MORGAN STANLEY EMERGING MARKETS DEBT FUND INC
Form N-CSRS
September 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-07694

Morgan Stanley Emerging Markets Debt Fund, Inc.
(Exact name of registrant as specified in charter)

522 Fifth Avenue, New York, New York	10036
(Address of principal executive offices)	(Zip code)

Arthur Lev

522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant s telephone number, including area code: 201-830-8802

Date of fiscal year end: December 31, 2012

Date of reporting period: June 30, 2012

Item 1 - Report to Shareholders

Morgan Stanley Emerging Markets Debt Fund, Inc.

Directors

Michael E. Nugent

Frank L. Bowman

Michael Bozic

Kathleen A. Dennis

James F. Higgins

Dr. Manuel H. Johnson

Joseph J. Kearns

Michael F. Klein

W. Allen Reed

Fergus Reid

Officers

Michael E. Nugent

Chairman of the Board and Director

Arthur Lev

President and Principal
Executive Officer

Stefanie V. Chang Yu

Vice President

Francis J. Smith

Treasurer and Principal Financial Officer

Mary Ann Picciotto

Chief Compliance Officer

Mary E. Mullin

Secretary

Adviser and Administrator

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York, New York 10036

Custodian

State Street Bank and Trust Company

One Lincoln Street

Boston, Massachusetts 02111

Stockholder Servicing Agent

Computershare Trust Company, N.A.

250 Royall Street

Canton, Massachusetts 02021

Legal Counsel

Dechert LLP

1095 Avenue of the Americas

New York, New York 10036

Independent Registered Public Accounting Firm

Ernst & Young LLP

200 Clarendon Street

Boston, Massachusetts 02116

For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call toll free 1(800) 231-2608 or visit our website at www.morganstanley.com/im. All investments involve risks, including the possible loss of principal.

CEMSDSAN
IU12-01777P-Y06/12

INVESTMENT MANAGEMENT

Morgan Stanley

Emerging Markets Debt

Fund, Inc.

NYSE: MSD

Morgan Stanley

Investment Management Inc.

Adviser

Semi-Annual
Report

June 30, 2012

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012

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Morgan Stanley Emerging Markets Debt Fund, Inc.

Overview

Letter to Stockholders (unaudited)

Performance

For the six months ended June 30, 2012, the Morgan Stanley Emerging Markets Debt Fund, Inc. (the "Fund") had total returns of 7.48%, based on net asset value, and 9.00% based on market value per share (including reinvestment of distributions), compared to its benchmark, the J.P. Morgan Emerging Markets Bond Global Index (the "Index"),* which returned 7.45%. On June 30, 2012, the closing price of the Fund's shares on the New York Stock Exchange was $11.07, representing a 8.5% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- Global risk assets strengthened in January and February, due to signs of a global recovery. Then, in March, global risk assets slightly weakened, as U.S. economic optimism could not overcome fears about global growth, led by softer-than-expected economic data out of China. Emerging market currencies broadly strengthened against the U.S. dollar in the first quarter of 2012, as optimism about euro area progress and stronger U.S. economic data lifted risk sentiment. Crude oil prices rose, leading to concerns that high oil prices may threaten to derail a vulnerable global recovery.

- However, euro area optimism was short-lived and risk sentiment weakened in the first months of the second quarter due to Greek political and debt-sustainability concerns, signs of distress out of the euro area periphery, stagnant U.S. jobs growth, and softer Chinese economic data. The benchmark 10-year U.S. Treasury note registered record low yields at the end of May amid heightened global growth fears. However, global risk assets recovered partially in June as risk sentiment modestly improved. Emerging market currencies broadly weakened against the U.S. dollar in the second quarter, as global growth concerns moved investors to sell local emerging market currencies and buy dollars. After making modest gains in the first quarter, the euro fell versus the U.S. dollar due to fears about Europe's growth prospects and European policymakers' ability to address the region's debt crisis.

- Over the course of the six-month period, the spread on the Index tightened 52 basis points to 374 basis points above U.S. Treasuries. The Index (which tracks the performance of U.S.-dollar denominated debt instruments issued by emerging markets) generated a total return of 7.45%.

