The Relationship between U.S. Quantitative Easing Policy, Interest Rate Spread, and Control of Corruption on Short-Term Debt in Developing ASIAN Countries

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ABSTRACT

This study examines the impact of U.S. Quantitative Easing (QE), Interest Rate Spread, and Control of Corruption on Short-Term Debt in developing Asian countries. Using panel data from Indonesia, Thailand, the Philippines, Vietnam, and China from 2000 to 2022, the analysis employs a Random Effect Model (REM) approach. The findings reveal that U.S. QE has a positive and significant impact, indicating that increased global liquidity encourages short-term borrowing in these economies. Conversely, Interest Rate Spread negatively affects short-term debt, suggesting that higher spreads reduce reliance on external short-term financing. Additionally, stronger Control of Corruption is associated with lower short-term debt levels, highlighting the role of governance in reducing financial vulnerabilities. These results underscore the importance of maintaining prudent monetary and fiscal policies to manage external debt risks. Policymakers should strengthen governance frameworks, ensure balanced interest rate policies, and develop strategies to mitigate risks from external financial shocks. By improving institutional quality and promoting long-term financing stability, developing Asian economies can enhance financial resilience and reduce excessive reliance on volatile short-term debt.

1.Introduction

Developing nations in Asia encounter substantial challenges in sustaining economic stability due to their considerable reliance on external borrowing, particularly short-term debt instruments that are highly susceptible to risks associated with exchange rate volatility and liquidity constraints. A high concentration of short-term debt may exacerbate macroeconomic vulnerabilities, especially in the face of shifts in global monetary policy (Seta et al., 2020). Reliance on short-term debt risks worsening external debt stability, increasing exchange rate volatility, and worsening the country's liquidity, so that proper debt management is crucial in maintaining domestic economic balance. (Choi, 2024).

As illustrated in Figure 1, the trend of short-term external debt in five developing Asian countries—Indonesia, Thailand, the Philippines, Vietnam, and China—has exhibited significant fluctuations over the period 2000 to 2022, with a pronounced spike observed in Vietnam in 2009, following the global financial crisis. Meanwhile, countries like Indonesia and Thailand tend to show a more stable trend, despite continued fluctuations. This difference indicates that these countries' levels of dependence on short-term debt vary, which could ultimately impact the stability of their external debt amidst global economic dynamics.

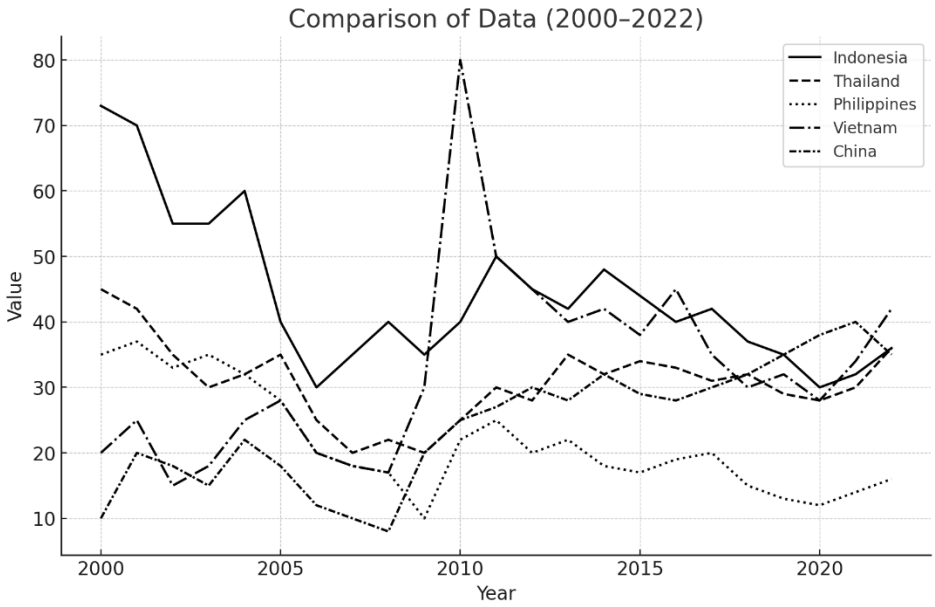

Figure 1. Short-Term Debt in Five Developing Asian Countries
Source: World Bank, (2024)

