Argentina: Background and U.S. Relations

Mark P. Sullivan
Specialist in Latin American Affairs

Rebecca M. Nelson
Specialist in International Trade and Finance

September 6, 2016
Summary

Argentina, a South American country with a population of almost 43 million, has had a vibrant democratic tradition since its military relinquished power in 1983. Current President Mauricio Macri—the leader of the center-right Republican Proposal (PRO) and the candidate of the Let’s Change coalition representing center-right and center-left parties—won the 2015 presidential race and was inaugurated on December 10, 2015. He succeeded two-term President Cristina Fernández de Kirchner, from the center-left faction of the Peronist party known as the Front for Victory (FPV), who was first elected in 2007 (succeeding her husband, Néstor Kirchner, who served one term). In a close race, Macri defeated the FPV’s Daniel Scioli. Macri’s election ends the 12-year run of so-called Kirchnerismo that helped Argentina emerge from a severe economic crisis in 2001-2002 but also was characterized by protectionist and unorthodox economic policies and at times difficult relations with the United States.

Argentina has Latin America’s third-largest economy and is endowed with vast natural resources. Agriculture has traditionally been a main economic driver, but the country also has a diversified industrial base and a highly educated population. In 2001-2002, a severe economic crisis precipitated by unsustainable debt led to the government defaulting on nearly $100 billion in foreign debt owed to private creditors, the International Monetary Fund (IMF), and foreign governments. Subsequent Argentine administrations resolved more than 90% of the country’s debt owed to private creditors through two debt restructurings offered in 2005 and 2010; repaid debt owed to the IMF in 2006; and, in May 2014, reached an agreement to repay foreign governments, including the United States.

Reaching a settlement with the private creditors that did not participate in the exchanges—the “holdouts”—was a more protracted process. Macri made it a priority to resolve the 15-year standoff with private creditors, and, in February 2016, the Argentine government reached an agreement with the major remaining holdouts. In April 2016, the government successfully issued $16.5 billion in new government bonds and paid $9.3 billion to holdout creditors, effectively resolving the default.

U.S. Relations

U.S.-Argentine relations generally have been characterized by robust commercial relations and cooperation in such issues as nonproliferation, human rights, education, and science and technology. Under the Kirchner governments, however, there were periodic tensions in relations. Macri’s election brought to power a government that has demonstrated a commitment to improved relations with the United States.

The Obama Administration moved forward swiftly with engaging the new government on a range of bilateral issues and pursuing cooperation on various regional and global challenges. Demonstrating the significant change in relations, President Obama traveled to Argentina in March 2016 for a state visit that increased cooperation in such areas as trade and investment, renewable energy, climate change, and citizen security. President Obama also announced a comprehensive effort to declassify additional U.S. documents from the era of military rule in Argentina in which thousands were killed. Secretary of State John Kerry traveled to Argentina in early August 2016 to launch a High-Level Dialogue with Argentina to serve as a mechanism to ensure sustained engagement on bilateral issues and approaches toward regional and global challenges, including respect for democracy and human rights in the Americas.

U.S.-Argentine relations have largely been an oversight issue for Congress. In the aftermath of Macri’s election, key Members of Congress urged the Obama Administration to prioritize relations with Argentina. Over the years, another interest of Congress has been progress in the
investigation and prosecution of those responsible for the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA), which killed 85 people, and more recently in the investigation into the January 2015 death of the special prosecutor in the AMIA investigation, Alberto Nisman. S.Res. 167, introduced in May 2015, would, among its provisions, call for a swift, transparent, and internationally backed investigation into Nisman’s death. With regard to trade, some Members of Congress have attempted to block the lifting of U.S. import restrictions on fresh beef and lemon imports from Argentina.

This report provides background on the political and economic situation in Argentina and U.S.-Argentine relations. An Appendix provides links to selected U.S. government reports on Argentina.
# Contents

Political and Economic Situation ................................................................. 1  
  2015 Presidential Election ......................................................................... 4  
  Macri Administration ............................................................................... 5  
  Human Rights Issues .............................................................................. 7  
  Economic Snapshot and Challenges ......................................................... 9  
U.S.-Argentine Relations .............................................................................. 10  
  Background .............................................................................................. 10  
  Changes in Bilateral Relations Under the Macri Government .................. 11  
  Trade and Investment Issues .................................................................. 13  
  Debt Issues .............................................................................................. 15  
    Debt Owed to the Paris Club Countries .................................................. 15  
    Debt Owed to Private Bondholders ...................................................... 16  
    AMIA Investigation and Death of Alberto Nisman ............................... 18  
Outlook ........................................................................................................ 20  

# Figures

Figure 1. Map of Argentina, with Provinces .............................................. 2  

# Appendixes

Appendix. Selected U.S. Executive Branch Reports .................................. 22  

# Contacts

Author Contact Information ....................................................................... 22
Political and Economic Situation

Argentina—a South American nation located in the continent’s southern cone—has had elected civilian democratic rule for more than 32 years since the military relinquished power in 1983 after seven years of harsh dictatorship. The military’s so-called Dirty War against leftists and their sympathizers in the late 1970s and early 1980s had resulted in thousands of disappearances. The military ultimately fell into disrepute in the aftermath of its failure in the Falkland Islands (Islas Malvinas) war with Great Britain in 1982, and the country returned to civilian democratic rule with the election of Raúl Alfonsín of the Radical Civic Union (UCR) as president in 1983. Carlos Menem of the Justicialist Party (PJ), also known as the Peronist Party, won the 1989 elections and served two presidential terms until 1999, during which he transformed Argentina from having a state-dominated protectionist economy to one committed to free market principles and open to trade. Increasing corruption and high unemployment, however, led to the defeat of the Peronists in the 1999 presidential election, which was won by Fernando de la Rúa of the UCR as the candidate of a coalition known as the Alliance for Work, Justice, and Education.

In 2001-2002, Argentina’s democratic political system endured considerable stress amid a severe economic crisis and related social unrest. In late 2001, as the banking system faltered and confidence in the government of President de la Rúa evaporated, widespread demonstrations turned violent, and the president resigned. The subsequent interim government then defaulted on nearly $100 billion in public debt, the largest sovereign default in history at the time. Ultimately, the political system survived the crisis. President Eduardo Duhalde (January 2002-May 2003), a Peronist (Justicialist Party, PJ) senator selected by Congress to fill out the remainder of President de la Rúa’s term, implemented policies that stabilized the economy; then, left-leaning President Néstor Kirchner (May 2003-December 2007), a Peronist who had served as a provincial governor of Santa Cruz in Patagonia, further enhanced internal political and economic stability.

