

# China Will Authorize Argentina To Use Yuan Swap To Pay IMF

by Cynthia Rush

July 12—China has badly rattled the International Monetary Fund. According to the daily *La Política Online* July 8, subsequent media reports, and source reports from Buenos Aires, China’s representative to the Fund, Zhengxim Zhang, sent a letter to the organization’s executive board in early July stating that unless the Fund quickly reached an agreement with Argentina for a revised Extended Fund Facility, China would authorize Argentina to use yuan, from the \$10 billion yuan swap to which Argentina has free access, to make payments due the Fund. Because Argentina must pay \$2.6 billion on July 31, for which it lacks dollars to pay, it intended to use special drawing rights for a partial payment, if no deal with the IMF is forthcoming.

Were China to step in as proposed, this would undermine the IMF’s traditional role as “lender of last resort,” and remove one of the Fund’s key tools for imposing draconian conditions on desperate debtor nations. According to an Argentine source, at a time when the IMF is dragging its feet in negotiating with Argentina, China’s offer will guarantee that the country will be able to pay its debt and prevent delivery of “a shocking blow” that could otherwise result in a financial explosion.

China’s offer also comes at a time of reported internal divisions at the Fund. The Biden Administration is said to be unhappy that Managing Director Kristalina Georgieva delayed a bailout package for Ukraine, which “was tied to some particular interests of some members of the European Community,” according to *La Política Online*. President Biden had offered to “help” Argentina in its negotiations with the Fund, so Argentine Finance Minister Sergio Massa is now working more closely with IMF Deputy Managing Director Gita Gopinath, who is said to be closer to the U.S. Treasury than Georgieva.

## Developing Sector Coordination

The July 6 Zoom meeting that Massa held with his Egyptian counterpart Mohamed Maait and deputy Ahmed Kouhouk is also making some in the Anglo-sphere nervous, worried that Argentina and Egypt, the IMF’s first and second largest debtors (owing \$44.6 billion and \$19.5 billion respectively) might be coordinating. The two discussed the need to coordinate strategies for negotiating with the Fund, to speak with “a common voice,” and—according to Argentina’s Finance Ministry—“to coordinate policies in multilateral spaces to promote inclusive development of middle-income nations.” Egyptian President Abdel Fattah el-Sisi recently told the IMF that he would not further devalue his nation’s currency, the pound, as this would only hurt Egyptians.

Tensions are running very high right now in the negotiations that Massa and his team are conducting with the

IMF’s staff. The Fund is making unacceptable demands that Massa refuses to accept—for a peso devaluation and restrictions on how much the Central Bank can use foreign reserves to intervene in the currency markets, among other things. Travel of the Finance Ministry team to Washington, to finalize a staff-level agreement on a revised Extended Fund Facility, has been postponed twice. As of this writing, the delegation was scheduled to travel July 12.

Time is of the essence here. An agreement must be reached and presented to the IMF Executive Board for approval before the Fund’s August recess. Massa wants to have an agreement in hand before election primaries on Aug. 13, to avoid any negative impact a lack of agreement might have on the primaries. He is a presidential pre-candidate for the ruling Union for the Fatherland (UP) coalition and is the only presidential candidate on the UP’s slate.



Palácio do Planalto  
Sergio Massa, Argentine Finance Minister.



IMF  
IMF headquarters, Washington.