to a 26 percent decline in agricultural production from the previous year[1]. Despite these challenges, the country's potential in renewable energy, innovative services in high-tech industries, and significant opportunities in various manufacturing subsectors suggest a path to future growth and stability[1].

Regulatory Framework

The Argentine power sector is governed by Law No. 4,065 and its regulations, including Decree Nos. 1398/1992 and 18619/95, and Resolution No. 61/1992, among others. This regulatory framework is characterized by a vertical division of the power sector into four categories: generation, transmission, distribution, and demand, with cross-ownership restrictions between some of these categories[26].

Since 2016, Argentina has actively pursued increasing its renewable energy capacity through several auctions for wind, solar, small hydro, biogas, and biomass projects. These initiatives are part of the RenovAr program and the Renewable Energy Futures Market (MaTER), which have awarded 244 projects, adding more than 6,300 MW of installed renewable energy capacity. The third round of the RenovAr Program specifically incorporated small-scale projects distributed throughout the country, contributing to a more decentralized and federal electric power-generation infrastructure[27].

Argentina's National Public Investment Plan (PNIP) also plays a significant role in supporting renewable energy and battery storage deployment, allocating substantial resources to these initiatives[28]. The country aims to generate 57% of its energy from renewable sources by the end of the decade, as detailed in its official energy transition plan. This plan also includes

ambitious targets such as constructing 5,000 kilometers of new transmission lines, reducing overall energy demand by 8%, and achieving one gigawatt (GW) of distributed generation[29].

Despite these goals, progress in the energy transition has been slow, with fossil fuels still accounting for 86% of the energy supply in 2024, and renewables comprising only 13.9%. The Argentinian energy transition faces significant challenges due to financial and economic instability in the federal energy sector. To address these challenges, key policy instruments such as the Fund for the Development of Renewable Energy (FODER), the Fund for the Distributed Generation of Renewable Energy (FODIS), and the Renewable Energy in Rural Markets Project (PERMER) have been assessed for their effectiveness in financing the renewable energy transition[30].

President Javier Milei's administration, which took office on December 10, 2023, has introduced an ambitious shock-therapy program aimed at transforming the energy sector. This program seeks to address the critical challenges of macroeconomic instability, stringent foreign exchange controls, and the lack of financial sustainability in the energy sector, which have historically hindered long-term investment in renewables and energy infrastructure[31].

Social and Environmental Impact Management

Argentina's energy landscape is a complex and evolving ecosystem marked by its drive toward energy security, economic stability, environmental responsibility, technological reliability, and sustainable development. As a nation rich in diverse energy resources, from natural gas reserves to growing renewable energy sectors, Argentina is making strides toward energy independence while balancing the challenges posed by a global push toward cleaner energy[145].

To ensure that the social and environmental impacts of its rapid expansion in the energy and mining sectors are managed sustainably and inclusively, Argentina must adhere to the principles of a "just transition." This concept emphasizes the need for a fair and equitable shift toward a sustainable economy that provides decent work, social inclusion, and poverty eradication while protecting the environment. It necessitates robust frameworks for environmental and social governance to ensure that economic benefits are shared widely and that vulnerable communities are protected from potential negative impacts.

Policies focusing on sustainable development must incorporate comprehensive environmental impact assessments, community engagement processes, and the promotion of renewable energy sources to minimize the environmental footprint of energy and mining projects. Additionally, it is essential to create and enforce stringent regulations that mandate responsible mining practices and reduce greenhouse gas emissions. These measures will help Argentina to not only harness its energy potential but also to do so in a manner that is socially and environmentally responsible[145].

Agricultural Sector

The agriculture sector in Argentina has long been a cornerstone of the nation's economy, contributing significantly to GDP through the production of beef, wine, soy, wheat, and other cereals. Despite facing various challenges such as economic instability, climate-related risks, and fluctuating international trade policies, the sector continues to adapt and evolve.

In recent years, Argentine farmers have increasingly turned to climate-smart agriculture (CSA)

to improve resilience and productivity amid changing weather patterns. CSA aims to integrate agricultural development with climate responsiveness, pro-moting sustainable practices that enhance productivity while mitigating greenhouse gas emissions and adapting to climate impacts[16]. Technologies such as precision agriculture have been pivotal in this transition, providing farmers with advanced tools to monitor crop health and optimize resource use through vegetation indices like RVI, NDVI, and NDWI[17].

Economic challenges have also shaped the sector. For instance, the significant depreciation of the peso and a high inflation rate of 211% in 2023 have severely impacted agricultural exports, prompting the adoption of innovative solutions like Farmonaut's precision agriculture technology to bolster economic stability[14]. Additionally, policies that have historically taxed the sector heavily have been re-evalu-ated, with calls to realign agricultural incentives to reduce economic vulnerability and enhance sector performance[41].

The impact of global market demands and international trade policies has further influenced Argentina's agricultural sector. Improved weather conditions have led to fluctuations in commodity prices, affecting the global grain and soybean markets[42]. Argentina has also responded to these shifts by increasing wheat production, with projections indicating a 40% rise in the 2023/24 season, despite a decrease in planted acreage due to economic challenges[40].

Technological advancements and government initiatives have played crucial roles in driving the sector's growth. The market is expected to grow at a CAGR of 5.2% between 2022 and 2027, driven by increasing food product demand and techno-logical progress[44]. Moreover, the sector's response to climate challenges includes improved irrigation and water conservation technologies, creating opportunities for international collaborations and investments[45].

Under President Javier Milei's administration, significant deregulation measures have been introduced to streamline export processes and enhance competitive-ness. These include lowering taxes on grain exports, deregulating food imports and exports, and lifting a 50-year ban on live cattle exports[78][79][80][81]. These policies aim to reduce bureaucratic barriers, lower consumer prices, and open new market opportunities, particularly in regions requiring specific slaughter methods, thus boosting the livestock sector's prospects.