---

1 Peronism as a political movement dates to the 1940s when Juan Domingo Peron, a colonel serving as Secretary of Labor in a military government that assumed power in 1943, went on to build a formidable political base through support from the rapidly growing union movement. Peron was ousted by the military in 1955, but after 18 years of exile, he returned and was reelected president in 1973. He died a year later and was succeeded by his second wife Isabel, who had little political experience. Economic and political chaos ensued, with political violence surging and the country experiencing its first bout of hyperinflation. The military intervened in 1976 and ruled until the return to democracy in 1983. Today in Argentina, Peronism has many different factions across the political spectrum.
Figure 1. Map of Argentina, with Provinces

Source: Prepared by Calvin C. DeSouza, Geospatial Information Systems Analyst, CRS.
Despite some difficulties, Kirchner made popular policy moves in the areas of human rights and economic policy that helped restore Argentines’ faith in democracy. In June 2005, the government offered the first of two restructurings of its defaulted private bond debt with a historically low recovery rate to bondholders (about 30% on a net present value basis). While this was politically popular in Argentina, the government’s failure to repay its arrears to official Paris Club creditors or to reach a deal with remaining private creditors in defaulted bond debt who did not accept the government’s offer continued to prevent Argentina from having full access to international capital markets. Legislative elections in 2005 demonstrated strong support for Kirchner; his left-leaning wing of the PJ, known as the Front for Victory (FPV), made significant gains. Kirchner would have been eligible to run again in the 2007 presidential elections, but instead he supported the candidacy of his wife, Senator Cristina Fernández de Kirchner (hereinafter Fernández).

Cristina Fernández completed her second term as president in December 2015. She had won her first term in 2007 with 45% of the vote, defeating her closest rival by 23 points, and became the first woman in Argentine history to be elected president. In concurrent legislative elections, Fernández’s FPV faction of the PJ gained further seats, solidifying its majority in both houses of Argentina’s bicameral Congress. Nevertheless, Fernández’s political honeymoon was short-lived because of an energy crisis and a series of farmers’ strikes that led to the congressional defeat of her proposed tax increase on key agricultural exports. As a result, the Kirchners suffered a significant setback in the 2009 legislative elections, with the FPV losing control of both houses. It appeared that former President Kirchner was poised to run again for the presidency in 2011, but his death from a heart attack changed the political landscape. Instead, Fernández ran for reelection and won a second mandate in October 2011 with 54% of the vote, the largest percentage in a presidential race since the country’s return to democratic rule. Her support was buoyed by an outpouring of sympathy after the death of her husband as well as by the absence of a strong opposition candidate. The President’s FPV also regained a legislative majority in both houses of Congress.

President Fernández’s popularity, however, fell considerably after her reelection amid large-scale public protests against corruption, increasing crime, the government’s economic policies, and the government’s efforts to exert influence over the media and the judiciary. In Argentina’s October 2013 legislative elections, in which one-half of the Chamber of Deputies and one-third of the Senate were at stake, President Fernández’s Front for Victory managed to retain control of both houses. The FPV and its allies gained several seats in the 257-seat Chamber of Deputies, and in the 72-member Senate, the FPV lost several seats but retained a majority. Nevertheless, the FPV was unable to secure the two-thirds majorities needed to approve a constitutional reform that would have allowed President Fernández to run for a third consecutive term in 2015.

In 2014, despite her lame duck status, President Fernández still achieved congressional approval for initiatives to regulate the oil sector, reform telecommunications, and revise the civil and criminal codes. Her government also did an about face by resolving long-standing arbitral disputes with foreign companies and finalizing an agreement to pay foreign government creditors. However, the Fernández government’s impasse with private creditors who did not participate in the government’s debt restructurings in 2005 and 2010—the so-called “holdouts”—intensified in 2014 because of U.S. court rulings that made it difficult for Argentina to make payments on its restructured debt unless it also paid the holdouts (see “Debt Issues” below).

---


In the first half of 2015, the Fernández government was grappling with the fallout from the death of Alberto Nisman, the special prosecutor who, for the last decade, had been investigating the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) in which 85 people were killed. In January 2015, Nisman was found dead from a gunshot wound just a day before he was to testify before Argentina’s Congress regarding explosive accusations that President Fernández and other government officials attempted to whitewash the AMIA investigation in efforts to improve relations with Iran. After Nisman’s death, an Argentine prosecutor took up Nisman’s case against President Fernández related to Iran, but it was ultimately dismissed in April 2015. In the aftermath of Nisman’s allegations, President Fernández’s popularity fell to under 30%, but it subsequently increased in the second half of the year to 50%.4 (For more, see “AMIA Investigation and Death of Alberto Nisman,” below.)

2015 Presidential Election

On November 22, 2015, Argentines went to the polls in the second round of the 2015 presidential race and opted for change by electing Mauricio Macri of the opposition Let’s Change coalition representing center-right and center-left parties. Macri defeated Daniel Scioli, the candidate of the FPV, the leftist Peronist party faction of President Fernández. In a close race, Macri, the mayor of Buenos Aires, took 51.4% of the vote compared to 48.6% for Scioli, the outgoing governor of Buenos Aires province.5

Macri is the leader of the center-right Republican Proposal (PRO) party and was completing his second term as mayor. He has a business background and also served as president of one of Argentina’s most popular football clubs, Boca Juniors. One difficulty for Macri’s candidacy was that his Buenos Aires-centered political party was thought not to have a nationwide reach. During the August 2015 primary campaign, Macri moved more to the center so as not to alienate those Argentines supportive of the government’s social programs. As part of an attempt to expand his base, Macri supported protests by farm groups who oppose the government’s imposition of export taxes. He emphasized unity among the PRO and two other parties of the Let’s Change coalition—the center-left Radical Civic Union (UCR) and the center-left Civic Coalition.

Scioli had won the first presidential round held on October 25, with 37.1% of the vote, compared to 34.2% for Macri, and 21.4% for Sergio Massa, a deputy in Argentina’s Congress who headed a centrist dissident Peronist faction known as United for a New Alternative (UNA).6 A second round was required between Scioli and Macri since no candidate received 45% of the vote or 40% of the vote with a 10-point lead. Macri’s strong performance in the first round, between 5% and 8% higher than predicted, gave him significant momentum going into the second round. A key factor in the second round was whether Macri would be able to capture the votes of moderate Peronists who had supported Sergio Massa.

Scioli was a close ally of President Kirchner, serving as his vice president from 2003 to 2007. Going into the presidential race, Scioli reportedly was not close to President Fernández, but ultimately received her endorsement. Some observers contend that Scioli was burdened by being tied to the Kirchners and in particular, the polemic figure of President Fernández. According to press reports, a growing number of Argentines had become fatigued by her strong governing style and reports of corruption by her prominent supporters.

---

6 Ibid.
Some observers described Macri’s victory as a political earthquake in Argentina that constituted a rebuke for Kirchnerismo, although the close presidential race (with less than 3% separating Macri and Scioli) also reflected a deeply divided electorate. Perhaps as a reflection of this close divide, Macri said his victory was “the changing of an era,” but would not be about “revenge” or “settling scores.”

Macri Administration

Inaugurated on December 10, 2015, President Macri has moved swiftly to usher in changes in the government’s economic, foreign, and other policies. His election ended the 12-year run of so-called Kirchnerismo that helped Argentina emerge from a severe economic crisis in 2001-2002, but also was characterized by protectionist and unorthodox economic policies and at times difficult relations with the United States.

In the aftermath of Macri’s electoral victory, some observers argued that the new president could face difficulty moving forward with some of his policy changes given that his party and other parties in the Let’s Change coalition only have a minority of seats in Congress. In October 2015, Argentines voted in legislative elections for one-half of the Chamber of Deputies and one-third of the Senate. The FPV—the leftist Peronist faction of former President Fernández—retained the largest bloc of seats in the lower house and a majority in the Senate. The FPV, however, has faced a number of defections from its ranks as it confronts high-profile corruption scandals associated with the Fernández government. Early on, Sergio Massa pledged that his centrist Peronist bloc (now known as United for a New Argentina, or UNA) would support Macri, although Massa maintained that he would not give the president a blank check. To date, President Macri has received backing from Argentina’s Congress for key elements of his legislative agenda. For example, as noted below, the president secured substantial support in March 2016 for a deal with the holdout creditors from a previous bond default.

