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Argentina: An Overview

Political and Economic Environment

Current President Alberto Fernández of the center-left Peronist *Frente de Todos* (FdT, Front for All) ticket won the October 2019 presidential election and was inaugurated to a four-year term on December 10, 2019. He defeated incumbent President Mauricio Macri of the center-right *Juntos por el Cambio* (JC, Together for Change) coalition by a solid margin of 48.1% to 40.4% but by significantly less than the 15 to 20 percentage points predicted by polls. The election also returned to government former President Cristina Fernández de Kirchner, who ran on the FdT ticket as vice president. In concurrent legislative elections, the FdT won a Senate majority; in the Chamber of Deputies, the JC won the largest bloc (but not a majority) and the FdT won the second-largest bloc.

from a severe economic crisis in 2001-2002 but was characterized by protectionist and unorthodox economic policies and increasing corruption.

President Macri swiftly ushered in economic policy changes, lifting currency controls; reducing or eliminating agricultural export taxes; and reducing water, electricity, and heating gas subsidies. The government reached a deal with private creditors in 2016 that ended the country's 15-year default; this 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).

Figure 1. Map of Argentina



Source: CRS.

President Fernández faces a challenging economic crisis, marked by a recession that is expected to extend into 2020, high poverty, and a high level of unsustainable public debt requiring restructuring (which Fernández has pledged to do by the end of March 2020).

Macri Administration (2015-2019). As leader of the center-right Republican Proposal party and the *Cambiamos* (Let's Change) coalition, Macri narrowly won the 2015 presidential election. He defeated the candidate of the leftist faction (*Frente para la Victoria*, FPV) of the Peronist party led by outgoing President Cristina Fernández, 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

Argentina at a Glance

Population: 45.1 million (2019, IMF est.).

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

GDP: \$445 billion (2019, current prices, IMF est.).

Real GDP Growth: 2.7% (2017); -2.5% (2018); -3.1% (2019, est.); -1.3% (2020 projected) (IMF)

Per Capita GDP: \$9,888 (2019, 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 2018, however, a severe drought affecting agricultural exports, higher financing costs, and large budget deficits led to an economic contraction of 2.5%. As pressure on the peso increased, the government turned to the IMF, which approved an agreement to provide \$57 billion in support through 2021, with \$44.1 billion made available to date.

Argentina's economic decline was the major factor in Macri's electoral defeat. His poor performance in an August 2019 combined primary 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 his government imposed currency controls in an attempt to stabilize markets. Argentine government statistics show that during the first half of 2019, poverty increased to 35.4%, 8.1% higher than the first half of 2018. According to the IMF, the economy contracted an estimated 3.1% in 2019.

Foreign Policy. Under Macri, Argentina improved relations with neighboring Brazil and other pro-market countries in

the region. In 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, although analysts maintain that the ratification process will be complicated in both Europe and South America. Macri was strongly critical of the antidemocratic actions of the Maduro regime in Venezuela and joined with other regional countries in 2017 to form the Lima Group seeking a democratic resolution. In 2019, Argentina recognized the head of Venezuela's National Assembly, Juan Guaidó, as the country's interim president.

Among its foreign policy changes, the Fernández government does not recognize Guaidó as Venezuela's interim president, although it criticized Maduro's January 2020 actions preventing Guaidó from being elected to a second term as head of the legislature. Fernández also granted asylum to former Bolivian President Evo Morales. With regard to Brazil, President Fernández highlighted the importance of relations with Brazil at his inauguration, which led Brazilian President Jair Bolsonaro to tone down previous strong criticism of Fernández.

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 have continued 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 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 agreements on educational exchanges, national park conservation, health cooperation, aviation safety, and energy sector cooperation.

In the aftermath of the 2019 presidential race, the U.S. Secretary of State congratulated Argentina on its successful election and stated that the United States looked forward to working with the Fernández administration to promote regional security, prosperity, and the rule of law.

U.S. Foreign Aid. Argentina traditionally has not received much U.S. foreign assistance because of its relatively high per capita income. Nevertheless, the United States has provided International Military Education and Training (IMET) to Argentina for many years, including \$418,000 in FY2018, \$589,000 in FY2019, and a request for \$600,000 in FY2020. For each of FY2018-FY2020, Congress also appropriated \$2.5 million in International Narcotics Control and Law Enforcement (INCLE) assistance to support Argentina's counterterrorism, counternarcotics, and law

enforcement capabilities. For FY2017-FY2019, the United States also provided almost \$5.6 million in humanitarian assistance to help with the influx of Venezuelan migrants (an estimated 130,000 migrants, according to the United Nations) because of the crisis in Venezuela.

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. The U.S. International Development Finance Cooperation (formerly the Overseas Private Investment Cooperation) has helped support numerous projects in Argentina involving infrastructure, energy, and logistics.

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 \$15.2 billion in 2018. 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.

Challenges remain on other trade issues. The United States imposed countervailing and antidumping duties on biodiesel imports from Argentina in 2018 because of Argentina's subsidies to its producers. In December 2019, President Trump threatened to impose tariffs on steel and aluminum imports from Argentina; in 2018, Argentina had been concerned about the potential imposition of such duties but received an exemption after reaching a quota agreement with the United States.

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. As the 25th anniversary of the AMIA bombing approached in July 2019, the House approved H.Res. 441, reiterating condemnation of the attack and expressing strong support for accountability; the Senate followed suit in October 2019 when it approved S.Res. 277.

Also see CRS In Focus IF10991, *Argentina's Economic Crisis*, by Rebecca M. Nelson; and CRS Insight IN11184, *Argentina's 2019 Elections*.

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