

# Argentina Bailout

## How the United States leveraged the IMF to save Argentina and counter China

- Argentina's latest rescue was less a technocratic bailout than a geopolitical intervention, with Washington using its influence to stabilize an allied government and curb China's growing foothold in the Americas.
- The episode exemplifies how multilateral finance is increasingly shaped by great-power rivalry, which poses risks to the IMF's credibility and signals a broader transformation in the global financial safety net.

### Introduction

In 2025, the United States deployed a range of financial tools and used its influence within the International Monetary Fund (IMF) and other multilateral institutions to bolster Argentina's currency, ease market concerns, and support President Javier Milei's economic reform plans. Argentina's precarious reserve position, significant external financing needs, and status as the IMF's largest debtor also posed risks to regional financial stability and the IMF.<sup>1</sup>

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The episode represents an unusual U.S. intervention to support a political ally. The United States' actions may also reflect a judgment that a crisis could have created spillovers through regional banking systems, commodity markets, and investor confidence.<sup>2</sup> The Argentina case also demonstrates how geopolitics, rather than strict technocratic criteria, increasingly shapes international finance.

### The bailout

Since taking office in December 2023, President Milei has pursued fiscal austerity, monetary tightening, deregulation, and privatization. Despite the progress, the country was still facing significant economic challenges, leading the government to request additional IMF support in March 2025.<sup>3</sup>

In April 2025, the IMF Executive Board approved a \$20 billion loan for Argentina, with an immediate disbursement of \$12 billion.<sup>4</sup>

This was the IMF's twenty-third loan to Argentina since 1956. It is the IMF's biggest debtor, owing approximately \$43 billion at the time of the IMF loan announcement.<sup>5</sup> The new IMF program is 1,000% of Argentina's IMF quota, a level considered exceptional as the normal limit is 200%.<sup>6</sup>

The Inter-American Development Bank (IDB) and the World Bank also announced parallel financing packages totaling \$22 billion.<sup>7</sup>

Although Argentina missed its June 2025 target for international net reserves, the IMF approved a waiver to allow the country to receive the second tranche of \$2 billion in IMF funds.<sup>8</sup> It also decreased the country's net international reserve accumulation target.<sup>9</sup>

However, by September 2025, President Milei was facing significant financial challenges and was concerned that losses in the upcoming legislative elections could weaken his mandate to pursue economic reforms. Following a meeting with President Trump, Washington publicly signaled its support for Argentina.<sup>10</sup> This endorsement reassured markets and reinforced Milei's domestic narrative of external backing to sustain his legislative momentum.<sup>11</sup>

The United States subsequently agreed to establish a \$20 billion swap via the Department of the Treasury's Exchange Stabilization Fund (ESF).<sup>12</sup> The United States also announced a parallel plan to secure an additional \$20 billion from private banks and sovereign wealth funds and make direct purchases of Argentine pesos.<sup>13</sup>

The ESF swap marked the United States' largest such intervention since the 1994-1995 tequila crisis in Mexico, but with fewer conditions, transparency requirements, and safeguards.<sup>14</sup>

The United States also provided nearly \$900 million in dollar liquidity support to Argentina through transactions in international reserves held at the IMF ahead of a major repayment deadline.<sup>15</sup>

These synchronized movements eased Argentina's immediate financing constraints.

**Behind the scenes, the U.S. government exerted pressure on the IMF, World Bank, and IDB to maintain support for Argentina despite its economic challenges**

The United States exerted pressure on the IMF to maintain support for Argentina as well. As the IMF's largest shareholder, with 17.4% of voting power, the United States retains influence over program design, waivers, and review timing.<sup>16</sup>

The IMF's disbursements were front-loaded, signaling Washington's endorsement of Milei's reforms and allowing the Argentine government to demonstrate early momentum.<sup>17</sup> This reflected both political calculations and a concern that a sudden program interruption could destabilize markets and force the IMF to recognize losses on its largest outstanding exposure.

### **U.S. motivations**

President Trump's return to the White House in 2025 added an ideological dimension to U.S. policy toward Argentina. Trump and Milei share a strong ideological affinity centered on market liberalization and anti-establishment rhetoric.

Treasury Secretary Scott Bessent framed the U.S. package as an "economic Monroe Doctrine," linking U.S. action to the goal of undercutting China's influence in the Western Hemisphere.

China is Argentina's second-largest trading partner and a key financier through renminbi swap lines, Belt and Road infrastructure projects, lithium mining, and energy investments.<sup>19</sup>

The U.S. actions in Argentina align with Trump's new National Security Strategy, which states the government will "reward and encourage the region's governments, political parties, and movements broadly aligned with our principles and strategy" in the Western Hemisphere.<sup>20</sup>

By ensuring U.S. financial backing and continued IMF support, Washington aimed to reduce Argentina's dependence on Chinese liquidity and limit Beijing's strategic foothold in the country and the region. Its support also helped to prevent a default, which could have triggered regional spillovers and undermined confidence in the IMF and its programs.