Looking ahead, the Macri government will continue to need the backing of some Peronists to secure support for the president’s legislative agenda. This could prove more difficult as the country moves toward midterm legislative elections in October 2017, when once again one-half of the Chamber of Deputies and one-third of the Senate will be contested.

In the economic sphere, the Macri government lifted currency controls within the president’s first week in office, which caused a rapid devaluation of the Argentine peso by some 30%. The action was taken to contend with capital flight and generate needed foreign investment. Currency controls had first been implemented by the Fernández government in 2011 to avoid depreciation of the peso. The Macri government also moved to eliminate taxes on most agricultural exports, with the exception of soybeans (Argentina’s largest export), for which export taxes were lowered from 35% to 30% and are to be lowered each year by 5% until their elimination. Export taxes had first been imposed in 2002 and were used by the Kirchen and Fernández governments to boost government revenue for social programs, but the policy resulted in a decline in agricultural production and hoarding by some producers. Argentina’s devaluation and elimination or reduction of agricultural export taxes has increased farmers’ revenue.

---

The Macri government also overhauled the leadership and staff of the National Institute of
Statistics and Census (INDEC) that for many years was criticized for producing inaccurate
inflation and other economic data. Publication of inflation statistics was suspended until INDEC began publishing new data in June 2016 (see “Economic Snapshot and Challenges,” below). An IMF technical mission to Argentina reported in July 2016 that it was impressed with the Argentine authorities’ strong commitment to improving the quality and transparency of official data, a contrast to the IMF’s stance toward the Fernández government, which it criticized for publishing unreliable data.10

During the electoral campaign, Macri vowed to resolve the long-standing dispute with holdout creditors who did not participate in previous debt restructurings. His new government held its first formal meeting with holdout creditors on January 13, 2016, and reached agreements with the major holdouts in late February 2016. By the end of March, both houses of Argentina’s Congress had approved the deal by large margins, essentially resolving a thorny issue that had effectively kept Argentina out of international financial markets. With the issue resolved, Argentina returned to international capital markets in April 2016 with a $16.5 billion bond offer (see “Debt Issues,” below).

The Macri government also moved forward to eliminate subsidies on electricity, water, and gas prices, actions that have been lauded by the IMF but, not surprisingly, have been politically unpopular. Social discontent and protests have increased related to the government’s increase in utility and energy tariffs and could pose a challenge to the government’s economic reforms. As of August 2016, Macri’s popularity was a solid 50%, but this figure reflected a fall of 10 percentage points since he came into office.11 On August 18, 2016, Argentina’s Supreme Court suspended gas price increases for residential customers (which reportedly accounts for one-third of the country’s gas consumption) pending public consultations on the increases. The government has plans to move ahead with public hearings in September 2016.

In other domestic policy moves, President Macri announced the appointment of two new justices to the Supreme Court in December 2015, an action that was criticized strongly across the political spectrum for bypassing Argentina’s Congress when it was in recess. Supreme Court appointments require approval of two-thirds of the Senate, where the now-opposition FPV currently enjoys a majority. Because of the political fallout, Macri delayed the appointment of the two justices in an effort to build support and allow for congressional consideration. Ultimately, Argentina’s Senate approved the two Supreme Court justices by a wide margin in June 2016, representing a significant political victory for President Macri.12

President Macri also issued a decree in December 2015 amending the Fernández government’s 2009 media law, which was designed to curtail media monopolies. Macri’s decree abolishes two regulatory agencies that were established by the media law and establishes a single new agency to oversee audiovisual and telecommunications companies (also see “Human Rights Issues,” below.)

Since taking office, President Macri has taken a series of measures to combat organized crime, particularly drug trafficking, which he maintains was ignored by the previous government. In January 2016, he issued a decree declaring a one-year national security emergency to combat drug trafficking. The decree calls for the immediate deployment of additional federal security at Argentina’s borders and the establishment of a new radar system, and it provides authority to the

---

armed forces to shoot down aircraft suspected of drug trafficking. In February 2016, President Macri decreed the establishment of a new drug agency to prevent illicit trafficking, provide technical assistance in related court cases, and oversee the use and control of chemical ingredients and substances that could be used to make drugs.

In the foreign policy arena, President Macri’s new foreign minister, Susana Malcorra, who had been serving as chief of staff for U.N. Secretary General Ban Ki-moon, has piloted the government on a new course toward improved relations with Brazil, Uruguay, the United States, and the pro-market countries of the Pacific Alliance—Chile, Colombia, Mexico, and Peru. Macri has been strongly critical of the Venezuelan government’s repression of its political opponents, demonstrating a sharp departure from the Fernández government’s close relations with Venezuela. Argentina currently chairs the Organization of American States (OAS) Permanent Council and has been supportive of the actions of OAS Secretary General Luis Almagro to shine light on setbacks to democracy in Venezuela. Most recently, Argentina—along with Brazil and Paraguay—has opposed Venezuela’s assumption of the rotating presidency of Mercosur (Common Market of the South).

For some observers, Macri’s election is a reflection of the ebbing of the so-called pink tide of populist leftist leaders in Latin America.

With regard to Iran, President Macri announced soon after his election that his government would not appeal an Argentine court ruling that declared unconstitutional a 2013 agreement with Iran to jointly investigate the 1994 AMIA bombing (see “AMIA Investigation and Death of Alberto Nisman,” below).

**Human Rights Issues**

For more than a decade, Argentine governments have made significant efforts to bring to justice those responsible for the killing of thousands of people (some 30,000, according to Argentine human rights groups) and the torture of thousands during the so-called Dirty War, which occurred under military rule from 1976 to 1983. Since the Argentine Supreme Court overturned amnesty laws in 2003, more than 600 people, including many former military and police officials, have been convicted for the atrocities committed under military rule. These have included former military rulers General Jorge Rafael Videla (1976-1981), who died in prison in 2013, and General Reynaldo Bignone (1982-1983), who remains in prison.

In late May 2016, Bignone (already convicted previously for human rights abuses) was convicted along with 14 other military officers (including one from Uruguay) for their roles in Operation Condor, a plan among several South American military governments in the 1970s and 1980s targeting regime opponents through kidnappings, torture, and killings. On August 25, 2016, 38 former military officers were convicted (with 28 sentenced to life in prison) for their roles in the killing of several hundred victims in torture centers in the province of Córdoba during the military dictatorship. Argentine judicial authorities continue to investigate and prosecute other cases of individuals implicated in human rights abuses committed during the Dirty War. (During

---

his March 2016 visit to Argentina, President Obama announced a decision to declassify U.S. documents from the era of military rule. See “Changes in Bilateral Relations Under the Macri Government,” below.)

Some human rights groups had criticized the Fernández government regarding press freedom. Press rights groups criticized the government for punishing media outlets critical of the government by withholding public advertising and instead awarding such advertising to outlets close to the government.

