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Argentina: Overview and U.S. Relations

Located on the Atlantic coast of South America, Argentina is the third-largest economy (after Brazil and Mexico) and has the fourth-largest population (after Brazil, Mexico, and Colombia) in Latin America. The country has maintained a robust democratic tradition since its return to democracy in 1983, after seven years of governance under a repressive military dictatorship. Argentina possesses abundant natural resources and a high level of socioeconomic development compared with its regional peers. However, recurring economic crises and sovereign debt defaults have hindered Argentina's economy and, at times, its role on the international stage.

Key developments in Argentina and U.S.-Argentina relations include the following:

- **Economic Crisis and New Leadership.** An economic crisis under the administration of President Alberto Fernández (2019-2023) contributed to the election of economist and political outsider Javier Milei, of the socially conservative and economically libertarian La Libertad Avanza political coalition. Since taking office in December 2023, the Milei administration has initiated an economic adjustment plan to drastically reduce public sector spending and ease the country's regulatory environment, despite limited representation in the Argentine congress. Other aspects of President Milei's policy agenda include improving public security and modernizing Argentina's armed forces.
- **Foreign Affairs Under the Milei Administration.** Since its return to democracy in the 1980s, Argentina's international relations generally have been characterized by active participation in international and regional multilateral fora. The Milei administration has stated its desire to prioritize its relationship with the West, based on perceived shared cultural and economic values, while de-emphasizing relations with regional partners and the People's Republic of China. Argentina remains a key member of the *Mercado Común del Sur* (Common Market of the South; Mercosur), a common market trade arrangement and regional integration bloc, which is seeking to finalize a free-trade agreement signed with the European Union in December 2024.
- **Relations with the United States.** Milei has made several changes that have increased Argentina's foreign policy alignment with that of the United States. For example, Milei requested that NATO recognize Argentina as a NATO Global Partner in April 2024; declared Hamas an international terrorist organization in July 2024, after its October 2023 terrorist attack on Israel; and made several acquisitions of U.S.-made defense materiel. The Biden Administration has engaged the Milei administration through various bilateral mechanisms that seek to strengthen U.S.-Argentine security cooperation and deepen commercial and investment ties, especially related to the development of critical mineral supply chains.

Congress may decide whether to shape U.S.-Argentina relations through various legislative and oversight efforts, including through foreign assistance appropriations, legislation to facilitate increased trade and investment ties, and oversight of the executive branch's implementation of U.S. policy. In terms of foreign assistance appropriations, the report (H.Rept. 118-554) accompanying the FY2025 State, Foreign Operations, and Related Appropriations (SFOPS) bill (H.R. 8771) passed in the House of Representatives calls for \$8.05 million in budget authority for International Narcotics Control and Law Enforcement (INCLE) security assistance in the Southern Cone, which includes Argentina. The report (S.Rept. 118-200) accompanying the Senate version of the FY2025 SFOPS bill (S. 4797) recommends not less than \$5 million in INCLE funding for Southern Cone Cooperation programming. To strengthen commercial ties, some Members of Congress have advocated for Argentina's inclusion in the Americas Partnership for Economic Prosperity, a U.S.-led regional investment initiative; other Members have promoted the reauthorization of the Generalized System of Preferences, which provides nonreciprocal, duty-free treatment for certain U.S. imports from Argentina and other developing countries. Some Members of Congress have introduced resolutions in the 118th Congress to support ongoing efforts to bring to justice those suspected of perpetrating two terrorist bombings in Buenos Aires in the 1990s on the Israeli Embassy and a Jewish community center (e.g., S.Res. 758, H.Res. 1266.)

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Introduction

Located on the Atlantic coast of South America (see **Figure 1**), Argentina is the third-largest economy (after Brazil and Mexico) and has the fourth-largest population (after Brazil, Mexico, and Colombia) in Latin America. Argentina has a robust democracy and performs well on human development indicators such as per capita gross national income, educational attainment, and life expectancy compared with its regional peers. At the same time, Argentina has experienced recurring economic crises and political instability. Argentina has not achieved sustained economic growth since the late 2000s, despite different policy approaches by successive governments. Political control of Argentina's government over the last two decades has alternated between left-of-center governments that have favored stronger state intervention in the economy and right-of-center governments that have opted for pro-market reforms. An economic crisis characterized by rising poverty and inflation exceeding 200% contributed to the election as president of libertarian economist Javier Milei, of the right-leaning *La Libertad Avanza* (LLA; "Freedom Advances") political coalition, in an October 2023 runoff election.

Since taking office in December 2023, President Milei has pursued economic and foreign policy changes. He has implemented a program of economic austerity and market-oriented reforms in an effort to lower inflation and improve Argentina's economic situation. Milei also has sought to increase Argentina's foreign policy alignment with the United States, especially in relation to defense and security ties. In 2024, for example, the Argentine government joined the U.S.-led Combined Maritime Forces initiative and requested to be recognized as a NATO global partner. The Biden Administration has moved to strengthen the U.S.-Argentina ties since Milei's inauguration, including through several high-level bilateral meetings and the reestablishment of a high-level dialogue between the two countries. The U.S. and Argentine governments also have sought to deepen trade and investment ties in key areas, such as critical mineral development.

Some Members of Congress have expressed interest in increasing cooperation with Argentina on international issues of mutual interest and facilitating bilateral trade and investment, in part to develop critical mineral supply chains and counter the influence of the People's Republic of China (PRC, or China).¹ Some Members also remain concerned with ongoing efforts to bring to justice those responsible for two terrorist bombings against Israeli and Jewish targets in Buenos Aires in the 1990s. Congress could shape U.S. relations with the Milei administration through various legislative and oversight efforts, including through foreign assistance appropriations, legislation to facilitate increased trade and investment ties, and oversight of the executive branch's implementation of U.S. policy.

¹ See, for example, U.S. Congress, House Committee on Ways and Means, "Chairman Smith Leads House Delegation to Argentina, Paraguay, and Chile," press release, September 9, 2024; U.S. Congress, House Foreign Affairs Committee, *Hearing on Western Hemisphere Competition*, CQ, hearings, 118th Cong., 2nd sess., June 12, 2024; Office of U.S. Sen. Marco Rubio, "ICYMI: Rubio: U.S. Should Stand by Argentina's Milei," press release, December 11, 2023.

Figure I. Map of Argentina with Provinces and Selected Cities

Source: Created by CRS using data from the U.S. Department of State, Global Administrative Areas, and ESRI.

Political and Economic Environment

Political Background

Argentina is a federal republic consisting of 23 provinces and an autonomous federal district, the Autonomous City of Buenos Aires. At the national level, the country has a presidential system

that divides powers between a president, a bicameral congress, and a federal judiciary. A president is directly elected to serve as head of state and government and commander in chief of the armed forces for a four-year term and can be reelected for one consecutive term.² The Argentine congress—consisting of the 257-member Chamber of Deputies and the 72-member Senate—exercises legislative powers. Deputies serve four-year terms, and half of the Chamber stands for reelection every two years. Senators serve six-year terms, and one-third of the Senate stands for reelection every two years. Argentine presidents' broad powers, including the ability to issue emergency decrees that carry the force of law without legislative approval, have led some academics to characterize Argentina's political system as a "hyper-presidentialism" in practice.³

Argentina has had a strong democratic tradition since returning to democracy after more than seven years of rule under a military dictatorship from 1976 to 1983. The dictatorship employed state terrorism tactics to repress popular dissent, leading to the forced disappearance of thousands of people (up to 30,000, according to some Argentine human rights groups).⁴ Successive Argentine governments have made efforts to bring those responsible to justice; some judicial investigations into the military dictatorship's alleged human rights abuses are ongoing.⁵ An economic crisis and defeat in the Falklands War (*Guerra de las Malvinas*, by its Spanish name) against the United Kingdom in 1982 increased internal divisions within the armed forces and contributed to rising social discontent, ultimately prompting the military to initiate a transition to democratic civilian rule.⁶ Argentina has held democratic elections since the election of Raúl Alfonsín (1983-1989) of the centrist *Unión Cívica Radical* (UCR; "Radical Civic Union"), who assumed control of the government after the end of military rule.

The *Partido Justicialista* (PJ; "Justicialist Party"), also known as the Peronist Party, has played a prominent role in Argentine politics. The modern Peronist Party is split among several factions with varying political ideologies.⁷ PJ candidates have won 6 of the 10 presidential elections held since the country's return to democracy in 1983. During this time, Argentina's civilian governments' policy agendas have varied widely. Most Peronist administrations—including those of presidents Néstor Kirchner (2003-2007), Cristina Fernández de Kirchner (2007-2015), and Alberto Fernández (2019-2023)—generally have aimed to increase the government's role in the economy and expand social programs and labor protections. In contrast, PJ President Carlos Menem (1989-1999), Mauricio Macri (2015-2019) of the center-right *Propuesta Republicana* (PRO; "Republican Proposal"), and Milei have pursued market-oriented reforms.

² Constitución de la Nación Argentina, Art. 45-53, 54-62, 87-98; International Foundation for Electoral Systems (IFES), "Argentine Republic."

³ See, for example, Dan Berbecel, *Presidential Power in Latin America: Examining the Cases of Argentina and Chile*, (New York: Routledge, 2021), pp. 38-60; Susan Rose-Ackerman, Diane Desierto, and Natalia Volosin, "Hyper-Presidentialism: Separation of Powers Without Checks and Balances in Argentina and the Philippines," *Berkeley Journal of International Law*, 2011, pp. 246-333.

⁴ Rita Arditti, "The Grandmothers of the Plaza de Mayo and the Struggle Against Impunity in Argentina," *Meridians*, vol. 3, no. 1, 2002, p. 20.

⁵ Ministerio de Justicia, Secretaría de Derechos Humanos de la Nación, "Juicios de Lesa Humanidad en Tiempo Real," accessed August 28, 2024, <http://www.juiciosdelesahumanidad.ar/#/>.

⁶ The Falklands War was a 74-day conflict between Argentina and the United Kingdom in which the two countries fought for control of the Falkland/Malvinas, South Georgia, and South Sandwich Islands from April to June, 1982. Argentina still claims the islands as part of its sovereign territory. Imperial War Museums, "A Short History of the Falklands Conflict," accessed October 28, 2024.

⁷ Peronism, as a populist political movement, dates to the 1940s when Juan Domingo Peron—a colonel serving as Secretary of Labor in a military government that assumed power undemocratically in 1943—built a political base through the growing union movement. He went on to serve as president from 1946 until he was ousted by a military coup in 1955, and again from 1973 until his death in 1974.

Successive presidential administrations in Argentina have struggled to address deep-seated economic challenges while grappling with recurring economic crises (see below, “Economic Background”). The most serious such crisis occurred at the beginning of the 21st century, crippling Argentina’s financial system, prompting violent unrest, and leading to the eventual resignation of then-President Fernando de la Rúa.⁸ A subsequent interim government defaulted on nearly \$100 billion of debt, the largest sovereign debt default in history at the time.⁹ Gross domestic product (GDP) averaged nearly 9% growth under the government of Néstor Kirchner, aided by rising global commodities prices in the years after the 2001 crisis.¹⁰ Argentina’s economic performance under subsequent governments has been more volatile, recording economic contractions in 8 of the 16 years since 2008.¹¹

President Milei’s immediate predecessor, President Fernández, faced a series of external and internal challenges during his administration. The country’s economy, already in recession since 2018, contracted by nearly 10% in 2020 due to economic disruptions from the Coronavirus Disease 2019 (COVID-19) pandemic.¹² Growing internal divisions between the more moderate faction of Peronism, represented by President Fernández, and supporters of his more populist vice president—former President Cristina Fernández de Kirchner—also complicated governance. Plagued with an annual inflation rate of over 200%, a poverty rate of 40%, and approval ratings below 20%, President Fernández chose not to run for reelection, instead supporting the candidacy of his economy minister, Sergio Massa.¹³

2023 Presidential and Legislative Elections¹⁴

On October 22, 2023, Argentina held general elections to select the president, vice president, half of the lower 257-member Chamber of Deputies, and one-third of the 72-member Senate.¹⁵ In the presidential race, Sergio Massa, representing the Peronist-led, left-of-center *Unión por la Patria* (UP; “Union for the Homeland”) coalition, obtained nearly 36.7% of the vote to win the first-round presidential contest. He was followed by Javier Milei (29.9%) of the far-right *La Libertad Avanza* (LLA; “Freedom Advances”) coalition and Patricia Bullrich (23.8%) of the center-right *Juntos por el Cambio* (JxC; “Together for Change”) coalition, who received the support of former President Mauricio Macri.