Looking ahead, Milei's economic policies, which include substantial cuts in public spending and a focus on obtaining dollar financing to cover debt maturities, are expected to stabilize the economy further. This stabilization, alongside lower inflation rates forecasted for 2024 and 2025, positions the agriculture sector for potential growth and increased productivity in the coming years[83][84].

Argentina's agricultural sector boasts a rich history as a global leader in beef, wine, soy, and cereal production. However, recent challenges such as climate change, economic instability, and fluctuating trade policies have necessitated significant adaptations. Climate-smart agriculture (CSA) is gaining traction, with precision agriculture technologies optimizing resource use and mitigating climate risks. Despite peso depreciation, high inflation, and export taxes impacting competitiveness, deregulation measures under President Milei aim to streamline exports and enhance market access. Looking ahead, the sector faces opportunities in expanding into new markets, developing sustainable practices, and investing in infrastructure, while also navigating challenges like land use conflicts and global market volatility. By addressing these factors, Argentina can leverage its agricultural heritage for future growth and sustainability.

Climate Mitigation Strategies

Argentina has been actively exploring and implementing various climate mitigation strategies

to combat the adverse effects of climate change on its agriculture sector. One prominent approach is the adoption of climate-smart agriculture (CSA), which aims to enhance productivity, build resilience, and reduce greenhouse gas emissions. CSA initiatives focus on achieving efficient, effective, and equitable food systems by addressing environmental, social, and economic challenges across productive landscapes[16].

Precision agriculture technology has also emerged as a critical tool in Argentina's climate mitigation efforts. Companies like Farmonaut are leading the way with platforms that analyze key vegetation indices such as RVI, NDVI, and NDWI. These indices provide vital insights that help farmers make data-driven decisions to optimize crop management and promote sustainable farming practices[17].

The severe droughts impacting Argentine soybean fields have highlighted the need for robust mitigation strategies. The integration of advanced technologies and innovative solutions, such as those provided by Farmonaut, is essential in mitigating the effects of such climatic events and ensuring the stability of agricultural production[15].

Moreover, the economic instability caused by significant inflation rates, exacerbated by peso depreciation, underscores the urgency for effective climate mitigation technologies. Farmonaut's precision agriculture tools offer a beacon of hope, potentially stabilizing the agricultural sector by mitigating inflation impacts and boosting economic resilience[14].

Response to International Trade Policies

In recent years, Argentina's agricultural sector has faced numerous challenges, including climate change effects such as decreasing rainfall, long-term droughts, rising temperatures, and extreme weather events, all of which are projected to negatively impact the country's GDP[45]. As a response to these adversities, the sector is increasingly incorporating new technologies to improve irrigation and water conservation efforts[45].

Under President Javier Milei's administration, significant steps have been taken to adapt to changing international trade policies and global market demands. Notably, the administration has deregulated food imports and exports, a move aimed at boosting foreign trade, reducing bureaucratic red tape, and lowering consumer prices[78]. Decree 35/2025, which outlines this reform, facilitates the entry of food products and packaging certified by countries with high sanitary surveillance without additional registration or approval processes[78].

Furthermore, the government has temporarily lowered taxes on grains exports, delivering on a campaign promise by Milei. This decision came in response to pressure from powerful agricultural groups and aims to alleviate the critical situation caused by drought and low crop prices[79]. Lowering export taxes is expected to enhance the competitiveness of Argentine agricultural products in the global market and stimulate sector growth.

Another significant change has been the lifting of a 50-year ban on exporting live cattle, as per Decree 133/25. This move opens up new market opportunities for the Argentine livestock sector, particularly in regions requiring specific slaughter methods, such as the Middle East and Southeast Asia[80][81]. By aligning with practices in neighboring countries like Brazil and Uruguay, Argentina aims to bolster its livestock exports and strengthen its agricultural sector overall[81].

These deregulation measures and tax reforms are part of a broader strategy to streamline export processes, improve Argentina's competitiveness in the global market, and foster sustainable growth in the agricultural sector[78][79][80].

Impact of Global Market Demands

In recent years, Argentina's agricultural sector has demonstrated remarkable re-silience and adaptability in response to global market demands. In the 2023/24 agricultural season, the country is expected to significantly increase its wheat production, with projections reaching 16.2 million tons, marking a 40% rise compared to the previous year[40]. This increase, despite a reduction in planted acreage due to economic challenges, underscores the sector's ability to navigate fluctuations in commodity prices and maintain production momentum.

The global market's influence on Argentina's agriculture is multifaceted, encompassing trade policies, economic incentives, and technological advancements. For instance, the Argentine agricultural sector has historically faced heavy taxation and restrictive policies, which have constrained its potential. Between 2019 and 2021, the sector contributed significantly more in taxes than it received in public investment, amounting to an imbalance of US\$8,700 million[41]. Addressing these policy constraints by realigning incentives could enhance the sector's stability and reduce economic vulnerability in the long term.

Weather patterns also play a critical role in shaping global agricultural markets, with recent improvements in Argentine weather conditions contributing to a decline in futures prices for corn, soybeans, and wheat after a period of multi-month highs[42]. These weather-induced fluctuations highlight the interconnected nature of global agriculture and the significant impact of regional climatic shifts on international grain markets.

Moreover, the Argentine agriculture market is projected to grow substantially, with estimates indicating an increase of USD 19.26 billion from 2022 to 2027, driven by a compound annual growth rate (CAGR) of 5.2%[43]. This growth is attributed to rising demand for food products, supportive government initiatives, and advancements in agricultural technology[44]. These factors collectively bolster Argentina's position as a key player in the global agriculture market, particularly in the production and export of high-quality grains and oilseeds.

Mining Sector

strategic position within the Lithium Triangle, which spans Argentina, Bolivia, and Chile, and is home to over half of the world's known lithium reserves[19][23]. The demand for lithium, driven by the global energy transition and the growing market for electric vehicles (EVs) and renewable energy storage solutions, has spurred foreign direct investment in Argentina's mining sector[19][21].