One of the principal external determinants contributing to the escalation of short-term external debt is the implementation of the Quantitative Easing (QE) policy by the United States Federal Reserve since 2008. This policy, aimed at augmenting global liquidity through extensive purchases of financial assets, has indirectly stimulated capital inflows into developing economies across Asia (Arestis, 2018). In the short term, QE enhances access to external funding at relatively lower interest rates. Nonetheless, as emphasized by Dell'Ariccia et al. (2018), the substantial increase in capital inflows associated with QE also amplifies the vulnerability of these economies to short-term debt dependence, thereby elevating the risk of sudden capital flow reversals in periods of monetary policy tightening.

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The U.S. QE policy implemented by the Federal Reserve can be proxied through the Central Bank Assets to GDP ratio for the United States (Chien & Stewart, 2023; Fabo et al., 2020; Bailey et al., 2020). Figure 2 illustrates how the QE ratio, proxied by the Central Bank Assets to GDP in the U.S., rose sharply since QE implementation in 2008. The drastic increase from 3.22% in 2008 to 14.05% in 2014, reaching 24.60% in 2021 due to expansionary policies during the COVID-19 pandemic.

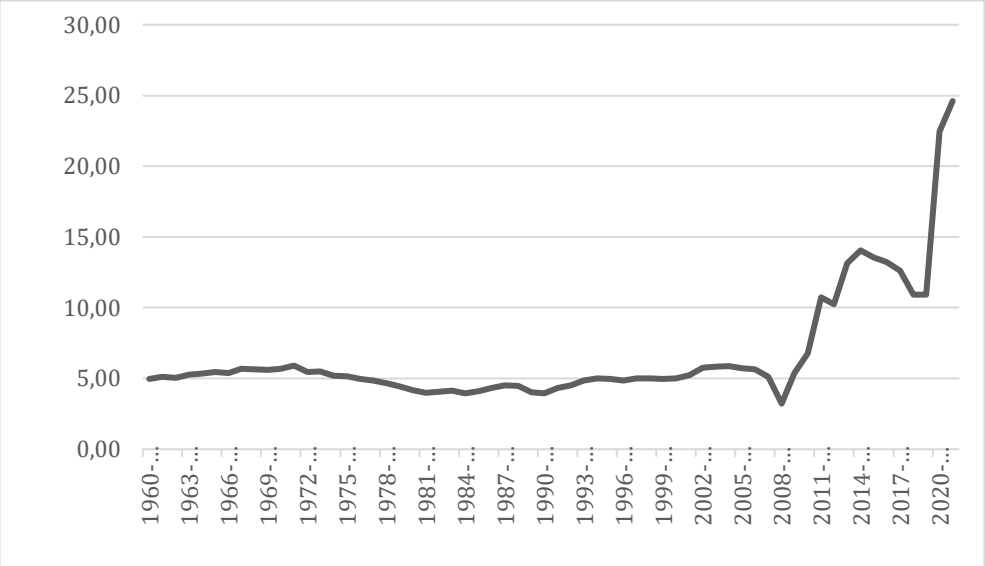

Figure 2. U.S. Quantitative Easing Policy
Source: FRED Economic Data, (2024)

Developing countries in Asia are often the primary destinations for foreign capital flows driven by expansionary monetary policies in developed countries (Sullivan, 2024). Low interest rates in developed countries drive investors to seek higher returns in developing countries, which offer higher rates and the potential for rapid economic growth (Blanchard, 2019). In this regard, the US QE policy encouraged capital inflows into developing countries, increasing foreign investment in both portfolio and debt forms, including short-term debt. This short-term debt is often used to cover urgent liquidity needs, but it also creates vulnerabilities due to its short-term nature (Tang & Moro, 2020). Dependence on short-term debt can pose a serious threat to a country's economic stability, particularly if there is a sudden reversal of capital flows due to changes in global monetary policy (Wang & Chiu, 2019).

