VIRUS FALLOUT | INTERNATIONAL

Poor Countries Facing an Unparalleled Debt Crisis

By MARY WILLIAMS WALSH and MATT PHILLIPS

From Angola to Jamaica to Ecuador to Zambia, the world's poor countries have had their finances shredded by the global pandemic.

The president of Tanzania has called on "our rich brothers" to cancel his country's debt. Belarus veered toward a default when a promised $600 million loan from Russia fell through. Russia couldn't spare the money because the ruble had taken a nose-dive, along with oil and gas prices. Lebanon, troubled even before the pandemic, has embarked on its first debt restructuring. And Argentina has defaulted again — for the ninth time in its history.

The low interest rates of the past decade led to an unlikely alliance between poor countries and international investors. Governments, state-owned companies and other businesses were able to raise money relatively cheaply to finance their growth, while investors searching for better returns than they were getting at home gobbled up that debt. As a result, developing countries owe record amounts of money to investors, governments and others outside their borders: $2.1 trillion for countries ranked as "low income" and "lower-middle income" by the World Bank, including Afghanistan, Chad, Bolivia and Zimbabwe.

Now, the pandemic is fraying that alliance. Economic activity has ground to a halt, closing ports, shutting factories, canceling flights and emptying resorts. Governments are on the hook for billions of dollars in interest and principal repayments — payments suddenly made more expensive by volatility in the currency markets at the same time that public health costs are skyrocketing. And their investors are not in a forgiving mood.

"This is really unlike anything we have seen," said Mitu Gulati, a law professor at Duke University who studies the debts of countries, or sovereign debt. "The last time we had this many countries likely to go under at the same time was in the 1980s." In Latin America, that period was known as La Década Perdida — The Lost Decade.

Resolving those debts took years of negotiations, austerity measures and stalled economic development. But the debt crisis brewing today could be even harder to sort out.

NATACHA PISARENKO/ASSOCIATED PRESS

People waiting in line at a food donation site in Buenos Aires on Friday. Argentina just defaulted on its debt for the ninth time in its history.

Poor countries have long been able to borrow from institutions like the World Bank and International Monetary Fund, or from the governments of their trading partners, like China. But in recent years their debt, usually in the form of bonds, became popular with private investment firms. The investment funds in turn placed it with client pension funds, family offices and exchange-traded funds. And those entities have their own interests and their own rules, which will complicate any effort to negotiate easier terms for the borrowers, such as stretched-out payment schedules, lower interest rates or reduced principal.

The stakes are high: Argentina's multiyear dispute with a group of hedge funds including Elliott Management is a reminder of what can happen when a country lapses on its debt payments to investors. Elliott Management, a New York hedge fund run by Paul Singer, and others bought Argentine bonds shortly before the country defaulted in 2001, and held out for full repayment — at one point even seizing an Argentine naval vessel — rather than settle through a debt restructuring. When the sides finally settled in 2016, Elliott received nearly 400 percent of its original investment, according to Argentine officials.

A group of 77 poor countries are scheduled to make interest and principal payments of $62 billion on their debts this year, according to calculations by Ugo Panizza, an economics professor at the Graduate Institute of International and Development Studies in Geneva, who published them in a joint research paper with six other economists and bankruptcy lawyers. A portion of that is due in June.

Private investors have bought up more debt than official lenders in Latin American, East Asian and emerging European countries. These countries tend to issue bonds in dollars or other hard currencies. Now, their own currencies have plummeted in value as investors around the world sought refuge in the dollar — Brazil's is down more than 30 percent against the dollar this year.

That means it takes more of their own currency to buy every dollar they need to pay their debts. At the same time, they're spending heavily on everything from hand-washing stations in places without tap water to airlifts of protective equipment for medical workers.

"The abruptness of this shock is much larger than the 2008 global financial crisis," said Ramin Toloui, an assistant Treasury secretary for international finance during the Obama administration.

The International Monetary Fund has already expanded two emergency loan programs, and more than 100 countries have applied. Some, like Jamaica and Uzbekistan, have begun drawing their loans, while others are still being reviewed. The programs will help in the short term, Mr. Toloui said, but much more financial assistance will be required to keep poor countries solvent during a global shock. The I.M.F. itself has estimated the borrower countries' total current need, from all sources, at $2.5 trillion.

During La Década Perdida, the debt that was crushing Latin America mainly involved loans from groups of banks, which spent years restructuring the loans, while the I.M.F. pushed to reduce government waste and inefficiency and make the local economies more productive. The process required cooperation, and if a bank tried to hold out, it might get a stern call from a regulator to bring it back on board.