⁸ For background on Argentina’s 2001 economic crisis, see International Monetary Fund (IMF), Independent Evaluation Office, *The IMF and Argentina 1991-2001*, 2004; Kathryn M. E. Dominguez and Linda L. Tesar, “International Borrowing and Macroeconomic Performance in Argentina,” *Capital Controls and Capital Flows in Emerging Economies: Policies, Practices and Consequences*, National Bureau of Economic Research, May 2007; Paul Blustein, *And the Money Kept Rolling In (and Out): Wall Street, the IMF, and the Bankrupting of Argentina* (New York City: Public Affairs), 2005.

⁹ CRS Report R41029, *Argentina’s Defaulted Sovereign Debt: Dealing with the “Holdouts”*, by J.F. Hornbeck, available to congressional clients upon request.

¹⁰ IMF, World Economic Outlook Database, April 2024, accessed September 9, 2024. Average of IMF recorded gross domestic product growth rates from 2004 to 2007.

¹¹ Ibid.

¹² Ibid.

¹³ Instituto Nacional de Estadística y Censos (INDEC), *Incidencia de la Pobreza y la Indigencia en 31 Aglomerados Urbanos*, informe técnico, vol. 8, no. 73, March 2023, p. 3; Universidad de San Andrés (UdeSA), *Encuesta de Satisfacción Política y Opinión Pública*, September 2023, p. 11.

¹⁴ Unless otherwise noted, this section draws from Ministerio del Interior, Dirección Nacional Electoral and Observatorio Político Electoral, “Resultados Electorales,” Sistema de Publicación de Resultados Electorales; IFES, “Argentine Republic”; “Argentina’s Milei at the 100-Day Mark,” *LatinNews*, March 2024.

¹⁵ Congressional elections in Argentina renew one-half of the Chamber of Deputies and one-third of the Senate every two years. Voters directly elect deputies and senators through a closed list proportional representation system.

Massa's support in the first-round presidential contest was below the threshold required to secure the presidency, requiring him to face Milei in a runoff election held on November 19, 2023. Bullrich and former President Macri opted to support Milei ahead of the second round. Milei ultimately defeated Massa by 11 percentage points, 55.7% to 44.3%.

President Milei was inaugurated to a four-year term on December 10, 2023. An economist and former one-term federal deputy, Milei leads the socially conservative and economically libertarian LLA coalition, which formed in 2021. On the campaign trail, Milei combined a strong grassroots social media presence with combative rhetoric. He advocated for a significant reduction in government spending and the implementation of libertarian free-market policies while criticizing career politicians that he disparagingly termed the "political caste."¹⁶ Milei's anti-establishment discourse and pledges to improve economic conditions resonated with voters experiencing an economy marked by high inflation and increasing poverty under the Peronist administration of President Fernández.

In 2023 legislative elections, no political coalition secured a majority in either chamber of Argentina's congress. After the elections, Milei's LLA controlled 38 out of 257 total seats in the Chamber of Deputies and 7 out of 72 seats in the Senate, representing approximately 15% of seats in the lower chamber and 10% of seats in the upper chamber.¹⁷ The center-right political parties that have supported aspects of LLA's policy agenda, including PRO, secured 42 seats in the Chamber of Deputies and 6 seats in the Senate. The Peronist-led UP coalition, largely in opposition to Milei's administration, obtained 99 seats in the lower chamber and 33 seats in the upper chamber. Other opposition parties, including the UCR and a collection of smaller provincial parties, which called for dialogue with the government to address Argentina's economic crisis, obtained 73 seats in the lower chamber and 26 seats in the upper chamber.

The Milei Administration (December 2023-Present)

Since taking office, the Milei administration has centered its policymaking on improving economic conditions, with a particular focus on reducing inflation, which local polls showed to be a top concern for Argentines in the runup to, and immediately after, the 2023 elections.¹⁸ Key aspects of President Milei's economic recovery plan include maintaining a government fiscal surplus through reduced public sector spending and encouraging increased private sector activity by easing the regulatory environment and providing economic incentives for investments in certain industries. The Milei administration also has focused on implementing policies to improve public security, especially in areas with high crime rates.

Economic Policy and Related Reforms

Upon inauguration, the Milei administration began implementing policy changes they said were intended to overhaul Argentina's economy to make it more competitive and improve long-term economic prospects. On December 20, 2023, Milei issued a presidential emergency Decree of Necessity and Urgency (DNU by its Spanish acronym), implementing more than 300 economic measures that modify and repeal hundreds of laws. The Milei administration also devalued the Argentine peso by more than 50% in an effort to decrease the country's fiscal deficit and reduce

¹⁶ Michael Stott, "Argentina's Milei Faces Enormous Hurdles to Govern," *Financial Times*, November 20, 2023.

¹⁷ In August 2024, two *La Libertad Avanza* (LLA; "Freedom Advances") lawmakers (one senator and one deputy) left the coalition. In September 2024, two deputies joined the LLA coalition, bringing LLA's representation in congress to 39 seats in the Chamber of Deputies and 7 six seats in the Senate.

¹⁸ See, for example, Universidad de San Andrés, *Encuesta de Satisfacción Política y Opinión Pública*, September 2023.

macroeconomic and trade imbalances.¹⁹ Citing a goal of cutting government spending, the Milei administration began to reduce the number of federal government ministries from 18 to 8, initiated a plan to cut tens of thousands of public sector jobs, and suspended over 2,700 public works projects.²⁰ The administration also began to roll back energy, water, and transportation subsidies.

The DNU focuses on deregulating Argentina's economy, including eliminating price controls and scaling back rental housing regulations. The Argentine congress could invalidate the DNU in its entirety through majority votes in both chambers. In March 2024, the Argentine senate voted to reject the DNU, with some senators claiming the decree was infringing on legislative branch powers; the lower chamber has yet to hold a vote on the presidential decree.²¹

After struggling to advance the administration's legislative agenda during President Milei's first six months in office, Milei's LLA and its allies began to secure some legislative victories. In June 2024, the Milei administration negotiated with opposition parties to gain passage of a 238-article omnibus economic reform law known as the *Ley de Bases*.²² The law gives Milei the power to legislate by decree on administrative, economic, financial, and energy issues for one year; establishes an incentive regime for investments of at least \$200 million in specific sectors (see "Trade and Investment Ties," below); eases labor regulations; and authorizes the privatization of several state-owned firms, among other measures. The Argentine congress also passed an accompanying fiscal reform package, reinstating some taxes on income and personal assets, among other measures.

Several sectors of society, including historically powerful labor unions, have organized national protests and strikes in response to the Milei administration's economic adjustment and austerity policies. The Argentine senate's passage of the *Ley de Bases* reform law in mid-June 2024 triggered violent protests.²³ In September 2024, wage-related worker strikes at the country's largest airline, state-owned *Aerolíneas Argentinas*, impeded some commercial air travel.²⁴ To reduce government spending, President Milei vetoed two bills that sought to increase spending on pension benefits and higher education in September 2024. These vetoes prompted several

¹⁹ Débora Rey, "Argentina Sharply Devalues Its Currency and Cuts Subsidies as Part of Shock Economic Measures," Associated Press, December 12, 2023.

²⁰ The Milei Administration eliminated 11 cabinet-level ministries and created the Ministry of Deregulation and Transformation of the State (*Ministerio de Desregulación y Transformación del Estado*). Boletín Oficial, *Decreto 585/2024, Modificación Ley de Ministerios*, July, 4, 2024. The national statistics agency estimated that Argentina's national government employed about 21,700 fewer public sector employees (not including state-owned firms) in August 2024 compared with December 2023, a 9.3% decrease. INDEC, *Dotación de Personal de la Administración Pública Nacional, Empresas y Sociedades*, August 2024, accompanying dataset *Dotación Total Estimada por Estructura Organizativa, Julio de 2022 a Agosto de 2024*; Martina Juareguy, "Milei's Government Reduces Ministries and Secretariats by 50%," *Buenos Aires Herald*, December 12, 2023; *LatinNews*, "Government Defends Public Works Freeze," June 26, 2024.

²¹ Maximiliano Pérez Gallardo, "El Senado Argentino Rechaza Megadecreto de Milei para Desregular la Economía, pero Seguirá Vigente," *France24*, March 15, 2024.

²² The Milei administration originally had introduced a more expansive 664-article version of the bill but withdrew it in February 2024 due to opposition in congress. The administration changed several aspects of the bill, including reducing the number of state-owned firms authorized to be privatized, restricting the president's proposed emergency legislative powers, and removing a proposed pension reform. *LatinNews*, "Argentina: Milei's Key Bills Clear Final Hurdle," June 28, 2024.

²³ *The Guardian*, "Argentina: Violent Protests as Senators Back Austerity Measures of President Milei," June 13, 2024.

²⁴ *Aerolíneas Argentinas*, "Paro de Pilotos y Tripulantes: 37 Mil Pasajeros Afectados y 319 Vuelos Cancelados," September 12, 2024.

protests, including some that involved clashes between police and protesters.²⁵ The Inter-American Commission on Human Rights and its Office the Special Rapporteur for Freedom of Expression released statements expressing concern about civil society reports of protester repression, including the use of excessive force against protesters by security forces during the protests in opposition to the vetoes.²⁶

In an effort to regulate social protests, the Security Ministry implemented a protocol in December 2023 enabling federal security forces to disperse protests that block roadways. The protocol also specified that protest organizers would be held liable for operational costs incurred by security forces while addressing the protests. In January 2024, three UN Special Rapporteurs sent a public letter asking the Milei administration to revise the protocol and other proposed security measures to better align with international human rights standards.²⁷ Security Minister Patricia Bullrich has stated that the protocol has returned order to Argentina's streets and has been upheld by the judiciary in the face of legal challenges.²⁸

Security and Defense Policy

The Milei administration has sought to address insecurity related to organized crime and drug trafficking, which it has referred to as “narcoterrorism” in some cases.²⁹ Although Argentina's national homicide rate (4.4 homicides per 100,000 persons in 2023) remains low compared with homicide rates in other Western Hemisphere countries, some areas of Argentina have experienced heightened levels of violence; the department of Rosario, for example, recorded a homicide rate more than four times higher than the national level (19.8 homicides per 100,000) in 2023.³⁰ Some analysts attribute the violence in Rosario to its role as a hub for transiting Andean-produced cocaine to markets outside South America, although others point to increased competition between local gangs for drug dealing territory in the area. Officials linked about 64% of homicides in Rosario to organized crime and/or illicit economies in 2023.³¹

In January 2024, the Argentine Ministry of Security launched the *Plan Bandera* security initiative to combat drug trafficking and organized crime in Rosario. The plan includes increasing prison controls for incarcerated leaders of criminal groups and deploying federal security forces—with

²⁵ Reuters, “Clashes Outside Argentina Congress After Pension Hike Blocked,” September 12, 2024; and Isabel Debire, “Public university protests escalate in challenge to Argentina's President Milei,” Associated Press, October 21, 2024.