In addition to the Quantitative Easing (QE) policy, the Interest Rate Spread plays a significant role in shaping the decisions of developing nations regarding short-term borrowing. A wider Interest Rate Spread, which indicates a substantial difference between domestic and global interest rates, tends to attract foreign investors in search of higher yields (Kiley, 2020). Nevertheless, in the context of emerging Asian economies, an excessive spread may amplify macroeconomic vulnerabilities and increase exchange rate fluctuations, leading policymakers to adopt a more cautious stance on short-term debt accumulation (Koepke, 2019).

Furthermore, the higher the interest rate spread, the greater the risk of economic and exchange rate volatility faced by borrowers, leading both companies and governments to reduce their reliance on short-term debt and prefer more stable financing sources (Elkhalfi et al., 2024). If global economic conditions worsen, increased uncertainty could further widen

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interest rate spreads, accelerate capital outflows, and exacerbate the pressures on developing countries to manage their short-term debt.

Another vital determinant is the level of Corruption Control, which serves as an indicator of the quality of governance, particularly in the management of public finances and the implementation of fiscal policies. Research by (Shi et al., 2024) suggests that countries exhibiting higher corruption levels are more prone to relying on short-term debt due to inadequate fiscal oversight and a greater risk of public fund misallocation. In contrast, nations characterized by effective governance structures are generally more prudent in assuming short-term liabilities and enjoy better access to more secure, long-term financing options (Chen & Neshkova, 2020). In environments where corruption is pervasive, capital inflows often take a speculative form, thereby increasing the probability of liquidity shocks in response to shifts in global monetary conditions (Tarek & Ahmed, 2018).

In light of these issues, this study investigates the influence of U.S. Quantitative Easing, Interest Rate Spreads, and Corruption Control on the short-term debt dynamics of developing Asian countries over the period 2000 to 2022. While some studies focus on developed countries or more generally on developing countries, this study focuses specifically on developing countries in Asia. This research is expected to contribute to the economic literature on debt management in developing countries and provide relevant policy recommendations.

2. Literature Review

Expansionary Monetary Policy Theory

Expansionary monetary policy is a strategy implemented by central banks to increase the money supply and lower interest rates to stimulate economic growth (Bouchetara & Bendahmane, 2018). One of the main forms of this policy is Quantitative Easing (QE), in which central banks purchase large-scale financial assets to lower long-term interest rates and increase market liquidity (Cui & Sterk, 2018). The U.S. Federal Reserve began implementing QE after the 2008 global financial crisis to accelerate economic recovery (Arestis, 2018).

In the context of developing Asian countries, QE in advanced economies leads to increased capital inflows into these countries, as investors seek higher returns due to lower interest rates in developed nations (Bean & Broda, 2018). This aligns with the liquidity glut theory, which suggests that an increase in global liquidity drives external financing, particularly in the form of short-term debt (Yahyaei et al., 2024).

However, when the Federal Reserve halts QE or raises interest rates, borrowing costs for developing countries increase, worsening their financial stability. This indicates that while QE improves access to financing, it also brings high volatility risks and dependence on short-term external debt.

H1: U.S. Quantitative Easing (QE) policy significantly affects short-term debt in developing Asian countries.

Interest Rate Parity and Risk-Return Tradeoff Theory

The Interest Rate Parity (IRP) theory states that interest rate differentials between two countries influence investor decisions in capital allocation. Countries with higher interest rates tend to attract foreign investment, including short-term debt (Nirmali, 2018). However, a large

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interest rate spread can also indicate high economic risks, making investors more cautious about investing in such countries (Engel, 2018).

