

---

[Download](#)

Keep in mind

In the journal Essays on Economic Policy (ESPE) - we disclose the results and policy proposals that arise from academic research carried out at the *Banco de la República*. When you read us, always keep in mind that the content of our articles, as well as the analyzes and conclusions derived from them, are the sole responsibility of their authors. The material disclosed in our ESPE magazine does not compromise or represent the opinion of *Banco de la República* or that of its Board of Directors.

AUTHOR OR EDITOR

Vincenzo Quadrini

AUTHORS AND/OR EDITORS

[Vincenzo Quadrini](#)

Publication Date:

Sunday, 30 April 2017

---

---

—

The integration of emerging economies in world financial markets allowed these countries to import foreign capital. In some cases, however, the capital inflows have been interrupted by sudden reversals and severe financial crises. Although excessive borrowing is a necessary condition for a financial crisis, the dynamics leading to excessive borrowing and subsequent reversal can also be connected to external factors, that is, changes that take place in the rest of the world and are not under the control of the borrowing country (external risks). In this article I discuss some of these risks. In particular, I show how the growth of the financial sector in advanced economies can lead to the buildup of imbalances that increase the financial fragility of emerging countries. I also discuss how the origin of the imbalances can sometimes be connected to the business cycle in industrialized countries.