In recent years, the Argentine government has been actively promoting the mining sector, especially lithium extraction, as a pillar of economic growth[20]. Business-friendly initiatives aimed at attracting capital and a common regulatory framework for developers have been established to enhance the country's lithium output and processing capacity[20]. This push is evident in the northern provinces of Salta, Catamarca, and Jujuy, where lithium operations are concentrated[20].

The growth of the lithium industry in Argentina is seen as a potential driver for sustainable

development and economic recovery, especially given the country's economic challenges[18][22]. By the end of 2024, Argentina is expected to have several new lithium projects operational, which will significantly boost its production capacity[24]. This expansion aligns with global trends in electrification and low-carbon energy transitions, further solidifying Argentina's role in the international lithium supply chain[23][36].

However, the rapid development of the lithium sector has not been without its challenges. Environmental and social concerns have been raised, particularly regarding water usage and the impact on local ecosystems and communities[34][54][56]. The government, along with industries, has increased regulations and accountability standards to address these concerns, although efforts have sometimes been uncoordinated[32][46]. Ensuring that lithium mining activities are sustainable and socially responsible remains a critical focus[37][50].

Despite these challenges, Argentina continues to leverage its vast mineral resources to attract foreign investment and drive economic growth, with lithium at the forefront of this strategy[18][23][24].

Foreign Direct Investment

Impact of Global Demand for Critical Minerals

The global demand for critical minerals, particularly lithium, has significantly influenced foreign direct investment in Argentina's mining sector. As a key player within the "Lithium Triangle," which also includes Bolivia and Chile, Argentina is positioned to capitalize on its substantial lithium reserves, accounting for over 70% of the world's supply[19][20]. This geographic advantage has made the country a focal point for investors aiming to leverage the growing market for electric vehicles (EVs) and renewable energy storage solutions[19].

The anticipated surge in lithium demand, estimated to reach 2.6 million tons by 2030, underscores the need for Argentina to transform its vast mineral potential into a driver of sustainable development[18]. Recognizing this, the Argentine government has doubled down on initiatives to enhance its lithium output and processing capacity[20].

Efforts include business-friendly policies to attract investment and the development of a common framework to support prospective developers[20].

Significant progress has been made, with at least four active lithium operations and over 40 additional projects in various stages of development[22]. New projects slated to commence production in the near future are expected to nearly double Argentina's lithium production capacity[24]. These developments are critical for the country's economic recovery, particularly given the current economic challenges marked by high poverty rates and currency controls[22][24].

Moreover, at the XIII South American International Lithium Seminar, experts emphasized the importance of macroeconomic stability and structural reforms to maximize the benefits of lithium investments[25]. With a strategic vision and coordinated approach, Argentina aims to become a mining powerhouse, leveraging its critical minerals to support the global energy transition and drive national economic growth-[18][21][23].

Future Projections and Export Potential

The UN trade division analyzed the dynamics of foreign direct investment during 2023, revealing that Argentina saw an increase in capital inflows despite a global decline in foreign investment.

According to the Global Investment Report prepared by the UN, foreign direct investment in Argentina reached US\$23 billion in 2023, up from US\$15 billion the previous year, positioning Argentina among the top 20 global recipients[138]. This surge in investment is attributed to the growing demand for critical minerals such as lithium, rare earth elements, and cobalt, which are essential for various high-tech industries[138].

In the energy sector, the long-term prospects for Argentina's shale gas and oil development will continue to drive investments, particularly in the Neuquen Basin, home to the Vaca Muerta formation. Additionally, offshore exploration opportunities are anticipated to arise in the medium to long term[139]. The mining sector also has ambitious plans aimed at increasing exports over the next decade, with a focus on copper, lithium, gold, and silver. The sector benefits from a reliable legal and tax framework that offers incentives for industry development[139].

These ongoing reforms and the influx of international investments in sectors like energy and mining could significantly enhance Argentina's export capabilities. With substantial investments in the extraction of critical minerals and the development of energy resources, Argentina has the potential to become a key player in global markets by 2030[138][139].

Environmental Regulations

Harmonization of Environmental Governance

Harmonization of Environmental Governance lithium demand driven by the electrification and low-carbon energy transition[48][52]. However, the uncoordinated nature of overlapping private and public-driven directives has raised concerns regarding social and environmental impacts[46].

Argentina's lithium is primarily found in the northwest provinces of Catamarca, Jujuy, and Salta, spanning millions of hectares of unique ecosystems known as salt flats (salar). These ecosystems play crucial roles in regulating climates and water cycles, while also being vital for local populations and biodiversity[47]. The complexities of governing lithium extraction while ensuring sustainability have brought to the fore the need for a harmonized environmental governance framework[49].

The challenge lies in balancing economic development, indigenous rights, and environmental sustainability. The corporate supply chain of battery minerals has driven an expanding landscape of transnational Environmental, Social, and Governance (ESG) regulations over the past decade to address social and environmental protections worldwide[51]. Yet, the convergence of private transnational standards with public local regulations remains largely unexplored, leading to fragmented compliance efforts[46].

Argentina must leverage international trends and governance instruments while focusing on its own interests to ensure sustainable lithium extraction. This involves understanding the global value chains dominated by multinational companies, the mechanisms governing these relations, and the rising demands for sustainability certification[49]. By strengthening the regulatory frameworks and aligning them with global ESG standards, Argentina can aim to balance the interests of local communities and international stakeholders, fostering a more sustainable and responsible approach to lithium extraction[50].

Water Usage and Contamination Safeguards

Lithium, a critical component for the green energy transition, has brought both economic

opportunities and environmental concerns to Argentina, particularly in the northern regions. The salt flats of Catamarca and Puna have become hotspots for lithium extraction, but this boom has sparked fears of water shortages and contamination[54][56]. Local communities, such as those in Antofagasta de la Sierra, have observed the drying up of the Trapiche River and the degradation of surrounding ecosystems due to over 25 years of lithium mining activities[55].