The Fernández government also had battled with the Clarín media group, which owns Argentina’s most widely read newspaper, as well as radio stations, broadcast and cable television outlets, and an Internet service provider. In 2009, the government enacted a controversial law regulating broadcast and print media that it indicated was designed to strengthen pluralism and information freedom. The government maintained that it wanted Clarín to sell some of its assets in order to create more competition in the media market, while some press rights groups contended that the government actually wanted to muzzle Clarín, which has often been critical of the government. In October 2013, Argentina’s Supreme Court upheld key provisions of the law. Clarín subsequently presented a plan to the government to break up its holdings into six different companies. An outline of the plan initially had been approved by the government’s regulatory agency, the Federal Audiovisual Communications Authority (AFSCA) in February 2014, but in October 2014, the board of directors of AFSCA voted against Clarín’s plan and said that the agency itself would undertake enforcement of the media law and the breakup of the media group. The president of the AFSCA said that Clarín’s plan would have maintained linkages among the new companies and violated the spirit of the media law. Clarín maintains that the government was attempting to stifle dissent and appropriate private property.

As noted above, President Macri issued a decree in late December 2015 that significantly amended the 2009 media law. The decree abolished the AFSCA and another regulatory body that had been set up to oversee telecommunications, the Federal Authority for Information Technology and Communications (AFTIC), and replaced both of them with a new entity, the National Communications Body (ENACOM). The Macri government and some press rights groups maintained that the regulatory process had become politicized under the Fernández government. Some protests against the Macri government’s changes to the media law took place in January 2016, with critics arguing that the government’s action removed limits to media concentration and therefore jeopardizes freedom of expression. The press rights group Reporters Without Borders warned in April 2016 that the government’s action could result in concentration of media ownership, especially in the hands of the Clarín media group.

---


22 “Watchdog Warns against Concentration of Media Ownership in Argentina,” BBC Monitoring Americas, April 21, 2016 (text of April 20 report from Buenos Aires Herald).
Economic Snapshot and Challenges

With a gross domestic product (GDP) of almost $438 billion (2016, IMF estimate), Argentina has the third-largest economy in Latin America after Brazil and Mexico. The country has vast natural resources, including abundant fertile land suitable for agriculture, which have traditionally been the main drivers of economic growth. A highly educated population and a diversified industrial base also contribute to growth. Poverty rates, which had increased a decade ago because of the 2001-2002 financial crisis, have fallen considerably in recent years as the economy has recovered.23

The global economic recession in 2009 had a negative effect on the Argentine economy, which contracted slightly by 0.1%. The economy rebounded in 2010 and 2011, however, with growth averaging 8.9%, due to an improvement in the global economy and higher demand for Argentina’s exports by China (especially soybeans) and Brazil (especially cars and other vehicles). Argentina’s economic growth slowed considerably in 2012 to an estimated 0.8% due to a variety of factors. These include sluggish global demand, high inflation, and a drought that affected agricultural production. Growth was also dampened by domestic economic policies, such as import and foreign currency controls, which discouraged foreign investment and made it more difficult for businesses to acquire capital goods. In 2013, a strong agricultural harvest resulted in an estimated growth rate of 2.9%, but in 2014 economic growth slowed to an estimated 0.5% because of macroeconomic imbalances and uncertainties related to the standoff with holdout creditors. The economy grew 1.2% in 2015, largely because of the government’s preelection fiscal expansion.24

For 2016, the IMF is projecting an economic contraction of 1%, but in 2017 the economy is projected to grow almost 2.8%. The IMF maintains that the Macri government has “embarked on an ambitious much needed transition to remove domestic imbalances and distortions and correct relative prices.” According to the IMF, these actions—which have included scaling back foreign exchange controls, removing several constraints on international trade, eliminating or reducing taxes on agricultural exports, raising tariffs on utilities, and reaching an agreement with holdout creditors—have improved prospects for economic recovery in 2017.25

According to many observers, including the IMF, the Fernández government had consistently understated inflation since 2007. In 2014, the government took action to improve its reporting on inflation and unveiled a new consumer price index, but private economists remained skeptical. Private economists estimated that inflation was 38% in 2014 by year’s end and almost 27% in 2015 by year’s end. As noted above, the Macri government overhauled the National Institute of Statistics and Census (INDEC), and in June 2016 the agency began reporting statistics that showed prices rising 4.2% in May and 3.1% in June. Full-year statistics are not available, but the Economist Intelligence Unit estimates a 2016 year-end rate of 43% in 2016, before declining to 17% by the end of 2017.26

A significant challenge for Argentina was resolving its outstanding defaulted external debt owed to remaining private creditors (approximately $15 billion, with principal and past-due interest) who did not participate in Argentina’s 2005 and 2010 bond exchanges. The outstanding debt

effectively blocked Argentina from the international credit markets. As noted above, the Macri government reached a settlement with most of the holdout creditors in February 2016, which was then approved by Argentina’s Congress in March 2016. The action effectively ended Argentina’s long dispute with private holdout creditors. Also on a positive note, the Fernández government had reached an agreement with the Paris Club group of official creditors in May 2014.27 (See “Debt Issues,” below.)

U.S.-Argentine Relations

Background

In the aftermath of Argentina’s return to democracy in 1983, the United States and Argentina developed strong relations, which were especially close during the presidency of Carlos Menem (1989-1999). At times, however, there have been tensions in the bilateral relationship. The tough U.S. approach toward Argentina during its political and financial crisis in 2001-2002, in which the United States supported the cutoff of assistance from the IMF until Argentina committed to a sustainable economic plan, caused friction.

Tensions in bilateral relations increased in 2011 because of two incidents that occurred in the aftermath of a White House decision to exclude a visit to Argentina on President Obama’s first trip to South America. First, then-Argentine Foreign Minister Hector Timerman criticized the decision of the then-mayor of Buenos Aires, Mauricio Macri, to send two police officials to the U.S.-backed International Law Enforcement Academy in El Salvador, which provides police management and specialized training to officials from throughout Latin America. Timerman publicly suggested that the school was teaching oppressive tactics. In another incident in 2011, Argentine officials seized U.S. government equipment associated with joint training activities on hostage rescue and crisis management between U.S. military personnel and Argentine federal police. According to the Department of State, the training had been approved by Argentine officials and the equipment involved was standard gear associated with the training.28 Then-Foreign Minister Timerman supervised the seizure of the cargo at the airport (opening part of the cargo in front of the press), which, according to U.S. officials, was coordinated at the highest levels of the Argentine government.29 Ultimately, tensions waned after an Argentine court ruled that the incident was not a criminal case, but a problem with customs clearance.

In September 2014, then-Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson acknowledged that U.S.-Argentine relations were in a tough period. She maintained that the litigation involving private creditors is an issue for the courts to decide, but expressed hope “that it can be resolved in a way that Argentina can return to the international community, that Argentina can begin to grow and be productive again.”30 Argentine officials, likely attempting to

---

27 The Paris Club is an informal group of 19 creditor nations, including the United States, Canada, Japan, and many European countries. The group meets about 10 times annually to collaborate on official debt workout mechanisms for developing countries.


30 U.S. Department of State, Assistant Secretary of State, Bureau of Western Hemisphere Affairs, Roberta S. Jacobson, “U.S. Priorities in the Western Hemisphere,” September 26, 2014.
play to a domestic audience, lashed out at the United States in 2014 regarding the debt issue. President Fernández also asserted in a speech on September 30, 2014, that “if anything happens to me ... look North,” referring to the United States, and alleged that economic sectors in Argentina wanted to oust her government with outside help.

