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## Argentina: An Overview

Located on the Atlantic coast of South America's Southern Cone, Argentina has a vibrant democratic tradition and is one of the largest economies in Latin America. U.S.-Argentina relations have been strong in recent years, and many Members of Congress maintain interest in security and commercial ties, among other aspects of the relationship.

### Argentina at a Glance

**Capital:** Autonomous City of Buenos Aires

**Population:** 47.2 million (2024, IMF est.)

**GDP/Per Capita GDP:** \$621.8 billion/\$13,300 (2023, current prices, IMF.)

**Area:** 1.1 million square miles (about the size of the United States east of the Mississippi)

**Real GDP Growth** (constant prices): -9.9% (2020); 10.7% (2021); 5.0% (2022); -2.5% (2023); 2.8% (2024, est.) (IMF)

**Key Export Trading Partners:** Brazil (14%), China (9%), United States (7%), Chile (6%) (2022, INDEC)

**Key Import Trading Partners:** China (21%) Brazil (20%), United States (13%), Germany (3%) (2022, INDEC)

**Sources:** International Monetary Fund (IMF), *World Economic Outlook Database*, October 2023, and Argentina National Directorate of External Sector Statistics and International Accounts (INDEC)

### Political Environment

Current President and former economist Javier Milei of the far-right *La Libertad Avanza* (LLA, Freedom Advances) coalition captured 56% of the vote in a second-round runoff election on November 19, 2023. Milei defeated former Minister of Economy and candidate of the center-left *Unión por la Patria* (UxP, United for the Homeland) coalition Sergio Massa, who captured 44% of the vote. Some observers interpreted Milei's victory as a popular rejection of the once-dominant Peronist political movement most recently led by former president (2007-2015) and vice president (2019-2023) Cristina Fernández de Kirchner. Argentina's economic deterioration, marked by high inflation and increasing poverty under the Peronist administration of President Alberto Fernández (2019-2023), was a major factor in the 2023 election.

In October 2023 legislative elections, however, the Peronist UxP regained its status as the largest bloc in the Senate and remained the largest bloc in the Chamber of Deputies. In the Chamber of Deputies, UxP holds 108 seats, the center-right JxC holds 93 seats, and Milei's far-right LLA holds 38 seats. In the Senate, UxP holds 34 seats, JxC holds 34 seats, and LLA holds 8 seats.

President Milei was inaugurated to a four-year term on December 10, 2023. Immediately upon inauguration, the Milei administration began implementing policy changes to overhaul Argentina's economy. It devalued the Argentine peso by more than 50% to decrease the country's fiscal deficit and reduce macroeconomic and trade imbalances. The Milei administration plans to continue devaluing the currency by 2% each month as part of its long-term program to reduce domestic consumption and restore macroeconomic balance. To cut government spending, the Milei administration announced the termination of 5,000 federal workers upon the expiration of their contracts and eliminated 9 out of 18 federal government ministries. The administration also announced cuts to energy and transportation subsidies. Although Milei ran on an economic "shock adjustment" platform, the pace and breadth of postelection reforms have prompted protests among Argentines struggling to afford basic services.

On December 20, 2023, Milei issued a Decree of Necessity and Urgency (DNU), implementing more than 300 economic measures. The measures focus on deregulation of Argentina's economy, including the elimination of price controls and a scaling back of labor, employment, and rental housing regulations, among others. In January 2024, the General Confederation of Labor, a Peronist-allied trade union, filed a legal challenge to the labor reforms in the DNU before the National Chamber of Labor Appeals. The court accepted the appeal and blocked the labor reforms pending a final ruling on whether the reforms are permissible under Argentine law. The Milei administration announced it would appeal the stay.

Observers expect that President Milei's LLA, given its lack of a legislative majority, will need to forge a working coalition with other parties in the legislature to advance its policy agenda. In late December 2023, Milei sent an omnibus bill to the Argentine congress that included 664 articles encompassing reforms to Argentina's tax and public debt management systems as well as electoral law reforms. The proposed electoral law change would increase the number of lawmakers per district. A more controversial proposal would cede some legislative powers to the president until December 25, 2025—with the potential for a two-year extension. The UxP and other parties have opposed the DNU and the omnibus bill granting Milei extraordinary powers. The Milei administration has called for and extended extraordinary congressional sessions until February 15 to allow for timely consideration of the omnibus bill. The Argentine congress's sessions traditionally begin on March 1.

## Economic Situation

After contracting by 9.9% in 2020 due to the economic effects of the COVID-19 pandemic, Argentina's economy began a strong recovery in 2021 with 10.7% growth, followed by 5% growth in 2022. Argentina's economy contracted by an estimated 2.5% in 2023, however, as a severe drought limited agricultural exports, rapid inflation weakened private consumption, and political uncertainty hampered investment. By the end of 2023, Argentina's annual inflation rate reached 211.4%, the highest rate since the 1990s. Argentina's urban poverty rate, already increasing before the pandemic, grew to 42% by the end of 2020, declined slightly during post-pandemic recovery but then rebounded to 40.1% in the first half of 2023, according to Argentina's National Institute of Statistics and Census.