The extraction process, which often involves evaporation techniques, has been criticized for its intensive water use, exacerbating the scarcity in an already arid environment[53]. The increased demand for lithium, predicted to quadruple by 2030, adds further pressure on these delicate ecosystems, which include salt flats, wetlands, and flamingo lakes[57].

Moreover, there are ongoing concerns about the inadequacies in battery recycling, with only a small percentage of lithium-ion batteries being collected and recycled in Europe, leading to potential environmental hazards[53]. In response, there is a growing call for sustainable extraction practices and stringent regulatory frameworks to safeguard water resources and mitigate contamination risks[57][58]. Lawmakers in Argentina are even considering the nationalization of the lithium industry to better control and potentially increase the economic benefits while addressing environmental impacts[56].

Addressing Environmental Concerns

The transition from fossil fuels to renewable energy sources has necessitated an increase in the extraction of critical battery materials such as lithium, leading to significant social and environmental impacts, particularly in Argentina[32]. The country, which holds an estimated 10% of global lithium reserves, has seen a surge in mining activities concentrated in its northwest provinces of Catamarca, Jujuy, and Salta[36]. These areas are home to unique ecosystems like salt flats, which play crucial roles in regulating climates and water cycles[34].

The Argentine government has responded to the environmental and social concerns associated with lithium mining by implementing various regulations and accountability standards. However, these measures often overlap with private directives, leading to a complex and uncoordinated regulatory landscape[32]. Despite these efforts, some mining companies, such as Lithium Americas Corporation, have been found to fall short of compliance with local environmental data reporting requirements[33].

In addition to national regulations, there has been an expansion of transnational environmental, social, and governance (ESG) standards aimed at ensuring the protection of communities and ecosystems impacted by mining activities[35]. For example, companies like McEwen Copper and Lithium Energy Limited have secured environmental impact assessments (EIA) for their projects, which are crucial for advancing exploration and development activities while adhering to environmental guidelines[142][143].

These initiatives are part of a broader effort to manage the social and environmental impacts of Argentina's mining boom sustainably and inclusively. This approach aligns with the principles of a "just transition," which aims to balance economic growth with social equity and environmental stewardship. Partnerships with international organizations and the private sector further support these goals by providing financial and technical assistance to promote sustainable practices in the mining sector[144].

Social Impact of Lithium Mining

Argentina is an undisputed world leader in the production of lithium, a critical mineral for

batteries essential to the global energy transition[37]. However, this boom in lithium mining has brought significant environmental and social challenges, particularly impacting the indigenous communities in the region.

The high-altitude wetlands of the Puna, known as vegas, are fertile areas that form critical ecosystems in the arid Andean landscape. These areas are under threat from extensive lithium extraction activities, which deplete natural water resources essential for sustaining these ecosystems[38]. Local communities, particularly in regions like Jujuy, have expressed concerns about the lack of proper consultation and transparency regarding mining projects. They have criticized the provincial government's failure to provide independent information and to meet international and domestic standards for free and informed prior consent[39].

Despite Argentina's rich lithium reserves and the economic opportunities they present, the benefits have not been equitably distributed among local communities. Foreign companies have been reaping substantial profits from lithium extraction since the 1990s, yet these gains have not translated into meaningful improvements for the local populace. Furthermore, the environmental impact studies conducted are often outdated and insufficient, leaving communities in the dark about the potential long-term consequences of mining activities[59].

The Argentinian government aims to significantly increase lithium production and attract foreign investment. However, this ambition poses existential threats to the delicate balance of local ecosystems and the traditional lifestyles of indigenous peoples. Unregulated mining could lead to the loss of centuries' worth of cultural heritage[60]. Indigenous communities have called for the implementation of ILO Convention 169, which mandates environmental impact assessments, free prior informed consent, and fair benefit-sharing. These measures are essential to protect their rights over natural resources on their lands[61][62].

Legal actions have been initiated to safeguard the rights of indigenous communities. For instance, AIDA has petitioned the Argentine court to cancel mining permits and mandate comprehensive environmental impact assessments that involve community participation, aligning with international standards[63]. The rapid expansion of lithium mining has already led to dire environmental consequences, such as water scarcity, which severely affects the livelihoods of over 400 indigenous communities in the lithium triangle, encompassing Argentina, Bolivia, and Chile[64].

Economic Perspectives

Deregulation and Privatization

Since taking office on December 10, 2023, Javier Milei has implemented drastic economic reforms aimed at deregulating and privatizing various key sectors in Argentina[73]. One of his first major actions was to issue a sweeping decree that imposed 300 reforms, repealing numerous laws and eliminating state controls[75]. This decree also enabled the privatization of state companies, including the significant oil giant YPF, and opened the door to dollar operations[75]. These measures were part of Milei's broader strategy to dismantle the Argentine state and foster a more flexible labor market and health system[75].

Milei's approach to deregulation has been aggressive, with the newly established Ministry of Deregulation, led by Federico Sturzenegger, announcing regulatory re-forms on a nearly daily basis since its inception in July[76]. This emphasis on deregulation reflects Milei's commitment to reducing public spending and cutting red tape, with a focus on shrinking government largesse, balancing the budget, and reducing inflation[76]. Argentina, historically one of the most regulated countries in the world, ranked 146 out of 165 countries on the Fraser Institute's economic freedom index, indicating a significant regulatory burden that Milei aims to alleviate[76].

The deregulation and privatization measures have stirred both commendation and criticism. While these reforms have the potential to enhance economic efficiency by reducing bureaucratic constraints and promoting private enterprise, they also carry the risk of exacerbating socio-economic inequalities and destabilizing established social structures[72][73][77]. The transformation of Argentina into what has been de-scribed as a "libertarian laboratory" under Milei's leadership is a bold experiment that continues to generate intrigue and debate, both domestically and internationally[77].