Argentina has not traditionally received much U.S. foreign assistance because of its relatively high per capita income, but in recent years it has received small amounts of assistance for military education and training and assistance to enhance its strategic trade control compliance and enforcement. Such assistance amounted to $576,000 in FY2015 and an estimated $550,000 in FY2016, while the Administration has requested $550,000 in FY2017.

**Changes in Bilateral Relations Under the Macri Government**

In July 2015, during the Fernández Administration, U.S. Ambassador to Argentina Noah Mamet maintained that the United States “wants and needs a strong democratic partner like Argentina to address global issues,” including working together “to reverse climate change, combat narco trafficking, increase security, provide peacekeeping, and prevent the spread of dangerous weapons around the world.” A year later, in July 2016, Ambassador Mamet said that “under President Macri’s leadership, Argentina is back now on the global stage, and our bilateral relations are reaching new heights.” He noted that the extent of positive change in Argentina “has exceeded all our expectations.”

In the aftermath of Macri’s election in November 2015, Secretary of State John Kerry congratulated the Argentine people for the successful elections, which he said reflected “Argentina’s strong democratic values,” and said that the United States looks forward to working closely with Macri and his government. The Secretary expressed confidence that the United States and Argentina “would continue to work closely to promote regional security and prosperity, and to enhance human development and human rights both within our hemisphere and across the globe.”

The Chairman and ranking member of the House Committee on Foreign Affairs, Representative Edward Royce and Representative Eliot Engel, sent a letter to President Obama in November 2015 urging the Administration to prioritize relations with Argentina over the next year. The Members urged the Administration to consider several actions designed to revitalize bilateral relations. The recommendations included increasing public diplomacy with Argentina; initiating a U.S.-Argentina high level economic dialogue; providing technical assistance on economic and trade issues; supporting the resolution of arbitrations claims and “holdout” bond holders; encouraging regional leadership from Argentina; and improving counternarcotics cooperation.

---


32 “Presidenta: ‘Si Me Pas Algo, Que Nadie Mire Hacia el Oriente, Miren Hacia el Norte,’” Agencia Diarios y Noticias (Buenos Aires), September 30, 2014; Cristina Fernández Says ‘Look North’ If Anything Happens to Her,” Telesur, October 1, 2014.


36 House Committee on Foreign Affairs, “Chairman Royce, Ranking Member Engel Congratulate President-Elect (continued...)”
Since Macri’s election, U.S. relations with Argentina have notably improved. Vice President Joe Biden met with President Macri on the sideline of the World Economic Forum in Davos, Switzerland, in January 2016. The leaders “discussed opportunities to strengthen bilateral relations in the coming year, including through increased cooperation on commercial and trade ties, defense and security issues, and educational exchanges.” Following a sideline meeting between Treasury Secretary Jack Lew and Argentine Finance Minister Alfonso Prat-Gay at Davos, the Department of the Treasury announced that it would no longer oppose lending to Argentina from the multilateral development banks and that the policy change was prompted by the Argentine government’s “progress on key issues and positive economic policy trajectory.”

Demonstrating the extent of change in U.S.-Argentine relations, President Obama visited Argentina from March 22 to March 24, 2016, in the first state visit since President Clinton visited in 1997. The trip was aimed at ways to strengthen bilateral relations in such areas as trade and investment and security and defense and to partner with Argentina in addressing such global challenges as climate change, peacekeeping, refugees, and the defense of human rights and democracy. During the trip, several bilateral agreements were announced related to cooperation on such issues as preventing and combating serious crime, advancing law enforcement and counterterrorism, promoting entrepreneurship and small- and medium-sized businesses, and combating money laundering and terrorist financing. During the trip, the two countries also signed a Trade and Investment Framework Agreement (TIFA) that creates a forum for engagement on bilateral economic issues, such as market access, intellectual property rights protection and cooperation at the World Trade Organization (WTO) and other multilateral forums.

President Obama’s trip coincided with the 40th anniversary of the military coup on March 24, 1976, that began the dark period of military rule in Argentina. During a visit to the Parque de la Memoria (Remembrance Park), President Obama announced a comprehensive effort to declassify U.S. documents from that era in response to a request from President Macri and to continue to help the families of the victims. The United States already had released some 4,700 partially declassified documents from that period, but President Obama announced that the United States would declassify even more documents, including military and intelligence records. According to the President, “we have a responsibility to confront the past with honesty and transparency.” President Obama noted the controversy regarding U.S. policy during those “dark days.” He said, “Democraties have to have the courage to acknowledge when we don’t live up to the ideals that we stand for; when we’ve been slow to speak out for human rights. And that was the case here.”

In early August 2016, Secretary of State Kerry visited Argentina and, along with Argentine Foreign Minister Susana Malcorra, launched a High-Level Dialogue (HLD) to serve as a means...
of strengthening bilateral relations in such areas as trade and investment; law enforcement cooperation; people-to-people ties; and energy, science, and education cooperation. The dialogue tracked many of the issues covered during President Obama’s trip in March, including efforts to address common challenges such as democracy and human rights, peacekeeping, security cooperation, nonproliferation, the environment, climate change, and clean energy. According to a joint statement, Secretary Kerry and Foreign Minister Malcorra “reiterated their shared commitment to advancing peace, democracy and human rights in the Americas.” On the situation in Venezuela, the two leaders urged Venezuelan authorities to promptly set a timetable for the presidential recall referendum process and expressed support for dialogue to address the immediate needs of the Venezuelan people. Both leaders agreed that their teams would hold additional discussions under the rubric of the HLD later this year, with annual meetings thereafter.41

Trade and Investment Issues

The United States ran a $5.4 billion trade surplus with Argentina in 2015, exporting $9.3 billion in goods to the country (led by machinery and oil) and importing about $3.9 billion in goods (led by crude oil and other petroleum products). In 2015, Argentina was the 28th-largest export market for the United States. The United States was Argentina’s third-largest trading partner (after Brazil and China) in 2014, with imports from the United States accounting for almost 14% of Argentina’s total imports and exports to the United States accounting for almost 6% of its total exports.42

According to the U.S. Trade Representative’s 2016 National Trade Estimate Report on Foreign Trade Barriers, the Macri government has taken steps to reverse many of Argentina’s restrictive trade policies imposed under previous governments. The 2016 report provides background on Argentina’s current technical, sanitary, and phytosanitary barriers to U.S. imports—including bans on imports of live cattle, beef and beef products, pork and poultry because of disease concerns—as well as other tariff and nontariff barriers.43 As noted above, the United States and Argentina signed a TIFA in March 2016 as a forum to tackle discussions on a range of trade and investment issues.