Within the risk-return tradeoff framework, investors assess the balance between risk and return before making investment decisions. If a high interest rate spread signals economic uncertainty or exchange rate risks, capital inflows into developing countries may be lower compared to conditions where the spread remains stable (Wang et al., 2021).

Additionally, an excessively large interest rate spread can restrict domestic firms' access to cheaper financing, worsening their dependence on short-term debt. In the long run, developing Asian countries need to maintain an optimal interest rate spread to attract foreign investors while ensuring economic stability.

H2: Interest rate spread significantly affects short-term debt in developing Asian countries.

Economic Governance and Corruption Theory

Good economic governance is crucial for maintaining a country's financial stability. Control of Corruption is a key indicator of government effectiveness in managing public finances and economic policies (Anginer et al., 2022). Countries with high levels of corruption often struggle with fiscal management and are more likely to rely on short-term debt.

When corruption control is effective, developing countries can allocate resources more productively, reduce dependence on short-term debt, and attract more stable long-term investments. Conversely, weak governance often leads to a cycle of debt dependence that is difficult to break (Shi et al., 2024).

H3: Corruption control significantly affects short-term debt in developing Asian countries.

3. Research Method

This study focuses on the impact of U.S. Quantitative Easing (QE), interest rate spread, and corruption control on short-term debt in five developing Asian countries—Indonesia, Thailand, the Philippines, Vietnam, and China—during the period 2000–2022. These countries were selected based on shared economic characteristics, such as strong integration with global markets, significant reliance on external debt, and their role as primary destinations for international capital flows, particularly during periods of global liquidity expansion due to QE policies. Furthermore, these countries have relatively high economic growth rates but are vulnerable to capital flow volatility, making them representative for exploring the relationship between global monetary policy and short-term debt stability. A detailed description of these variables is provided in Table 1.

Table 1. Variable Description

Variables	Notation	Description	Sources
Short Term Debt	STD	Short-term debt (as a percentage of total external debt	World Bank
Quantitative Easing	QE	The ratio of U.S. central bank assets to GDP	FRED Economic Data
Interest Rate Spread	IRS	The difference between lending and deposit interest rates	World Bank
Control of Corruption	CC	The corruption control index	World Bank Governance Indicators

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The model's functional spesification, is represented by the following equation:

$$STD = f(QE, IRS, CC) \quad \ldots\ldots(1)$$

In alignment with the specified functional form, the panel data regression model used in this study is formulated in Equation (2).

$$STD_{it} = \alpha 0 + \alpha_1 QE_{it} + \alpha_2 IRS_{it} + \alpha_3 CC_{it} + e_{it} \quad \ldots\ldots(2)$$

In this study, the random effects model is considered the most effective method for estimating outcomes in this analysis because it assumes entity-specific effects are uncorrelated with the independent variables. REM allows variation between entities (countries) to be modeled as a random variable distinct from the independent variables.

4. Results and Discussion

The descriptive statistics in this study provide an overview of the data distribution for the main variables used, namely Short-Term Debt (STE), Quantitative Easing (QE), Interest Rate Spread (IRS), and Control of Corruption (CC) during the period 2000–2022. The mean value of each variable indicates the general trend in the dataset, while the median provides a midpoint measure that is more resistant to outliers. Additionally, the maximum and minimum values illustrate the range of variability in the data, and the standard deviation indicates the extent of dispersion from the mean. With 115 observations for each variable, this analysis offers a comprehensive insight into the relationships between these variables.