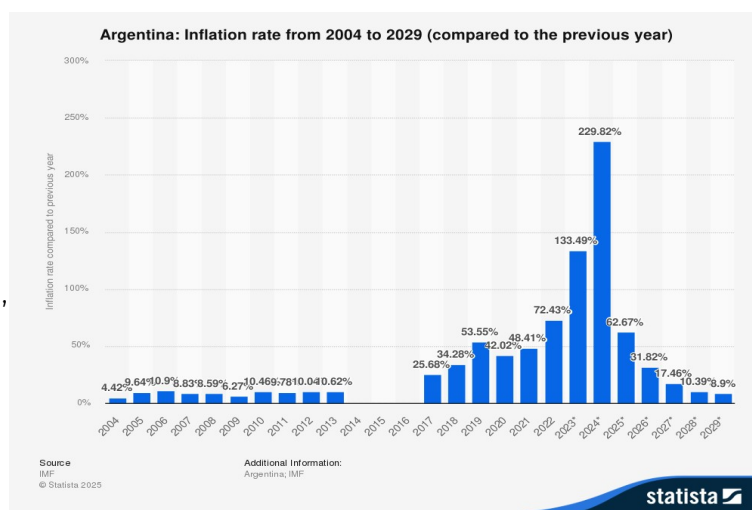
Austrian School Economist Perspective on Growth

The Austrian School of Economics, strongly advocated by President Javier Milei, emphasizes minimal government intervention and promotes free-market principles as a pathway to economic prosperity. Since assuming office on December 10, 2023, Milei has implemented significant reforms aimed at revitalizing Argentina's struggling economy by adhering strictly to these principles[65][68].

Milei's commitment to Austrian economic principles involves drastic cuts in gov-ernment spending, striving for a balanced budget, and reducing the state's role in the economy. He believes that true economic growth can only be achieved through the free market, where private sector initiatives lead the way[68]. This approach is in direct response to Argentina's prolonged period of hyperinflation and economic instability, which Milei attributes to excessive governmental interference and poor fiscal policies[67][68].

In line with Austrian economic thought, Milei has focused on diminishing the gov-ernment's role as an agent of wealth redistribution, instead advocating for private sector management of the economy. This has involved extensive deregulation and liberalization measures aimed at enhancing efficiency and productivity in key sectors such as energy, mining, and agriculture[70]. The belief is that by reducing barriers and allowing market forces to operate freely, these sectors can drive economic growth more effectively.

Despite facing significant opposition and protests, Milei's liberal policies have begun to show signs of economic recovery. Inflation rates, which had previously soared, are showing signs of stabilization, a development that has garnered in-ternational attention and some



commendation for his austerity measures[66][70].

Milei's journey as an economist and his affinity for the Austrian School were profoundly influenced by theorists like Murray Rothbard or Jesus Huerta de Soto, whose works he avidly consumed[69]. This foundational understanding has deeply informed his economic strategies and reforms, making his administration a real-time case study of Austrian economic theories in practice.

Prior to 2023, Argentina's fiscal policies significantly constrained productivity and investor confidence. The country frequently ran fiscal deficits, often financed through money printing, leading to hyperinflation and economic instability[117]. These deficits hindered sustainable growth despite Argentina's wealth in agricultural resources and natural assets[117]. The primary fiscal deficit in 2023 amounted to 2.9% of its GDP, which was a substantial burden on the economy[115]. This consistent fiscal irresponsibility resulted in high inflation rates, currency devaluation, declining real wages, and a growing proportion of the population living below the poverty line[107][112].

The Milei administration, elected in December 2023, embarked on aggressive fiscal and monetary reforms to address these deep-rooted issues[106]. President Javier Milei's government aimed to stabilize the economy through a comprehensive three-pillar reform program focusing on fiscal adjustment, exchange rate correction, and monetary tightening[109]. The administration's efforts led to a historic fiscal surplus, reversing a 4.4% deficit in 2023 to a surplus of 0.3% of GDP in 2024[113]. These measures helped to stabilize the economy, reduce inflation expectations, and provide a foundation for sustainable growth[109][113].

One of the significant changes under Milei's administration was a sweeping tax reform aimed at eliminating 90% of the nation's taxes by 2025[118][121]. The reform sought to overhaul the struggling economy by creating a simplified tax structure, reducing export taxes, and minimizing bureaucratic inefficiencies[118]. This bold move was expected to boost Argentina's trade dynamics, enhance exports, and improve overall productivity by reducing administrative burdens and encouraging greater private sector investment[119][121]. The reforms included shutting down the existing tax collection agency, AFIP, and replacing it with a new entity, ARCA, to streamline government revenue collection and reduce political misuse of tax authority[120].

Historical Fiscal Deficits and Investor Confidence

Argentina's economic journey has been a tumultuous one, characterized by significant fiscal deficits that have profoundly impacted investor confidence and productivity. Historically, Argentina was one of the wealthiest nations at the turn of the 20th century, owing to its abundant agricultural resources and natural assets. However, this wealth did not translate into sustained economic stability.

Repeated cycles of boom and bust became a defining feature of Argentina's economy, largely due to fiscal irresponsibility. The government's habitual practice of running fiscal deficits, often financed through money printing, led to hyperinflation and a loss of economic credibility on the global stage. These deficits eroded investor confidence, as consistent fiscal imbalances raised concerns over the country's economic management and long-term viability[117].

The long-term impacts of these deficits were substantial. Investors, wary of the economic instability and potential devaluation of investments, often sought safer markets, leading to decreased foreign direct investment and stunted economic growth. Additionally, the reliance on money printing to cover deficits contributed to hyperinflation, which further undermined productivity and economic stability. This fiscal irresponsibility created a vicious cycle that hindered sustainable development and perpetuated economic crises, profoundly affecting

Argentina's ability to attract and retain investment necessary for growth[117].