In July 2015, the WTO ruled that the United States failed to adhere to its international obligations when it banned imports of fresh beef from Argentina because of concerns over a 2001 foot-and-mouth (FMD) disease outbreak. In July 2015, however, the U.S. Department of Agriculture’s (USDA’s) Animal and Plant Health Inspection Service (APHIS) issued final rules to allow the import of fresh beef from Argentina.44 For the import restrictions to be lifted, USDA’s Food Safety and Inspection Service must determine if Argentina’s food safety system for beef provides the same level of food safety as the U.S. system. Both the House and Senate FY2016 Agriculture appropriations bills, H.R. 3049 and S. 1800, included provisions that would have prohibited

42 U.S. trade statistics are from the Department of Commerce, as presented by Global Trade Atlas. Argentina’s trade partners were derived from Argentina statistics presented by Global Trade Atlas.
USDA funding to implement, administer, or enforce a lifting of the ban on beef from Argentina. Some Members of Congress had concerns about the prospect of FMD threatening the U.S. cattle supply. Ultimately, the FY2016 omnibus appropriations measure (P.L. 114-113) did not include such a provision; however, the law did include a provision (Section 752, Division A) requiring APHIS to establish a prioritization process for conducting audits and reviews of countries that have been granted animal health recognition status. A similar provision is included in the FY2017 Agriculture appropriations bill, H.R. 5054, Section 738. (For more information, see CRS In Focus IF10373, Fresh Beef Import Rules for Brazil and Argentina, by Joel L. Greene.)

Another long-standing trade concern of Argentina is the U.S. ban of lemon imports from northwest Argentina since 2001 because of citrus greening disease. In May 2016, USDA’s APHIS issued proposed rules to allow lemons from Argentina, maintaining that lemons were safe to import after a risk analysis. 45 U.S. citrus growers have urged USDA not to lift the import ban, maintaining that doing so would risk the spread of the citrus disease. 46 The FY2017 Agriculture appropriations bill, H.R. 5054, has a provision in Section 760 that would prohibit funds made available by the act from being used for a rule with respect to the importation into the United States of lemons from Argentina until the Secretary of Agriculture submits a certification that site visits of production areas of lemons in Argentina have been completed and pest and disease risk assessments with respect to such lemons have been conducted and until the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget submits a certification regarding assessments specified in Section 6(a)(3)(C) of Executive Order 12866.

The stock of U.S. foreign direct investment in Argentina amounted to $13.4 billion in 2014 (latest available information), with investment concentrated in manufacturing, mining, energy, information technology, and finance. 47 More than 500 U.S. companies are invested in the country. According to State Department’s 2016 Investment Climate Statement on Argentina, the Macri government has undertaken reform to correct macroeconomic imbalances and improve the country’s investment climate, including the lifting of capital controls, currency devaluation, reduction of import restrictions, and removal of most export duties. 48 This stands in contrast to the Kirchner and Fernández governments, which had taken actions over the years that dampened the investment climate.

Nevertheless, the Fernández government had taken some positive measures, which included settling several outstanding international arbitral awards in 2013 and 2014 for investment disputes and reaching an agreement with the Paris Club group of official creditors in 2014 to repay Argentina’s overdue debt (see “Debt Owed to the Paris Club Countries”). Under the Macri government, in addition to the settlement with private creditors, Argentina agreed in May 2016 to settle an outstanding arbitral award for a U.S. energy company that had been granted by the International Centre for the Settlement of Investment Disputes in 2014. 49

Argentina has been on the U.S. Trade Representative’s (USTR’s) Special 301 Priority Watch List since 1996 because of problems with intellectual property rights (IPR) enforcement. USTR’s 2016 report maintains that Argentina continues to present a number of long-standing and well-


46 “Growers Warn Against Lifting Ban on Argentine Lemons,” International Trade Reporter, August 18, 2016.


49 Ibid.
known deficiencies in intellectual property rights protection and enforcement and has become an extremely challenging market for IPR-intensive industries. The report expressed concerns over physical counterfeiting and piracy, Internet piracy, and patent protection and enforcement in the agricultural chemical, biotechnology, and pharmaceutical sectors. The report noted, however, that the United States is hopeful that the new Macri government will engage more productively to improve the protection of IPR in Argentina. In a December 2015 report on notorious markets worldwide engaging in copyright piracy and trademark counterfeiting, USTR cited the “La Salada” market in Buenos Aires as South America’s largest black market, where “sellers of counterfeited and pirated products deal openly because enforcement reportedly has been small-scale and intermittent.”

**Debt Issues**

Argentina’s 2001 default has been a long-standing issue in relations with the United States. Argentina faced an acute economic crisis in 2001 that led to its default on nearly $100 billion of debt: $81.8 billion owed to private creditors; $6.3 billion owed to other governments, including the United States; and $9.5 billion owed to the IMF. Reaching a resolution to the government’s default has been a complex process that has taken more than a decade. Argentina repaid the IMF in full in 2006 and reached an agreement to repay other governments in May 2014. In terms of debt owed to private creditors, Argentina restructured more than 90% of the debt owed to private bondholders in 2005 and 2010 but remained in default on the holdouts. In a bid to regain access to international capital markets and normalize Argentina’s status in the international economy, President Macri restarted talks with holdout creditors. An agreement was reached with the largest remaining holdouts in February 2016 and paid $9.3 billion to holdout creditors in April 2016, effectively ending the 15-year default.

**Debt Owed to the Paris Club Countries**

After more than a decade, Argentina took steps in 2014 to resolve its default on debt owed to the “Paris Club” countries. The Paris Club is a voluntary, informal group of creditor governments, including the United States, which negotiates and/or reduces debt owed to them by other countries on a case-by-case basis. After defaulting on its Paris Club debt in 2001, Argentina negotiated with the Paris Club in 2008 and 2010, but the parties failed to reach an agreement in these talks.

As economic conditions in Argentina became more difficult, including being cut off from international capital markets and facing a shortage of foreign currencies (particularly dollars), Argentina again approached the Paris Club countries in January 2014 with a proposal for repaying its debts to these governments. In May 2014, a multilateral agreement was reached between the Argentine government and the Paris Club countries that set out repayment terms for the amount outstanding, which had grown to $9.7 billion (principal and accrued interest).

---

50 Office of the United States Trade Representative (USTR), 2016 Special 301 Report, April 2016.
52 Some of the material in this section is drawn from CRS Report R41029, Argentina’s Defaulted Sovereign Debt: Dealing with the “Holdouts”, by J. F. Hornbeck.
54 For more on the Paris Club, see CRS Report RS21482, The Paris Club and International Debt Relief, by Martin A. Weiss.
including $608 million to the United States.\textsuperscript{56} In addition to the U.S. government, Argentina owes money to Germany and Japan, which together accounts for more than half of Argentina’s Paris Club debt, as well as the Netherlands, Spain, Italy, and Switzerland.\textsuperscript{57} Markets responded positively to the announcement of the agreement.\textsuperscript{58}

Following the Paris Club agreement, the United States signed a bilateral implementing agreement with Argentina in February 2015 that entered into force on April 13, 2015. As a result, Argentina is no longer in default on debt owed to the U.S. government. This lifted restrictions on assistance to Argentina in place pursuant to the Foreign Assistance Act of 1961 (Section 620(q)), which prohibits aid to countries in default to the U.S. government. Argentina has stayed current on its repayments to the U.S. government under the new agreement and, at the end of 2014 (latest data available), owed Paris Club governments about $6.5 billion.\textsuperscript{59}

Debt Owed to Private Bondholders

Resolving Argentina’s default on privately held debt has been a long process. Most of the defaulted debt held by private creditors was resolved through bond exchanges offered by the Argentine government in 2005 and again in 2010. In the exchanges, the Argentine government extended a unilateral offer to private bondholders to exchange the defaulted bonds for new bonds at a steep loss (approximately a net present value loss of 70%). Although the terms were widely viewed as unfavorable for the bondholders, more than 90% of bondholders agreed to participate in the exchanges. Until recently, investors holding the restructured Argentine bonds received the full payments due on these bonds. Legal rulings in 2014 prevented investors from receiving payments, as discussed below.