- The Fund benefited from overweight exposure to Brazil, Kazakhstan, Mexico, and Russia. Brazil was bolstered by supportive commodity prices, while Kazakhstan gained during the period from high oil prices, in particular, despite falling oil prices in recent months. Mexico benefited from strong economic activity numbers and its economic link to the U.S. market, Mexico's main trading partner, despite political uncertainty from the July 1 presidential vote and downside risks from economic moderation out of the U.S. Russia's economy proved to be relatively resilient to the global slowdown due to strong domestic demand, and rising oil prices early in the year were also supportive. In addition, exposure to Chilean and Mexican local markets, as well as Mexican and Russian corporates, contributed to relative performance.

Morgan Stanley Emerging Markets Debt Fund, Inc.

Overview

Letter to Stockholders (unaudited) (cont'd)

• Conversely, underweight exposure to Hungary, the Philippines, Poland, and Turkey detracted from relative returns. Hungary outperformed due to hopes for a European Union/International Monetary Fund deal; however, implementation risks remain high. The Philippines benefited from rising expectations for the country to attain investment-grade status, while Poland's economy demonstrated relative resilience to a deteriorating external environment and appeared better positioned than its neighbors to weather the crisis. Turkey was aided by an improvement in external balances due to falling oil prices in the second quarter and an upgrade of its sovereign debt rating to one notch below investment-grade by Moody's. Security selection in Argentina also detracted from relative performance.

Management Strategies

• We expect the global economy to exhibit varying degrees of economic recovery for the remainder of 2012, as developed market growth will likely remain well below potential, while emerging economies should grow at a healthier pace. We anticipate that emerging markets will from time to time come under pressure until there is some resolution to fiscal issues in Europe and growth in the U.S. regains its footing.

• We expect developed market central banks to provide liquidity to the global markets as needed, supporting commodity prices, capital inflows into emerging countries, and broadly bolstering demand for higher-yielding assets. The impact of liquidity-providing operations could, in our opinion, somewhat offset the negative impact of heightened risk aversion and sub-par growth in the developed world.

• We remain positive on emerging markets debt prospects, as we believe it has been external factors that have undermined otherwise healthy fundamentals. We expect emerging economies to show resilient, albeit lower, growth for the remainder of 2012, aided by robust domestic policies and supportive terms of trade and capital inflows. Subsiding inflationary pressures due in part to softening commodity prices and slowing global growth are likely to support accommodative monetary policies in the months ahead. We believe that emerging market central banks will continue to adopt policies aimed at limiting local currency appreciation this year, but will not be able to reverse the longer-term appreciation trend in their currencies.

Sincerely,

Arthur Lev
President and Principal Executive Officer July 2012

*The J.P. Morgan Emerging Markets Bond Global ("EMBG") Index tracks total returns for U.S. dollar-denominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds and local market instruments for over 30 emerging market countries. It is not possible to invest directly in an index.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012

Investment Advisory Agreement Approval (unaudited)

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Adviser (as defined herein) under the advisory agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Fund's Adviser under the administration agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities at the Adviser's expense. (The advisory and administration agreements together are referred to as the "Management Agreement.") The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Lipper, Inc. ("Lipper").

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the administrative and advisory services to the Fund. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Fund and supported its decision to approve the Management Agreement.

Performance, Fees and Expenses of the Fund

The Board reviewed the performance, fees and expenses of the Fund compared to its peers, as determined by Lipper, and to appropriate benchmarks where applicable. The Board discussed with the Adviser the performance goals and the actual results achieved in managing the Fund. When considering a fund's performance, the Board and the Adviser place emphasis on trends and longer-term returns (focusing on one-year, three-year and five-year performance, as of December 31, 2011, or since inception, as applicable). When a fund underperforms its benchmark and/or its peer group average, the Board and the Adviser discuss the causes of such underperformance and, where necessary, they discuss specific changes to investment strategy or investment personnel. The Board noted that the Fund's performance was better than its peer group average for the one- and five-year periods but below its peer group average for the three-year period. The Board discussed with the Adviser the level of the advisory and administration fees (together, the "management fee") for this Fund relative to comparable funds and/or other accounts advised by the Adviser and/or compared to its peers as determined by Lipper. In addition to the management fee, the Board also reviewed the Fund's total expense ratio. The Board noted that the Fund's management fee was higher but close to its peer group average and total expense ratio was lower than its peer group average. After discussion, the Board concluded that the Fund's performance, management fee and total expense ratio were competitive with its peer group average.