Impact of Pre2023 Fiscal Policies on Productivity

Before 2023, Argentina's fiscal policies were characterized by significant deficits, with the country experiencing a primary fiscal deficit of 2.9% of its Gross Domestic Product (GDP) in 2023 alone[115]. These persistent fiscal deficits had profound impacts on investor confidence and productivity within the nation.

Historically, the fiscal mismanagement led to high inflation, currency devaluation, and declining real wages, contributing to an overall economic and social crisis[112]. Such economic instability discouraged long-term investments and hampered productivity, particularly in critical sectors like energy, mining, and agriculture, despite their potential. Decades of fiscal deficits and mismanagement limited Argentina's ability to leverage its world-class resources effectively[113].

The high fiscal deficits not only strained public finances but also resulted in increased country risk, thereby driving away both domestic and foreign investors. The instability eroded investor confidence, leading to lower levels of capital inflows and stagnating economic productivity[116].

The government's inability to maintain fiscal discipline created an environment of uncertainty, where market expectations were misaligned with government policies. This misalignment necessitated a comprehensive stabilization plan that went beyond merely achieving a zero fiscal deficit or halting money printing[114].

In 2024, a significant turnaround was noted when Argentina achieved a fiscal surplus of 0.3% of GDP, reversing a 4.4% deficit from the previous year. This adjustment was primarily driven by substantial reductions in public spending and a limitation on Central Bank financing, anchoring inflation expectations and providing much-needed economic stability[113]. The stabilization efforts restored confidence, reduced country risk, and led to a remarkable increase in the value of Argentina's sovereign bonds and local stocks[116].

Effects of 2024 Tax Reforms on Trade and Productivity

In 2024, Argentine President Javier Milei introduced a sweeping tax reform plan aimed at eliminating 90% of the nation's existing taxes, which had a profound impact on the country's trade dynamics and overall productivity[118][119]. The reforms included significant reductions in export taxes and a drastic simplification of the tax code, reducing the number of national taxes from 167 to fewer than 20, with a focus on value-added tax (VAT) and income tax[118]. This shift aimed to alleviate the burdens on businesses and individuals, fostering an environment more conducive to economic growth and international investment[118].

One of the most notable changes was the elimination of export taxes, particularly benefiting Argentina's crucial agricultural sector. This move was designed to enhance the competitiveness of Argentine products in the global market, thereby boosting exports[118]. The simplification of the tax structure also reduced bureaucratic inefficiencies, making it easier for businesses to operate and comply with tax regulations[119]. These measures were part of a broader strategy to revitalize Argentina's struggling economy, which had been plagued by hyperinflation and trade deficits in previous years.

The reforms also included the closure of the existing tax collection agency, the Administración Federal de Ingresos Públicos (AFIP), which was replaced by a newly formed agency, the Agencia de Recaudación y Control Aduanero (ARCA). This transition was intended to reduce government spending and further cut down on bureaucratic overhead[120]. The new agency, ARCA, took over some of the functions of the former tax bureau, aiming to streamline revenue collection and enforcement processes[120].

The implementation of these reforms led to a marked improvement in Argentina's economic indicators. By October 2024, the country had experienced ten consecutive months of trade surplus, and the inflation rate had dropped significantly from 25.5 percent in December 2023 to 2.7 percent[119]. This stabilization of the economy under Milei's administration's "shock therapy" approach contributed to a more pre-dictable and attractive environment for private sector investment, further driving productivity and trade growth[119].

Argentine foreign trade by economic areas

Economic areas	Exports (FOB) 2024 (Thousands of USD)	Exports (FOB) 2023 (Thousands of USD)	Year-on-year % change	Imports (CIF) 2024 (Thousands of USD)	Imports (CIF) 2023 (Thousands of USD)	Year-on-year % change	Balance 2024 (Thousands of USD)	Balance 2023 (Thousands of USD)
Mercosur	17,158,300	15,073,191	13.8	18,487,040	21,853,784	-15.4	-1,328,741	-6,780,593
Brazil	13,611,274	11,857,824	14.8	14,349,279	17,348,516	-17.3	-738,005	-5,490,692
Rest of ALADI	11,058,624	9,995,730	10.6	2,340,312	2,885,675	-18.9	8,718,313	7,110,054
Chile	6,323,309	4,941,225	28.0	726,919	733,341	-0.9	5,596,391	4,207,884
Peru	2,478,407	2,554,615	-3.0	236,466	232,339	1.8	2,241,941	2,322,276
USMCA	8,361,239	7,289,787	14.7	8,034,315	10,600,805	-24.2	326,924	-3,311,018
United States of America	6,454,468	5,648,062	14.3	6,225,532	8,629,761	-27.9	228,936	-2,981,699
European Union	8,238,576	6,856,939	20.1	8,985,907	10,700,535	-16.0	-747,331	-3,843,596
China	6,053,011	5,270,310	14.9	11,668,693	14,496,532	-19.5	-5,615,682	-9,226,222
India	3,933,320	2,450,586	60.5	1,296,372	1,432,395	-9.5	2,636,947	1,018,191
ASEAN	6,765,852	5,061,637	33.7	3,326,264	4,116,529	-19.2	3,439,588	945,108
Viet Nam	3,281,013	2,093,184	56.7	778,279	1,393,287	-44.1	2,502,734	699,898
Indonesia	1,336,566	974,370	37.2	314,985	334,048	-5.7	1,021,580	640,322
Middle East	4,157,891	2,840,688	46.4	639,352	830,215	-23.0	3,518,538	2,010,474
Egypt and the Arab Maghreb Union	2,119,983	2,437,673	-13.0	808,122	874,545	-7.6	1,311,861	1,563,128
SACU	366,651	207,740	76.5	151,925	152,937	-0.7	214,726	54,803
Oceania	640,935	659,508	-2.8	417,647	381,200	9.6	223,288	278,308
Others	10,866,201	8,644,728	25.7	4,666,024	5,388,464	-13.4	6,200,177	3,256,264

Source: INDEC

Trade Forecasts for 2025

As Argentina navigates its economic landscape heading into 2025, the nation faces both opportunities and challenges shaped by global and domestic factors. President Javier Milei's government, aligning ideologically with US President Donald Trump, views this alignment as a potential advantage in negotiating with the International Monetary Fund (IMF) to secure fresh funds and ease currency controls[122]. However, the broader economic outlook is clouded by uncertainties stemming from trade policies and tariff wars.

