



Updated July 15, 2019

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 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, and rose to almost 48% at the end of 2018; it is forecast to decline to almost 31% at the end of 2019.

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).

As pressure on the peso increased in 2018, the government turned to the IMF for support, which approved (and subsequently revised) an agreement to provide \$57 billion in support through 2021. To date the IMF has conducted four performance reviews of Argentina's progress under the program, with a total of \$44.1 billion made available. In July 2019, the IMF lauded Argentina for steadfast implementation of its economic policy program, noting that its policies are yielding results, with inflation expected to fall in coming months.

October 2019 Presidential Race. Argentina's economic difficulties have taken a toll on President Macri's popularity and will be a factor in his bid for re-election. A first presidential electoral round is scheduled for October 27, 2019, along with elections for one-half of the Chamber of Deputies (the lower house of Argentina's Congress) and one third of the Senate. In the presidential race, if no candidate receives 45% of the vote, or 40% and finishing 10 percentage points ahead of the second place candidate, then a second round would be held in November.

Although nine political coalitions are currently vying for the presidency, at this juncture the race is a competition between the center-right coalition of Macri and his Peronist vice presidential running mate, Miguel Ángel Pichetto, (dubbed *Juntos por el Cambio* or Together for Change), versus the populist leftist Peronist ticket of Alberto Fernández (former cabinet chief to Néstor Kirchner) and former President Cristina Fernández de Kirchner for vice president (dubbed *Frente de Todos* or Front for All). Former President Fernández had been expected to run for

president, but surprised many observers in May 2019 by announcing she would instead run for vice president. Likewise, President Macri surprised observers when he chose a Peronist politician as his running mate in an attempt to divide the Peronist vote.

Foreign Policy. In the foreign policy arena, the Macri government has improved relations with neighboring Brazil and Uruguay and other pro-market countries in the region. In June 2019, the four countries of the South American customs union known as Mercosur (*Mercado Común del Sur*)—Argentina, Brazil, Paraguay, and Uruguay—concluded a free trade agreement with the European Union. Some analysts maintain that that the ratification process will be complicated, which could delay implementation until 2021 at the earliest.

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, Argentina recognized the head of Venezuela's National Assembly, Juan Guaidó, as the country's interim president; it has also supported U.S. economic sanctions. According to the United Nations, some 130,000 Venezuelans have migrated to Argentina because of the crisis in Venezuela.

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, and corruption, and to increase engagement on cyber issues. In September 2018, President Trump reaffirmed strong U.S. support for Argentina's engagement with the IMF.

President Trump met with President Macri in Argentina in November 2018, on the sidelines of the G-20 summit, which Argentina hosted. 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 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. For FY2019, the United States also is providing \$3 million in assistance to help with the influx of Venezuelan migrants. 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 Special 301 Priority Watch List since 1996 due to problems with intellectual property rights protection and enforcement.

The United States and Argentina have made progress on some trade issues. In 2018, Argentina gained access to the U.S. market for lemons and fresh beef, which it had sought since 2001, and the United States gained access to the Argentine market for pork (the first access since 1992) and full market access for beef and beef products banned for more than a decade. Argentina was concerned about the potential imposition of U.S. duties on steel and aluminum imports in 2018, but it received a permanent exemption after reaching a quota agreement with the United States.

The United States imposed countervailing and antidumping duties on biodiesel imports from Argentina in 2018 because of Argentina's subsidies to its producers. In response to a request from Argentina, the Commerce Department initiated a review of the duties in November 2018, and in early July 2019 issued preliminary results that would significantly reduce the countervailing duties, but keep the antidumping duties in place.

AMIA Bombing. Congress has expressed concern over the years about progress in bringing to justice those responsible for the July 18, 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) in Buenos Aires 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 attack as well as to the 1992 bombing of the Israeli Embassy that killed 29 people. As the 25th anniversary of the AMIA bombing approaches, a bipartisan resolution introduced in the House, H.Res. 441, would reiterate strong condemnation of the attack and express strong support for accountability, including against those Iranian and Hezbollah operatives deemed responsible. The Macri government reportedly is considering whether to designate Hezbollah a terrorist organization.

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

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