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Argentina: An Overview

Situated on the Atlantic coast of South America’s Southern Cone, Argentina has a vibrant electoral democracy and Latin America’s third-largest economy. U.S.-Argentine relations have been strong in recent years.

Figure 1. Map of Argentina



Source: CRS.

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 in December 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, from the leftist wing of the Peronist party, 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.

A unified Peronist ticket and Argentina’s economic deterioration in 2018 and 2019, marked by high inflation and increasing poverty, were major factors in Macri’s defeat. Elected in 2015, Macri had ushered in economic policy changes in 2016-2017 that lifted currency controls; reduced or eliminated agricultural export taxes; and reduced electricity, water, and heating subsidies. In 2018, as the economy faced pressure from a severe drought and large budget deficits, the International Monetary Fund (IMF) supported the government with a \$57 billion program. The

reforms and IMF support were not enough to stem economic decline, and the government reimposed currency controls and took other measures to stabilize the economy.

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); -2.2% (2019, est.); -9.9 (2020 projected) (IMF)

Per Capita GDP: \$9,888 (2019, current prices, IMF est.).

Key Trading Partners (total trade): Brazil (19.5%), China (13.7%), United States (12.5%) (2019, TDM).

Legislature: Bicameral Congress, with 72-member Senate and 257-member Chamber of Deputies.

Sources: IMF (World Economic Outlook Database, October 2019 and April 2020, and World Economic Outlook Update, June 2020) and TradeData Monitor (TDM).

Upon taking office, President Fernández faced an economy in recession, high poverty, and unsustainable public debt. He pledged to restructure Argentina’s debt and opened talks with bondholders and other creditors. He also rolled out several measures, including a food program and price controls on basic goods, aimed at helping low-income Argentines cope with inflation and increased poverty.

The Fernández government’s swift action imposing strict quarantine measures in March 2020 due to the onset of the Coronavirus Disease 2019 (COVID-19) pandemic initially had a significant effect in keeping the death rate low. By July 2020, however, the number of confirmed cases and deaths had increased significantly. As of October 2, 2020, the country reported 20,288 deaths (45.60 deaths per 100,000), according to data from Johns Hopkins University.

In June 2020, the IMF forecast an economic contraction of 9.9% in 2020 because of the pandemic-related economic shutdown. Poverty increased to almost 47% at the end of June 2020 from almost 41% at the end of 2019.

Private creditors did not accept the Fernández government’s initial May 2020 debt restructuring offer, but negotiations with bondholders continued and led to an August 2020 restructuring agreement for \$66 billion in bonds governed under foreign law. The government reached a second debt restructuring agreement in September 2020 for almost \$42 billion in bonds governed under local law. The government also wants to negotiate a new agreement with the IMF to replace the arrangement signed by the Macri government, for which Argentina owes \$44 billion.

Although President Fernández's popularity spiked after his government's initial response to the pandemic, his approval has declined in recent opinion polls. Looking ahead, the government could face increased social unrest, given the country's difficult economic environment and outlook.

Foreign Policy. Under Macri, Argentina improved relations with neighboring Brazil; in 2019, Argentina joined with the other three countries of the South American customs union known as Mercosur (*Mercado Común del Sur*)—Brazil, Paraguay, and Uruguay—to conclude a free-trade agreement with the European Union. Mercosur does not appear to be a priority for the Fernández government, however, and analysts maintain that the ratification process will be complicated in both Europe and South America.

The Macri government was strongly critical of the antidemocratic actions of the Maduro regime in Venezuela and joined with other regional countries 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 but has criticized the Maduro government for human rights violations. In August 2020, Argentina joined the European-backed International Contact Group on 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 (2003-2015), 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. 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, and he met with President Macri in Argentina in November 2018 on the sidelines of the G-20 summit, which Argentina hosted.

In the aftermath of the 2019 presidential race, Secretary of State Mike Pompeo said 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. The United States provided \$5.2 million in assistance to Argentina in FY2018 (latest full-year data available) and at least \$14 million in FY2019 (partially reported), according to the U.S. Agency for International Development's *Foreign Aid Explorer* database. The United States has provided International Military Education and Training to Argentina for many years, including an estimated \$600,000 in FY2020. For each of FY2018-

FY2020, Congress appropriated \$2.5 million in International Narcotics Control and Law Enforcement assistance to support Argentina's counterterrorism, counternarcotics, and law enforcement capabilities. From FY2017 to FY2020, the United States also provided \$7.4 million in humanitarian assistance to help with the influx of an estimated 145,000 Venezuelan migrants, because of the crisis in that country. In addition, as of August 2020, U.S. agencies are providing \$300,000 in previously announced Migration and Refugee Account humanitarian assistance to support COVID-19 response efforts for refugees and host communities.

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 Corporation has helped support numerous projects in Argentina involving infrastructure, energy, and logistics.

Trade and Investment Issues. The United States ran a \$3.2 billion trade surplus with Argentina in 2019, exporting \$8.1 billion in goods to the country (led by machinery and mechanical appliances, oil, electrical machinery and equipment) and importing \$4.9 billion (led by oil, aluminum, silver and gold, organic chemicals, and wine). The stock of U.S. foreign direct investment in Argentina was \$10.7 billion in 2019. 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.

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, the House approved H.Res. 441, reiterating condemnation of the AMIA 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 and Default*, by Rebecca M. Nelson; and CRS Insight IN11184, *Argentina's 2019 Elections*.

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