Trump's trade policies have historically included significant tariffs on steel and aluminum imports, which he reintroduced with stricter measures during his second term[124]. These tariffs not only affect the immediate economic environment in the US but also have far-reaching implications for countries like Argentina. For instance, the imposition of tariffs has been linked to market volatility, including a 2% drop in the Dow Jones Industrial Average and a 4% decline in

the Nasdaq, contributing to an atmosphere of uncertainty among consumers and businesses alike[123].

In response to economic pressures, President Milei has enacted significant deregulation measures, including Executive Decree 70/2023, which aims to reconstruct the Argentine economy by addressing a wide array of economic, financial, and social issues[127]. This approach signals a robust attempt to stabilize and promote growth despite the external pressures of international trade dynamics.

Public opinion in Argentina is split regarding the benefits of a US trade deal. While a significant portion of the population supports such agreements, there remains substantial concern over the impact of competing with American firms and the potential repercussions of Trump's tariffs[128]. These sentiments underscore the complex interplay between domestic economic reforms and external trade policies that Argentina must navigate.

As Argentina moves forward, the government's ability to leverage international relationships and manage internal economic reforms will be crucial. The evolving trade landscape, shaped by US policies and global market reactions, will significantly influence the trajectory of Argentina's economic growth and stability in 2025.

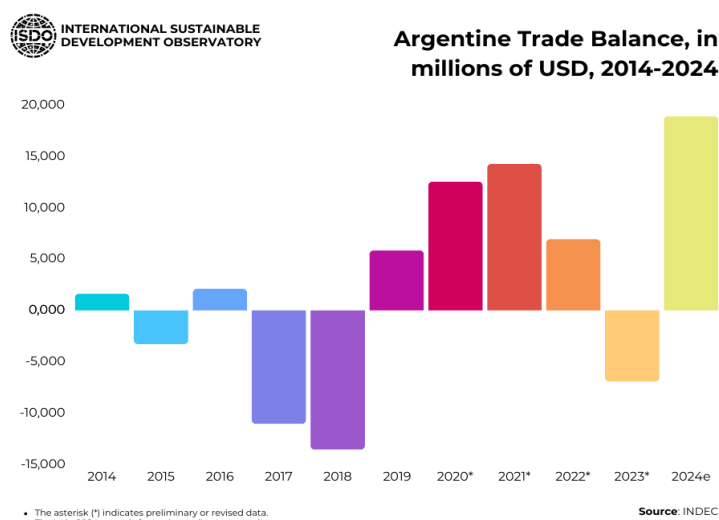
Trade Balance Analysis 2024

In 2024, Argentina recorded a historic trade surplus of approximately \$18.89 billion, marking a significant turnaround from the \$6.9 billion deficit experienced in 2023[92-][93][94]. This positive shift in the trade balance can be attributed to a combination of decreased imports and a robust increase in exports.

The total value of exports in 2024 reached \$79.72 billion, reflecting a 19.4% year-on-year increase. This growth was driven primarily by the recovery of primary products and agricultural manufacturers, which saw increases of 27% and 24% respectively[92][93]. The recovery of these sectors was fueled by improved climatic conditions following a severe drought in 2023, as well as favorable international prices[94]. Additionally, the devaluation of the peso under President Javier Milei's administration provided a further boost to export competitiveness[93].

On the other hand, imports fell by 17.5% to \$60.82 billion, a decline largely attributed to the economic recession[92][93]. The recession prompted a reduction in public spending and limited financing from the Central Bank, which in turn anchored inflation expectations and stabilized the economy[95]. This fiscal adjustment, coupled with structural reforms, played a crucial role in reducing the country's import dependency-[95].

The trade balance improvement underscores Argentina's reliance on its rich agricultural sector,



particularly in livestock and grain exports. The agro-industrial sector's performance was pivotal in achieving the record surplus, highlighting the country's strength in producing and exporting agricultural products and primary goods[94]. In summary, Argentina's 2024 trade balance was characterized by a significant increase in exports, particularly in agriculture, alongside a strategic reduction in imports amid ongoing economic reforms[92][93][94][95].

Commerce and Services Sector

The commerce and services sectors in Argentina are experiencing significant changes as the country navigates through its economic challenges and potential growth opportunities. Despite the historical volatility and economic turbulence that Argentina has faced over the past 75 years, signs of stabilization are beginning to emerge, with a projected decline in inflation and anticipated economic growth on the horizon[86]. These developments have significant implications for commerce and services.

The country's primary sectors, particularly agriculture, livestock, and mining, have been leading economic recovery, contributing to quarterly growth rates and overall economic stabilization[88]. The robust performance of these sectors has had a ripple effect on commerce and services, driving demand and creating new business opportunities. For instance, the economic expansion seen in Q3/2024 was primarily led by these sectors, which in turn boosted manufacturing, construction, and trade, showcasing strong recoveries across these industries[88].

Argentina's fiscal policies and structural reforms have played a crucial role in this stabilization process. The government's efforts to address deep-rooted fiscal, monetary, and exchange rate issues have laid the foundation for sustainable growth[87]. The successful fiscal adjustment, which turned a significant deficit into a surplus, has anchored inflation expectations and provided a more stable environment for businesses[87]. This stability is crucial for the commerce and services sectors, as it enhances market confidence and encourages investments.

However, challenges remain, including exchange rate restrictions, high tax burdens, and political volatility[86]. These factors continue to constrain business operations and consumer spending, affecting the overall growth of commerce and services. Despite these hurdles, the long-term outlook remains optimistic, with real wage gains, a stronger labor market, and increasing private consumption expected to drive recovery[88].

