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## Argentina

### 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, although it did not win a majority in either

chamber. Following the election, President Macri pressed his legislative agenda by moving tax and pension legislation through Congress. The pension law, which increased the retirement age and slowed the rate at which pensions rise, sparked strong protests. Moving labor market legislation proved more difficult, largely because of the strength of unions, and has been delayed.

### 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; second-largest country in South America and eighth-largest country in the world.

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

**Real GDP Growth:** 2.9% (2017); 0.4% (2018) (IMF est.)

**Per Capita GDP:** \$14,467 (2017, current prices, IMF est.).

**Key Trading Partners:** 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).

The IMF was forecasting 2.5% growth in 2018, but Argentina's economic difficulties led the IMF to adjust its forecast to 0.4%. Pressure on the Argentine peso began to increase in April 2018, as investors moved to liquidate their peso assets over concerns about Argentina's budget deficit (-6.5% of GDP in 2017). To shore up the peso, the Macri government turned to the IMF for support, which approved a three-year, \$50 billion program in June 2018, with \$15 billion made available immediately for budget support. Argentina agreed to make cuts to its fiscal deficit and take action to curb inflation, which stood at almost 25% in 2017. The economic turbulence has taken a toll on Macri's popularity, which was 36% in May, the lowest of his presidency. This could threaten Macri's political coalition and make a reelection bid more difficult, although the presidential race is not scheduled until October 2019.

In the foreign-policy arena, the Macri government has improved relations with neighboring Brazil and Uruguay and with the pro-market countries of the Pacific Alliance, a regional economic integration initiative begun by Chile, Colombia, Mexico, and Peru in 2016. President Macri has been deeply critical of the antidemocratic actions of the government in Venezuela. His government 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, with the

goal of bringing about a peaceful resolution to Venezuela's political crisis.

### U.S.-Argentine Relations

U.S.-Argentine relations have been characterized by robust commercial linkages and cooperation on such issues 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 that demonstrated a commitment to improved bilateral relations. President Obama moved to engage the Macri government on a range of bilateral, regional, and global issues, including a state visit to Argentina in 2016.

Strong bilateral relations continue under the Trump Administration. President Macri visited the White House in April 2017, with the two leaders underscoring their commitment to expand trade and investment and pledging strengthened partnership to combat narcotics trafficking, money laundering, terrorist financing, corruption, and other illicit finance activities. The two Presidents also agreed to establish a working group to strengthen engagement on cyber issues; an inaugural meeting took place in May 2017.

Vice President Pence visited Argentina in August 2017. In addition to reiterating a commitment to strengthen ties, Pence highlighted Argentina's emerging global leadership and its role in forums such as the Group of 20 (G-20) and the World Trade Organization. He also expressed support for Argentina's bid to start the accession process for the Organization of Economic Cooperation and Development. Argentina took over the rotating presidency of the G-20 in December 2017 and is scheduled to host the annual G-20 summit on November 30-December 1, 2018.

**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 \$579,000 in FY2016, \$624,000 in FY2017, and an estimated \$500,000 in FY2018; the Trump Administration requested \$600,000 for FY2019. In addition, Congress provided \$2.5 million in International Narcotics Control and Law Enforcement assistance in FY2018 (P.L. 115-141) to support Argentina's technological capabilities in the areas of counterterrorism, counternarcotics, and law enforcement.

**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 \$13.7 billion in 2016 (latest available), led by manufacturing, information, mining, and finance.

In December 2017, President Trump restored U.S. trade preferences to Argentina under the Generalized System of Preferences (GSP) that had been suspended in 2012 because of failure to pay international arbitration awards to two U.S.

companies. Argentina subsequently settled the two investment disputes and requested the GSP re-designation.

U.S. officials have raised concerns about Argentina's intellectual property rights protection 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 intellectual property rights enforcement, including patent protection, physical counterfeiting and piracy, and online piracy, although it has taken some positive actions over the past two years.

Argentina has 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. USDA issued rules in 2015 allowing fresh beef imports from Argentina, but U.S. food safety requirements have kept the market closed to date.

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 Department of Commerce imposing additional antidumping duties.

Argentina had been concerned about the potential imposition of U.S. duties on steel and aluminum imports, but it received a temporary exemption on such tariffs in March 2018 and then a permanent exemption in May after reaching a quota agreement with the United States.

**Congressional Interest.** Congress has expressed support for close relations with Argentina. In the 115<sup>th</sup> Congress, the House passed H.Res. 54 (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.

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