²⁶ The Inter-American Commission on Human Rights (IACHR) is an autonomous body of the Organization of American States (OAS), whose mandate is based on the OAS Charter and the American Convention on Human Rights. IAHCR, “IACHR and SRFOE Urge Argentina to Uphold the Right to Social Protest,” September 23, 2024; IAHCR, “Argentina: CIDH y su RELE Expresan Preocupación Ante Reportes sobre Alegadas Afectaciones a la Protesta Social,” November 8, 2024.

²⁷ United Nations, “Mandatos del Relator Especial Sobre los Derechos a la Libertad de Reunión Pacífica y de Asociación, de la Relatora Especial Sobre la Promoción y Protección del Derecho a la Libertad de Opinión y de Expresión y de la Relatora Especial Sobre la Situación de los Defensores de Derechos Humanos,” OL ARG 3/2024, January 23, 2024.

²⁸ Americas Society/Council of the Americas, “Buenos Aires 2024: Patricia Bullrich, Ministra de Seguridad,” August 14, 2024; José Giménez y Manuel Tarricone, “Qué Establece el Protocolo ‘Antipiquetes’ del Gobierno de Javier Milei,” *Chequeado*, January 24, 2024.

²⁹ Gobierno de Argentina, “El Gobierno Anunció las Nuevas Medidas para Liberar a Rosario del Narcoterrorismo,” March 11, 2024.

³⁰ Departments (*departamentos*) are second-level administrative subdivisions of Argentina's territory, after provinces. Observatorio de Seguridad Pública, *Reporte Anual de Homicidios: Provincia de Santa Fe Año 2023*, January 2023, pp. 38 and 46.

³¹ Ibid; Evan Ellis, “Argentina: Security Challenges and the Government Response,” Centro de Estudios Estratégicos del Ejército del Perú, *Revista Seguridad y Poder Terrestre*, vol. 3, no. 2, June 6, 2024; Alicia Florez and Christopher Newton, “How Rosario Became Argentina's Violence Capital,” *InSight Crime*, January 30, 2024.

logistical support from the armed forces—to bolster local efforts to combat crime.³² Eight months after the security plan’s launch, government officials reported that homicides in Rosario had decreased by 60% and cocaine seizures had increased by 500% compared with the same period in 2023.³³ Some of these security measures have been controversial; the international human rights organization Human Rights Watch, for example, argued that a March 2024 resolution broadening the guidelines governing how federal security forces may use their firearms “opens the door to abuse.”³⁴

Argentina’s Defense and Security ministries have sent a package of legislative proposals to congress that officials argue would enhance the government’s tools to combat criminal and terrorist organizations and improve internal security nationwide. A proposed “anti-mafia” bill would increase criminal penalties for some crimes associated with organized crime and would allow prosecutors to apply the most severe sentence received by one member of a criminal organization to all other members, among other measures. In September 2024, the Argentine congress approved a measure to expand the country’s national genetic registry to assist in all types of criminal investigations, enabling the justice ministry to collect DNA samples from any adult charged with a crime. The security minister has stated that the government plans to maintain the database with the help of the U.S. Federal Bureau of Investigation’s (FBI’s) Combined DNA Index System—a generic term the FBI uses to describe its support program for criminal justice DNA databases.³⁵

Another proposed legislative measure would allow the government to deploy the country’s armed forces domestically to combat acts of terrorism, rolling back restrictions implemented after Argentina’s last military dictatorship. According to President Milei, the proposal would enable Argentina to adapt to new threats posed by drug-trafficking and terrorist organizations by allowing the armed forces to participate in internal security matters in “exceptional situations” without having to call a state of emergency, as is required under current law.³⁶ Some members of the armed forces reportedly have expressed reservations about carrying out police functions, highlighting a lack of specific training for such activities, among other concerns.³⁷ The potential use of the armed forces is a divisive issue for many in Argentina, given the country’s history of state terrorism during its last military dictatorship.

The Milei administration has sought to modernize Argentina’s armed forces. Despite the government’s commitment to fiscal austerity measures in other areas of public spending, President Milei reportedly has proposed to increase Argentina’s defense spending from 0.5% to 1.5% of GDP over the next eight years.³⁸ As part of its modernization effort, the Milei

³² Ministerio de Defensa, “‘Hay un Compromiso Inclaudicable de Luchar Contra el Narcotráfico’, Aseveró Petri al Poner en Marcha el Operativo en el que Fueron Desplegados Efectivos y Medios de las Fuerzas Armadas en Rosario,” March 19, 2024; *LatinNews*, “Government Cracks Down on Prisoners,” March 7, 2024.

³³ Ministerio de Seguridad, “La Ministra Bullrich Desembarcó en Rosario Donde Mostró los Resultados del Plan Bandera,” August 26, 2024.

³⁴ Human Rights Watch, “Argentina: Firearms Resolution Opens Door to Abuse,” March 25, 2024.

³⁵ Senado de Argentina, “Es Ley la Ampliación del Registro Nacional de Datos Genéticos para Investigar Delitos,” September 26, 2024; Ministerio de Seguridad, “Bullrich y Petri Presentaron los Principales Proyectos de Seguridad en la Casa Rosada: ‘No Podemos Convertir a los Victimarios en Víctimas,’” March 21, 2024; U.S. Federal Bureau of Investigation, “Frequently Asked Questions on CODIS and NDIS,” accessed October 1, 2024.

³⁶ Casa Rosada, “Palabras del Presidente Javier Milei en la Cena de Camaradería,” August 16, 2024.

³⁷ Federico Galligani, “Las Fuerzas Armadas Cuestionan el Proyecto de Seguridad Interior del Gobierno y Advierten sobre la Falta de Presupuesto,” *Infobae*, August 23, 2024.

³⁸ *The Economist*, “Javier Milei Is Splurging on the Army,” August 22, 2024.

administration has signed agreements on several military equipment acquisitions, showing a preference for buying U.S. materiel (see “U.S.-Argentine Security Cooperation,” below).

President Milei also has aimed to improve the military’s controversial public image stemming from the military dictatorship. Milei has called on political leaders and society at large to begin “a new era of reconciliation” with the armed forces.³⁹ According to some analysts, as part of this effort, the government has minimized the human rights abuses committed during the country’s last period of military rule (1976-1983), instead portraying the dictatorship’s actions as part of an internal war with leftist guerrillas in which abuses were committed on both sides.⁴⁰ In July 2024, six LLA lawmakers visited incarcerated military officials sentenced for human rights abuses, reportedly prompting another LLA lawmaker to defect from the coalition to protest the visit.⁴¹ Several human rights groups have expressed concern that the government’s decision to disband two investigative teams—one charged with assisting in legal cases of dictatorship-era human rights violations and the other tasked with identifying the missing children of detained individuals during the dictatorship—will undermine efforts to bring those responsible to justice. The government has argued that both units violated the country’s separation of powers by assuming responsibilities reserved for the public prosecutor’s office.⁴²

Economic Background

Argentina has a history of economic turbulence. According to a 2024 World Bank Group analysis, there have been 15 economic recessions in Argentina since 1950, the most in any country during that time.⁴³ Observers have attributed the root causes of Argentina’s recurring economic instability to interrelated macroeconomic challenges and economic policy decisions. Macroeconomic challenges include a weak currency and an overdependence on commodity exports (particularly from the agricultural sector) as a source of foreign reserves.⁴⁴ Successive governments’ economic policies, including unsustainable government spending and restrictive trade policies, also are contributing factors, according to some analysts.⁴⁵

Despite chronic economic instability, Argentina enjoys several advantages that highlight its economic potential. The country has an abundance of natural resources, including nearly 100 million acres of agricultural land that contribute to a strong agricultural sector, especially for beef and soy production; the second-largest shale gas and fourth-largest shale oil resources globally, primarily located in the *Vaca Muerta* shale geologic formation; and diverse mineral

³⁹ Casa Rosada, “Palabras del Presidente Javier Milei en el Acto en Conmemoración del 42° Aniversario del Día de Veterano y de los Caídos en la Guerra de Malvinas,” April 2, 2024; CNN Español, “Milei y Victoria Villarruel se Subieron a un Tanque en el Medio del Desfile por el 9 de Julio en Argentina,” July 9, 2024.

⁴⁰ Richard M. Sanders, “Argentina’s Milei Wants ‘Reconciliation’ with the Military,” U.S. Institute of Peace, June 5, 2024.

⁴¹ *Buenos Aires Herald*, “Arrieta Leaves LLA Amid Scandal over Prison Visit to Torturers,” August 28, 2024.

⁴² “NGOs Accuse Milei Government ‘Dismantling’ Team Investigating Military Records,” *Buenos Aires Times*, April 12, 2024; “Martin Jauregui, ‘Milei Dissolves Investigation Unit that Helped Find Dictatorship-Era Appropriated Children,’ *Buenos Aires Herald*, August 14, 2024; Abuelas de Plaza de Mayo, “La Búsqueda de los Nietos y Nietas no Se Puede Frenar por Decreto,” June 27, 2024.

⁴³ World Bank Group, *A New Growth Horizon: Improve Fiscal Policy, Open Markets, and Invest in Human Capital*, 2024, p. 3.

⁴⁴ See, for example, *Ibid.* p. 2; Eduardo Levy Yeyati, “It’s Groundhog Day in Argentina,” *Americas Quarterly*, April 22, 2019; Hector Torres, “How to Fix Argentina’s Recurrent Debt Crises,” *Foreign Policy*, October 31, 2020.

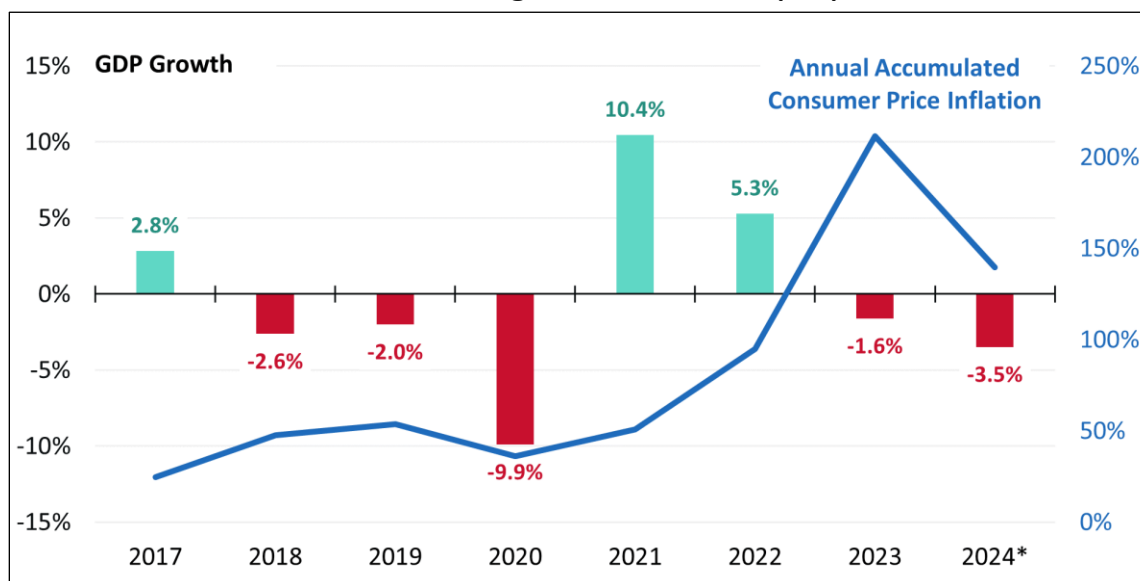
⁴⁵ *Ibid.*

wealth, including the third-largest estimated lithium reserves in the world.⁴⁶ Argentina also has a comparatively high level of human capital, ranking second among South American countries in the UN Development Programme's 2024 Human Development Index.⁴⁷

Current Economic Trends

After contracting by 9.9% in 2020 due to the economic effects of the COVID-19 pandemic, Argentina's economy recovered in 2021 with 10.7% GDP growth, but this rate was not sustained. In 2022, the growth rate dropped to 4.9%.⁴⁸ Argentina's economy then contracted by 1.6% in 2023, 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%, its highest since the 1990s.⁴⁹

Figure 2. Gross Domestic Product (GDP) Growth and Accumulated Consumer Price Inflation in Argentina, 2017-2024 (est.)