A small group of private investors—the holdouts—did not participate in the exchanges and did not receive any payment from Argentina following the 2001 default. In 2014, Argentina estimated that the claims totaled approximately $15 billion, including principal and past-due interest. Most of the holdouts are hedge funds that bought the bonds in secondary markets at steep discounts after the default. The holdouts have pursued litigation to seek full repayment from Argentina, primarily in the United States, since a large proportion of Argentine bonds were issued under New York law.

Although the legal cases have examined a number of issues, the most consequential ruling relates to the interpretation of a clause in the bond contracts that dictates creditors be treated equally: the pari passu clause. A smaller group of the holdout creditors, with claims totaling $1.3 billion, argued that paying the exchange bondholders while repudiating the holdout bonds is a breach of this provision. In 2012, a New York federal district court judge, Thomas Griesa, ruled in favor of the holdouts. As a result, if Argentina did not pay the group of litigating holdouts, U.S. financial institutions legally could no longer transfer interest payments from Argentina to the exchange bondholders.\textsuperscript{60} In effect, for Argentina to pay the exchange bondholders, it would have to pay the

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{57} Leigh Thomas, “Paris Club Invites Argentina to Hold Debt Negotiation,” Reuters, March 14, 2014.
\item \textsuperscript{58} Leigh Thomas and Sarah Marsh, “Argentina Clinches Landmark Debt Repayment Deal with Paris Club,” Reuters, May 29, 2014.
\end{itemize}
\end{footnotesize}
holdouts as well. The ruling was appealed, eventually reaching the U.S. Supreme Court. The Supreme Court announced in June 2014 that it would not hear the case, letting the previous ruling stand.

Following the Supreme Court announcement, the Argentine government faced a difficult decision. It could either (a) pay the holdouts and the exchange bondholders or (b) pay neither group and default on the exchange bonds debt. Paying the holdouts would have been financially and politically costly, requiring a sizeable portion of Argentina’s foreign exchange reserves, and could have been seen as the Argentine government “caving” to foreign investors. Even though the Argentine government transferred funds to pay the holders of the restructured bonds, intermediary banks were not legally able to process the payments. In 2014, credit rating agencies declared Argentina to be in default, for the eighth time in the country’s history. Some analysts argued that the Fernandez government had “staked [President Fernandez’s] political career on fighting the holdouts.” In June 2015, the Argentine government announced that it would not negotiate with holdout creditors due to “unwarranted attacks,” maintaining that the holdouts “have sought orders freezing immune diplomatic assets ... and sought to thwart clearly legitimate domestic debt issuances.”

Argentina’s policy stance toward the holdouts changed dramatically after President Macri took office in December 2015. Macri quickly moved to pursue a number of economic reforms to strengthen Argentina’s economy, repair its “rouge debtor” reputation, and attract foreign investment. Reaching a settlement with the holdouts was viewed as key to achieving these goals, and the new government restarted negotiations with the holdouts before a court-appointed mediator in January 2016. In early February, Argentina settled with a group of Italian bondholders for $1.35 billion and with two of the six largest hedge funds for $1.1 billion. As negotiations with the remaining holdouts continued, Argentina appealed to the New York judge, Thomas Griesa, that the injunction preventing Argentina from paying holders of the restructured bonds should be lifted, given Argentina’s willingness to bargain with the hedge funds. On February 19, Griesa agreed, saying that Macri’s election had “changed everything.”

The judge’s decision increased pressure on the remaining holdouts to reach a deal. The Argentine government reached a deal with four of the remaining hedge funds, including Elliott Management, one of the leading creditors in the dispute, on February 29. The deal provided about 25% less than the hedge funds were claiming, but it also was a gain of roughly 10 to 15 times the hedge funds’ initial investment. With this deal, agreements will have been reached with 85% of the disputed debt. An additional 115 individual creditors holding defaulted sovereign bonds also reached a settlement with the Argentina in mid-March.

Implementing the new agreements required legislative action to repeal laws that prevented Argentina from paying holdouts. The Argentine Congress approved the repeal of these laws in March, even though Marci’s party is in a minority position in both houses. In April, the Argentine government successfully sold bonds totaling $16.5 billion on international capital markets, its

---

63 “Argentina Reaches a Deal with its Creditors,” *Economist*, March 1, 2016.
first since the 2001 default and the largest emerging-market debt sale on record.\(^{66}\) It used a large portion of the proceeds ($9.3 billion) to pay holdout creditors. This payment led Griesa to lift the injunctions that had prevented Argentina from paying other creditors. Analysts and investors have viewed these developments as effectively resolving Argentina’s 15-year long default.

**AMIA Investigation and Death of Alberto Nisman**

Congress has expressed concern over the years about progress into the investigation of the July 1994 bombing in Buenos Aires of the Argentine-Israeli Mutual Association (AMIA) that killed 85 people. Both Iran and Hezbollah (the radical Lebanon-based Islamic group with strong ties to Iran) are alleged to be linked to the AMIA bombing as well as to the 1992 bombing of the Israeli Embassy that killed 30 people. S.Res. 167 (Rubio), introduced in May 2015, would call for an internationally backed investigation into the January 2015 death of the AMIA special prosecutor (discussed below) and would urge the President to continue the monitor Iran’s activities in Latin America and the Caribbean.

In 2004, Argentine Special Prosecutor Alberto Nisman was appointed to lead the AMIA investigation. Until then, progress on the investigation and prosecution of those responsible for the 1994 bombing had been stymied because of the government’s mishandling of the case. In September 2004, a three-judge panel acquitted all 22 Argentine defendants in the case and faulted the shortcomings of the original investigation. With Nisman’s appointment in 2004, however, the government moved forward with a new investigation. As a result, an Argentine judge issued arrest warrants in November 2006 for nine foreign individuals: an internationally wanted Hezbollah militant from Lebanon, Imad Mughniyah (subsequently killed by a car bomb in Damascus, Syria, in 2008) and eight Iranian government officials.

INTERPOL, the International Criminal Police Organization, subsequently posted Red Notices (international wanted persons notices) in 2007 for Mughniyah and five of the Iranian officials: Ali Fallahijan (former Iranian intelligence minister, 1989-1997); Mohsen Rabbani (former Iranian cultural attaché at the Iranian Embassy in Buenos Aires); Ahmad Reza Ashghari (former third secretary at the Iranian Embassy in Buenos Aires); Ahmad Vahidi (who served as Iran’s defense minister from 2009 to 2013); and Mohsen Rezai (former commander of Iran’s Islamic Revolutionary Guard Corps, 1981-1997, and two-time presidential candidate).\(^{67}\) In 2009, Argentina also issued an arrest warrant for the capture of Samuel Salman El Reda, a Colombian citizen thought to be living in Lebanon, alleged to have coordinated a Hezbollah cell that carried out the bombing; he was subsequently added to the INTERPOL Red Notice list.