Economies of Scale

The Board considered the size and growth prospects of the Fund and how that relates to the Fund's total expense ratio and particularly the Fund's management fee rate, which does not include breakpoints. In conjunction with its review of the Adviser's profitability, the Board discussed with the Adviser how a change in assets can affect the efficiency or effectiveness of managing the Fund and whether the management fee level is appropriate relative to current and projected asset levels and/or whether the management fee structure reflects economies of scale as asset levels change. The Board considered that, with respect to closed-end funds, the assets are not likely

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012

Investment Advisory Agreement Approval (unaudited) (cont'd)

to grow with new sales or grow significantly as a result of capital appreciation. The Board concluded that economies of scale for the Fund were not a factor that needed to be considered at the present time.

Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and its affiliates during the last year from their relationship with the Fund and during the last two years from their relationship with the Morgan Stanley Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. The Board has determined that its review of the analysis of the Adviser's expenses and profitability supports its decision to approve the Management Agreement.

Other Benefits of the Relationship

The Board considered other benefits to the Adviser and its affiliates derived from their relationship with the Fund and other funds advised by the Adviser. These benefits may include, among other things, "float" benefits derived from handling of checks for purchases and sales, research received by the Adviser generated from commission dollars spent on funds' portfolio trading and fees for distribution and/or shareholder servicing. The Board reviewed with the Adviser each of these arrangements and the reasonableness of the Adviser's costs relative to the services performed. The Board has determined that its review of the other benefits received by the Adviser or its affiliates supports its decision to approve the Management Agreement.

Resources of the Adviser and Historical Relationship Between the Fund and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board also reviewed and considered the historical relationship between the Fund and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Fund's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and that it is beneficial for the Fund to continue its relationship with the Adviser.

Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Fund's business.

General Conclusion

After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Fund and its shareholders to approve renewal of the Management Agreement for another year. In reaching this conclusion the Board did not give particular weight to any single factor referenced above. The Board considered these factors over the course of numerous meetings, some of which were in executive session with only the independent

Board members and their counsel present. It is possible that individual Board members may have weighed these factors differently in reaching their individual decisions to approve the Management Agreement.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012 (unaudited)

Portfolio of Investments

(Showing Percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
FIXED INCOME SECURITIES (87.8%)		
Argentina (1.3%)		
Sovereign (1.3%)		
Argentina Boden Bonds,		
7.00%, 10/3/15	$ 5,409	$ 4,109
Brazil (10.7%)		
Corporate Bonds (2.5%)		
Banco Safra Cayman Islands Ltd.,		
6.75%, 1/27/21	690	744
6.75%, 1/27/21 (a)	1,360	1,465
Centrais Eletricas Brasileiras SA,		
5.75%, 10/27/21 (a)(b)	2,180	2,394
Odebrecht Finance Ltd.,		
6.00%, 4/5/23 (a)(b)	2,870	3,037
		7,640
Sovereign (8.2%)		
Banco Nacional de Desenvolvimento, Economico e Social,		
5.50%, 7/12/20 (a)(b)	1,960	2,237
6.37%, 6/16/18 (a)	276	325
Brazilian Government International Bond,		
4.88%, 1/22/21 (b)	1,080	1,254
5.88%, 1/15/19	7,535	9,132
7.13%, 1/20/37	3,290	4,762
8.88%, 10/14/19	5,504	7,830
		25,540
		33,180
Colombia (3.6%)		
Sovereign (3.6%)		
Colombia Government International Bond,		
4.38%, 7/12/21	2,760	3,113
6.13%, 1/18/41 (b)	2,080	2,715
7.38%, 3/18/19	390	512
11.75%, 2/25/20	3,015	4,839

		11,179
Croatia (0.4%)		
Sovereign (0.4%)		
Croatia Government International Bond, 6.63%, 7/14/20 (a)	1,340	1,339

