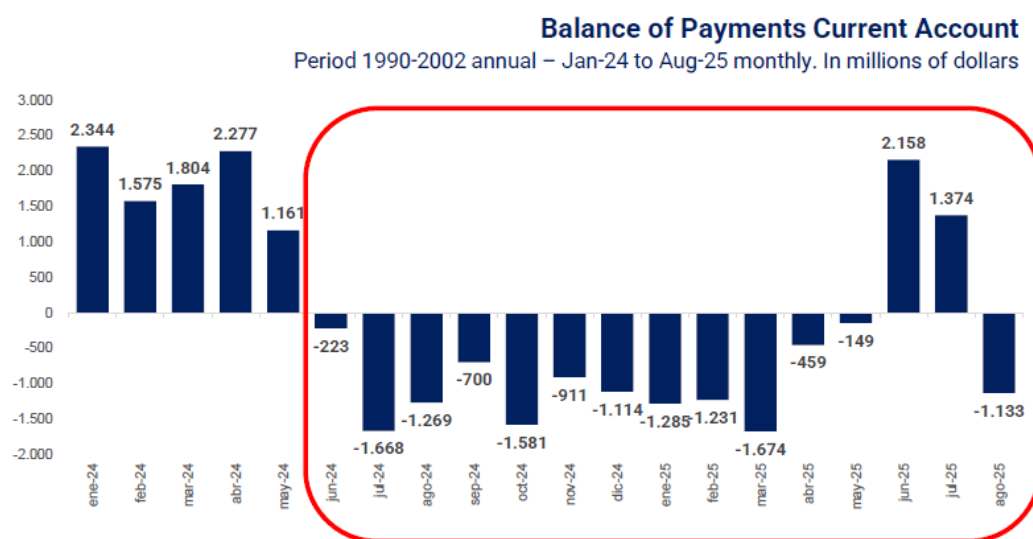


Scott Bessent's bailout of Javier Milei's government: new debt that strangles and limits Argentina's national development

1. Unsustainability of the exchange front and financial bridges received by the government of Javier Milei

Since late 2024, President Javier Milei's administration has relied on temporary and unsustainable financial inflows to sustain its exchange rate regime and postpone an inevitable balance-of-payments adjustment. These measures have not addressed Argentina's structural weaknesses; they have merely bought time.



The tax amnesty program implemented on October 2024 brought in around USD 22 billion, which were channeled into the domestic market through bank loans and dollar-denominated corporate bonds. This one-off inflow temporarily eased foreign exchange pressures, allowing the government to maintain an artificially low exchange rate while avoiding necessary macroeconomic corrections.

The fragility of this strategy is evident when examining the composition of foreign exchange inflows. Between December 2023 and May 2024, 90% of the dollar supply originated from the trade balance. However, between June and November 2024, 70% came from “other movements” — primarily linked to the amnesty program. Once that source was depleted, the government turned to short-term and multilateral borrowing, including the International Monetary Fund (IMF), Inter-American Development Bank (IDB), World Bank (WB), Repurchase Agreements (REPOs) with international banks for a total of USD 3.0 billion (USD 1.0 billion in December 2024 and USD 2.0 billion in June 2025), and BONTE bonds, in what amounts to a bridge-to-bridge financing strategy.

A key element in sustaining this fragile setup has been extraordinary IMF financing. The first disbursement under the new IMF program amounted to USD 12.396 billion (April 2025), and a second disbursement of USD 2.069 billion (August 2025) was approved despite Argentina's failure to meet performance targets. These funds have been

largely used to shore up the exchange market and finance debt payments, rather than strengthen the real economy.

The situation deteriorated further after the government's electoral defeat in Buenos Aires Province (September 7, 2025), which intensified interventions to defend the peso. Since then, the administration has committed nearly USD 15 billion to maintain an artificially low exchange rate:

1. The Central Bank has sold USD 1.1 billion in the spot market;
2. It maintains a short position in dollar futures totaling USD 6.4 billion;
3. In total, BCRA and Treasury provided coverage for an estimated USD 5.5 billion in Dollar-Linked securities;
4. And it has already sold USD 1.7 billion directly from its accounts.

Together, these operations illustrate a government burning through scarce reserves and accumulating new short-term liabilities to sustain an exchange rate that no longer reflects Argentina's external fundamentals.

While these measures temporarily stabilized the nominal exchange rate, they increased dependence on short-term external financing and interventions, exposing the structural fragility of the model. The imbalances are also reflected in the persistent current account deficit, which resembles the pattern observed during the 1990s under the Menem administration, another period characterized by a neoliberal policy framework.

In parallel, the government is promoting the Large Investment Incentives Regime (RIGI), which offers sweeping tax exemptions and legal privileges to large foreign investors — a policy that undermines domestic industry, erodes fiscal capacity, and deepens external dependency.

