

By Mark Sibthorpe

Argentina is in the news daily because the situation is dire, and may be an indication of further contagion. The most dramatic story that speaks of the a leading cause of its troubles was the recent arrest of the public works secretary, Jose Lopez. June 15th he was caught hiding millions in cash in a monastery. No this is not a plot for a comedy.

The IMF plan to give another \$50bn US to support the failing Argentinian economy. The victims of this economic disaster being taxpayers who will be subject to a severe austerity program going forward. Millions of people will suffer, especially exporters. Not because of their actions, but because corruption throughout its government has been rampant.

The reason Argentina's woes are significant to Canadian FIs, and also why they came to light now, is that rate rises and tapering globally are exposing a system that is so filled with corruption and complicity that the final result, at least in Argentina's case, was inevitable.

Individual economic stories are playing out in Turkey, South Africa and Indonesia, with similar outcomes and loss of confidence by investors. Consequently, there is an outflow of funds, and a fall in the value of their currencies. The triggers for the currency collapses in Argentina, Turkey, South Africa and Indonesia cannot be traced to the same officials, but they share one thing in common – a disproportionate reliance on foreign funding for trade and government deficits.

Tariffs and tapering will exacerbate the problems facing these, often corrupt, economies. The people holding the bag being tax payers and once viable businesses that will likely be taxed and traded out of existence.

[Ex-official arrested while hiding bags of cash at Argentina monastery](#)

CTV - REPORT

A neighbour of the monastery called authorities after seeing a man throwing bags onto the property near Buenos Aires early Tuesday. Officers arrived and arrested a man who turned out to be former Public Works Secretary Jose Lopez. Police initially detained him for possession of a .22 calibre rifle.

[CRY FOR ME, ARGENTINA: PESO TUMBLES AMID HEAVY SELLING OF RESERVES, PLEA FOR EARLY IMF HELP](#)

G&M - HUGH BRONSTEIN AND JORGE OTAOLA

Nerves are frayed in Latin America's No. 3 economy as it struggles to break free from its notorious cycle of once-a-decade financial crises. The last recent one, which was punctuated by a 2002 debt default, tossed millions of middle-class Argentines into poverty.

The run on the peso prompted Argentina to turn to the IMF for a \$50-billion credit line earlier this year. But given the peso's continued depreciation, which makes the country's dollar-denominated debts more expensive to pay, investors are increasingly concerned that may not be enough.

[ARGENTINA ANNOUNCES NEW TAXES, MINISTRY CUTS AMID TURMOIL](#)

CBC - AP

In recent weeks, the currency crisis in Argentina has intensified, forcing the government to ask for the early release of a credit line from the International Monetary Fund under a \$50 billion US backup financing arrangement approved earlier.

[WORLD ARGENTINA UNVEILS AUSTERITY PROGRAMME TO STEM CRISIS](#)

FT - Benedict Mander

“We believed with excessive optimism that we could go along fixing things bit by bit. But reality shows us that we have to move faster,” Mr Macri said. “The world has told us that we are living beyond our means.”

The country has been lashed by a global storm in emerging markets since the peso plunged last week to its lowest level against the dollar, taking its depreciation this year to more than 50 per cent. Argentina has helped spark the broader rout in developing world markets, but has also been one of its biggest victims, forcing the government and companies to scramble to find ways to pay off billions in dollar-denominated debt. Emerging market stock indices fell for a fourth straight day on Monday. JPMorgan’s emerging market currency index gave up even Friday’s modest bounce to trade at a fresh record low. The Turkish lira has been the other currency to suffer most from the sell-off. It forced the central bank on Monday to signal that it was prepared to raise interest rates next week to head off spiralling inflation triggered by the lira’s plunge.

['THIS IS AN EMERGENCY': ARGENTINA IS SLASHING HALF OF ITS GOVERNMENT MINISTRIES](#)

CNN - Spencer Feingold

President Mauricio Macri announced a series of austerity measures on Monday, the day before his government is due to meet officials from the International Monetary Fund. Argentina is trying to speed up the release of cash from a \$50 billion bailout plan.

<https://seekingalpha.com/article/4201513-reality-hits-banks-argentina>

Argentina is a story of euphoria cycles