

Economic Research Institute Study Paper

ERI #2002-13

**MATURITY STRUCTURE OF FOREIGN DEBTS IN THE
PRESENCE OF A POSSIBLE TWIN CRISIS**

by

QIU FANG

BASUDEB BISWAS

**Department of Economics
Utah State University
3530 Old Main Hill
Logan, UT 84322-3530**

August 2002

**MATURITY STRUCTURE OF FOREIGN DEBTS IN THE
PRESENCE OF A POSSIBLE TWIN CRISIS**

**Qiu Fang, Research Assistant
Basudeb Biswas, Professor**

**Department of Economics
Utah State University
3530 Old Main Hill
Logan, UT 84322-3530**

The analyses and views reported in this paper are those of the author(s). They are not necessarily endorsed by the Department of Economics or by Utah State University.

Utah State University is committed to the policy that all persons shall have equal access to its programs and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.

Information on other titles in this series may be obtained from: Department of Economics, Utah State University, 3530 Old Main Hill, Logan, Utah 84322-3530.

Copyright © 2002 by Qiu Fang and Basudeb Biswas. All rights reserved. Readers may make verbatim copies of this document for noncommercial purposes by any means, provided that this copyright notice appears on all such copies.

**MATURITY STRUCTURE OF FOREIGN DEBTS IN THE
PRESENCE OF A POSSIBLE TWIN CRISIS**

Qiu Fang and Basudeb Biswas

ABSTRACT

The objective of this paper is to analyze the effect of a probable financial crisis triggered by bank runs and the consequent currency crisis on the optimal choice of maturity structure of foreign debts. Theoretical analyses of the maturity structure suggest some macroeconomic policies that the emerging markets can adopt in the form of financial regulations and exchange rate management. During the transition period from closed or controlled capital market to liberalized capital market, these policies should help the developing countries to prevent the occurrence of crisis.