Table 2. Descriptive Statistics

	STE	QE	IRS	CC
Mean	26.152	10.765	3.707	35.933
Median	18.995	10.225	3.330	36.666
Maximum	73.169	31.580	7.680	56.190
Minimum	5.087	3.222	1.925	1.587
Std. Dev	17.720	7.004	1.110	9.287

Source: EViews 12 Output (2000-2022)

Based on Figure 3, the average Short-Term Debt (STD) is 26.15218, with a standard deviation of 17.72014, indicating significant variations in debt levels. Quantitative Easing (QE) has an average of 10.76514 with a standard deviation of 7.004060, reflecting fluctuations in QE policy over the analyzed period. Interest Rate Spread (IRS) shows a mean value of 3.707807 with a standard deviation of 1.110812, indicating differences in interest rate differentials among countries. Meanwhile, Control of Corruption (CC) has an average of 35.93333 with a standard deviation of 9.287463, highlighting significant differences in corruption control effectiveness among the observed countries. The maximum and minimum values of each variable provide insights into extreme levels in the dataset, which can affect the interpretation of variable relationships in this study.

The chow test shows significant differences in regression parameters across data subgroups, with a very low probability value (0.0000), indicating substantial variations in the relationship between independent and dependent variables among the observed groups. Meanwhile, the Hausman Test has a probability value of 1.0000, suggesting no significant differences between the fixed and random effect models. As a result, the random effect model is preferred, assuming that variations across observational units are random rather than fixed,

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making it more suitable for explaining the relationship between independent and dependent variables in a broader context.

The regression analysis reveals significant relationships between the independent and dependent variables. The constant (C) has a strong positive impact, indicating that other factors outside the model significantly influence the dependent variable. Additionally, Quantitative Easing (QE) has a significant positive contribution to the dependent variable, showing that increased QE policies by the Federal Reserve are associated with higher short-term debt. On the other hand, Interest Rate Spread (IRS) has a significant negative impact, meaning that larger interest rate differentials between countries contribute to reducing short-term debt. Control of Corruption (CC) also has a negative impact, although significant only at the 10% level, indicating that better corruption control leads to lower short-term debt.

Table 3. Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	35.41700	6.746644	5.249574	0.0000***
QE	0.438582	0.117300	3.738976	0.0003***
IRS	-2.018007	0.892905	-2.260048	0.0258**
CC	-0.180997	0.108627	-1.666237	0.0985*
Cross Section Effect				
_China	26.82632			
_Indonesia	-11.09051			
_Philippines	-11.11279			
_Thailand	6.899521			
_Vietnam	-11.52254			
Statistics Test				
Chow Test				0.0000
Hausman Test				1.0000
BP-LM Test				0.0000
R-squared	0.167833	Mean dependent var		4.156869
Adjusted R-squared	0.145342	S.D. dependent var		8.760311
S.E. of regression	8.098709	Sum squared resid		7280.388
F-statistic	7.462214	Durbin-Watson stat		0.363690
Prob(F-statistic)	0.000135			

Note: *,**,*** indicate significance levels at levels of 10%, 5%, AND 1%

Source: EViews Processed data, 2024

The R-squared value of 0.167833 indicates that 16.78% of the variation in the dependent variable can be explained by the independent variables in the model. The Adjusted R-squared of 0.145342 shows that adding independent variables provides additional explanatory power for variations in the dependent variable.

Furthermore, the F-statistic and Prob (F-statistic) test the overall significance of the regression model. The F-statistic value of 7.462214 with a very low probability (0.000135) indicates that at least one independent variable has a significant impact on the dependent variable. This confirms that the regression model is statistically significant in predicting the dependent variable.

From individual country intercepts, China has a strong positive contribution to increased short-term debt, suggesting that economic policies, capital inflows, and domestic financial conditions significantly influence the country's debt levels. Thailand also shows a positive contribution, reflecting a moderate dependence on short-term debt in its economic dynamics.

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However, Indonesia, the Philippines, and Vietnam exhibit negative contributions, indicating more controlled policies or economic factors in managing short-term financing dependency.

The country-specific analysis provides deeper insights into how different countries respond to global monetary policy, interest rate spreads, and corruption control levels in relation to short-term debt stability.

