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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 of the Peronist party (Front for Victory, or FPV) 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 a 1.8% economic contraction in 2016, the economy grew by 2.9% 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: 44.1 million (2017, IMF est.).

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

GDP: \$638 billion (2017, current prices, IMF est.).

Real GDP Growth: 2.9% (2017, MF est.); -2.6% (2018, IMF forecast).

Per Capita GDP: \$14,463 (2017, current prices, IMF est.).

Key Trading Partners (total trade): Brazil (21.9%), United States (11%), China (11%) (2017, 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 IMF is now forecasting an economic contraction of 2.6%. Inflation, which was almost 25% at the end of 2017, is forecast to rise to 40% by the end of 2018. As pressure on the peso increased in April, the government turned to the IMF for support. The IMF approved a three-year, \$50 billion program in June, with almost \$15 billion made available immediately for budget support. As the economy continued to decline, the government reached a revised agreement with the IMF in September to increase its total support to about \$57 billion through 2021. After an October 2018 IMF review, Argentina received an additional \$5.7 billion, bringing total IMF disbursements to date to about \$20.4 billion.

Despite wide-scale protests over austerity measures, the Macri government secured legislative approval in November 2018 for spending cuts and tax increases required under the IMF program. Argentina's economic turbulence has taken a toll on President Macri's popularity, which could threaten his political coalition and make a reelection bid in October 2019 more difficult. Although the Peronist party remains divided, a candidate from its moderate faction could pose a strong bid for the presidency.

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 deeply critical of the antidemocratic actions of the Venezuelan government. He has 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, aiming for a peaceful resolution to Venezuela's political crisis. In September 2018, Argentina joined several regional countries in urging the International Criminal Court to investigate human rights abuses 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, 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 held a bilateral meeting 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.

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. This amounted to \$624,000 in FY2017 and \$400,000 in FY2018; the Trump Administration requested \$600,000 for FY2019. In FY2018, Congress also provided \$2.5 million in assistance (P.L. 115-141) to support Argentina's counterterrorism, counternarcotics, and law enforcement capabilities.

Trade and Investment Issues. The United States ran a \$4.8 billion trade surplus with Argentina in 2017, exporting \$9.6 billion in goods to the country (led by machinery and oil) and importing \$4.8 billion (led by biodiesel, aluminum, and wine). The stock of U.S. foreign direct investment in Argentina was \$14.9 billion in 2017.

U.S. officials have raised concerns about Argentina's intellectual property rights protection (IPR) and various

restrictions on U.S. imports. In April 2018, however, U.S. officials announced U.S. access to Argentina's market for pork—the first since 1992. Argentina has been on the U.S. Trade Representative's Special 301 Priority Watch List since 1996 due to problems with IPR enforcement, although it has taken some positive actions over the past two years.

Argentina had sought access to the U.S. market for lemons and fresh beef since 2001. The U.S. Department of Agriculture (USDA) ruled in 2016 that lemons could be imported; after multiple delays and a failed court challenge from U.S. citrus producers, lemon imports from Argentina began arriving in April 2018. Although USDA issued rules in 2015 allowing fresh beef imports from Argentina, it was not until late November 2018 that USDA's Food and Safety Inspection Service determined that Argentina was eligible to export fresh beef to the United States.

The United States imposed duties on biodiesel imports from Argentina beginning in late 2017, when the Department of Commerce issued a final determination to impose countervailing duties up to 72% on U.S. biodiesel imports from Argentina because of the country'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.

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.

Congressional Interest. Congress has expressed support for close relations with Argentina. In the 115th Congress, the House passed H.Res. 254 (Sires) in April 2017, which expressed commitment to the bilateral partnership and commended Argentina for its economic reforms. In June 2017, the Senate Committee on Foreign Relations reported a similar resolution, S.Res. 18 (Coons). Over the years, Congress has expressed concern about Argentina's progress in investigating two terrorist bombings in Buenos Aires—the 1992 bombing of the Israeli embassy that killed 29 people and the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) that killed 85 people—as well as the 2015 death of AMIA special prosecutor Alberto Nisman. H.Res. 201 (Ros-Lehtinen), reported by the House Foreign Affairs Committee in May 2017, would express support for Argentina's investigation of the bombings. Two other resolutions, S.Res. 354 (Rubio) and H.Res. 704 (Deutch) would commend Nisman's work and life and call for a swift, transparent investigation into his death.

Also see CRS In Focus IF10991, *Argentina's Economic Crisis*, by Rebecca M. Nelson, and CRS In Focus IF10373, *Fresh Beef Import Rules for Brazil and Argentina*, by Joel L. Greene.

Mark P. Sullivan, Specialist in Latin American Affairs

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