Source: CRS presentation of data from Argentina's national statistics office, as reported by International Monetary Fund, *World Economic Outlook Database*, October 2024.

Notes: Gross domestic product is in constant prices. Inflation is in end-of-period consumer prices. Figure for 2024 is an estimate.

President Milei's policy of economic adjustment appears to have slowed inflation and improved government finances while deepening an economic recession that the government maintains is necessary to stabilize the economy. In 2024, monthly inflation in Argentina generally has trended lower (averaging 3.9% from May to October 2024); however, accumulated annual inflation in

⁴⁶ International Trade Administration (ITA), "Argentina: Agricultural Industry," October 26, 2022; U.S. Energy Information Administration (EIA), *World Shale Resource Assessments*, May 17, 2013; U.S. Geological Survey, *Mineral Commodity Summaries*, January 2024, p. 111.

⁴⁷ United Nations Development Program (UNDP), *Human Development Report 2023/2024*, 2024. The Human Development Index is a summary measure of a country's average achievement in key dimensions of human development, including health, education, and standard of living.

⁴⁸ IMF, "World Economic Outlook Database, April 2024," April 16, 2024.

⁴⁹ INDEC, *Índice de Precios al Consumidor*, informes técnicos, vol. 8, no. 1 (December 2023), p. 3.

2024 was 107% in October 2024, according to government statistics.⁵⁰ In part due to reduced government spending, the Milei administration achieved the government's first fiscal surplus in 16 years in the first quarter of 2024 and maintained the surplus in subsequent quarters, buoying investor confidence. The national statistics agency, however, recorded a year-over-year GDP contraction of 1.7% (the fifth consecutive quarterly GDP contraction) and an unemployment rate of 7.6% in the 2nd quarter of 2024.⁵¹ These rates could spur continuing public discontent over economic conditions.

The Milei administration's policy of economic adjustment has negatively impacted social conditions in the country, which had been deteriorating under the previous government. Government statistics recorded 52.9% of the urban population living in poverty during the first half of 2024, increasing from 41.7% during the second half of 2023.⁵² Some Argentine human rights organizations contend Milei's policies and budget cuts have weakened social protections, disproportionately impacting vulnerable social groups already experiencing increased hardship due to the economic crisis.⁵³ In March 2024, a UN Children's Fund report found that child poverty had risen in Argentina since 2017, signaling "persistent" disparities between social groups.⁵⁴ During the first quarter of 2024, the national statistics agency recorded the highest reading of social inequality since at least 2020.⁵⁵

Credit Defaults and International Monetary Fund Programs

Argentina has defaulted on its sovereign debt nine times since its independence in 1816. After a default on nearly \$100 billion of sovereign debt in December 2001—the largest sovereign default in history at the time—Argentina was unable to borrow from international credit markets until then-President Macri resolved a long-standing dispute with private creditors in 2016. Four years later, under renewed economic pressures, Argentina again defaulted on its debt in May 2020, and the government restructured approximately \$64.8 billion in sovereign bonds with private bondholders. According to credit ratings agencies S&P Global and Fitch Ratings, Argentina has had poor access to international capital markets since its 2020 default.⁵⁶

Despite Argentina's improvement on some macroeconomic indicators during the Milei administration, some ratings agencies have continued to identify challenges the government must address to put the economy on more solid footing. In July 2024, Fitch Ratings reaffirmed its June assessment that "a bond restructuring or default event of some sort appears probable in the

⁵⁰ Economist Intelligence Unit (EIU), *Country Report: Argentina*, June 1, 2024; INDEC, *Índice de Precios al Consumidor*, informes técnicos, vol. 8, no. 35, November 12, 2024, pp. 3-4.

⁵¹ INDEC, *Informe de Avance del Nivel de Actividad*, informes técnicos, vol. 8, no. 210, September 18, 2024, p. 9; INDEC, *Mercado de Trabajo. Tasas e Indicadores Socioeconómicos (EPH)*, informes técnicos, vol. 8 no. 211, p. 5.

⁵² INDEC determines poverty by assessing whether a given household's income can satisfy a set of essential food and nonfood needs through the purchase of goods and services. INDEC, *Incidencia de la Pobreza y la Indigencia en 31 aglomerados urbanos*, informes técnicos, vol. 8, no. 220, September 26, 2024.

⁵³ Centro de Estudios Legales y Sociales, "Six Months of Javier Milei's Government in Argentina: Shock Doctrine and Libertarian Authoritarianism," June 22, 2024.

⁵⁴ UN Children's Fund, *Pobreza Monetaria y Privaciones Vinculadas a Derechos en Niñas y Niños 2016-2023*, March 12, 2024, p. 6.

⁵⁵ INDEC assesses social inequality by measuring the Gini Index, a summary measure of income dispersion that describes the relationship between the cumulative distribution of income and the cumulative distribution of the population. For more information on the Gini Index, see CRS Report R43897, *A Guide to Describing the Income Distribution*, by Sarah A. Donovan. INDEC, *Trabajo e ingresos: Evolución de la Distribución del Ingreso (EPH)*, informe técnico, vol. 8, no. 6, June 2024, p. 7.

⁵⁶ See, for example, S&P Global "Argentina 'CCC/C' Global Scale And 'raB+' National Scale Ratings Affirmed; Outlook Remains Stable," August 8, 2024.

coming years,” ahead of bond payments due in the next three years.⁵⁷ President Milei has stated his government will focus on maintaining a fiscal surplus, in part to pay interest on Argentina’s debt.⁵⁸ Moody’s Ratings, another credit rating agency, has indicated that uncertainty about Argentina’s capacity to make payments related to several pending legal judgements—including a 2023 ruling that found the Argentine government liable for \$16 billion in damages stemming from the country’s 2012 expropriation of its state-owned oil company—is a reason the agency has not upgraded the country’s credit rating.⁵⁹ The Milei administration has appealed the ruling in U.S. court.

Argentina also has had a complicated relationship with the International Monetary Fund (IMF). The IMF has provided credit and technical assistance to Argentina for decades. Since joining the organization in 1958, Argentina has participated in 22 IMF arrangements (or lending agreements) including, most recently, an ongoing 30-month, \$44 billion arrangement announced in March 2022.⁶⁰ Some observers have questioned the impact of the IMF’s lending and policy advice in Argentina—especially in the aftermath of the country’s 2001 sovereign debt default—and public polling indicates that more Argentines view the IMFA unfavorably than favorably.⁶¹ Argentina is the IMF’s largest debtor country, with estimated outstanding credit of \$41.9 billion.⁶²

After a successful review in June 2024, the IMF executive board approved a disbursement of \$800 million to the Milei administration, assessing the program to be “firmly on track.”⁶³ According to the IMF, the arrangement sets pragmatic objectives along with policies to improve public finances and reduce inflation.⁶⁴ After meetings between Argentine and IMF officials in October 2024, an IMF official stated that authorities are “exploring the options whether to move to a new program.”⁶⁵ Days earlier, Argentine officials secured \$8.8 billion in financing agreements with the World Bank and the Inter-American Development Bank.⁶⁶

The U.S. Congress would have several options for influencing the IMF’s engagement with Argentina, stemming from the United States’ status as the multilateral organization’s largest

⁵⁷ Fitch Ratings, “Fitch Affirms Argentina at ‘CC,’ rating action commentary, June 11, 2024; Fitch Ratings, “Argentina’s Debt Service Prospects Remains Unclear After Latest Policy Moves,” *Fitch Wire*, July 23, 2024.

⁵⁸ Casa Rosada, “Cadena Nacional del Presidente de la Nación, Javier Milei, Presentando el Presupuesto 2025 en el Congreso de la Nación,” September 15, 2024.

⁵⁹ Ciara Nugent, “Litigation ‘Tsunami’ Breaks Over Argentina’s President Javier Milei,” *Financial Times*, November 5, 2024.

⁶⁰ IMF, “Argentina and the IMF”; IMF, “IMF Executive Board Approves 30-Month U.S.\$44 Billion Extended Arrangement for Argentina and Concludes 2022 Article IV Consultation,” press statement, March 25, 2022.

⁶¹ See, for example, UdeSA, “Encuesta: Qué Imagen Tienen los Argentinos del Campo, los Movimientos Sociales, los Sindicatos y la Justicia,” May 3, 2022; Poliarquía and Wilson Center, “Argentina Pulse #6: La Percepción de los Argentinos en Relación al Orden Mundial, la Política Exterior y los Problemas Grandes,” April 2020, p. 4.

⁶² IMF, “Total IMF Credit Outstanding: Movement from September 1, 2024, to September, 19, 2024.” Figure converted from Special Drawing Rights to U.S. dollars using Google Finance Currency Converter, accessed September 20, 2024.

⁶³ IMF, “IMF Executive Board Completes the Eighth Review of the Extended Arrangement Under the Extended Fund Facility for Argentina,” press release no. 24/217, June 13, 2024.

⁶⁴ IMF, “IMF and Argentine Authorities Reach Staff-Level Agreement on an Extended Fund Facility,” press release, March 3, 2022.

⁶⁵ IMF, “Transcript of Western Hemisphere Economic Outlook October 2024 Press Briefing,” October 25, 2024.

⁶⁶ According to a press release, approximately \$4.4 billion in financing (\$2 billion from the World Bank and \$2.4 billion from the Inter-American Development Bank [IDB]) will support public sector initiatives, including strengthening social protections; the remaining \$4.4 billion (\$3 billion from the World Bank and \$1.4 billion from IDB) will support private sector initiatives in strategic sectors. Ministerio de Economía, “Grupo Banco Mundial y el Grupo BID Otorgan Financiamiento por USD 8.800 Millones para Impulsar el Desarrollo Económico Argentino,” press release, October 23, 2024.

financial contributor. Congress could engage in oversight of the IMF's engagement with Argentina, and other countries, by conducting hearings or other fact-finding activities to gather additional information. Congress could also consider whether to direct U.S. representatives at the IMF to take a particular position, should the Milei administration seek to renegotiate Argentina's current IMF assistance package or seek a new IMF arrangement. In October 2024, 10 Members of Congress sent a public letter to the IMF's managing director in support of President Milei's reforms and advocated for additional IMF support to Argentina.⁶⁷

Debt Owed to the United States and Other Governments

Argentina continues to make payments to the United States and other governments (collectively known as the *Paris Club*) on debt restructured after Argentina's 2001 sovereign debt default. After failed negotiations in 2008 and 2010, the Argentine government reached an agreement in May 2014 to restructure defaulted debt owed to Paris Club creditor governments. Among other stipulations, the agreement enabled the Argentine government to pay off its defaulted debt (which had grown to \$9.7 billion) over a five-year period. Argentina was scheduled to make its last payment of about \$2.4 billion to the Paris Club countries in May 2021, but the Argentine government sought to postpone the payment, citing Argentina's delicate financial situation exacerbated by the COVID-19 pandemic. In October 2022, the Paris Club and Argentina amended the 2014 agreement, rescheduling Argentina's debt payments to continue until 2028 and reducing some interest payments. As of December 2023 (latest data available), Argentina owed the Paris Club governments about \$1.8 billion.