The R-squared value of 0.167833 suggests that approximately 16.78% of the variability in the dependent variable is accounted for by the set of independent variables included in the regression model. Meanwhile, the Adjusted R-squared of 0.145342 indicates that, after adjusting for the number of predictors, the model still retains a modest degree of explanatory power regarding the dependent variable's variation.

In addition, the F-statistic and its corresponding probability value (Prob. F-statistic) assess the overall validity of the regression framework. An F-statistic of 7.462214, coupled with a very low p-value (0.000135), demonstrates that the model is statistically significant and that at least one of the independent variables has a meaningful effect on the dependent variable. This affirms the robustness of the model in explaining short-term debt outcomes.

Examining country-specific intercepts reveals that China contributes strongly and positively to the rise in short-term debt, indicating that factors such as domestic financial strategies, capital inflows, and macroeconomic policies significantly shape its debt patterns. Thailand also exhibits a positive intercept, signaling a moderate reliance on short-term borrowing within its economic structure. In contrast, Indonesia, the Philippines, and Vietnam show negative intercepts, which may reflect more prudent financial management or structural factors limiting their short-term debt exposure.

This country-level assessment enhances the understanding of how individual nations within the region respond differently to external monetary conditions, interest rate differentials, and institutional quality, particularly in terms of maintaining short-term debt sustainability.

The analysis reveals that the United States' Quantitative Easing (QE) policy has significantly contributed to the rise in short-term debt across emerging Asian economies. By injecting liquidity into global financial markets through large-scale asset purchases, QE has inadvertently stimulated capital inflows into countries offering higher returns (Fernandez et al., 2018). This environment has encouraged emerging markets to tap into foreign capital, particularly through accessible short-term borrowing instruments.

These findings align with international capital flow theory, which posits that global liquidity expansion tends to facilitate increased capital movements toward emerging markets (Ahmed & Zlate, 2014), and are consistent with Kolasa & Wesołowski (2023), who found similar QE-driven debt increases in emerging markets, though our study extends this by focusing on Asian panel data, revealing amplified effects in export-dependent economies like those analyzed here due to their robust growth structures and financial integration. In this context, emerging Asian economies have become attractive investment destinations due to their robust economic growth and appealing yields. However, the significant accumulation of short-term debt poses a potential risk, given its susceptibility to sudden shifts in global financial conditions, such as monetary tightening in advanced economies.

Moreover, these results are consistent with previous research indicating the influence of QE on the dynamics of short-term debt in developing nations (Kolasa & Wesołowski, 2023). Although QE has provided short-term liquidity benefits, it also introduces considerable

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financial vulnerabilities, this vulnerability is echoed by Zuhroh and Harpiyansa (2022), who observed that the 1998 and 2008 economic crises negatively impacted FDI in ASEAN, suggesting that while QE drives short-term debt increases in our study, especially in export-dependent economies like Vietnam may heighten risks during global financial tightening. To mitigate these risks, developing countries must adopt robust policy measures, such as diversifying funding sources and implementing comprehensive debt management strategies to buffer against external shocks.

The U.S. QE policy has also spurred global capital flows, driving a sharp increase in short-term borrowing across several Asian countries including Indonesia, Thailand, the Philippines, Vietnam, and China. In Indonesia, abundant global liquidity was utilized by the financial sector and government to issue short-term debt instruments, attracting foreign investors due to relatively high domestic interest rates (Azis, 2018); this compares to Meilisa et al. (2024), who observed similar long-term effects of foreign inflows on growth but warned of vulnerabilities in commodity-reliant economic structures and institutional weaknesses in fiscal oversight. Thailand leveraged its macroeconomic stability and substantial foreign exchange reserves to draw capital into short-term government and corporate bonds, which local firms used to fund business expansions at lower costs, echoing Herr et al. (2016) on how Thailand's institutional emphasis on export-led growth amplifies QE spillovers while its strong banking regulations provide some resilience.

