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Analysis of today
Assessment of tomorrow

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# The Treasury assumes a larger role in US foreign policy

US Treasury Secretary Scott Bessent said on 8 September in Dallas that the US balance sheet would be used to pursue foreign policy goals. He cited Argentina as the first example and explained that Washington aims to build alliances in the Western Hemisphere. In doing so, he publicly set out the policy that the Treasury is already implementing.

The US has long turned financial supremacy into pressure on its adversaries. Sanctions, asset freezes, restrictions on access to the dollar system and secondary measures against banks and companies from third countries have become a routine part of American foreign policy.

Bessent now uses the same capability in reverse. A country that Washington considers an important partner can receive financial support when its market, foreign exchange reserves or currency becomes a political problem.

The intervention in Argentina in 2025, the joint action with Japan this summer and the interest of other countries in similar arrangements are therefore no longer separate cases. Under Bessent, access to dollars and the credibility of the US balance sheet form part of alliance negotiations.

## Argentina as a precedent

In October 2025, Washington reached an agreement with the Central Bank of Argentina for up to $20 billion through the Exchange Stabilization Fund.

Argentina drew $2.5 billion under that arrangement and repaid the full amount in December. When assessing the political impact, the gap between the nominal size and the funds actually used is important: the US government offered far more financial support than it ultimately needed to provide.

The intervention came before parliamentary elections, at a time when Javier Milei was trying to maintain investor confidence and reduce pressure on the peso. On 14 October, during Milei's visit to the White House, Donald Trump linked future American support to the political success of the Argentine president. If Milei's option won, Trump said, Washington would stand with him. If it lost, the US would not continue on the same basis.

> A large financial capacity alters market expectations even without deploying the full amount

On 26 October, La Libertad Avanza won more than 40 per cent of the vote in the House of Representatives elections and significantly strengthened Milei's position in Congress. The American swap cannot be presented as the cause of the election result.

For Bessent, however, the balance sheet of the entire operation is important. The partner Washington wanted to preserve weathered a period of financial pressure, emerged politically stronger, and the money withdrawn from the US fund was returned within a short time.

It is a model that is easy to defend within the US administration. A large financial capacity alters market expectations even without deploying the full amount.

Washington gains powerful influence at limited immediate cost, while the government receiving the support gets what it needs most in a crisis: investor confidence that the US Treasury stands behind it.

## The Treasury already has the tool

On 23 June, at the Economic Club in New York, Bessent presented financial power as a component of American economic statecraft for the 21st century.

At the time, he insisted that the benefits other countries derive from relations with the US must have value for American interests. The statement of 8 September shows how he intends to implement this idea.

He does not need a new institution for that. The Exchange Stabilization Fund has existed since 1934 and gives the Treasury Secretary, with presidential approval, broad discretion over foreign exchange market operations and financial arrangements with foreign countries and central banks.

> Development and budget support programmes go through slower procedures and are tied to predefined purposes

Washington can now turn financial protection into a privilege for selected partners, at a price measured in political, security or economic concessions to the US.

This is where it differs from much traditional American aid. Development and budget support programmes go through slower procedures and are tied to predefined purposes. Treasury intervention can come quickly, be targeted at a single market problem and at the same time leave the administration with considerable policy freedom.

## Japan confirms broader application

On 8 September, Bessent also referred to Japan. On 31 July, the US took part in a rare joint purchase of yen following its sharp decline and disruption in the Japanese government bond market. On 3 August, Tokyo officially confirmed coordination with the US Treasury and left open the possibility of further joint interventions.

Japan does not share Argentina’s problem with trust in the state. It is one of the world’s largest economies, a key US ally and the largest foreign holder of US government bonds . Washington has a clear vested interest in preventing any further weakening of the yen and any rise in Japanese yields that could accelerate the return of Japanese capital from US bonds and further increase US borrowing costs.

> In Tokyo, Washington was helping an ally whose financial problems could spill over directly into the American market

Argentina and Japan illustrate two different applications of the same policy. In Buenos Aires, Washington was protecting a politically close partner during a period of market pressure.

In Tokyo, it was helping an ally whose financial problems could spill over directly into the American market. The common criterion is American interest, not the economic similarity of the countries receiving support.

## Pakistan has already requested similar support

In July, Pakistan asked the US for a bilateral stabilisation arrangement worth $10 billion, with a term of up to five years. The request came after Islamabad raised its diplomatic profile by mediating during the war with Iran and sought to turn that role into concrete economic benefits. The Treasury has not yet publicly accepted the request.