The mix of creditors is different today. There are institutions like the World Bank, individual governments that have lent money — often to finance trade — and private-sector investors. So far, the private investors are the only ones that have been reluctant to give the countries a break.

In late March, the leaders of the World Bank and the I.M.F. issued a joint statement calling on international creditors to grant the struggling countries relief. They suspended the payments owed this year from a group of 76 countries known as the International Development Association, plus Angola, which owes large payments to China. A few weeks later, the Group of 20, a forum for large-economy governments and central banks including the United States, Germany and China, issued a communiqué supporting a payment suspension. Thirty-six countries have already applied, G20 officials said Thursday.

Those organizations have called on bond funds and other private investors to join the suspension on comparable terms.

The response has been slow.

It took the Institute of International Finance, a trade group from around the globe, nearly four weeks to offer a proposal. The group's members — banks, insurers, hedge funds and other financial entities — say debt forgiveness is complicated by their fiduciary duties to their clients.

On Thursday, the group said that it would be up to each investor to decide whether to go along with a moratorium, and that any skipped interest payments would be tacked on to the borrowers' principal. In other words, the countries would come out of the moratorium with more debt than they went in with.

Christian Kopf, head of fixed income at Union Investment Group, a large German asset manager with funds that own emerging market debt, said the approach that official institutions like the World Bank and International Monetary Fund were taking wouldn't work for many investors. That's because suspending payments on bonds results in a default.

"Contractually, under the prospectuses and circulars of the bonds fund that we offer, we are not allowed to own defaulted bonds," he said.

Investors would be forced to sell their bonds, and credit rating firms would be required to downgrade the countries. "It would destroy for years to come the market access of those countries," Mr. Kopf said.

Mr. Gulati, the Duke law professor, said he wondered if any solution could be reached in time for borrowers to skip their June bond payments without being deemed to be in default.

Decisions by the I.M.F., World Bank and G20 to let the countries skip payments will certainly free up cash, he said. But that doesn't mean the countries will put it toward the costs of the public health crisis. If the private investors don't get on board, the money could move into their pockets instead.

"That relief," he said, "can be used to pay the private creditors on time and in full."

Reality Star's Suicide Spurs Moves Against Cyberbullying

By BEN DOOLEY and HIKARI HIDA

TOKYO — During the last weeks of Hana Kimura's life, a steady stream of hate washed over her social media accounts. On Twitter, Instagram and Facebook, anonymous posters attacked her appearance, her outspoken behavior and especially her role on "Terrace House," a popular Japanese reality show where some viewers saw her as a villain.

Her apparent suicide late last month at age 22 has provoked a national call for action against online bullying, thrusting Japan into a global debate over how much responsibility online platforms should have for moderating the content they host.

The Japanese authorities pledged to move quickly to rein in internet trolls, who hide behind a cloak of anonymity to share malicious posts that are sometimes misogynistic or racist. But free-speech advocates fear that measures making it harder for people to hide their identities could chill the country's rising online activism, which has become an increasingly powerful check on government power.

"There are conflicts with freedom of speech and rights and privacy that are extremely thorny," said Ayaka Shiomura, a former TV personality and current member of the upper house of Japan's Parliament who has herself been the target of cyberbullying.

"We have to think about the victims, like Ms. Kimura, first," she said, but "it's possible for her situation to be exploited."

The discussion in Japan echoes a fierce debate in the United States over how far social media companies should go to intervene in users' posts. Last week, Twitter added labels to two of President Trump's tweets, directing users to fact-checking materials, and it hid another of his tweets behind a warning, saying it glorified violence.

An incensed Mr. Trump, who has used social media to assail everyone from the world famous to the totally unknown, signed an executive order that could increase the liability of companies like Twitter and Facebook for content posted by users.

In Japan, the authorities have been wrestling for decades with how to police online speech. The country's anonymous message boards, created in the internet's early years, became breeding grounds for some of the worst aspects of modern online culture, as users found a thrill in publicly expressing their darkest views with no fear of repercussion.

The Japanese Parliament passed a law nearly 20 years ago that sought to protect victims of online abuse, though lawyers say it has had little effect. Now, since Ms. Kimura died, officials are vowing to put more teeth behind the protections.

The minister of communications, Sanae Takaichi, told reporters that she would move "with speed" to add measures that would make it easier for victims of online abuse to unmask the people behind anonymous posts.

Celebrities, politicians and legal experts have called for even stricter moves, demanding that social media companies be forced to take a more active role in reviewing and removing hate speech.

