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Argentina: An Overview

Political and Economic Environment

Current President Mauricio Macri—leader of the center-right Republican Proposal and the *Cambiamos* (Let’s Change) coalition representing center-right and center-left parties—won the 2015 presidential election in a close race. Macri defeated the candidate of the leftist faction (Front for Victory, or FPV) of the Peronist party (officially known as the Justicialist Party) led by outgoing President Cristina Fernández de Kirchner, who was ineligible to run for a third consecutive term. Macri’s election ended 12 years of FPV rule by the Kirchners (Néstor Kirchner, 2003-2007, and Cristina Fernández, 2007-2015). The Kirchners’ rule helped Argentina emerge from a severe economic crisis in 2001-2002 but was characterized by protectionist and unorthodox economic policies and increasing corruption.

Figure 1. Map of Argentina



Source: CRS.

President Macri moved swiftly to usher in economic policy changes. His government lifted currency controls; reduced or eliminated agricultural export taxes; and reduced electricity, water, and heating gas subsidies. The government reached a deal with private creditors in 2016 that ended the country’s 15-year default, which allowed the government to repair its “rogue” debtor status and resume borrowing in international capital markets. Although adjustment measures contributed to almost 2.1% economic contraction in 2016, the economy grew by 2.7% in 2017, according to the International Monetary Fund (IMF).

In Argentina’s October 2017 midterm legislative elections, in which one-third of the Senate and one-half of the Chamber of Deputies were at stake, Macri’s coalition made significant gains but did not win a majority in either chamber. Following the election, President Macri

successfully moved tax and pension legislation through Congress despite protests.

Argentina at a Glance

Population: 44.6 million (2018, IMF est.).

Area: 1.1 million square miles, about the size of the United States east of the Mississippi.

GDP: \$518 billion (2018, current prices, IMF est.).

Real GDP Growth: 2.7% (2017, IMF est.); -2.5% (2018, IMF est.).

Per Capita GDP: \$11,627 (2018, current prices, IMF est.).

Key Trading Partners (total trade): Brazil (21.1%), China (12.8%), United States (9.3%) (2018, INDEC).

Legislature: Bicameral Congress, with 72-member Senate and 257-member Chamber of Deputies.

Sources: International Monetary Fund (IMF) and National Institute of Statistics and Census, (INDEC, Argentina).

In early 2018, the IMF was forecasting almost 2% growth for the year, but Argentina’s economic difficulties, including a severe drought affecting agricultural exports, thwarted those expectations. The economy ultimately contracted 2.5% in 2018. Looking ahead, the IMF’s projection for 2019 is a contraction of 1.2%, and for 2020 a growth rate of 2.2%. Inflation was almost 25% at the end of 2017, rose to almost 48% at the end of 2018, and in March 2019 reportedly rose to almost 55% year-on-year.

As pressure on the peso increased in April 2018, the government turned to the IMF for support. The IMF approved a three-year, \$50 billion program in June; as the economy continued to decline, the government reached a revised agreement with the IMF in September 2018, increasing its total support to about \$57 billion through 2021. Despite wide-scale protests over austerity measures in the second half of 2018, the Macri government secured legislative approval in November for spending cuts and tax increases required under the IMF program. The IMF has conducted three performance reviews of Argentina’s progress under the program; the most recent in April 2019 noted that a key priority is protecting the most vulnerable from the impact of the recession and from high inflation.

More recently, Argentina’s economic turbulence has taken a toll on President Macri’s popularity, which could threaten the president’s bid for reelection in October 2019. Some polls from April 2019 show that former President Cristina Fernández could defeat Macri in a second round. Fernández, however, is also reported to have high negative ratings, likely because of pending corruption charges. Some observers contend that a single centrist Peronist candidate could pose a strong bid for the presidency; potential

candidates include Sergio Massa (a former deputy in Argentina's Congress who came in third in the 2015 presidential race), Roberto Lavagna (former economy minister), and Juan Manuel Urtubey (governor of the state of Salta in northern Argentina).

In the foreign policy arena, the Macri government has improved relations with neighboring Brazil and Uruguay and other pro-market countries in the region. Argentina took over the rotating presidency of the Group of 20 (G-20) in December 2017 and hosted the annual G-20 summit from November 30 to December 1, 2018. President Macri has been strongly critical of the antidemocratic actions of the Maduro regime in Venezuela. He supported efforts at the Organization of American States to press Venezuela to change its behavior, and joined with other regional countries in 2017 to form the Lima Group seeking a democratic resolution. In January 2019, the Macri government recognized the head of Venezuela's National Assembly, Juan Guaidó, as the country's interim president; it has also supported U.S. economic sanctions.