Now, facing limited access to voluntary debt markets, the government seeks a U.S.-backed guarantee to cover principal payments due in January and July 2026. Such support would effectively constitute a new bailout — not to stabilize Argentina's economy, but to prop up a regressive, unsustainable financial model built on speculative inflows, external guarantees, and currency overvaluation.

Below are the various bridges that the Milei government has obtained to maintain the delayed exchange rate. They total more than USD 92 billion. Furthermore, the reduction of export duty rates for 10 agricultural exporters was later implemented (not benefiting Argentine farmers, by the way), and this was poorly used by the government to purchase dollars -only USD 2,2 billion - that were already spent on foreign exchange interventions.

If that wasn't enough, why would the US Treasury bailout be enough now?

Milei's economic model: how it is financed in dollars

What was not enough:

- Tax Amnesty (October 2024): USD 20.6 billion
- "Dollar Blend" for exporters (from December 2023 until April 2025): USD 15.1 billion used to sustain Dollar CCL price
- BOPREAL bonds (series 1, 2, and 3): USD 10 billion subscribed
- REPO with private banks: USD 3 billion in total (USD 1 billion in December 24 and USD 2 billion in June 25)
- IMF loan (first disbursement in April 2025): USD 12.4 billion
- BONTE (June 2025): USD 1.5 billion in total (opening + reopening)
- Temporary reduction of taxes for commodity exporters between January and July 2025: +USD 7.7 billion year-on-year
- Additional IMF disbursement (the second one in July 2025) despite not meeting target: USD 2 billion
- Loans from multilateral credit organizations received between April and August 2025: approximately USD 6.3 billion
- Temporary reduction of taxes for commodity exporters to 0% in October 2025: USD 7 billion (Argentine treasury only bought 2.2 billion)

**USD 92.6
billion**

The last bridge:

Bailout from USA: Swap line USD 20 billion + direct currency purchases + and purchases of U.S. dollar-denominated government debt from Treasury's Exchange Stabilization Fund.

Why would it work now?

2. The intentions of the Trump administration, according to Scott Bessent, are not favorable to a process of national development of Argentina

On October 9, the US Treasury intervened unprecedentedly in the Argentine foreign exchange market through the sale of dollars and the purchase of pesos via a private commercial bank. In an interview, Treasury Secretary Scott Bessent was even clearer about his support for President Milei in the October 26 elections and confirmed this and the additional support for Argentina via a currency swap.

He also said:

1. "Milei is committed to eliminating China": which means US swap in, Chinese swap out.
2. "The Argentine peso is undervalued": contrary to the IMF and the obvious unsustainability of the exchange rate, Bessent believes that, with his help, the peso will appreciate. The US is interested in an expensive Argentina because it competes with the US. We do not rule out the possibility that there are private businesses of investors close to Bessent who intend to avoid a devaluation in Argentina, as was published in New York Times: *"Big Investors Await Windfall From Trump's Argentina Bailout"* by journalists Alan Rappeport and Maria Abi-Habib.
3. "We're going to have elections in Argentina on the 26th of this month. We believe President Milei will do quite well": Bessent is being a team player for Milei's party (La Libertad Avanza). Bessent is openly supporting Milei government, not a country. Just like Donald Trump and Mauricio Claver Carone did with former President Mauricio Macri.

3. Argentina needs a national development strategy with political sovereignty and economic independence

Weighing the above-mentioned considerations, I state, in both capacities as National Deputy and PhD in Economic Development, that:

1) This is a bailout for a government and not financial aid to Argentina to resolve structural problems affecting its productive structure, trade balance and over-indebtedness, as Bessent made clear in the interview he gave yesterday, supporting Milei to win the October 26 elections. The same thing happened with Trump and Macri in 2018. That loan did not help Argentina's growth. On the contrary, it became a burden for development.

In the report entitled "Argentina External Debt: History, Challenges, and Perspectives" published by the Argentine Center for Political Economy in October 2025, clear evidence is detailed of the depth of the damage that over-indebtedness has meant for our country.

2) Argentina must reject financial loans or bailouts that come with conditions on our sovereignty, meaning trade, tax, labor, national security policies, privatization of public assets and the surrender of natural resources.

3) The current swap between Argentina and People's Republic of China has been useful to all the recent Argentine administrations, regardless their political principles, it has been sustained over time and was even activated for USD 5 billion. Therefore, its cancellation would not entail any specific benefit for Argentina.

Next week, the Argentine Congress is debating a bill introduced by National Representative Máximo Kirchner requiring the Executive Branch and the Central Bank to submit the agreement – and its details- reached with the United States for consideration of the National Congress. Also, we have summoned Minister of Economy Luis Caputo for next Wednesday, October 15th requiring a briefing the negotiations underway between Argentina and the United States. It is essential for any agreement to be transparent and free of hidden clauses. Moreover, all the credits programs should aim to social welfare and economic development and must be approved by the National Congress, as it is required by our Constitution (article 75, paragraphs 4, 7 and 19).

Buenos Aires, October 10, 2025

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