The Argentine government shifted its stance in 2011 with respect to engagement with Iran over the AMIA bombing issue. President Fernández indicated Argentina’s willingness to enter into a dialogue with the Iranian government despite its refusal to turn over suspects in the case. Several rounds of talks with Iran were held in 2012, with then-Argentine Foreign Minister Hector Timerman leading the effort. In January 2013, Argentina announced that it had reached an agreement with Iran and signed a memorandum of understanding to establish a joint Truth Commission made up of impartial jurists from third countries to review the bombing case. After


\(^{67}\) INTERPOL, Media Release, “INTERNPOL General Assembly Upholds Executive Committee Decision on AMIA Red Notice Dispute,” November 7, 2007. The three other Iranians wanted by Argentina not included on INTERPOL’s Red Notice list are former President Ali Akbar Hashemi-Rafsanjani, former Foreign Minister Ali Akbar Velayati, and former Iranian Ambassador to Argentina Hadi Soleimanpour.
extensive debate, Argentina’s Congress completed its approval of the agreement in February 2013. Argentina’s two main Jewish groups, AMIA and the Delegation of Israeli Associations (DAIA), strongly opposed the agreement because they believe that it could guarantee impunity for the Iranian suspects. Several Members of the U.S. Congress also expressed their strong concerns about the Truth Commission because they believed it could jeopardize Argentina’s AMIA investigation and charges against the Iranians.

In May 2013, Nisman issued a 500-page report alleging that Iran has been working for decades in Latin America, setting up intelligence stations in the region by utilizing embassies, cultural organizations, and even mosques as sources of recruitment. In the report, Nisman highlighted the key role of Mohsen Rabbani (one of eight Iranian officials wanted by Argentina for the AMIA bombing) as Iran’s South America “coordinator for the export of revolution,” working in the tri-border countries of Argentina, Brazil, and Paraguay as well as in Chile, Colombia, and Uruguay. The Nisman report contended that the 1994 AMIA bombing was not an isolated act but was part of a regional strategy involving Iran’s establishment of intelligence bases in several countries using political, religious, and cultural institutions that could be used to support terrorist acts.

In May 2014, an Argentine court declared unconstitutional the agreement with Iran to jointly investigate the AMIA bombing. Special Prosecutor Nisman had maintained that the agreement with Iran constituted an “undue interference of the executive branch in the exclusive sphere of the judiciary.” The Fernández government maintained that it would appeal the ruling to Argentina’s Supreme Court. In a speech before the U.N. General Assembly on September 24, 2014, President Fernández acknowledged the 20th anniversary of the AMIA bombing and expressed support for the memorandum of understanding with Iran, maintaining that it would enable the accused Iranian citizens to make statements before an Argentine judge.

As noted above, soon after his election in 2015, President Macri said that his government would be dropping an appeal to the court decision that was started by the Fernández government.

On January 14, 2015, Nisman made explosive accusations that President Fernández and other government officials attempted to whitewash the AMIA investigation to secure oil supplies from Iran and restore Argentina’s grain exports to Iran. However, just four days later, and one day before he was to testify before Argentina’s Congress, Nisman was found dead in his apartment from a gunshot wound. Although preliminary reports indicated that Nisman committed suicide, a majority of Argentines, including President Fernández, contend that Nisman was murdered. The president maintained that Nisman was misled into making the accusations against her government by elements in Argentina’s Intelligence Secretariat (SI) that had conducted illegal wiretaps of government officials. Fernández called for the dissolution of the SI, and in February 2015, Argentina’s Congress approved a measure setting up a new intelligence service, the Federal Agency of Investigations (AFI). Nisman’s death prompted a massive demonstration in Argentina, with tens of thousands of participants. A federal prosecutor in Argentina pursued Nisman’s case against President Fernández related to Iran, but the case was thrown out by several Argentine courts and ultimately dismissed by the country’s highest appellate court in April 2015.

The investigation into Nisman’s death continues, although many observers are skeptical that the truth will be uncovered. In December 2015, a week after President Macri took office, Judge Fabiana Palmaghini took over the investigation of Nisman’s death from the prosecutor in the

70 “Argentine Court Declares Bombing Probe with Iran Unconstitutional,” Agence France Presse, May 16, 2014.
case. On the anniversary of Nisman’s death in January 2016, President Macri ordered the declassification of all state information related to Nisman since September 2012, when Argentina’s talks with Iran over AMIA reportedly began. In early March 2016, just hours after former SI head Antonio Stiuso testified that Nisman had been killed by a group with ties to former President Fernández, Judge Palmaghini ruled that the case should be elevated to the federal courts.

In the aftermath of Nisman’s death, Argentina’s attorney general appointed a team of four lawyers in February 2015 to continue the work of the AMIA investigation. Court proceedings began in Buenos Aires in August 2015 against 13 former officials alleged to be involved in efforts to cover up the 1994 bombing investigation. The suspects include former President Carlos Menem (1989-1999), former judge Juan José Galeano, two former prosecutors who conducted investigations during the 1990s, three former intelligence officials, two former police officials, a former head of DAIA, and the owner of a van used in the AMIA bombing.

In December 2015, President Macri established a special unit within the Justice Ministry to investigate the AMIA bombing. The head of the new unit, former UCR leader Mario Cimadevilla, maintained that Macri’s election opened up a new route into solving the case and praised President Macri’s decision to drop the agreement with Iran to jointly investigate the AMIA bombing.

**Outlook**

President Mauricio Macri’s victory in Argentina’s second-round presidential election in November 2015 ushered in significant changes to the country’s economic and foreign policies. The Macri government has moved ahead with market-friendly economic policies, including the elimination of currency controls, the elimination or reduction of taxes on agricultural exports, a revamp of inflation statistics, and a resolution of the long-standing dispute with holdout creditors. Economic adjustment measures have triggered an economic downturn in 2016, but the measures are projected to lead to economic growth in 2017 and beyond. President Macri has had success receiving approval from Argentina’s Congress for his reform agenda, but given that Macri’s party and electoral coalition only have a minority in Congress, the government could face difficulty in the future, particularly as the country approaches legislative elections in October 2017.

In the foreign-policy arena, the Macri government has improved relations with neighboring Brazil and Uruguay and the pro-market countries of the Pacific Alliance and has spoken out strongly about the situation in Venezuela. For some observers, Macri’s election and policy changes signaled an ebbing of the so-called pink tide populist leftist governments in the region and could portend a growing role for Argentina in Latin America and its regional institutions.

As noted, U.S.-Argentine relations generally have been characterized by robust commercial relations and cooperation in a number of areas, including nonproliferation, human rights, education, and science and technology, although under the Kirchner governments there were

---


tensions in the relationship. Macri’s election brought to power a government that to date has demonstrated a strong commitment to constructive bilateral relations. The Obama Administration moved swiftly to engage the Marci government, highlighted by President Obama’s state visit to Argentina in 2016 and Secretary Kerry’s launching of a High-Level Dialogue in August 2016. Given the sustained level of engagement on a host of bilateral and regional and global issues, the future of U.S.-Argentine relations looks bright.
Appendix. Selected U.S. Executive Branch Reports


Author Contact Information

Mark P. Sullivan
Specialist in Latin American Affairs
msullivan@crs.loc.gov, 7-7689

Rebecca M. Nelson
Specialist in International Trade and Finance
rnelson@crs.loc.gov, 7-6819