	Face Amount (000)	Value (000)
Ecuador (0.7%)		
Sovereign (0.7%)		
Ecuador Government International Bond, 9.38%, 12/15/15	$ 2,235	$ 2,263
Ghana (0.2%)		
Sovereign (0.2%)		
Republic of Ghana, 8.50%, 10/4/17 (a)(b)	536	596
Hungary (0.5%)		
Sovereign (0.5%)		
Hungary Government International Bond, 6.38%, 3/29/21	1,050	1,028
7.63%, 3/29/41	490	481
		1,509
India (0.2%)		
Corporate Bond (0.2%)		
Reliance Holdings USA, Inc., 6.25%, 10/19/40 (a)	810	762
Indonesia (5.1%)		
Sovereign (5.1%)		
Indonesia Government International Bond, 6.88%, 1/17/18	320	380
7.75%, 1/17/38	630	871
7.75%, 1/17/38 (a)	1,353	1,871
11.63%, 3/4/19	430	636
11.63%, 3/4/19 (a)(b)	2,169	3,210
Majapahit Holding BV, 7.75%, 1/20/20	7,590	9,089
		16,057
Ivory Coast (0.4%)		
Sovereign (0.4%)		
Ivory Coast Government International Bond, 3.75%, 12/31/32 (c)(d)	1,620	1,215
Kazakhstan (4.1%)		
Sovereign (4.1%)		
	230	241

Development Bank of Kazakhstan JSC, 5.50%, 12/20/15		
5.50%, 12/20/15 (a)	1,250	1,308

The accompanying notes are an integral part of the financial statements.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012 (unaudited)

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

		Face Amount (000)	Value (000)
Intergas Finance BV,			
6.38%, 5/14/17	$	700	$ 763
KazMunayGas National Co.,			
6.38%, 4/9/21		1,510	1,668
6.38%, 4/9/21 (a)		2,430	2,685
9.13%, 7/2/18		1,930	2,396
9.13%, 7/2/18 (a)		3,080	3,823
			12,884
Lithuania (1.2%)			
Sovereign (1.2%)			
Lithuania Government International Bond,			
6.13%, 3/9/21 (a)		520	574
6.63%, 2/1/22 (a)		670	770
6.75%, 1/15/15 (a)		160	174
7.38%, 2/11/20		1,790	2,121
			3,639
Malaysia (0.8%)			
Sovereign (0.8%)			
Malaysia Government Bond,			
3.21%, 5/31/13	MYR	8,110	2,560
Mexico (12.9%)			
Corporate Bonds (0.6%)			
Cemex SAB de CV,			
9.00%, 1/11/18	$	280	252
9.00%, 1/11/18 (a)		1,900	1,705
			1,957
Sovereign (12.3%)			
Mexican Bonos,			
8.00%, 6/11/20	MXN	40,247	3,578
Mexico Government International Bond,			
3.63%, 3/15/22	$	2,800	2,979
5.63%, 1/15/17		419	490
5.95%, 3/19/19		3,782	4,629
6.05%, 1/11/40		1,760	2,279
6.75%, 9/27/34		4,674	6,404
		4,316	5,157

Pemex Project Funding Master Trust, 6.63%, 6/15/35 - 6/15/38				
8.63%, 12/1/23		1,990		2,587

		Face Amount (000)		Value (000)
Petroleos Mexicanos, 4.88%, 1/24/22 (a)	$	1,800	$	1,949
5.50%, 1/21/21 (b)		5,430		6,163
8.00%, 5/3/19		1,750		2,231
				38,446
				40,403
Panama (2.2%)				
Sovereign (2.2%)				
Panama Government International Bond, 5.20%, 1/30/20		1,810		2,122
7.13%, 1/29/26		1,140		1,545
8.88%, 9/30/27		483		752
9.38%, 4/1/29		1,569		2,573
				6,992
Peru (4.1%)				
Corporate Bond (0.7%)				
Ajecorp BV, 6.50%, 5/14/22 (a)(b)		2,170		2,241
Sovereign (3.4%)				
Peruvian Government International Bond, 7.35%, 7/21/25		2,410		3,398
8.20%, 8/12/26 (Units) (e)	PEN	4,290		2,060
8.75%, 11/21/33	$	3,080		5,067
				10,525
				12,766
Philippines (4.6%)				
Sovereign (4.6%)				
Philippine Government International Bond, 4.00%, 1/15/21		6,756		7,288
8.38%, 6/17/19		1,491		2,017
9.50%, 2/2/30		3,072		4,992
				14,297
Poland (0.3%)				
Sovereign (0.3%)				
Poland Government International Bond, 5.00%, 3/23/22		770		844