In the Philippines, the surge in short-term debt was largely due to substantial financing needs for imports and infrastructure projects. However, the relatively small size of its financial market makes the country more vulnerable to capital reversals once QE tapers off (Sabuga & Shirakawa, 2020), linked to institutional factors like underdeveloped capital markets and reliance on remittances. Vietnam's strong growth outlook prompted manufacturing firms to seek short-term financing for operational needs, though its limited financial market heightened liquidity risks during periods of tightening global financial conditions, consistent with Phan & Archer (2020) on how ongoing anti-corruption and market liberalization reforms influence debt patterns in its transition economy. Meanwhile, despite a rise in short-term debt, China maintained overall stability through state intervention and the resilience of its domestic financial system (Wang, 2018), differing from smaller economies in our sample due to its institutional scale and policy controls that mitigate risks, as noted in Bakari (2024) . The interest rate spread was found to have a significant negative impact on short-term debt in emerging Asian countries. The negative coefficient implies that a wider spread between lending and deposit rates tends to reduce the volume of short-term borrowing by either governments or financial institutions.

From a theoretical perspective, a high interest rate spread may signal inefficiencies in domestic financial markets or heightened systemic risk within the banking sector (Akinci & Queralto, 2024). In such circumstances, both investors and lenders are likely to shy away from short-term financing due to increased costs or perceived instability. Conversely, narrower interest spreads often reflect more stable and efficient financial environments, fostering easier access to funding, including short-term credit.

These findings correspond with earlier studies suggesting that the interest rate spread can influence foreign capital movements and the availability of short-term financing (Koepke, 2019; Beirne et al., 2020), but our results differ by showing stronger negative effects in Asian contexts, where banking sector regulations and economic openness play key roles in amplifying

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these dynamics, such as in commodity-exporting economies like Indonesia that face higher volatility.

In Indonesia, a narrowing interest spread has encouraged both the government and private sector to shift from short-term to long-term borrowing, reflecting improved perceptions of financial stability (Meilisa et al., 2024), comparable to Elkhalfi et al. (2024) who found similar shifts in emerging markets but emphasized Indonesia's institutional focus on commodity exports and central bank independence as key enablers. This shift aligns with Maulidiyah and Fuddin (2024), who reported that macroeconomic fundamentals like GDP and inflation positively influence FDI inflows in ASEAN, indicating that a narrower interest rate spread facilitates long-term financing in Indonesia's context. Thailand's liquid financial market has also facilitated this transition toward more stable long-term debt instruments, particularly for corporate and public financing needs, aligning with Wang & Chiu (2019) on how Thailand's advanced banking supervision and export-oriented structure reduce short-term vulnerabilities. In the Philippines, despite its still-maturing financial system, similar trends have emerged, as more competitive long-term financing has reduced the reliance on short-term debt, consistent with Sabuga & Shirakawa (2020) highlighting institutional challenges like limited market depth.

Vietnam's manufacturing-driven economy has taken advantage of lower interest spreads to support growth through long-term borrowing, reducing dependence on more volatile short-term instruments (Herr et al., 2016), tied to its transitional institutions promoting FDI and anti-corruption measures. In China, policy interventions have reinforced this transition by promoting long-term investments in key sectors such as infrastructure and technology, differing from peers due to state-dominated financial structures as per Shi et al. (2024).

Lastly, the significant impact of corruption control on short-term debt in emerging Asian economies indicates a strong negative relationship. The negative coefficient suggests that improvements in corruption control are associated with reduced reliance on short-term borrowing. Effective governance enhances resource allocation efficiency and investor confidence in national institutions. Countries with stronger governance structures are more likely to secure long-term financing that is both stable and sustainable (Grindle, 2004). In contrast, high levels of corruption often correspond with economic uncertainty, weak policy credibility, and elevated investment risks, prompting greater dependence on short-term financing, this finding contrasts with Abdillah et al. (2020), who noted that control corruption positively affects economic growth in Asia, suggesting that while improved governance reduces reliance on short-term debt in our study, particularly in countries like Indonesia with decentralized governance may enhance long-term economic stability through better capital allocation.