### Implications for Argentina

U.S. and IMF assistance have bought Argentina time, but structural vulnerabilities persist.

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The additional external support stabilized markets, reduced immediate financing needs, decreased default risk, and boosted investor sentiment. Inflation has begun to decelerate from triple-digit levels, fiscal balances have improved through sharp spending cuts, and market access has partially reopened.<sup>21</sup>

Looking ahead to 2026, many analysts estimate 3-4.5% growth, driven by investment and exports, a more business-friendly environment, less burdensome regulations, and a buoyant energy and mining sector.<sup>22</sup>

Milei's political standing has improved after his party secured notable gains in the legislature following the midterm elections. This has enhanced expectations about his ability to carry out his economic agenda, including the labor reforms planned early this year.<sup>23</sup>

Growth, however, has weakened recently, and exchange rate pressures have underscored the country's macroeconomic vulnerabilities.<sup>24</sup> The annual inflation rate remains high (31-35% in late 2025), reducing purchasing power for most workers and pensioners and hindering large-scale investment.<sup>25</sup>

The country also has significant external financing needs driven by IMF repayments, limited reserve buffers, and a narrow current account deficit.<sup>26</sup> It faces approximately \$20 billion in maturity in 2026.<sup>27</sup> Net international reserves also remain very negative.<sup>28</sup>

The current U.S. and IMF support may carry Argentina through 2026. Yet, unless it can secure reserve accumulation and credible monetary anchor reforms, it will likely require additional external financing to avoid renewed stress once IMF amortizations accelerate and political constraints tighten ahead of the 2027 presidential election.<sup>29</sup> Moreover, its fragile stabilization remains heavily dependent on continued U.S. political support within the IMF,

increasing vulnerability to future shifts in U.S. domestic politics or geopolitical priorities.<sup>30</sup>

### **Implications for the IMF and global governance**

The IMF's role in Argentina reflects its long-standing governance reality, as seen in cases involving the post-Soviet transition and the European sovereign debt crisis. In geopolitically salient cases, program design and review flexibility often adapts to U.S. strategic preferences.

Argentina's 2025 program underscores how political considerations can shape lending decisions, particularly when the IMF is already heavily exposed. And with IMF credit outstanding projected to exceed \$58 billion in 2026, Argentina has effectively become too large for the institution to disengage without risking financial and reputational damage.<sup>31</sup>

Perceptions of politicized lending weaken the IMF's role as a neutral arbiter and complicate efforts to rebuild trust among emerging and developing economies. It also represents a multilateralized geopolitical support arrangement in which the IMF provides financial support to governments aligned with U.S. preferences, especially those that help curb China's influence.

### **Conclusion**

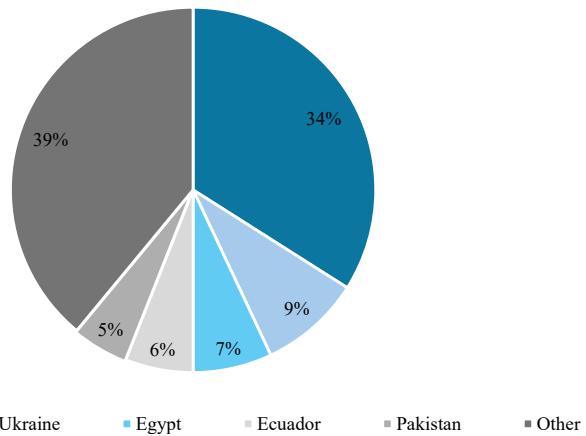
**The IMF's Argentina program should be understood as part of a wider transformation in the global financial safety net**

The IMF's Argentina program should be understood as part of a wider transformation in the global financial safety net. As trust in the neutrality of multilateral institutions erodes, crisis financing risks becoming more fragmented, more politicized, and less predictable.

The perceived politicization of IMF lending may accelerate the turn toward regional and alternative financial arrangements, bilateral swap lines, and non-Bretton Woods lenders. Such fragmentation risks weakening the global financial safety net, complicating coordination during systemic crises, and reducing the effectiveness of conditionality-based adjustment frameworks.

For the European Union, the risks are clear: without deeper engagement, the EU faces marginalization in regional financial diplomacy.

## EXHIBIT 5.0 – LARGEST IMF BORROWERS, 2025



Source: International Monetary Fund.

