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Argentina: An Overview

Located on the Atlantic coast of South America's Southern Cone, Argentina is the third-largest economy in Latin America (after Brazil and Mexico). U.S.-Argentina relations have traditionally been strong, 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

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

Population: 47.2 million (2024, IMF est.)

GDP/Per Capita GDP: \$604.3 billion/\$12,812 (2024, current prices, IMF est.)

Real GDP Growth (constant prices): -9.9% (2020), 10.7% (2021), 5.0% (2022), -1.6% (2023, est.), -2.8% (2024, est.) (IMF)

Key Goods Export Trading Partners: Brazil (18%), United States (8%), China (8%), Chile (7%) (2023, INDEC)

Key Goods Import Trading Partners: Brazil (23%), China (20%), United States (12%), Paraguay (5%) (2023, INDEC)

Sources: International Monetary Fund (IMF); *World Economic Outlook Database*, April 2024; and Argentina's National Institute of Statistics and Censuses (INDEC)

Political Environment

The current president of Argentina, Javier Milei, is an economist and leader of the socially conservative and economically libertarian *La Libertad Avanza* (LLA, "Freedom Advances") coalition. Milei won 56% of the vote in a runoff presidential election in November 2023. His anti-establishment rhetoric and pledges to improve the economy appeared to resonate with voters experiencing an economy marked by high inflation and rising poverty under the Peronist government of President Alberto Fernández (2019-2023).

In legislative elections held concurrently with the presidential election, no political coalition secured a majority in either chamber of congress. Milei's LLA obtained 38 out of 257 total seats in the Chamber of Deputies and 7 out of 72 seats in the Senate. Right-leaning parties that have largely supported LLA's policy agenda, including the center-right *Propuesta Republicana* (PRO, "Republican Proposal"), secured 42 seats in the Chamber of Deputies and 6 seats in the Senate. The Peronist *Unión por la Patria* (UP, "Union for the Homeland"), largely in opposition to Milei, obtained 99 seats in the lower chamber and 33 seats in the upper chamber.

President Milei was inaugurated to a four-year term on December 10, 2023. Upon inauguration, the Milei

administration began implementing policy changes intended 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 government has continued to devalue the peso 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 eliminated 9 out of 18 federal government ministries, initiated a plan to cut more than 70,000 public sector jobs, and froze over 2,700 public works projects. The government also began to roll back energy and transportation subsidies.

On December 20, 2023, Milei issued a Decree of Necessity and Urgency (DNU), implementing more than 300 economic reforms. The measures focus on deregulating Argentina's economy, including the elimination of price controls and a scaling back of labor, employment, and rental housing regulations, among other actions. A federal court, however, ruled the DNU's labor reforms unconstitutional in response to a legal challenge filed by the country's largest labor federation; the Milei government signaled it would appeal the decision to the supreme court.

In June 2024, LLA and its allies secured legislative victories after facing challenges to Milei's legislative agenda during the first six months of his administration. The Milei administration negotiated with opposition parties to gain passage of a narrower version of an omnibus economic reform law he had proposed early in his term. The law gives President Milei the power to legislate by decree on administrative, economic, financial, and energy issues for one year; establishes incentives for investments of at least \$200 million in specific sectors; eases labor regulations; and authorizes the privatization of several state-owned firms, among other measures. Milei also secured passage of a fiscal reform package, reinstating some taxes on income and personal assets, among other measures. The Argentine Senate's passage of Milei's economic reform law in June 2024 reportedly triggered violent protests.

Some observers suggest that Milei may face increased pressure to improve the country's economic situation following adoption of the scaled-back version of his omnibus economic reform law. While Milei's approval ratings have generally remained above 50% since assuming office, several sectors of society, including historically powerful labor unions, have organized protests and national strikes in response to the administration's economic austerity policies. Some analysts posit that Milei's ability to improve the economy before midterm congressional elections set for December 2025 could shape congressional support for his coalition during the second half of his term.

