

Lithium and Constitutional Change

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On 20 April 2023, Chile's President Gabriel Boric addressed the nation to announce the highly anticipated National Lithium Strategy. Boric announced the creation of a National Lithium Company (which must be enacted by Congress) and the establishment of public-private joint ventures, with a prominent role for the government. His speech began by referencing the nationalization of copper in the late 1960s and its completion in 1971 under President Salvador Allende.

The new lithium strategy has to be understood as something more than merely an economic proposal. It is part of a larger and elusive effort to reconfigure the State.

Lithium is different

Lithium is key for the energy transition and the fight against climate change. It is used in laptops, smartphones, and electric vehicles, leading the EU, US, and UK to declare it a critical substance. The proportion of lithium used in batteries has risen dramatically, from 23% in 2010 to 71% at present. Chile is the world's second-largest producer (following Australia). The country is part of the "Lithium Triangle" with Argentina and Bolivia, which [holds over 75% of the world's supply](#).

Unlike copper, known as "[Chile's salary](#)", the government cannot grant lithium concessions. Private actors may only enter into lease contracts with the government. Why is this the only way private companies can participate in the industry? The reason lies in the Cold War's influence in Chile. In the 1970s, under General Augusto Pinochet's dictatorship, the military junta established a [radical neoliberal economic system](#), which privatized education, health, and social security. Critically, in 1979, the junta decreed that "[as required by the national interest ... lithium is reserved to the State](#)". The US treated lithium as key to nuclear energy development, leading Chile's junta to declare it strategic and requiring contracts to be [cleared by the country's Nuclear Commission](#). Health, pensions, and education could be privatized and copper extracted by private companies, but lithium was different. This is why there was so much anticipation for President Boric's announcement of the government's Lithium Strategy.

The Strategy announcement received mixed reactions. Most of the international press rushed to qualify it as a "[nationalization](#)", overlooking that lithium has been Chilean for over four decades. The president of Chile's Confederation of Product and Commerce said he was "disconcerted" by the possibility of "a wave of nationalization", while his counterpart at the Federation of Chilean Industry spoke of a "sign of distrust" towards the private sector.

However, those involved in the lithium market (or have an interest in it) offer a different view. The CEO of the U.S.-company Albemarle praised the Boric

administration as “[very thoughtful](#)” and described the strategy as „an opportunity”. Albemarle’s representative in Chile highlighted the “legal certainty” of the announcement, by ensuring full respect for existing contracts. A senior analyst at The Economist Intelligence Unit believes that the strategy “[actually provides the private sector more opportunity than the existing framework because ... there would be more ability to partake in projects than currently exists](#)”. Mining company Salar Blanco’s general manager called it „good news for the country”, while Sorcia Minerals’ Latin America president said it “[goes in the right direction](#).” Finally, the general manager of SQM, the main company operating in Chile’s Salar de Atacama, which holds 90% of the country’s lithium reserves, hoped to “[achieve a good agreement for the country, communities, and companies](#).”

Reconfiguring the State

These views show that the lithium debate is linked to one of the most important current discussions: the redefinition of the State and the role of the private sector and communities in the country’s development.

Chile is currently undergoing a decade-long effort to replace its Constitution, enacted by Pinochet in 1980. After the resounding rejection of a constitutional proposal in [September 2022](#), a new iteration was set up — one in which political parties have attempted to retain the grip of the process by appointing a Committee of Experts. The Committee must draft a proposal that will be submitted to a fully elected Constitutional Council. The Council, dominated by right-wing delegates and with a national majority of delegates from the [far-right Republican Party](#), will deliberate on the proposal and offer a text for a vote by the Chilean people in December 2023. The current process is founded on twelve “[bases](#)” established by Congress to ensure that constitutional change remains within certain margins. One of the bases states that “Chile is a social and democratic State under the rule of law”, seeking to overcome the subsidiary State model of the 1980 Constitution. The “Social State” formula aims to guarantee benefits by ensuring social rights such as health, education, housing, and social security. To do so, it requires resources administered “[subject to the principle of fiscal responsibility](#)” as imposed by the same bases. The lithium strategy, which includes „[majority participation of the State](#)” in “[projects of strategic value for the country](#)”, is part of the reconfiguration of the State as “social and democratic” and requires financing to ensure its founding objective: social peace. The new State, which is currently seeking to outline its contours, must work in coordination with the private sector, ensuring clear, fair and competitive rules. At the same time, it must enable the country to move in a new direction by adding value and investing in knowledge and technology to move beyond being mere exporters of raw materials.

In his speech, Boric pointed out that the country “cannot afford to waste” the opportunity offered by having „the largest lithium reserves in the world“. He is right. At the same time, Chile must also seize the opportunity to equip a new State capable of achieving its goal of becoming a developed country.

As the new phase of the constituent process begins, it remains to be seen whether the Strategy will become part of a larger process of redefining the State or whether

constitutional change will need to take new forms to respond to the demands of the Chilean people.