Following the meeting between Bessent and Pakistan's Finance Minister Muhammad Aurangzeb, Washington announced only support for reforms and Pakistan's return to international capital markets.

The request alone is enough to show how other governments are interpreting Argentina’s precedent. Security cooperation, political rapprochement with Washington, access to strategic raw materials or an important regional role can all become arguments for financial support from the US.

Latin America will most likely be the first region where this policy is continued

This possibility is particularly attractive to countries whose main problem is not solvency but a short-term lack of dollar liquidity and market confidence.

Bessent has already identified the Western Hemisphere as a priority, so Latin America will most likely be the first region where this policy is continued.

The Trump administration distinguishes between governments it considers partners and those it regards as obstacles to US interests, and financial support gives it an instrument that works faster than infrastructure programmes and requires less political engagement than security interventions.

## An advantage that China cannot easily match

Bessent's approach feeds directly into American competition with China. For years, Beijing has used state-owned banks, loans, infrastructure projects and bilateral financial arrangements to strengthen its ties with developing countries.

Washington has a different advantage. It controls access to the currency that still accounts for most of the world's reported foreign exchange reserves and underpins the world's deepest capital market.

According to IMF data for the first quarter of 2026, the dollar accounted for 57.13 per cent of reported global foreign exchange reserves, while the Chinese renminbi's share was 1.99 per cent.

It is harder for China to generate the same market impact as the US Treasury's willingness to stand behind a currency or financial system

China can offer loans, infrastructure projects or bilateral swaps, but it is harder to generate the same market impact as the US Treasury's willingness to stand behind a currency or financial system. Investors then assess not only a single transaction but also the likelihood that Washington will intervene again if a crisis persists.

For the US, this is an advantage that can be used selectively. Instead of trying to match China financially in every country and every project, Washington can pick moments when a relatively limited commitment of the US balance sheet has a large political and market impact.

Argentina has shown what this looks like when a government is politically close to Washington. Japan has shown what this looks like when the stability of allies is directly linked to the stability of the American market.

## The political price of the dollar

Such a policy carries a price. The more often Washington links financial protection to the political behaviour of another state, the stronger the incentive for both its partners and its adversaries to reduce their dependence on the American system.

Central banks are increasing their gold reserves, some trade is shifting to other currencies and China is expanding the use of the renminbi in bilateral transactions.

So far, none of these developments has produced a serious substitute for the dollar, but the political use of American financial power gives them additional momentum.

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Argentina is a particularly sensitive precedent because Trump has linked aid to the election outcome. If such a condition becomes common, states will have to assess not only the quality of their relationship with the US but also the extent to which that relationship depends on ideological closeness to the administration currently in the White House.

Washington can therefore increase its political influence in the short term, but this reduces the predictability of a system whose value also rests on trust that financial rules will not be completely subordinated to changes in party.

## The next test will be in Latin America

Bessent probably does not need a formal fund for friendly governments. Such a programme would raise questions about congressional control, access criteria and responsibility for eventual losses.

The existing discretion is far more useful for this type of policy, because each arrangement can be justified by a specific American interest and adapted to the political moment.

That is why individual agreements, rather than a single new large institution, should be expected. In Latin America, priority will go to governments prepared for close security and economic cooperation with the US and those that Washington regards as a counterbalance to Chinese influence.

*If Argentina's arrangement leaves the Exchange Stabilization Fund without losses and Milei's economic policies continue to attract capital, Bessent will have a strong case for repeating the model*

Outside the region, states such as Pakistan will try to convert strategic utility into financial support, while major allies such as Japan will rely on American intervention when their market problems threaten broader American interests.

If Argentina's arrangement leaves the Exchange Stabilization Fund without losses and Milei's economic policies continue to attract capital, Bessent will have a strong case for repeating the model.

For Washington, such intervention is politically cheaper than military action, faster than development aid and more flexible than IMF programmes.

For a government facing pressure on its currency and foreign reserves, access to US financial support can directly reduce borrowing costs, stabilise the exchange rate and restore investor confidence.

The market's assessment that the US Treasury is ready to intervene can change investor behaviour even before a large amount is spent.

For decades, sanctions have defined the cost of conflict with Washington. Bessent now wants to add another function to American financial power: determining the concrete value of alliance.

If Argentina gains successors, countries that the US considers strategically important will no longer negotiate with Washington solely on trade, military cooperation and diplomatic support. They will also discuss whether they can rely on the American balance sheet in times of crisis.