U.S.-Argentine Relations

U.S.-Argentine relations have been characterized by robust commercial linkages and cooperation on issues such as nonproliferation, human rights, education, and science and technology. There were periodic tensions under the Kirchner governments, but Macri's election brought to power a government committed to improving bilateral relations. President Obama engaged the Macri government on a range of bilateral, regional, and global issues, and he visited Argentina in 2016.

Strong bilateral relations are continuing under the Trump Administration. President Macri visited the White House in April 2017, and the two leaders underscored their commitment to expand trade and investment and pledged strengthened partnership to combat narcotics trafficking, money laundering, terrorist financing, corruption, and other illicit finance activities. They also agreed to establish a working group for engagement on cyber issues. In September 2018, amid Argentina's economic difficulties, President Trump reaffirmed strong U.S. support for Argentina and Macri's engagement with the IMF.

President Trump met with President Macri in Argentina on November 30, 2018, on the sidelines of the G-20 summit. The two countries reached bilateral agreements on educational exchange programs, national park conservation efforts, health cooperation, aviation safety, and energy sector cooperation. The Overseas Private Investment Cooperation signed letters of interest for \$813 million in U.S. support for several projects in Argentina worth over \$3 billion involving infrastructure, energy, and logistics.

U.S. Foreign Aid. Argentina traditionally has not received much U.S. foreign assistance because of its relatively high per capita income. In recent years, the United States has provided relatively small amounts of assistance for military education and training and for export-control security to enhance Argentina's strategic trade control compliance and enforcement. In addition, Congress also provided \$2.5 million in assistance for FY2018 (P.L. 115-141) and FY2019 (P.L. 116-6; H.Rept. 116-9) to support Argentina's

counterterrorism, counternarcotics, and law enforcement capabilities. In addition to foreign aid, Argentina's status as a major non-NATO ally since 1998 makes it eligible for preferential treatment for U.S. exports of excess defense articles.

Trade and Investment Issues. The United States ran a \$5.1 billion trade surplus with Argentina in 2018, exporting \$9.9 billion in goods to the country (led by oil, machinery and mechanical appliances, electrical machinery and equipment, and soybeans) and importing \$4.9 billion (led by oil, aluminum, precious stones [silver and gold], and wine). The stock of U.S. foreign direct investment in Argentina was \$14.9 billion in 2017, led by manufacturing, information services, and finance/insurance.

Argentina has been on the U.S. Trade Representative's (USTR) Special 301 Priority Watch List since 1996 due to problems with intellectual property rights protection and enforcement. In its 2019 Special 301 report, USTR pointed to problems with Argentina's patent protection regime, which has interfered with the ability of companies investing in Argentina to protect their intellectual property. The report also cited widespread unfair competition from sellers of counterfeit and pirated goods and services.

The United States and Argentina have made progress on some trade issues. Since 2001, Argentina had sought access to the U.S. market for lemons and fresh beef. The U.S. Department of Agriculture (USDA) ruled in 2016 that lemons could be imported; after multiple delays and a court challenge, the United States started importing lemons from Argentina in April 2018. Although USDA issued rules in 2015 allowing fresh beef imports from Argentina, it was not until November 2018 that USDA's Food and Safety Inspection Service determined that Argentina was eligible to export fresh beef to the United States. In April 2018, U.S. officials announced U.S. access to Argentina's market for pork—the first since 1992. In November 2018, Argentina restored full market access for U.S. beef and beef products that had been banned in Argentina for more than a decade. Argentina had been concerned about the potential imposition of U.S. duties on steel and aluminum imports, but it received a permanent exemption in May 2018 after reaching a quota agreement with the United States.

The United States imposed duties on biodiesel imports from Argentina in 2017, when the Department of Commerce issued a final determination to impose countervailing duties up to 72% because of Argentina's subsidies to its producers. In April 2018, the U.S. International Trade Commission ruled that biodiesel imports from Argentina have materially injured the domestic U.S. industry, which led to the imposition of additional antidumping duties. In November 2018, in response to a request from Argentina, the Commerce Department initiated a review of the duties, which remain in place.

Also see CRS In Focus IF10991, *Argentina's Economic Crisis*, by Rebecca M. Nelson.

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