

Trump Wades Into Bailout Politics in Offering a Lifeline to Argentina

A \$20 billion loan to support Argentina's president, Javier Milei, could come with economic and political risks.



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Treasury Secretary Scott Bessent said this week that if New York City needed a federal bailout under the leadership of the mayoral candidate Zohran Mamdani, it would be rebuffed by the Trump administration with two words.

“Drop dead,” Mr. Bessent said in an interview on Fox Business.

But Argentina is a different story. The Treasury Department has been working to prop up its sputtering economy, and on Wednesday Mr. Bessent declared that the United States was ready to extend a \$20 billion lifeline.

The moves are intended to buttress the fortunes of Javier Milei, Argentina's embattled president, whom President Trump sees as a kindred political spirit.

By offering economic support to Argentina, the Trump administration is wading into the precarious politics of bailouts, which Republicans traditionally loathe. By using America's economic power to influence another country's election, the president is tying the United States to the financial fate of Argentina, which has been plagued for decades with surging inflation and rampant debt.

The moves have been rebuked by American agriculture groups whose members have been hurt by Mr. Trump's trade war with China and are anxiously waiting for economic support.

China stopped buying American agricultural products such as soybeans after Mr. Trump's decision to impose tariffs on Chinese imports. Instead, China has been purchasing soybeans from Brazil and Argentina, where they are now less expensive than U.S. soybeans because of China's retaliatory tariffs, raising fears across rural America of a looming farm crisis.

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The American Soybean Association, which has been lobbying for economic support for farmers, said that the "frustration is overwhelming." The group pointed out that Argentina just lowered its export taxes so that it could sell even more soybeans to China, further undercutting the U.S. farmers who face high Chinese tariffs.

"U.S. soybean prices are falling; harvest is underway; and farmers read headlines not about securing a trade agreement with China, but that the U.S. government is extending \$20 billion in economic support to Argentina," said

Caleb Ragland, the president of the American Soybean Association.

To farmers like Mr. Ragland, a bailout for Argentina, which is undercutting American soybean exports, feels unfair.

Mr. Trump said on Thursday that he hoped to redirect some of the revenue that the government has collected from tariffs and “give it to our farmers.” He added the plan would be to “make sure our farmers are in great shape.”

Top Democrats have also criticized the Argentina bailout, accusing Mr. Trump of cronyism.

“At a time when Americans are struggling to afford groceries, rent, credit card bills, and other debt payments — and with the administration gutting funds that make health care affordable for tens of millions of people here at home — it is deeply troubling that the president intends to use significant emergency funds to inflate the value of a foreign government’s currency and bolster its financial markets,” Senator Elizabeth Warren of Massachusetts, the top Democrat on the Senate Banking Committee, wrote in a letter to Mr. Bessent.

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Some Republicans also expressed their reservations about the bailout. Senator Charles E. Grassley of Iowa said on social media that the Trump administration should be fighting for American soybean farmers as it negotiates with

Argentina. “Why would USA help bail out Argentina while they take American soybean producers’ biggest market???” Mr. Grassley wrote on X on Thursday.

Argentina’s economy has been facing its own crises for decades. The value of its currency, the peso, has fallen in recent weeks amid concerns about Mr. Milei’s grip on government. Last week, its central bank spent more than \$1 billion to shore up the peso and keep its exchange rate with the dollar below the ceiling set earlier this year in a \$20 billion agreement with the International Monetary Fund.

The U.S. support is intended to restore confidence in Argentina’s economy and bolster Mr. Milei after his party lost badly in a recent local election and faces critical legislative elections next month. Mr. Trump views Mr. Milei, who describes himself as a radical libertarian, as a political ally. He has described the Argentine leader as his “favorite president” and Mr. Milei was one of only two world leaders onstage at Mr. Trump’s inauguration.

The mechanics of the support, which Mr. Bessent is still negotiating with his Argentine counterparts, remain unclear, but analysts say it could be risky to American taxpayers.

The sheer size of the bailout “raised eyebrows,” said Monica de Bolle, a senior fellow at the Peterson Institute for International Economics. The arrangement is also unusual in that, at least so far, it is not being conditioned on spending cuts, foreign exchange policy changes or other requirements that are typical of the loans provided by institutions like the I.M.F.

“The U.S. is getting itself into something that they have no exit strategy for,” she said.

Argentina has a checkered history of repaying its debts, leading to several defaults that have left investors facing steep losses. As a perpetual defaulter, the country has had to turn to the I.M.F. repeatedly for help, making it not only the most frequent recipient of the fund's bailouts but also the institution's largest debtor.

"It's hard to make a strong economic case at the moment for offering the sort of unconditional support that the Trump administration seems to be envisioning for Argentina," said Eswar Prasad, a professor at Cornell University who previously served as a senior official at the I.M.F. "What is even more striking is that the Trump administration seems willing to put American money at risk in the bailout it is considering for Argentina."

Many investors expect the U.S. bailout to help stabilize the country's financial markets and arrest a slide in the currency, but they broadly see it as only a temporary fix. That suggests that any U.S. investments could be imperiled if the economic situation continues to deteriorate.

Brad Setser, a senior fellow at the Council on Foreign Relations, compared a loan to Argentina to the \$20 billion that the United States lent to Mexico in 1995. He argued that Argentina's history of being unable to repay its debts made the lifeline more risky.

"You're throwing money at a country that essentially has exhausted its ability to borrow from the I.M.F.," Mr. Setser said.

Mr. Trump is not the first president to face questions about extending loans to a foreign government. President Bill Clinton faced political blowback for the 1995 bailout of Mexico. He was ultimately vindicated when Mexico, which pledged its oil exports as collateral, repaid foreign lenders and the collapse of the peso was halted.

Lawrence H. Summers, who served as Treasury secretary under Mr. Clinton, said Argentina's strategic importance to the United States is less evident than Mexico's and that it is not clear what the Trump administration is really trying to achieve in backstopping its economy.

"This is very different from Mexico," Mr. Summers said. "There's no 2,000-mile border, no major systemic risk, and Argentina has pre-existing debts, including to the I.M.F."

Mr. Bessent pushed back on criticism of the support for Argentina, which has large stocks of critical resources such as lithium and which has been embarking on what he believes are necessary fiscal reforms. He argued that policies espoused by lawmakers such as Ms. Warren were the reasons for Argentina's economic woes.

"Few should be surprised by Senator Warren's 'self-pitying rendition of 'Don't Cry for Me Massachusetts,'" Mr. Bessent wrote on social media. "The destructive economic policies she has championed since joining the Senate in 2013 rival the failed leftist agenda of the Argentine opposition."

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