A year after the 2014 Paris Club agreement, the United States and Argentina signed a bilateral agreement to establish a repayment plan for approximately \$608 million in arrears that Argentina owed the United States. The establishment of this agreement lifted restrictions on assistance to Argentina that were in place pursuant to the Foreign Assistance Act of 1961 (22 U.S.C. Ch. 32 §2370(q)), which prohibits aid to countries in default to the U.S. government. In accordance with the 2022 Paris Club amendment, the United States and Argentina signed an updated agreement in March 2023 to address Argentina's payment of its remaining debt to the United States.

Sources: Paris Club, "The Paris Club and the Argentine Republic Agree to a Resumption of Payments and to Clearance of All Arrears," press release, May 29, 2014; Ministry of Economy, "Martín Guzmán Announced a 'Time Bridge' Until March 2022 with the Paris Club, Which Grants an Economic Relief of USD 2 Billion," press release, June 22, 2021; Paris Club, "The Paris Club and Argentina Conclude a Debt Rescheduling," press release, October 28, 2022; Paris Club, "Paris Club's Claims as of 31 of December 2023, Excluding Late Interest," July 1, 2024; U.S. Department of State (DOS), Annex B, "Summary of Arrears as of April 30, 2024," in Agreement Between the United States of America and Argentina, signed February 26, 2015; and DOS, Agreement Between the Government of the United States of America and the Argentine Republic Regarding the Clearance of Arrears Owed to, Guaranteed by, or Insured by the United States Government and Its Agencies, March 30, 2023, as reported in the U.S. House Committee on Administration, "U.S. Committee on Foreign Affairs Survey of Activities, April 3- April 7, 2023," May 18, 2024 p. 9.

Notes: The Paris Club is an informal group of 22 creditor countries (including the United States) that negotiate and/or reduce the debt owed to them to provide debt relief to developing countries. For more information, see CRS Report RS21482, *The Paris Club and International Debt Relief*, by Martin A. Weiss.

Argentina's Foreign Policy: Selected Issues

Since its return to democracy in 1983, Argentina's international relations generally have been characterized by active participation in international and regional multilateral fora, support for human rights, and a policy of nonintervention in other countries' internal affairs. Specific foreign policy priorities have shifted under successive administrations. As the second-largest economy in South America, Argentina has played an important role in regional integration efforts through participation in regional organizations, including the Southern Common Market (Mercosur by its Spanish acronym) and the Organization of American States (OAS). Argentine administrations have taken somewhat different approaches to diplomatic and commercial ties with global powers,

⁶⁷ Letter from 10 Members of Congress to Kristalina Georgieva, Managing Director of the International Monetary Fund, October 4, 2024.

with some centering foreign policy on alignment with the United States and others opting for closer relations with China. President Milei has stated his desire to prioritize Argentina's relationship with the West, based on perceived shared cultural and economic values, while de-emphasizing relations with regional partners and the PRC. A long-standing pillar of Argentina's foreign policy is its sovereignty claim over the Falkland/Malvinas Islands, which is claimed and administered by the United Kingdom as a British Overseas Territory.

Argentina-China Relations

Over the past two decades, Argentina and the PRC have forged closer economic and political ties. In 2014, then-President Fernández de Kirchner and China's leader Xi Jinping upgraded the bilateral relationship from a *strategic partnership* to a *comprehensive strategic partnership*. In 2022, Argentina joined China's Belt and Road Initiative—a multifaceted foreign economic policy initiative that aims to expand China's global economic reach and influence by developing China-centered and -controlled global infrastructure, transportation, trade, and production networks. China also operates a deep space radar facility in southwestern Argentina; U.S. Southern Command has expressed concern that the facility could track and target U.S. satellites.⁶⁸

Argentina and China share strong economic ties. In 2023, China was Argentina's second-largest partner (after Brazil) for imported goods, accounting for 20% of merchandise imports, and the third-largest destination for Argentine exports (after Brazil and the United States), accounting for 8% of Argentina's total merchandise exports.⁶⁹ According to Argentina's Central Bank, China was the seventh-largest source country for foreign direct investment flows into Argentina in 2023, valued at \$1.05 billion.⁷⁰ China also has pursued infrastructure projects in Argentina. Although sources vary, data compiled by the Latin American and Caribbean Academic Network on China indicate that China has pursued 15 infrastructure projects valued at nearly \$17 billion in Argentina from 2020 to 2023, accounting for nearly 37% of all Chinese infrastructure projects in Latin America and the Caribbean during that time.⁷¹ However, some analysts note that most of these projects were paralyzed due to financing questions and other issues as economic conditions have worsened in Argentina under the Fernández administration.⁷²

Argentina's relations with China have showed signs of cooling under the Milei administration, though China remains an important economic partner as Argentina seeks to recover from its economic crisis. In 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 welcomed the invitation. President Milei reversed course, however, announcing it was not “opportune” to join the group.⁷³ Although President Milei harshly criticized the PRC during his election campaign, he has adopted a pragmatic approach toward China since his inauguration, in part reflecting the two countries'

⁶⁸ U.S. Southern Command (SOUTHCOM), “Statement of General Laura Richardson, Commander, United States Southern Command, Before the 118th Congress,” House Armed Services Committee, March 12, 2024.

⁶⁹ INDEC, *Argentine Foreign Trade Statistics: Preliminary Data for 2023*, Informes técnicos, vol. 8, no. 23, February 5, 2024, p. 5.

⁷⁰ Banco Central de la República Argentina, *Informe Sobre Inversión Extranjera Directa*, Fourth Quarter 2023, p. 14

⁷¹ Enrique Dussel Peters, *Monitor of Chinese Infrastructure in Latin America and the Caribbean 2024*, Latin American and Caribbean Academic Network on China (Red ALC-China), July 2024.

⁷² R. Evan Ellis, *The Evolution of Chinese Engagement in Argentina Under Javier Milei*, Center for Strategic and International Studies, June 2024.

⁷³ Voice of America, “Argentina Won't Join BRICS Alliance in Milei's Latest Policy Shift,” December 29, 2024.

extensive trade and investment ties.⁷⁴ In June 2024, the two countries' central banks renewed an estimated \$5 billion currency swap agreement originally negotiated under the Fernández administration; the PRC government, reportedly in response to Milei's rhetoric, had suspended the agreement in December 2023 shortly after he assumed office.⁷⁵

Common Market of the South

Argentina is party to Mercosur, a common market trade arrangement and regional integration bloc created in 1991, that also includes Brazil, Paraguay, Uruguay, and—since December 2023—Bolivia.⁷⁶ The bloc's founding document states the objective of Mercosur is the economic integration of its members' economies.⁷⁷ Mercosur is currently a customs union, meaning that the bloc facilitates free trade amongst its members and levies a common external tariff to imports from outside the bloc.⁷⁸ Still, Mercosur is the largest trade bloc in South America; the bloc's nominal gross domestic product of an estimated \$5.7 trillion made it the 5th largest economy in the world in 2023.⁷⁹

Mercosur has signed free-trade agreements (FTAs) with several countries throughout its history but has yet to implement an FTA with the globe's largest economies. Mercosur signed a draft trade agreement with the European Union in December 2024, but the accord has not been formally concluded, in part due to concerns from some EU member states about environmental protection provisions.⁸⁰

Internal divisions among Mercosur's members have slowed further integration. Such divisions include disagreement over trade policies and the bloc's future, such as whether to amend Mercosur's rules to allow member states to independently pursue bilateral trade agreements with other countries.⁸¹ As a presidential candidate, Milei reportedly criticized Mercosur as “defective” and asserted that his government might seek to leave the bloc.⁸² After opting not to attend the bloc's July 2024 summit, President Milei assumed Mercosur's six-month rotating presidency at its December 2024 summit.⁸³ During his acceptance speech, President Milei advocated for

⁷⁴ Reuters, “Argentina's Milei Thanks Chinese President, in Softening of Tone,” November 22, 2023.

⁷⁵ Reuters, “Argentina Extends Currency Swap with China, Defusing Repayment Fears,” June 12, 2024.

⁷⁶ Six other South American countries are associate members of the Common Market of the South (Mercosur by its Spanish acronym). Venezuela joined the bloc as a full member in 2012; however, Mercosur's founding members suspended Venezuela's participation indefinitely in 2016 due to concerns over trade, human rights, and democracy issues. Mercosur, *Decisión Sobre la Suspensión de Venezuela en el MERCOSUR*, August 5, 2017.

⁷⁷ Mercosur, *Tratado para la Constitución de un Mercado Común Entre la República de Argentina, la República Federativa de Brasil, la República del Paraguay y la República Oriental del Uruguay*, March 26, 1991.

⁷⁸ A key characteristic of Mercosur's customs union is the common external tariff (CET) that member countries levy on imports from outside the bloc. Each member country is entitled to maintain a national list of exceptions to the CET. The CET ranges from 0% to 35% ad valorem, depending on the imported good, and averages 11.7%. U.S. Trade Representative (USTR), *2024 National Trade Estimate Report on Foreign Trade Barriers*, March 2024.

⁷⁹ Brazil and Argentina comprise the majority of Mercosur, accounting for 92% of the bloc's population and 94% of its gross domestic product. Stratfor, “Mercosur's Latest Meeting Highlights Its Growing Stagnation,” July 11, 2024; Mercosur, “MERCOSUR in Figures,” <https://www.mercosur.int/en/>.

⁸⁰ Mercosur and the European Union signed a preliminary trade agreement in 2019. Federico Steinberg, “What are the Implications of the EU-Mercosur Free Trade Agreement?” Center for Strategic and International Studies, March 26, 2024; and European Commission, “EU and Mercosur Reach Political Agreement on Groundbreaking Partnership,” press release, December 5, 2024.

⁸¹ Council on Foreign Relations, “Mercosur: South America's Fractious Trade Bloc,” December 18, 2023.

⁸² Max Klaver, “What Milei Means for Mercosur,” *Foreign Policy*, December 18, 2023.

⁸³ *MercoPress*, “Milei Takes over Mercosur's Rotating Presidency,” December 6, 2024; and *Latin News*, “Brazil/Region: Mercosur Divisions on Display at Summit,” July 9, 2024.

reforms to Mercosur, including to allow member states to independently pursue bilateral trade agreements with other countries.⁸⁴

U.S.-Argentina Relations

Diplomatic relations between the United States and Argentina have been marked by ebbs and flows since Argentina's return to democracy in the 1980s. Successive U.S. administrations have generally sought to collaborate with Argentina, particularly on regional security issues; Argentine administrations have responded differently. U.S.-Argentine relations arguably reached their modern high point under the presidency of Carlos Menem in the 1990s, highlighted by the two countries' close collaboration on security and defense issues. Relations generally became more tense in the 2000s and 2010s during the administrations of Néstor Kirchner and Cristina Fernández de Kirchner, as both leaders sought to limit U.S. influence in the region in favor of strengthening regional partnerships and deepen relations with China, Venezuela, and other countries. Cooperation and foreign policy alignment again increased during the Macri presidency. Alberto Fernández sought to maintain cordial relations with the United States, while deepening economic cooperation with China.

