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Argentina's Elections—A Win for Economic Democracy, A Loss for Peronist Kleptocracy

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The October 26 mid-term elections in Argentina produced a stunning victory for President Javier Milei's La Libertad Avanza party. The party doubled its representation in Congress, meaning Milei's party and allies secured at least one-third of the seats in both chambers—the critical threshold that allows the president to preserve his veto power and defend his sweeping decrees. Libertad Avanza garnered 41% of the votes cast for members of the Chamber of Deputies and Senate. Mr. Milei now has enough legislative support to keep his vetoes from being overturned and a stronger hand as he moves ahead with his campaign to downsize the state and deregulate the economy.

What has been the winning formula for Javier Milei and his party since he took office? In terms of governance, the winning formula has consisted of budget and spending reforms, inflation control, poverty reduction, and tax and regulatory reform. Milei's implementation of economic reforms since taking office has resulted in the country's first fiscal surplus in over 14 years, a reduction in hyperinflation from triple-digit rates to approximately 32-47% annually, and the implementation of over 1,246 deregulations.

Despite President Milei's laudable achievements in the economic realm and despite U.S. government and private sector commitments of up to $40 billion, if needed, Argentina will require additional funds on a long-term and sustainable basis.

Where to turn to sourcing that investment? Multinational firms.

Very often overlooked in discussions of economic policy, particularly bilateral economic relations, is the role of foreign companies. Argentina presently has more than 300 U.S. companies operating in the country, with the United States being its largest foreign investor. The total stock of foreign investment exceeds $130 billion and includes firms such as Disney, Google, Nike, Dow, Chevron and Bank of America. However, the number is an underestimation for it excludes franchising, licensing, and royalties. Left out, therefore are firms like McDonald's, Burger King, Pure Fitness, KFC, and Bosch Auto Service. Also, excluded are start-ups, digital nomads, and non-registered foreign businesses.

The good news for Argentina is that the foreign direct investment (FDI) landscape improved markedly in 2024–2025, driven by reforms, newly liberalized policies, and incentives aimed at attracting large-scale investments. The leading sectors remain manufacturing, mining (especially lithium and hydrocarbons), energy, and technology. Comparatively, Argentina remains less competitive than Brazil and Mexico but offers distinctive advantages and dramatic recent improvements in economic fundamentals following significant reforms.

Of special interest to multinational firms currently operating or considering operations in Argentina are the tax and investment promotion changes implemented by the Milei administration. These include eliminating or reducing 22 different types of federal taxes. The World Bank approved a $300 million project in July 2025 to modernize Argentina's tax administration system, supporting the government's broader tax policy reforms.

As for investment promotion, one of the administration's flagship initiatives is the Large Investment Incentive Regime (RIGI), designed to attract significant foreign and domestic investment. The RIGI offers comprehensive incentives including:

- 30-year regulatory stability guarantees for tax, customs, exchange, and regulatory matters
- Tax exemptions and foreign exchange advantages
- Access to international arbitration through institutions like ICSID
- Preferential treatment for investments exceeding $200 million in specified sectors

As of mid-2025, the RIGI has attracted 11 investment proposals representing $15.5 billion in combined pledges, with four projects already approved. The program covers eight key sectors: forestry, tourism, infrastructure, mining, technology, steel, energy, and oil and gas.

In essence, the Milei administration has achieved remarkable short-term stabilization of Argentina's economy through fiscal discipline, monetary restraint, and extensive deregulation. Despite pain inflicted by his austerity measures, many Argentines are still willing to back his libertarian experiment. Next up are his privatization agenda, labor market reform and tax system overhaul.

The mid-term elections in Argentina dealt a body blow to the Peronist kleptocracy. However, many Argentines may have voted for Milei and his party as the lesser of two evils. It is now up to the president and his allies to ignite enthusiasm among those voters in future elections. Achieving solid, sustainable accomplishments that foster economic democracy in Argentina is definitely the winning formula.

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