Services Sector

The services sector in Argentina has experienced significant benefits from the growth of the country's primary sectors, particularly in energy, mining, and agriculture. The development of the Vaca Muerta oil reserves, one of the largest shale gas and oil deposits in the world, has played a crucial role in enhancing the nation's trade balance and boosting the domestic economy. This has been supported by production incentives, tax exemptions, labor concessions, and other government policies designed to stimulate economic activity[90].

The positive effects of this primary sector growth extend into the services sector, as increased

economic activity in energy, mining, and agriculture stimulates demand for various services. For example, logistics and transportation services are essential to support the movement of agricultural products, crude oil, natural gas, and minerals. Financial services also see growth as companies involved in these sectors require banking, investment, and insurance services to manage their operations[91].

Moreover, Argentina's strong performance in agricultural and energy exports, bolstered by favorable weather conditions and an improved economic environment, contributes to a burgeoning trade surplus. This success, under the leadership of President Javier Milei, has created more opportunities for the services sector to flourish. As the world's leading exporter of processed soy oil and meal, and a major supplier of corn, wheat, and beef, Argentina's dominant position in global markets ensures a steady demand for trade-related services, including export management and trade finance[91].

Additionally, Argentina's rich lithium reserves, critical for electric battery production, highlight the country's growing importance in the global economy. The exploitation of these resources requires specialized services such as engineering, environmental consulting, and legal advisory, further driving the expansion and sophistication of the services sector[91].

Final conclusions

As the lead researcher, I've been particularly struck by how much the Argentinian economy is shifting. Gone are the days when it felt like we were perpetually tethered to the cyclical booms and busts of commodity exports. What my team and I have uncovered is a more diversified engine of growth, one with multiple cylinders firing, albeit at different rates and efficiencies.

First and foremost, the agricultural sector. It's impossible to discuss Argentina's economy without acknowledging its agricultural prowess. But it's not simply the sheer volume of soybeans, beef, and grains we're talking about anymore. The *how* is just as, if not more, important. I've seen firsthand how the integration of technology, particularly precision agriculture, is transforming the landscape. Drones monitoring crop health, GPS-guided tractors optimizing yields, data analytics informing irrigation strategies – these aren't futuristic fantasies; they're realities on farms across the country. Moreover, a growing awareness of sustainability is pushing the sector towards more responsible land management and reduced environmental impact. The challenge now lies in scaling these innovations and ensuring that smaller producers can access the resources and knowledge needed to compete in an increasingly sophisticated global market. We need policies that incentivize technological adoption and sustainable practices, creating a virtuous cycle of productivity and environmental stewardship. This can be done from a liberal perspective, encouraging market competition in a natural way, without the need to subsidize or generate inefficiencies that hinder the gradual and efficient adoption of these innovations.

Secondly, the rise of the digital economy has been nothing short of remarkable. From bustling tech hubs in Buenos Aires to burgeoning startup scenes in Cordoba and Mendoza, Argentina is quickly establishing itself as a regional leader in the digital space. Software development, fintech solutions, e-commerce platforms – these are the areas where Argentinian talent is truly shining. I've been impressed by the ingenuity and entrepreneurial spirit I've witnessed, with young Argentinians creating innovative solutions that address both local needs and global

challenges. However, this sector also faces significant hurdles. Attracting and retaining top talent is a constant battle, given the lure of higher salaries and more stable economic environments abroad. Furthermore, access to funding remains a constraint, particularly for early-stage startups. To fully realize the potential of the digital economy, we need to create a more supportive ecosystem, one that fosters innovation, attracts investment, and provides opportunities for Argentinian entrepreneurs to thrive. This includes streamlining regulations, improving access to capital, and investing in education and training to develop the skills needed for the jobs of the future.

Thirdly, the energy sector presents both opportunities and challenges. The discovery and development of unconventional oil and gas reserves in Vaca Muerta have the potential to transform Argentina into a major energy exporter, reducing our reliance on imports and boosting our foreign exchange earnings. However, realizing this potential requires significant investment in infrastructure, including pipelines, processing facilities, and transportation networks. Moreover, environmental concerns surrounding fracking need to be addressed through stringent regulations and responsible operating practices. On the other hand, Argentina is also blessed with abundant renewable energy resources, including wind, solar, and hydro power. Investing in these renewable energy sources can not only reduce our carbon footprint but also create new jobs and industries. I believe that a balanced approach, combining responsible development of conventional resources with a strong commitment to renewable energy, is the key to a sustainable and prosperous energy future for Argentina.

Lastly, tourism presents a unique opportunity for sustainable and inclusive growth. Argentina boasts a diverse array of natural landscapes, from the majestic Andes Mountains to the vast Patagonian plains, as well as a rich cultural heritage reflected in our vibrant cities and traditions. Eco-tourism, adventure tourism, and cultural tourism all have the potential to attract visitors from around the world, generating revenue for local communities and preserving natural and cultural heritage. However, realizing this potential requires investment in infrastructure, marketing, and training. Moreover, it's necessary to promote Argentina as a safe and welcoming destination, highlighting our unique attractions and cultural experiences. The growth of tourism in Argentina is likely to be driven by several factors, including the improvement of the economic situation, enhanced citizen security, upgrades to infrastructure, and increased global connectivity. These developments are partly facilitated by deregulations and improvements in the processes and conditions for entering and visiting the country.

In conclusion, I believe that Argentina is at a pivotal moment in its economic history. Argentina has the potential to break free from our past cycles of boom and bust and build a more sustainable and prosperous future. However, realizing this potential requires a concerted effort from government, and stakeholders. Argentina need to embrace innovation, promote private efficiency and sustainability, and create a more supportive environment for entrepreneurship. By doing so, Argentina can unlock the full potential of our economy and create a better future for all Argentinians.

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