According to the U.S. Department of State, relations between the United States and Argentina are characterized by robust commercial linkages and collaboration on issues such as democracy and human rights, counterterrorism, science and technology, and education.⁸⁵ U.S.-Argentine relations arguably have been reinvigorated since President Milei assumed office in December 2023. As a presidential candidate and as president, Milei has emphasized his desire to strengthen Argentina's alliance with the United States.⁸⁶ In May 2024, U.S. Secretary of State Antony Blinken met with then-Argentine Foreign Minister Mondino in Washington, DC, where the two "reaffirmed the strength of the bilateral relationship." They also signed a framework of understanding reestablishing a bilateral high-level dialogue to facilitate increased cooperation on key issues, including "trade, economic growth, and environmental sustainability."⁸⁷

Since Milei's inauguration, some Members of Congress have advocated for increasing commercial and investment ties with Argentina (see "Trade and Investment Ties").⁸⁸ Several Members of Congress also have voiced support for President Milei's economic reforms more generally.⁸⁹

U.S.-Argentina Defense and Security Cooperation

U.S.-Argentina defense and security cooperation has fluctuated since the 1990s. During the presidency of Carlos Menem (1989-1999), the United States and Argentina deepened defense ties. Argentina participated in the multinational alliance against Iraq during the first Gulf War in 1991,

⁸⁴ Casa Rosada, "Discurso del Presidente Javier Milei al Asumir la Presidencia Pro-Tempore del Mercosur," December 6, 2024.

⁸⁵ DOS, "U.S. Relations with Argentina," fact sheet, February 22, 2024.

⁸⁶ See, for example, "Milei: 'We Must Strengthen Strategic Alliance with United States,'" *Buenos Aires Times*, April 5, 2024.

⁸⁷ DOS, "Secretary Blinken's Meeting with Argentine Foreign Minister Mondino," readout, May 18, 2024.

⁸⁸ See, for example, Office of U.S. Sen. Marco Rubio, "ICYMI: Rubio: U.S. Should Stand by Argentina's Milei," press release, December 11, 2023; Office of Rep. María Elvira Salazar, "Salazar Urges President Biden to Include Argentina in APEP Initiative," press release, May 21, 2024.

⁸⁹ Letter from 10 Members of Congress to Kristalina Georgieva, Managing Director of the International Monetary Fund, October 4, 2024.

and the United States designated Argentina as a major non-NATO ally in 1998.⁹⁰ Defense cooperation cooled after 2001, especially under the Kirchner and Fernández de Kirchner administrations, but successive Argentine administrations continued to cooperate with the United States on counternarcotics and counterterrorism issues.⁹¹

The Milei administration has acted to deepen defense cooperation with the United States. In April 2024, the Argentine government signed an agreement to purchase 24 U.S.-made F-16 fighter jets from Denmark, a \$300 million deal reportedly authorized by the U.S. Department of Defense (DOD) and supported with \$40 million in U.S. Foreign Military Financing—the first such funding to Argentina since 2003.⁹² The agreement is one of several acquisitions of U.S.-made aircraft that Argentine government has pursued in the last two years, including an agreement with Norway to purchase four Lockheed P-3 Orion planes to increase maritime patrol capability and a proposed agreement with the United States to purchase a Basler BT-67 Aircraft to increase airlift capacity to service Antarctica.⁹³

Also in April 2024, U.S. Southern Command General Laura Richardson met with President Milei and Argentine defense leaders in Ushuaia to discuss strengthening bilateral military ties. That same month, the Argentine government formally requested to be recognized as a NATO global partner. Such recognition if successful, would make Argentina the second country in Latin America with global partner status.⁹⁴ The U.S. Navy announced in September 2024 that Argentina had joined the Combined Maritime Forces, a U.S.-led multinational naval partnership of 46 countries that targets threats to maritime security in waters near the Arabian Peninsula.⁹⁵

Shortly after General Richardson's April 2024 visit, a team of Argentine government officials and scientists conducted an inspection of the PRC's deep space radar facility in Neuquén, a city in southwestern Argentina, for the first time since 2022.⁹⁶ U.S. officials, who reportedly urged the Milei administration to conduct the inspection, have asserted that the facility is used in PRC military satellite command-and-control operations.⁹⁷ The Argentine foreign minister reportedly stated that the inspection did not find anything unusual.⁹⁸

Terrorism Concerns

Congress has maintained interest in Argentina's efforts to investigate and bring to justice those responsible for two terrorist bombings in the 1990s against Israeli and Jewish targets in Buenos Aires. On March 17, 1992, the Israeli Embassy was bombed, resulting in 22 deaths. Two years later, on July 18, 1994, the bombing of the Argentine-Israelite Mutual Association (AMIA)

⁹⁰ Roberto Russell and Juan Gabriel Tokatlian, "Argentina's Foreign Policy," in *Routledge Handbook of Latin America in the World* (Oxfordshire: Routledge, 2014), p. 132.

⁹¹ Roberto Russell, "Argentina and the United States: A Distant Relationship," in *Contemporary U.S.-Latin American Relations* (Oxfordshire: Routledge, 2010), p. 101.

⁹² Tim Martin, "Argentina Signs \$300M Contract for 24 Danish F-16 Fighter Jets," *Breaking Defense*, April 17, 2024; U.S. Embassy in Argentina, "United States Announces \$40 Million in Foreign Military Financing for Argentina," April 18, 2024.

⁹³ Santiago Rivas, "Argentina Buys Four P-3 Orions from Norway," *Janes*, October 19, 2023; and U.S. Defense Security Cooperation Agency, "Argentina-Basler BT-67 Aircraft," press release, April 18, 2024.

⁹⁴ NATO global partners are not formal members of the alliance but work with NATO on common security challenges. Colombia is currently the only Latin American country with NATO global partner status. NATO, "Argentina Takes First Step Toward NATO Partnership," April 18, 2024.

⁹⁵ U.S. Navy, "Combined Maritime Forces Welcomes Argentina as Its 46th Member," September 9, 2024.

⁹⁶ *Buenos Aires Times*, "Argentine Delegation Inspects Chinese Space Station in Neuquén," April 18, 2024.

⁹⁷ U.S. Defense Intelligence Agency, *Challenges to Security in Space*, April 2024, p. 15.

⁹⁸ Ryan Dubé, "Argentina's Milei Finds It Hard to Decouple from China," *Wall Street Journal*, August 18, 2024.

Jewish community center killed 85 people. Investigators later alleged that Hezbollah (an Iran-backed Lebanese Shia militia and U.S.-designated Foreign Terrorist Organization) and Iran were involved in the attacks, which the government of Iran denies.⁹⁹

Efforts to investigate the bombings and bring those responsible to justice have continued for 30 years. Although the case technically remains open, the Argentine supreme court issued a resolution in 1999 claiming sufficient evidence that the 1992 embassy bombing was carried out by a terrorist group connected to Hezbollah.¹⁰⁰ In 2004, a three-judge panel acquitted all 22 Argentine defendants in the AMIA attack, citing flaws with the investigation.¹⁰¹ In 2006, on the basis of a new investigation, an Argentine judge issued arrest warrants for several individuals thought to be connected with the AMIA bombing, including eight Iranian government officials. The International Criminal Police Organization (INTERPOL) subsequently published Red Notices (international wanted person notices) for several of the accused, including five of the accused Iranian officials.¹⁰² The Iranian government continues to deny any connection to the attacks and has refused to turn over the Iranian officials to Argentina.¹⁰³

Under then-President Fernández de Kirchner, Argentina sought to engage Iran over the AMIA investigation, including by signing a 2013 agreement with Iran to jointly investigate the attack; an Argentine court later struck down the agreement before it was implemented. In 2015, Alberto Nisman, the special prosecutor charged with investigating the AMIA bombing, was found dead from a gunshot wound days after filing a criminal complaint alleging President Fernández de Kirchner and other officials attempted to whitewash Iran's involvement in the bombing and ensure the implicated Iranian officials' impunity via the 2013 agreement in order to deepen trade relations with Iran.¹⁰⁴ The investigation into Nisman's death remains ongoing. In 2021, an Argentine court acquitted Fernández de Kirchner and other officials named in Nisman's criminal complaint, but a higher court reopened the case in 2023; the defendants have appealed the case to Argentina's supreme court.¹⁰⁵ In late 2015, then-President Macri established a special unit within the Justice Ministry to take up the AMIA bombing investigation. On the 30th anniversary of the AMIA bombing in July 2024, President Milei asserted he had instructed his justice secretary to "strengthen" this unit.¹⁰⁶

⁹⁹ For more information on Hezbollah, see CRS In Focus IF10703, *Lebanese Hezbollah*, by Clayton Thomas and Jim Zanotti.

¹⁰⁰ Paulo Botta, "Argentina e Irán Entre 1989 y 1999: Entre las Sombras de los Atentados Terroristas y el Cambio de Política Exterior Argentina," *Revista Iberoamericana de Filosofía, Política y Humanidades*, vol. 14, no. 28 (2012), pp. 155-178.

¹⁰¹ Unidad Fiscal para la Investigación de la Causa AMIA (UFI-AMIA), *Informe de la UFI-AMIA Sobre el Estado de la Investigación por el Atentado a la Asociación Mutual Israelí Argentina*, July 2022, p. 8.

¹⁰² International Criminal Police Organization (INTERPOL), "INTERPOL Executive Committee Takes Decision on AMIA Red Notice Dispute, press release, March 15, 2007.

¹⁰³ "Iran Rejects Argentina's Request to Arrest Interior Minister over 1994 Bombing at Jewish Center," Associated Press, April 24, 2024.

¹⁰⁴ CRS Report R43816, *Argentina: Background and U.S. Relations*, by Mark P. Sullivan and Rebecca M. Nelson.

¹⁰⁵ Infobae, "Atentado a la AMIA: la Causa por el Memorandum con Irán Espera Definiciones de la Corte Suprema," July 18, 2024.

¹⁰⁶ Presidencia de la Nación, República de Argentina, "Milei: 'El Terrorismo Iraní es un Asunto de Interés Nacional que Afecta de Forma Directa a la Vida de los Argentinos,'" July 17, 2024.

In 2015, the attorney general began court proceedings in a separate case against several former Argentine judiciary members and government officials alleged to have been involved in efforts to cover up the initial investigation into the bombing.¹⁰⁷ In 2019, the case resulted in the conviction and sentencing of several officials associated with the investigation, including the judge who heard the initial AMIA case; other government officials were acquitted. In April 2024, a three-judge appeals panel confirmed some of the 2019 convictions and reduced some prison sentences, while acquitting other officials.¹⁰⁸ Although the case considered officials' alleged cover-up attempts and not the bombing itself, one judge held that the AMIA bombing and the 1992 embassy bombing had been planned and financed by Iran and carried out by Hezbollah. Argentina designated Hezbollah a terrorist group in 2019, on the 25th anniversary of the AMIA bombing.

In response to the April 2024 appeals panel ruling, the chairs of the U.S. House Foreign Affairs Committee and the Senate Foreign Relations Committee released a statement praising the "enormous courage" of those working to hold Iran responsible and deliver transparency to the victims.¹⁰⁹ Argentina's Foreign Ministry released a statement demanding the arrest of the suspected Iranian nationals, including Ahmad Vahidi, who was then serving as Iran's interior minister.¹¹⁰ The office of President Milei released a statement commending the ruling.¹¹¹ The director of an umbrella group representing Argentina's Jewish community also reportedly praised the ruling, stating that the case enables victims of the bombing to pursue justice in the International Criminal Court.¹¹²

Several resolutions related to the 1990s bombings have been introduced in the 118th Congress. S.Res. 758 would commemorate anniversaries of the two attacks and call for justice for the victims, including by urging the U.S. President to offer technical assistance to the Argentine government to support the ongoing investigations. H.Res. 1266 would condemn the AMIA attack, express sympathy for the victims, and demand that INTERPOL member countries comply with arrest orders for suspected perpetrators.