This result is consistent with the broader literature emphasizing the importance of institutional quality in financial management. Prior studies have shown that countries with robust anti-corruption frameworks not only decrease their reliance on volatile short-term funding but also gain better access to international capital under more favorable conditions (Manasseh et al., 2022; Çam & Özer, 2022), though our findings extend this to Asian developing economies, where cultural and political institutions (such as decentralized governance in Indonesia) moderate these effects more prominently. For emerging Asian economies, strengthening governance mechanisms is critical, given their often heavy dependence on external debt. Enhancing anti-corruption efforts can be a strategic move toward reducing

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financial volatility and building more resilient financing structures. In addition to boosting investor confidence, sound governance can help reduce fiscal risk, foster macroeconomic stability, and support sustainable growth.

In Indonesia, advancements in anti-corruption measures have contributed to rising investor trust, enabling the public and private sectors to access long-term financing more easily and thereby reducing reliance on short-term debt (Handayani et al., 2022), similar to Manasseh et al. (2022) on Sub-Saharan Africa but adapted to Indonesia's decentralized governance and resource-based economy. Thailand's robust anti-corruption infrastructure has likewise supported economic stability by encouraging a shift toward more sustainable long-term borrowing practices, consistent with Anginer et al. (2022) emphasizing institutional transparency in banking.

Despite ongoing governance challenges, the Philippines has experienced similar effects, as institutional reforms and stronger regulatory oversight have decreased reliance on short-term borrowing, which is more vulnerable to liquidity shocks, linking to Chen & Neshkova (2020) on fiscal transparency. In Vietnam, efforts to enhance transparency and curb corruption in the business environment have improved access to long-term financing, particularly in the rapidly expanding manufacturing sector (Phan & Archer, 2020), reflecting its socialist-market hybrid institutions. China, on the other hand, has demonstrated an exceptional capacity to leverage anti-corruption policies to drive economic development, with fiscal strategies and long-term investments supported by growing confidence from both domestic and international investors (Bakari, 2024), distinguished by its authoritarian institutional framework that enables swift policy enforcement.

5.Conclusion

The US Quantitative Easing (QE) policy significantly increases short-term debt in emerging Asian countries by driving capital inflows into high-yield markets. While QE provides liquidity benefits, the surge in short-term debt introduces volatility risks, especially when global conditions tighten. Diversifying funding sources and implementing well-planned debt management strategies are crucial steps to mitigate vulnerabilities to external shocks. A high-interest rate spread has a significantly negative impact on short-term debt, reflecting the reduced attractiveness of domestic markets for external financing due to inefficiencies or systemic risks. A decline in the interest rate spread encourages a shift from short-term debt toward more stable long-term financing, thereby reducing short-term financial market risks. Control of corruption has a significantly negative impact on short-term debt, indicating that good governance enhances investor confidence and improves access to long-term financing.

Expanding financing sources and implementing a strategic and forward-looking debt management framework are crucial to reducing sensitivity to external financial disruptions. Widening spreads, which often indicate inefficiencies or high risks in the domestic financial system, actually discourage external financing. Conversely, narrowing spreads tend to shift borrowing preferences toward longer-term instruments, helping stabilize financial markets by reducing reliance on short-term funding. Strong governance fosters investor confidence and facilitates broader access to long-term capital, thereby reducing the attractiveness of short-term borrowing. Countries such as Indonesia, Thailand, and Vietnam have made significant

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progress in eradicating corruption, which in turn leads to reduced reliance on short-term debt, fosters more resilient financial systems, and strengthens long-term macroeconomic stability.

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