EXHIBIT 6.0 – ARGENTINA RESERVES<sup>1</sup> (USD BILLIONS)

	2023	2024	Latest
1. Gross international reserves	9.6	16.6	13.1
a. Gross liabilities	18.2	19.0	18.8
b. Central bank swaps <sup>2</sup>	7.2	4.8	4.8
c. Banks' RR FX deposits	9.1	12.2	11.9
d. Deposit insurance (Sedesa)	1.9	2.0	2.0
2. Net international reserves (=1 -a)	-8.5	-2.4	-5.6
e. gold	4.1	5.2	6.1

Source: IMF staff report, April 2025

<sup>1</sup> Includes variation effects. Data as of 7 March 2025.<sup>2</sup> Excluding the unactivated share of the PBOC swap (about \$ 13 bn) and BIS credit facility (about \$3 bn, unwound in April 2024)

## Notes

- <sup>1</sup> <https://www.imf.org/-/media/files/publications/cr/2025/english/largea2025002-print-pdf.pdf>
- <sup>2</sup> <https://www.imf.org/en/publications/gfsr/issues/2024/10/22/global-financial-stability-report-october-2024>
- <sup>3</sup> <https://www.france24.com/en/live-news/20250319-argentina-s-milei-wins-congress-green-light-for-new-imf-loan>
- <sup>4</sup> <https://www.imf.org/en/news/articles/2025/04/12/pr25101-argentina-imf-executive-board-approves-48-month-usd20-billion-extended-arrangement>
- <sup>5</sup> <https://www.pbs.org/newshour/world/argentina-secures-imf-loan-and-ends-most-capital-controls-in-key-milestones-for-president-milei#:~:text=Yet%20for%20all%20the%20changes,our%20citizens%2C%280%9D%20Milei%20said.>
- <sup>6</sup> <https://www.imf.org/en/news/articles/2022/03/25/pr2289-argentina-imf-exec-board-approves-extended-arrangement-concludes-2022-article-iv-consultation>
- <sup>7</sup> <https://www.dw.com/en/imf-world-bank-approve-new-bailouts-for-argentina/a-72225989>
- <sup>8</sup> <https://buenosairesherald.com/economics/imf-grants-argentina-reserve-waiver-and-cuts-accumulation-target>
- <sup>9</sup> *Ibid.*
- <sup>10</sup> <https://x.com/secscottbessent/status/1970821535507026177?s=42>
- <sup>11</sup> <https://americasquarterly.org/article/reaction-trump-extends-milei-an-economic-lifeline#:~:text=Markets%20responded%20quickly%2C%20with%20country,the%20endorsement%20strengthens%20Milei's%20position.>
- <sup>12</sup> <https://www.cfr.org/article/will-trumps-20-billion-backing-help-milei-change-argentinas-fortunes>
- <sup>13</sup> <https://www.piie.com/blogs/realtime-economics/2025/will-argentina-become-trumps-financial-quagmire>
- <sup>14</sup> <https://www.nytimes.com/2025/10/17/us/politics/trump-argentina-bailout-bessent.html>
- <sup>15</sup> <https://www.ft.com/content/273085f7-90e7-4187-b30d-5fac132147b5>
- <sup>16</sup> <https://www.imf.org/en/about/executive-board/members-quotas>
- <sup>17</sup> <https://www.ft.com/content/5f4bb8d6-e93c-4bf0-b0ae-f459255eb8c7>
- <sup>18</sup> <https://www.washingtonpost.com/world/2025/10/26/argentina-midterm-election-milei-trump-bailout/>
- <sup>19</sup> [https://www.csis.org/analysis/evolution-chinese-engagement-argentina-under-javier-milei#:~:text=local%2Dlevel%20politicians.,Trade,to%20\\\$17.5%20billion%20in%202022.](https://www.csis.org/analysis/evolution-chinese-engagement-argentina-under-javier-milei#:~:text=local%2Dlevel%20politicians.,Trade,to%20\$17.5%20billion%20in%202022.)
- <sup>20</sup> <https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf>
- <sup>21</sup> <https://www.deloitte.com/us/en/insights/topics/economy/global-economic-outlook-2026.html>
- <sup>22</sup> <https://www.oecd.org/en/topics/sub-issues/economic-surveys/argentina-economic-snapshot.html#:~:text=Real%20GDP%20growth%20is%20projected,buoyant%20energy%20and%20mining%20sector.>
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- <sup>24</sup> *Ibid.*
- <sup>25</sup> <https://www.reuters.com/world/americas/argentina-monthly-inflation-pushed-up-by-higher-beef-prices-november-2025-12-10/>
- <sup>26</sup> <https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101662812>
- <sup>27</sup> <https://buenosairesherald.com/economics/mileis-economy-in-2026-between-macroeconomic-consolidation-and-politics>
- <sup>28</sup> *Ibid.*
- <sup>29</sup> <https://www.batimes.com.ar/news/economy/us-backing-wont-save-argentina-without-policy-shift-economists-warn.phtml>
- <sup>30</sup> <https://www.piie.com/blogs/realtime-economics/2025/will-argentina-become-trumps-financial-quagmire>
- <sup>31</sup> <https://blogs.eui.eu/latin-american-working-group/argentinas-economy-stumbles-again-under-the-imf-watch-who-is-to-blame>