¹⁰⁷ The case investigated allegations of a government cover-up that led to irregularities in the original Argentine-Israelite Mutual Association (AMIA) investigation. The case looked into allegations that the judge overseeing the original AMIA bombing investigation, Juan José Galeano, had used public funds from Argentina's intelligence agency to pay the man accused of providing the vehicle used in the bombing some \$400,000 to accuse a group of Buenos Aires police officers of involvement in the crime, thereby diverting the investigation into the bombing's true perpetrators. The case also investigated allegations that judicial officials, police officers, and senior officials of former President Carlos Menem had hindered investigators from pursuing other lines of investigation. Corte Interamericana de Derechos Humanos, "Corte IDH. Caso Asociación Civil Memoria Activa Vs. Argentina. Fondo, Reparaciones y Costes," January 26, 2024; Unidad Fiscal para la Investigación de la Causa AMIA (UFI-AMIA), *Informe de la UFI-AMIA Sobre el Estado de la Investigación por el Atentado a la Asociación Mutual Israelí Argentina*, July 2022; and Manuel Tarricone, "AMIA: 5 Claves para Entender el Fallo de la Casación en la Causa por el Encubrimiento del Atentado," *Chequeado*, May 5, 2024.

¹⁰⁸ Manuel Tarricone, "AMIA: 5 Claves para Entender el Fallo de la Casación en la Causa por el Encubrimiento del Atentado," *Chequeado*, May 5, 2024; Juan Décima, "Argentina High Court Confirms Convictions in AMIA Bombing Cover-Up Trial," *Buenos Aires Herald*, April 12, 2024.

¹⁰⁹ U.S. House Foreign Affairs Committee, "McCaul, Cardin Praise Argentina's Court Ruling Finding Iran Responsible for Deadly Terrorist Attacks on Jewish Community," April 16, 2024.

¹¹⁰ Ministry of Foreign Affairs, International Trade and Worship, "Argentina Demands the Arrest of Iranian Minister Ahmad Vahidi, Responsible for the Terrorist Attack on AMIA," April 23, 2024.

¹¹¹ Oficina del Presidente (@OPRArentina), "Comunicado Oficial," X Post, April 11, 2024, <https://x.com/OPRArentina/status/1778598866834563427>; and Isabel Debre and Almudena Calatrava, "President Milei's Surprising Devotion to Judaism and Israel Provokes Tension in Argentina and Beyond," *Associated Press*, June 3, 2024.

¹¹² *France24*, "Argentina Court Blames Iran for Deadly 1994 Bombing of Jewish Center," April 12, 2024.

Transnational Crime Concerns and Law Enforcement Cooperation

U.S. and Argentine officials have continued to express concerns about security threats from transnational criminal groups and terrorist organizations in Argentina and in the broader region, including from Hezbollah. U.S. and Argentine officials have asserted that Hezbollah has suspected links to money-laundering organizations in the Tri-Border Area (TBA)—a remote area where Argentina’s northern border meets the borders of Brazil and Paraguay—to support its operations.¹¹³ According to the Department of State, the TBA “continues to be one of the principal routes into Argentina for multi-billion-dollar-trade-based money laundering, counterfeiting, drug trafficking, and other smuggling operations.”¹¹⁴ A 2022 Argentine government analysis estimated that criminal money laundering in the country exceeds \$1 billion annually.¹¹⁵ In September 2023, Argentina and the United States signed a memorandum of understanding to provide a framework for, and strengthen, joint efforts to combat drug trafficking, money laundering, and human trafficking.¹¹⁶ A mutual legal assistance treaty and customs mutual assistance agreement facilitate information sharing to combat trade-based money laundering between the two countries.¹¹⁷

U.S. Security Assistance

U.S. foreign assistance to Argentina primarily takes the form of security assistance, including security assistance managed by the State Department. The Biden Administration allocated \$632,000 in bilateral assistance in FY2022 and an estimated \$650,000 in FY2023 for International Military Education and Training (IMET) activities in Argentina. The Administration requested \$800,000 in IMET funding for Argentina in each of FY2024 and FY2025. Argentina also receives some regional International Narcotics and Law Enforcement (INCLE) assistance through Southern Cone Cooperation programming, which aims to provide technical assistance on shared security concerns, including organized crime and drug trafficking, to Argentina, Brazil, Chile, Paraguay, and Uruguay.¹¹⁸

DOD-administered assistance for Argentina is larger than other types of U.S. assistance. A Southern Command press statement from April 2024 asserted that U.S. defense funding for security cooperation with Argentina “exceeds \$625 million” in FY2024, focused on such ends as “professional and capacity development, cyber defense, and disaster preparedness.”¹¹⁹ Argentina has held major non-NATO ally status with the United States since 1998, making it eligible for preferential treatment for U.S. transfers of excess defense articles and other defense cooperation. Between FY2019 and FY2023, the United States provided Argentina with approximately \$2.2 million of equipment via the Excess Defense Articles program through its grant authority.¹²⁰

Congress may assess ongoing U.S.-Argentine security cooperation as it considers bilateral and regional foreign assistance appropriations. Congress may probe the efficacy of U.S.-Argentina

¹¹³ DOS, *Country Reports on Terrorism 2022: Argentina*, December 2023; U.S. State Department, *International Narcotics Control Strategy Report*, vol. II, February 2024, p. 45.

¹¹⁴ DOS, *Country Reports on Terrorism 2022: Argentina*, December 2023.

¹¹⁵ DOS, *International Narcotics Control Strategy Report*, vol. II, February 2024, p. 45.

¹¹⁶ DOS, *Country Reports on Terrorism 2022: Argentina*, December 2023.

¹¹⁷ DOS, *International Narcotics Control Strategy Report*, vol. II, February 2024, p. 46.

¹¹⁸ DOS, *Congressional Budget Justification, Foreign Operations, Fiscal Year 2025, Appendix 2*, April 2024, pp. 356, 509.

¹¹⁹ SOUTHCOM, “Gen. Richardson Meets with President Milei, Defense Leaders in Argentina,” April 6, 2024.

¹²⁰ Defense Security Cooperation Agency, “Excess Defense Articles (EDA),” accessed October 7, 2024.

cooperation programs, especially those funded through bilateral and regional security assistance accounts. From FY2018 to FY2020, Congress designated \$2.5 million in annual bilateral INCLE assistance to Argentina to support mutual goals in the “areas of counterterrorism, counternarcotics, and law enforcement, and help increase Argentina’s technological capabilities in such areas.”¹²¹ Congress may assess whether to increase INCLE assistance to Argentina through regional Southern Cone Cooperation programming or bilateral INCLE assistance, given rising concerns about transnational criminal organization activity in Argentina and the wider region. For FY2025 appropriations, the report (H.Rept. 118-554) accompanying the House-passed FY2025 State, Foreign Operations, and Related Appropriations (SFOPS) bill (H.R. 8771) calls for \$8.05 million in budget authority for INCLE security assistance in the Southern Cone. In the Senate, the report (S.Rept. 118-200) accompanying the Senate version of the FY2025 SFOPS bill (S. 4797) recommends not less than \$5 million in INCLE funding for Southern Cone Cooperation.

Trade and Investment Ties

In 2016, the United States and Argentina signed a Trade and Investment Framework Agreement (TIFA) that has been the two countries’ primary mechanism for discussing bilateral trade and investment issues. In June 2024, the U.S. and Argentine governments held their fourth meeting under the TIFA, during which they discussed “the important role of bilateral engagement in diversifying regional supply chains for long-term, sustainable growth, including in key sectors such as critical minerals,” among other issues.¹²²

The United States and Argentina have strong trade ties.¹²³ After a pandemic-driven contraction of 22% in 2020, the total value of U.S.-Argentine goods trade grew by an average of 40% over the subsequent two-year period, reaching a 10-year high of \$19.7 billion dollars in 2022. In 2023, Argentina was the 31st-largest export market for the United States and the 4th-largest U.S. trading partner in South America in terms of total trade, despite total bilateral trade shrinking by almost 10% from its 2022 high, in part due to a reduction in mineral fuel trade flows. The United States was one of Argentina’s top trading partners in 2023, representing Argentina’s second-largest export market (after Brazil) and its third-largest source of imports (after Brazil and China). In 2023, the United States ran a \$5.0 billion goods trade surplus with Argentina, exporting \$11.4 billion in goods to the country (led by mineral fuels, machinery, and electrical equipment) and importing \$6.4 billion (led by crude oil, precious metals, organic chemicals, and aluminum).

According to the Department of State, Argentina presents investment and trade opportunities in several sectors, including agricultural, mining, and energy.¹²⁴ Various factors may dampen Argentina’s investment climate, however, such as economic instability, including high inflation; some interventionist policies, including foreign currency controls, export taxes, and limits on imports; and a high tax burden, combined with restrictive labor regulations.¹²⁵ According to the Department of State, over 260 U.S. companies operate in Argentina, and the United States continues to be the top investor in the country. The stock of U.S. foreign direct investment (FDI)

¹²¹ “Explanation of the Consolidated Appropriations Act, 2018,” remarks in the House, *Congressional Record*, vol. 164 (March 22, 2018), p. H2852.

¹²² USTR, “Joint Statement on the Fourth Meeting of the United States-Argentina Council on Trade and Investment,” press release, June 7, 2024.

¹²³ This paragraph cites U.S. Census Bureau data, as reported by *Trade Data Monitor*, accessed October 7, 2024.

¹²⁴ DOS, *2024 Investment Climate Statements: Argentina*, July 2024.

¹²⁵ *Ibid.*

in Argentina was \$14.5 billion in 2023, led by investment in the industries of finance and insurance, manufacturing, and nonbank holding companies.¹²⁶

Part of President Milei's economic policy centers on fostering increased private sector investment, including FDI, by implementing market-oriented reforms and increasing incentives for investments in certain sectors of the economy. President Milei has said he intends to eliminate interventionist policies enacted by previous administrations, including foreign currency controls, after reducing inflation and stabilizing the economy.¹²⁷ A key aspect of the Milei administration's strategy to attract investment is the Incentives Regime for Large Investments (*Régimen de Incentivos para Grandes Inversiones*, or RIGI), an investment promotion regime launched in August 2024. RIGI aims to increase investment in eight of Argentina's main export-oriented sectors by creating a more stable investment environment through foreign exchange, tax, and customs benefits for 30 years for projects worth more than \$200 million.¹²⁸ Some analysts have projected that RIGI could increase large-scale investments in provinces that ratify the investment promotion regime, while noting that its overall effectiveness may be limited if capital and foreign currency controls remain in place.¹²⁹

Argentina has been on the U.S. Trade Representative's (USTR's) Special 301 Priority Watch List since 1996 due to U.S. concerns over "long-standing and well-known challenges to intellectual property-intensive industries."¹³⁰ USTR's *2024 Special 301 Report* identifies the sale of counterfeit and pirated goods and services and the unfair commercial use of undisclosed data used to obtain marketing approval for products in the agrochemical and pharmaceutical sectors as key challenges. USTR asserted that Argentina had made limited progress in intellectual property enforcement and protection in 2023, citing ongoing technological improvements to Argentina's administration of patents and limited raids targeting the sale of counterfeit goods. The two countries address intellectual property issues under the TIFA's United States-Argentina Innovation and Creativity Forum for Economic Development, which held its eighth meeting in June 2024.¹³¹

Congress may decide whether to enact legislation that aims to facilitate increased trade and investment ties between the United States and Argentina. Some Members of Congress have advocated for Argentina's inclusion in the Americas Partnership for Economic Prosperity, a U.S.-led regional investment initiative.¹³² Other Members of Congress have stated that reauthorizing the Generalized System of Preferences program—which provides nonreciprocal, duty-free treatment for certain U.S. imports from Argentina and other developing countries—is "crucial to the relationship between the two nations."¹³³ Two companion bills referred to as the Americas Act

¹²⁶ Bureau of Economic Analysis, "Direct Investment by Country and Industry, 2023," July 23, 2024.