The accompanying notes are an integral part of the financial statements.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012 (unaudited)

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
Russia (13.5%)		
Corporate Bonds (0.7%)		
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC, 7.75%, 2/2/21 (a)	$ 1,390	$ 1,346
VimpelCom Holdings BV, 7.50%, 3/1/22 (a)(b)	820	772
		2,118
Sovereign (12.8%)		
Russian Agricultural Bank OJSC Via RSHB Capital SA, 6.30%, 5/15/17 (a)	2,104	2,230
7.18%, 5/16/13 (a)	2,030	2,115
Russian Foreign Bond - Eurobond, 5.00%, 4/29/20	7,100	7,739
5.63%, 4/4/42 (a)	11,200	12,010
7.50%, 3/31/30	1,393	1,676
7.50%, 3/31/30 (a)	954	1,148
12.75%, 6/24/28	4,225	7,605
Vnesheconombank Via VEB Finance PLC, 6.90%, 7/9/20	4,900	5,320
		39,843
		41,961
South Africa (2.1%)		
Sovereign (2.1%)		
Eskom Holdings SOC Ltd., 5.75%, 1/26/21 (a)(b)	3,556	3,907
5.75%, 1/26/21	2,370	2,604
		6,511
Sri Lanka (0.3%)		
Sovereign (0.3%)		
Sri Lanka Government International Bond, 6.25%, 10/4/20	100	103
6.25%, 10/4/20 (a)	650	670
		773
Turkey (5.7%)		

Sovereign (5.7%)		
Export Credit Bank of Turkey, 5.88%, 4/24/19 (a)(b)	2,850	2,939

	Face Amount (000)	**Value (000)**
Turkey Government International Bond, 5.63%, 3/30/21	$ 4,650	$ 5,097
6.88%, 3/17/36	2,904	3,420
7.50%, 7/14/17 - 11/7/19	2,866	3,411
11.88%, 1/15/30	1,771	3,141
		18,008
Ukraine (1.6%)		
Sovereign (1.6%)		
Ukraine Government International Bond, 6.58%, 11/21/16	649	584
6.75%, 11/14/17	3,230	2,886
7.75%, 9/23/20 (a)(b)	1,700	1,549
		5,019
Uruguay (0.7%)		
Sovereign (0.7%)		
Uruguay Government International Bond, 8.00%, 11/18/22	1,589	2,244
Venezuela (10.6%)		
Sovereign (10.6%)		
Petroleos de Venezuela SA, 8.50%, 11/2/17	25,980	21,173
Venezuela Government International Bond, 6.00%, 12/9/20	1,340	908
7.65%, 4/21/25	2,850	1,981
9.00%, 5/7/23	600	465
9.25%, 9/15/27 (b)	10,530	8,582
		33,109
TOTAL FIXED INCOME SECURITIES (Cost $246,733)		274,219

The accompanying notes are an integral part of the financial statements.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012 (unaudited)

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

	No. of Warrants	Value (000)
WARRANTS (0.2%)		
Nigeria (0.1%)		
Central Bank of Nigeria, expires 11/15/20 (f)(g)	2,250	$ 405
Venezuela (0.1%)		
Venezuela Government International Bond, Oil-Linked Payment Obligation, expires 4/15/20 (f)(g)	5,450	161
TOTAL WARRANTS (Cost $)		566
	Shares	
SHORT-TERM INVESTMENTS (12.0%)		
Securities held as Collateral on Loaned Securities (8.0%)		
Investment Company (7.8%)		
Morgan Stanley Institutional Liquidity Funds Money Market Portfolio Institutional Class (See Note F)	24,148,019	24,148
	Face Amount (000)	
Repurchase Agreements (0.2%)		
Barclays Capital, Inc., (0.15%, dated 6/29/12, due 7/2/12; proceeds $290; fully collateralized by a U.S. Government Obligation; U.S. Treasury Bond 3.13% due 2/15/42; valued at $296)	$ 290	290
Merrill Lynch & Co., Inc., (0.18%, dated 6/29/12, due 7/2/12; proceeds $377; fully collateralized by a U.S. Government Agency; Federal Home Loan Mortgage Corporation 3.75% due 3/27/19; valued at $385)	377	377
		667
		24,815