The former Fernández government had negotiated a \$44 billion, 30-month arrangement with the International Monetary Fund (IMF) in 2022 that, according to the IMF, set pragmatic objectives along with policies to improve public finances and reduce inflation. The Fernández government missed many of the program's targets, however, due to a series of policy setbacks. In January 2024, IMF staff and Milei administration authorities reached an agreement—pending IMF executive board approval—that would provide Argentina access to about \$4.7 billion to support implementation of a new stabilization program.

One of Milei's most notable campaign pledges was his plan to dollarize Argentina's economy. Since his inauguration, however, Milei has asserted the need to stabilize Argentina's economy before dollarization efforts take place. Some observers argue the dollarization of Argentina's economy "would likely fail if implemented."

## Relations with China

Over the past decade, Argentina and the People's Republic of China (PRC) have significantly increased their economic and political engagement. In 2014, then-President Fernández and PRC President Xi Jinping upgraded the bilateral relationship from a "strategic partnership" to a "comprehensive strategic partnership"—one of the highest classifications the PRC designates for its diplomatic partners. In February 2022, Argentina joined China's Belt and Road Initiative. China also operates a space research facility in western Argentina; the U.S. Southern Command has expressed concern that the facility could track and target U.S. satellites.

In August 2023, the BRICS group, composed of Brazil, Russia, India, China, and South Africa, invited Argentina and five other countries to become new members of the bloc of emerging economies. Then-President Fernández celebrated the invitation. President Milei reversed course, however, announcing it was not "opportune" to join the group. Although President Milei harshly criticized China during his campaign, he has adopted a more diplomatic approach toward Beijing since his election.

## U.S.-Argentina Relations

Relations between the United States and Argentina are characterized by robust commercial linkages and shared interest and by collaboration on such issues as democracy

and human rights, civil nuclear cooperation and nonproliferation, counterterrorism, climate change, science and technology, and education. Recent U.S. Administrations have engaged Argentina on various bilateral, regional, and global issues, with some Members of Congress expressing support for such engagement and closer relations.

In November 2023, President Biden spoke with President Milei by phone to discuss the importance of continuing to build on the relationship between the United States and Argentina. The pair reportedly discussed economic issues, addressing food insecurity, clean energy, and human rights, among other issues.

**U.S. Foreign Aid and Other Support.** U.S. assistance has supported activities in Argentina related to environmental protection, drug control, strengthening civic space, food security, local entrepreneurship, and grassroots development, among others. Argentina's status as a major non-NATO ally since 1998 makes it eligible for preferential treatment for U.S. transfers of excess defense articles and other defense cooperation. The Biden Administration allocated \$632,000 in FY2022 and an estimated \$650,000 in FY2023 for International Military Education and Training (IMET) activities. For FY2024, the Biden Administration is requesting \$800,000 in IMET funding for Argentina.

**Trade and Investment Snapshot.** The United States ran a \$6.0 billion goods trade surplus with Argentina in 2022, exporting \$12.9 billion in goods to the country (led by mineral fuels, machinery, and electrical equipment) and importing \$6.9 billion (led by oil, precious metals, aluminum, and fish and crustaceans). The stock of U.S. Foreign Direct Investment in Argentina was \$12.9 billion in 2022, led by information services, holding companies, manufacturing, and finance. Argentina has been on the U.S. Trade Representative's Special 301 Priority Watch List since 1996 due to U.S. concerns with Argentina's protection and enforcement of intellectual property rights. In 2016, the United States and Argentina signed a Trade and Investment Framework Agreement that has been the two countries' primary mechanism for discussing bilateral trade and investment issues.

**Terrorism Issues.** Many in Congress have maintained a long-standing concern with regard to Argentina's progress in bringing to justice those responsible for two terrorist bombings against Jewish targets in Buenos Aires during the 1990s, namely, the July 18, 1994, bombing of the Argentine-Israelite Mutual Association (AMIA), which killed 85 people, and the March 17, 1992, bombing of the Israeli Embassy, which killed 22 people. Argentina has linked both Iran and Hezbollah (the radical Lebanon-based Islamic group) to the attacks; in 2019, Argentina designated Hezbollah a terrorist organization.

Two resolutions related to the bombings have been introduced in the 118<sup>th</sup> Congress. S.Res. 307 would commemorate the 31<sup>st</sup> anniversary of the bombing of the Embassy of Israel in Buenos Aires and the 29<sup>th</sup> anniversary of the AMIA attack and would recommit to efforts to uphold justice for the victims of the attacks. H.Res. 600 would condemn the AMIA attack and call for accountability.

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**Karla I. Rios**, Analyst in Latin American Affairs

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