A coalition that includes Facebook, Twitter and the popular Japanese chat app Line put out a statement shortly after Ms. Kimura's death saying that they would move swiftly to reduce personal attacks on their platforms. Among the steps could be blanket bans on users who intentionally demean others.

While the move by Twitter in the U.S. to more actively moderate content has added fuel to claims on the right that the platform is trying to squelch conservative views, in Japan the issue of intervening in online speech has posed a dilemma for the left, as well.

Suspicion of government censorship has deep ties to historical memories of the authorities' ruthless suppression of free speech before World War II. People on the political left point to the power of unfettered speech to hold the government accountable in a country with a weak political opposition, and say that government regulations could be used to destabilize this growing force.

In May, an overwhelming wave of online criticism led Prime Minister Shinzo Abe to abandon an attempt to extend term limits for the country's top prosecutors, a move widely seen as an attempt to shore up his political power.

But those on the left also abhor the kind of harassment that may have contributed to Ms. Kimura's death.

For many viewers, the gentle rhythms of "Terrace House," a show that throws six strangers together in a beautiful home and gently prods them to couple up, seemed like a refuge from the sometimes sordid drama of other reality dating shows.

Where other shows seemed intent on bringing out the ugliest aspects of their contestants' personalities, "Terrace House" focused on quotidian pleasures. One of the biggest narrative arcs of the last season centered on one cast member's struggles to make broccoli pasta.

Online anonymity has been used for good and for ill in Japan.

When the show, which is produced by Fuji TV, was picked up by Netflix, it became a surprise international hit, with reviewers praising its often endearingly awkward content.

But online, some Japanese viewers spewed a constant flow of invective against the show's cast members, ruthlessly picking apart their every misstep and perceived personality flaw.

Ms. Kimura, a professional wrestler, was subjected to especially harsh attacks. When commenters filled her social media mentions with posts calling her a "gorilla" and asking her to "please disappear," she responded with a meek apology, asking, "If I do, will people love me?"

In an episode that aired in March, she was shown upbraiding a roommate for shrinking one of her expensive wrestling costumes in the dryer. The trolls piled on, telling her to die and criticizing her for her supposed lack of femininity, her muscular build, her outspokenness and the dark skin she inherited from her Indonesian father.

When the show went on hiatus because of the coronavirus pandemic, Fuji TV re-aired the episode and uploaded additional behind-the-scenes footage to YouTube and the show's official website, drawing a second barrage of attacks.

On May 23, Ms. Kimura wrote on Twitter that she was receiving as many as 100 "frank opinions" each day. The post was accompanied by photos of multiple cuts on her wrists and arms.

Hours later, Ms. Kimura was found dead in the Tokyo apartment where she lived by herself.

In the ensuing controversy, Fuji TV quickly removed content about the season in which Ms. Kimura appeared from the show's website and suspended its broadcast. In a statement, the network's president apologized for not paying closer attention to Ms. Kimura's mental state.

As with bullying the world over, in Japan "people who are different from everyone else are often the targets," said Ikuko Aoyama, an expert on cyberbullying at Tsuru University. "People use social media to knock down people who stand out."

But "the damage that comes from veering from social norms is maybe more serious for Japanese people than those in Europe or the U.S.," she said.

The burden of standing out seems to have weighed heavily on Ms. Kimura. In one of her first appearances on "Terrace House," she told a castmate that she was worried that people hated her outgoing personality.

ETSUO HARA/GETTY IMAGES

Hana Kimura in Tokyo in 2019. She apparently committed suicide after facing relentless criticism online.

While her infectious enthusiasm and bubbly warmth made her a favorite with some fans, those traits also attracted scorn from others who came to see her as the show's "heel," a wrestling term used to describe a villainous foil for a heroic opponent.

It was the role she played in the ring and was most likely also the one she was expected to play on the show, said Hiromichi Shizume, a producer for Abema TV who has worked on reality shows. Producers often seek to reinforce those casting choices by coaching cast members and by selectively editing the hundreds of hours of footage they shoot.

They also regularly play up conflict on social media, hoping to drive more viewers to the show, Mr. Shizume said.

In Ms. Kimura's case, "the promotional videos for the shows were edited to show her saying some nasty lines," he said, adding that "negative posts online really boosted social media interest."

Producers religiously monitor the social media response to their shows, said Tamaki Tsuda, who works on the high school dating show "Who Is the Wolf?"

"The trash talk drove interest in the show," she said. "They understood that and used it, and I expect they were aware of what was happening with Hana's social media."

Makiko Inoue contributed reporting.