TOTAL SECURITIES HELD AS COLLATERAL ON LOANED SECURITIES (Cost $24,815)		

	Shares	Value (000)
Investment Company (3.2%)		
Morgan Stanley Institutional Liquidity Funds Money Market Portfolio Institutional Class (See Note F) (Cost $9,921)	9,921,320	$ 9,921
	Face Amount (000)	
Sovereign (0.8%)		
Argentina Boden Bonds, 0.79%, 8/3/12 (f) (Cost $2,621)	$ 21,230	2,621
TOTAL SHORT-TERM INVESTMENTS (Cost $37,357)		37,357
TOTAL INVESTMENTS (100.0%) (Cost $284,090) Including $24,511 of Securities Loaned (h)		312,142
LIABILITIES IN EXCESS OF OTHER ASSETS		(25,674)
NET ASSETS		$ 286,468

(a) 144A security Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

(b) All or a portion of this security was on loan at June 30, 2012.

(c) Step Bond Coupon rate increases in increments to maturity. Rate disclosed is as of June 30, 2012. Maturity date disclosed is the ultimate maturity date.

(d) Issuer is in default.

(e) Consists of one or more classes of securities traded together as a unit.

(f) Variable/Floating Rate Security Interest rate changes on these instruments are based on changes in a designated base rate. The rates shown are those in effect on June 30, 2012.

(g) Security has been deemed illiquid at June 30, 2012.

(h) Securities are available for collateral in connection with futures contracts.

The accompanying notes are an integral part of the financial statements.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012 (unaudited)

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

Futures Contracts:

The Fund had the following futures contracts open at period end:

	Number of Contracts	Value (000)	Expiration Date	Unrealized Appreciation (Depreciation) (000)
Short:				
U.S. Treasury 10 yr. Note	54	$ (7,202)	Sep-12	$ (33)

MXN Mexican New Peso

MYR Malaysian Ringgit

PEN Peruvian Nuevo Sol

Portfolio Composition*

Classification	Percentage of Total Investments
Sovereign	90.2%
Corporate Bonds	5.2
Other**	4.6
Total Investments	100.0%***

* Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of June 30, 2012.

** Industries and/or investment types representing less than 5% of total investments.

*** Does not include open short futures contracts with an underlying face amount of approximately $7,202,000 and total unrealized depreciation of approximately $33,000.

The accompanying notes are an integral part of the financial statements.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2012

Financial Statements

Statement of Assets and Liabilities		**June 30, 2012 (unaudited) (000)**
Assets:		
Investments in Securities of Unaffiliated Issuers, at Value(1) (Cost $250,021)	$	278,073
Investment in Security of Affiliated Issuer, at Value (Cost $34,069)		34,069
Total Investments in Securities, at Value (Cost $284,090)		312,142
Foreign Currency, at Value (Cost $167)		163
Cash		1
Interest Receivable		4,831
Receivable for Lehman Brothers Closed Reverse Repurchase Transactions		303
Receivable for Variation Margin		89
Receivable from Affiliate		1
Other Assets		23
Total Assets		317,553
Liabilities:		
Collateral on Securities Loaned, at Value		24,816
Dividends Declared		3,314
Payable for Investments Purchased		2,621
Payable for Advisory Fees		232
Payable for Professional Fees		51
Payable for Administration Fees		8
Payable for Custodian Fees		2
Payable for Stockholder Servicing Agent Fees		@
Other Liabilities		41
Total Liabilities		31,085
Net Assets		
Applicable to 23,669,536 Issued and Outstanding $0.01 Par Value Shares (100,000,000 Shares Authorized)	$	286,468
Net Asset Value Per Share	$	12.10
Net Assets Consist of:		
Common Stock	$	237
Paid-in-Capital		265,034
Undistributed Net Investment Income		338
Accumulated Net Realized Loss		(7,157)
Unrealized Appreciation (Depreciation) on:		
Investments		28,052
Futures Contracts		(33)
Foreign Currency Translations		(3