Economic Situation

After contracting by 9.9% in 2020 during the COVID-19 pandemic, Argentina's economy began to resume growth in 2021 and 2022 (10.7% and 5.0%, respectively). Argentina's gross domestic product (GDP) contracted by an estimated 1.6% in 2023, however, as a drought limited agricultural exports, rapid inflation weakened private consumption, and political uncertainty hampered investment. By the end of 2023, the annual inflation rate reached 211%, the highest rate since the 1990s.

Since Milei assumed office, monthly inflation has generally trended lower, and in the first three months of 2024, the administration achieved the first quarterly fiscal surplus in 16 years, in part due to decreased government spending. Despite these advances, however, interannual inflation sat at 272% in June. Some analysts maintain that Milei's economic policies may also have taken a toll on the economy; in the first quarter of 2024, Argentina's economy contracted by 5.1%, accompanied by rising unemployment. One survey estimated that 55.5% of the urban population lived in poverty during the first quarter of 2024, up from nearly 45% during the third quarter of 2023.

Some Argentine human rights organizations contend that Milei's policies and budget cuts have weakened social and labor protections, disproportionately impacting vulnerable groups of society. During the first quarter of 2024, the national statistics agency recorded the highest reading of social inequality since at least 2020.

In 2022, the Fernández government negotiated a \$44 billion, 30-month assistance package with the International Monetary Fund (IMF) that, according to the IMF, sought to stabilize the economy, improve public finances, and reduce inflation. The Fernández government missed many of the program's targets in 2023, in part due to the effects of the aforementioned drought and "policy slippages." After a successful review in June 2024, the IMF executive board approved an \$800 million disbursement to the Milei administration, citing the program to be "firmly on track."

Relations with China

For nearly two decades, Argentina and the People's Republic of China (PRC or China) have enhanced their bilateral economic and political engagement. 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 April 2024, Milei ordered the first inspection of the facility since 2022.

As a candidate, Milei criticized the PRC and signaled that his government would look to distance itself from Beijing. Milei has adopted a more diplomatic approach as president, in part due to the countries' trade and investment ties. In June 2024, the two countries' central banks renewed an estimated \$5 billion currency swap agreement originally negotiated under the previous Argentine administration; the PRC government, reportedly in response to Milei's rhetoric, had suspended the agreement shortly after he assumed office.

U.S.-Argentina Relations

Relations between the United States and Argentina are characterized by strong economic ties and collaboration on such issues as counterterrorism, democracy and human rights, and climate change. In May 2024, Secretary of State Antony Blinken and Argentine Foreign Minister Diana Mondino signed a framework of understanding reestablishing a bilateral high-level dialogue to increase cooperation on key issues, including trade.

U.S. Foreign Aid and Other Support. U.S. foreign assistance has supported activities in Argentina related to environmental protection, peace and security, and economic development, among other areas. Argentina's status as a major non-NATO ally since 1998 grants 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. Congress may consider whether to meet the Biden Administration's FY2025 request for \$800,000 in IMET aid.

Trade and Investment Snapshot. The United States ran a \$5.0 billion goods trade surplus with Argentina in 2023, exporting \$11.4 billion in goods to the country (led by mineral fuels, machinery, and electrical equipment) and importing \$6.4 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 primary mechanism for discussing bilateral trade and investment issues; the countries held their fourth meeting under the framework in June 2024.

Terrorism Issues. Some Members of Congress have expressed concern about Argentina's progress in bringing to justice those responsible for two terrorist bombings against Jewish targets in Buenos Aires during the 1990s. Argentinian authorities have linked both Iran and Hezbollah (the Lebanese Shia militia and U.S.-designated Foreign Terrorist Organization) to the attacks. Argentina designated Hezbollah as a terrorist organization in 2019.

Several resolutions related to the bombings have been introduced in the 118th Congress. S.Res. 758 would commemorate the 32nd anniversary of the bombing of the Embassy of Israel in Buenos Aires and the 30th anniversary of the Argentine-Israelite Mutual Association (AMIA) attack and would recommit the United States to efforts to uphold justice for the victims of the attacks. H.Res. 1266 would condemn the AMIA attack and call for accountability.

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