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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 early 2018, the IMF was forecasting almost 2% growth for the year, but Argentina's economic difficulties, including a severe drought affecting agricultural exports, higher financing costs, and large budget deficits, thwarted those expectations. The economy ultimately contracted

2.5% in 2018, and the IMF projects for a contraction of 3.1% in 2019. As pressure on the peso increased in 2018, the government turned to the IMF for support, which approved 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.

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: \$519 billion (2018, current prices, IMF est.).

Real GDP Growth: 2.7% (2017, IMF est.); -2.5% (2018, IMF est.); -3.1% (2019, projected)

Per Capita GDP: \$11,658 (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).

October 2019 Presidential Race. Argentina's economic difficulties have taken a toll on President Macri's popularity and are a major factor in his bid for reelection; after Macri's poor performance in an August 11 combined primary, many observers view his reelection as unlikely. 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 finishes 10 percentage points ahead of the second-place candidate), then a second round will be held in November.

The race is essentially 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 center-left Peronist ticket of Alberto Fernández and former President Cristina Fernández de Kirchner for vice president (dubbed *Frente de Todos* or Front for All). In the August 2019 combined primary, which included 10 presidential tickets, Fernández's coalition defeated Macri's coalition by a vote of 47.7% to 32.1%.

Macri's poor performance triggered a run on the peso, wiping out about a quarter of its value. Macri subsequently announced emergency measures to provide relief to those suffering from the sharp devaluation, and he is seeking to defer payments on IMF loans. In early September, his

government imposed currency controls in an attempt to stabilize markets. Government statistics released in September show that during the first half of 2019, poverty increased to 35.4%, 8.1% higher than the first half of 2018.

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. 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 relations. President Obama engaged the Macri government on a range of bilateral, regional, and global issues.

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 FY2018, Congress appropriated a total of \$2.9 million for International Military Education and Training (IMET), export-control security assistance (NADR) to enhance Argentina’s strategic trade control compliance and enforcement, and International Narcotics Control and Law Enforcement (INCLE) assistance to support Argentina’s counterterrorism, counternarcotics, and law enforcement capabilities. In FY2019 foreign operations

appropriations legislation (P.L. 116-6; H.Rept. 116-9), Congress provided \$2.5 million in INCLE; this amount is also included in FY2020 House and Senate foreign operations bills, House-passed H.R. 2740 (H.Rept. 116-78 to H.R. 2839) and S. 2583 (S.Rept. 116-126). For FY2019, the United States also provided almost \$5.6 million in humanitarian 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; 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.

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) allegedly are linked to the attack, as well as to the 1992 bombing of the Israeli Embassy, which killed 29 people. On July 18, 2019, Argentina designated Hezbollah a terrorist organization and ordered the freezing of its assets. In July 2019, as the 25th anniversary of the AMIA bombing approached, the House approved H.Res. 441, reiterating condemnation of the attack and expressing strong support for accountability. In September 2019, the Senate Foreign Relations Committee reported out S.Res. 277, expressing commitment to hold accountable those who planned and executed the AMIA bombing.

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

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