¹²⁷ DOS, *2024 Investment Climate Statements: Argentina*, July 2024; José Giménez, "Qué Significa que la Inflación del Programa Macroeconómico Sea 0, la Condición que Señaló Javier Milei Para Salir del Cepo," *Chequeado*, September 25, 2024.

¹²⁸ The Incentives Regime for Large Investments provides incentives for investments in eight sectors: forestry, tourism, infrastructure, mining, technology, steel, energy, and oil and gas. Boletín Oficial, *Decreto 749/202 Apruébase Reglamentación del Título VII - Régimen de Incentivo para Grandes Inversiones (RIGI) - Ley N° 27.742*, August 23, 2024.

¹²⁹ EIU, "Argentina's New Investment Promotion Regime: Key Points," July 25, 2024.

¹³⁰ USTR, *2024 Special 301 Report*, April 2024, pp. 40-41.

¹³¹ Ibid.; DOS, *2024 Investment Climate Statements: Argentina*, July 2024.

¹³² Office of Rep. María Elvira Salazar, "Salazar Urges President Biden to Include Argentina in APEP Initiative," press release, May 21, 2024.

¹³³ U.S. House Committee on Ways and Means, "Chairman Smith Leads House Delegation to Argentina, Paraguay, and (continued...)"

(H.R. 7571 and S. 3878) would provide a pathway for countries in the hemisphere to join the U.S.-Mexico-Canada Trade Agreement, among other incentives intended to encourage U.S. companies to relocate supply chains to the region.

Lithium Supply Chains Cooperation

Argentina, along with neighboring Chile and Bolivia, has one of the world's largest reserves of lithium, a critical mineral used to produce batteries for electric vehicles (EVs) and various other products. As of 2023, the U.S. Geological Survey estimated that Argentina had the third-largest reserves and was the fourth-largest producer of lithium in the world; Argentina was the top source of lithium imported into the United States between 2019 and 2022.¹³⁴ Some analysts assess that Argentina is on track to become a top-three lithium producer by 2027, as several lithium projects are expected to start operations in the next three years.¹³⁵

Argentina's lithium reserves are concentrated in the country's northwest, where some local communities have voiced concerns about lithium mining's environmental impact. According to government data, all but two of the country's 50 active lithium projects are located in the northwest provinces of Catamarca, Jujuy, and Salta (see **Figure 1**).¹³⁶ Some residents of communities in close proximity to lithium mining sites have reportedly voiced concerns about the industry's potential to pollute and deplete groundwater sources, whereas others have welcomed the increased economic opportunities associated with the mining industry.¹³⁷ According to a 2020 academic study, the potential environmental impacts of lithium exploitation are "related to air, water and soil pollution, as well as the depletion of water sources upon which many local communities in these mining regions are dependent."¹³⁸

The government of Argentina is a member of the Minerals Security Partnership (MSP) Forum, a plurilateral forum for mineral-rich countries led by the United States and the European Union associated with the MSP. Through the Forum, the 15 members of the MSP seek to "discuss and advance both projects and policies that provide a more secure and sustainable supply of critical minerals."¹³⁹ Although U.S. officials generally promote the MSP's goals on their own merit, analysts have assessed that the initiative is also an effort to create mineral supply chains not substantially controlled by the PRC; the PRC reportedly has sought to use such control to disadvantage mineral supply companies based in countries the PRC considers geostrategic competitors.¹⁴⁰

Chile," press release, September 9, 2024. For more information about the Generalized System of Preferences trade program, see CRS In Focus IF11232, *Generalized System of Preferences (GSP): FAQ*, by Liana Wong.

¹³⁴ U.S. Geological Survey, *Mineral Commodity Summaries 2024*, January 2024, p. 111.

¹³⁵ Cecilia Jamasmie, "Argentina to Reach Top Three Lithium Producer Spot by 2027," *Mining.com*, September 8, 2023.

¹³⁶ A constitutional amendment in 1994 granted Argentina's provincial governments control of the natural resources within their borders. Ministerio de Economía, Sistema de Información Abierta a la Comunidad sobre Actividad Minera en Argentina (SIACAM), "Proyectos Mineros," updated July 12, 2024.

¹³⁷ *Buenos Aires Times*, "Lithium Fever Overshadows Environmental Concerns in Argentina," August 13, 2024.

¹³⁸ Rennie B. Kaunda, "Potential Environmental Impact of Lithium Mining," *Journal of Energy & Natural Resources Law*, vol. 38, no. 3 (2020), pp. 237-244.

¹³⁹ The Mineral Security Partnership aims to catalyze public and private investment in responsible critical minerals supply chains globally. DOS, "Minerals Security Partnership," <https://www.state.gov/minerals-security-partnership/>; and "Statement on the First High-Level Minerals Security Partnership (MSP) Forum Event," media note, July 18, 2024.

¹⁴⁰ Alberto Nardelli and Iain Marlow, "EU, U.S. to Align Global Minerals Push Against China's Supply Grip," *Bloomberg*, February 9, 2024.

The United States and Argentina have sought to increase their collaboration on critical minerals supply chains in 2024. In August, U.S. State Department Under Secretary for Economic Growth, Energy, and the Environment Jose Fernandez and then-Argentine Foreign Minister Diana Mondino signed a memorandum of understanding to strengthen cooperation on developing critical mineral supply chains. A day later, the two countries held the inaugural U.S.-Argentina Energy Security Dialogue in Buenos Aires to “serve as a forum to advance cooperative solutions to strengthen energy security, accelerate the clean energy transition, and expand critical mineral and clean energy supply chains.”¹⁴¹

Argentine-sourced lithium does not currently count toward certain requirements related to consumer EV tax credits enacted as part of the Inflation Reduction Act of 2022 (P.L. 117-169). The law (26 U.S.C. §30D) provides consumers a tax credit of up to \$3,750 for the purchase of an EV if the critical minerals in the EV’s battery are sourced from the United States or a U.S. FTA partner. The United States and Argentina do not currently have an FTA.

Argentina has expressed its desire to qualify as a free trade agreement partner for the purposes of the EV tax credit. The Argentine government has argued that the U.S.-Argentina Trade and Investment Framework Agreement should be considered as an FTA.¹⁴² Argentina has also called for establishing a critical minerals agreement with the United States that would make its lithium eligible for the tax credit. In March 2023, the Biden Administration signed a critical minerals agreement with Japan that made Japanese critical minerals eligible for the tax credit.¹⁴³ Some Members of Congress have criticized the U.S.-Japan agreement, however, asserting that it usurps congressional trade authorities.¹⁴⁴ Congress could decide whether to support the executive branch in pursuing a similar agreement with Argentina.

Congress could consider whether to pursue legislation to foster enhanced cooperation between the United States and Argentina on critical minerals. For example, Congress could decide whether to pass legislation to provide the President with trade promotion authority, empowering the President to negotiate a free trade agreement with Argentina.¹⁴⁵ Congress could also decide whether to enact legislation that would modify the requirements of the IRA to make Argentina eligible for IRA tax credits.

Outlook

Several public opinion polls conducted in November 2024 indicate that President Milei’s approval ratings stood above 50% after nearly a year in office, rebounding from earlier in the year when some polls showed his popular support may be eroding (for example, a poll from the

¹⁴¹ DOS, “Inaugural U.S.-Argentina Energy Security Dialogue,” media note, August 26, 2024.

¹⁴² “Comment from the Government of Argentina (GOA)/Embassy of Argentina in the U.S.,” written comment, June 20, 2023, published by the Internal Revenue Service, IRS-2023-0019-0001, <https://www.regulations.gov/comment/IRS-2023-0019-0067>.

¹⁴³ For more information on the electric vehicle tax credit, see CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. For more information on the U.S.-Japan Critical Minerals Agreement, see CRS In Focus IF12517, *U.S.-Japan Critical Minerals Agreement*, by Kyla H. Kitamura.

¹⁴⁴ Office of Rep. Dan Kildee, “Statement by Congressman Kildee on U.S.-Japan Critical Minerals Agreement,” press release, March 28, 2023. For more information on congressional trade authorities, see CRS Report R47679, *Congressional and Executive Authority Over Foreign Trade Agreements*, by Christopher T. Zirpoli.

¹⁴⁵ For more information on Trade Promotion Authority, see CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by Christopher A. Casey and Cathleen D. Cimino-Isaacs.

Universidad de San Andrés conducted in September 2024 indicated support at 46%).¹⁴⁶ President Milei's resilient popular support appears to be underpinned in part by improvement in some of Argentina's economic indicators, especially the inflation rate.¹⁴⁷ However, the Milei administration's legislative agenda could face increased resistance if his support base erodes, given his LLA coalition's minority position in the Argentine congress. Center-right parties, including former President Macri's PRO, have selectively supported some of the Milei government's legislative initiatives, but the informal alliance with PRO may be fragile.¹⁴⁸ Milei's ability to improve the economy, in addition to affecting short-term governability, could play a decisive role in the midterm congressional elections scheduled for October 2025, which will determine representation of Milei's coalition in congress during the second half of his administration.

U.S.-Argentina relations have strengthened under the Milei administration. Although bilateral relations generally were positive during the previous Argentine administration, the current government has signaled a strong desire to increase alignment with U.S. foreign policy priorities and deepen U.S.-Argentina collaboration on several key issues, including defense relations, regional security efforts, and critical mineral supply chains. The Biden Administration has sought to engage the Milei administration, highlighted by several high-level bilateral meetings and the resumption of a high-level dialogue between the two countries. President Milei likely will continue to seek to strengthen U.S.-Argentina relations through the remainder of his first term. Argentina's ability to robustly engage with the United States on key international issues, however, may be predicated on improving the country's domestic economic situation, as Milei's political strength appears to be tied to the country's economic performance. To support Argentina's economic recovery, the Milei administration also may seek U.S. support to obtain a new IMF lending arrangement. Prior to the 2024 U.S. presidential election, a spokesperson for the Milei administration stated that relations with the United States are independent of who wins the election.¹⁴⁹

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¹⁴⁶ UdeSA, *Encuesta de Satisfacción Política y Opinión Pública*, November 2024; "Encuesta Exclusiva: a un Año de Asumir, Milei Conserva un Nivel Alto de Aprobación, Pero su Estilo Agresivo Genera un Fuerte Rechazo," *La Nación*, December 9, 2024; and UdeSA, *Encuesta de Satisfacción Política y Opinión Pública*, September 2024.

¹⁴⁷ "Encuesta Exclusiva: a un Año de Asumir, Milei Conserva un Nivel Alto de Aprobación, Pero su Estilo Agresivo Genera un Fuerte Rechazo," *La Nación*, December 9, 2024.

¹⁴⁸ *LatinNews*, "Milei Faces Headwinds in Congress," September 19, 2024.

¹⁴⁹ See, for example, "Adorni: Relations with U.S. Do Not Depend on Who Wins Election," *Buenos Aires Times*, September 19, 2024.

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