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Latin America's Woes Recall Asia

(AP) — The conventional wisdom has been that South America today is not like Asia in 1997-98 when financial crises spread like wildfire from country to country, toppling 40 percent of the global economy into recession.

But with the recent turmoil in Uruguay and Brazil, following Argentina's record debt default last year, some economists are worried that the conventional wisdom may be wrong.

Financial markets in a number of South American countries have been in turmoil in recent weeks, with interest rates soaring and currency levels plunging. The situation is beginning to look eerily like the previous Asian crisis, in which troubles in Thailand in 1997 quickly spread throughout the region and then jumped to Russia.

Russia's bond default and botched devaluation of the ruble in the summer of 1998 sent shock waves through Wall Street, triggering steep declines in stock prices and the near collapse of a huge American hedge fund.

It wasn't until the Federal Reserve engineered a series of rapid-fire interest rate cuts that calm was restored.

The scary thing, some economists say, is that this time around the situation could be more dire. The Asian crisis occurred during a time when the U.S. economy was soaring; after the Fed rate cuts and the return of market stability, American consumers kept on spending, helping serve as a growth engine for the rest of the world.

But now the United States is struggling to emerge from last year's recession and the worst bear market on Wall Street since the mid-1970s.

Not only is the United States unlikely to serve as an engine of growth the way it did in 1998, South American countries are facing much bigger problems than those encountered



by their Asian counterparts.

Concerns about a possible Brazilian debt default, along with comments by Treasury Secretary Paul O'Neill about the threat of aid money being diverted to Swiss bank accounts, sent Brazil's currency plummeting to record lows last week.

The Bush administration, increasingly concerned about the deepening problems in Latin America, has been moderating its opposition to IMF bailouts and directing U.S. assistance to countries in trouble.

During his stop in Uruguay on Tuesday, O'Neill received thanks from President Jorge Batlle for the \$1.5 billion loan the U.S. Treasury provided this week to allow the country to reopen its banks. It was the administration's first direct assistance to a country facing economic trouble.

O'Neill also expressed support during earlier stops in Brazil for that country's efforts to increase its IMF credit line, already at \$15 billion, to calm investor worries in advance of the October elections.

IMF teams are currently negotiating with both Brazil and Argentina, which is mired in the worst financial crisis in its history, over the conditions for new loans.

Analysts believed both countries will receive new IMF loan packages very soon, given the change of heart by the Bush team and the IMF's desire not to be blamed for further destabilizing financial markets.

"There is still a possibility the financial contagion could spread further if markets are not calmed," said Sohn. "With the United States still struggling to emerge from a recession, that could affect us at a very vulnerable time."

Ambassador Urges Venezuela Democracy

(AP) — A U.S. democracy program can help this nation achieve national reconciliation and Venezuelans should ignore the controversial name of the office running it, the U.S. ambassador said in remarks published Sunday.

Charles S. Shapiro asked Venezuelans to forget about the name of the U.S. office administering the program — the Office of Transition Initiatives — after many here seized upon "transition" to mean a Washington-sponsored change of

government.

Administered by the U.S. Agency for International Development, the \$7 million, two-year OTI program will promote stability in Venezuela, a top U.S. oil supplier shaken by an April coup that briefly ousted leftist President Hugo Chavez.

"I know, I know, the name of this office has generated controversy," Shapiro said, explaining that the name evolved during the collapse of communist states in Europe. He

cited USAID's work as part of inter-American agreements and multinational efforts to promote democracy in the hemisphere.

"Forget the bureaucratic name used in Washington, and in its place, concentrate on what our efforts mean," Shapiro said. Government-brokered peace talks after the coup have stalled, and former President Jimmy Carter failed to persuade opposition leaders to meet with Chavez during a July visit.

Mexican Independence Day Celebrated

In honor of the day Mexico observes its independence from Spain, the Chinook Winds Convention Center will host Salsa Fest — two evenings of comedy, music and dancing. The event, which will feature Latino comedian Rick Pulido and singer Claudine Castro, will take place the evenings of Sept. 13 and 14.

For more information, or to obtain tickets, call 1-888-MAIN-ACT or Fastixx at 1-800-992-TIXX.

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