

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.  
Form N-CSRS  
February 07, 2008

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 811-7686

Western Asset Emerging Markets Income Fund II Inc.  
(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY  
(Address of principal executive offices)

10004  
(Zip code)

Robert I. Frenkel, Esq.  
Legg Mason & Co., LLC  
300 First Stamford Place, 4<sup>th</sup> Floor  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year May 31  
end:

Date of reporting period: November 30, 2007

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

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**Western Asset  
Emerging Markets  
Income Fund II Inc.  
(EDF)**

**SEMI-ANNUAL  
REPORT**

NOVEMBER 30, 2007

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

**Western Asset  
Emerging Markets  
Income Fund II Inc.**

Semi-Annual Report • November 30, 2007

<b>What's Inside</b>	Letter from the Chairman	I
	Fund at a Glance	1
	Schedule of Investments	2
	Statement of Assets and Liabilities	8
	Statement of Operations	9
	Statements of Changes in Net Assets	10
	Financial Highlights	11
	Notes to Financial Statements	12
<b>Fund Objective</b> The Fund's primary investment objective is to seek high current income. As a secondary objective, the Fund seeks capital appreciation.	Board Approval of Management and Subadvisory Agreements	19
	Additional Shareholder Information	23
	Dividend Reinvestment Plan	24

**Letter from the Chairman**

Dear Shareholder,

Despite continued weakness in the housing market and a credit crunch that began in the summer of 2007, the U.S. economy was largely resilient during the six-month reporting period ended November 30, 2007. In the first quarter of 2007, U.S. gross domestic product ( GDP )<sup>i</sup> growth was a tepid 0.6%, according to the U.S. Commerce Department. This was the lowest growth rate since the fourth quarter of 2002. The economy then rebounded, as second quarter 2007 GDP growth was a solid 3.8%. Given the modest increase earlier in the year, this higher growth rate was not unexpected. The final estimate for third quarter GDP growth was 4.9%. A surge in inventory-building and robust exports supported the economy during the third calendar quarter. While initial fourth quarter 2007 GDP data will not be released until the end of January 2008, the Federal Reserve Board ( Fed )<sup>ii</sup>, among others, anticipates that economic growth will moderate significantly.

**R. JAY GERKEN, CFA**

Chairman, President and  
Chief Executive Officer

Ongoing issues related to the housing and subprime mortgage markets and an abrupt tightening in the credit markets prompted the Fed to take several actions during the reporting period. The Fed initially responded by lowering the discount rate the rate the Fed uses for loans it makes directly to banks from 6.25% to 5.75% in mid-August 2007. Then, at its meeting on September 18, the Fed reduced the discount rate to 5.25% and the federal funds rate<sup>iii</sup> from 5.25% to 4.75%. This marked the first reduction in the federal funds rate since June 2003. The Fed again lowered the discount rate and federal funds rate in October to 5.00% and 4.50%, respectively. In December 2007, after the end of the reporting period, the Fed again reduced rates, as it cut both the discount rate and federal funds rate another 0.25% to 4.75% and 4.25%, respectively. In its statement accompanying the

Western Asset Emerging Markets Income Fund II Inc.

I

December meeting, the Fed stated: Incoming information suggests that economic growth is slowing, reflecting the intensification of the housing correction and some softening in business and consumer spending. Moreover, strains in financial markets have increased in recent weeks. Today's action, combined with the policy actions taken earlier, should help promote moderate growth over time.

During the six-month reporting period, both short- and long-term Treasury yields experienced periods of significant volatility given mixed economic data and shifting expectations regarding the Fed's future monetary policy. After falling during the first three months of 2007, yields then moved steadily higher during much of the second calendar quarter. This was due, in part, to inflationary fears, a solid job market and expectations that the Fed would not be cutting short-term rates in the foreseeable future. During the remainder of the reporting period, the U.S. fixed-income markets were extremely volatile, which negatively impacted market liquidity conditions. Initially, the concern on the part of market participants was limited to the subprime segment of the mortgage-backed market. These concerns broadened, however, to include a wide range of financial institutions and markets. As a result, other fixed-income instruments also experienced increased price volatility. This turmoil triggered several flights to quality, causing Treasury yields to move sharply lower (and their prices higher), while riskier segments of the market saw their yields move higher (and their prices lower). Overall, during the six months ended November 30, 2007, two-year Treasury yields fell from 4.92% to 3.04%. Over the same period, 10-year Treasury yields fell from 4.90% to 3.97%. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Indexiv, returned 5.32%.

Increased investor risk aversion at the beginning and the end of the reporting period offset the gains in the high-yield bond market over the six months ended November 30, 2007. During that period, the Citigroup High Yield Market Indexv returned -2.99%. While high-yield bond prices rallied in the middle of the period, flights to quality in

June and July, as well as in November, dragged down the sector, despite continued low default rates.

Despite a dramatic flight to quality and weakness earlier in the reporting period, emerging markets debt generated positive results, as the JPMorgan Emerging Markets Bond Index Global ( EMBI Global )<sup>vi</sup> returned 2.65% for the six months ended November 30, 2007. Overall solid demand, an expanding global economy, strong domestic spending and the Fed's rate cuts supported the emerging markets debt asset class.

**Performance Review**

For the six months ended November 30, 2007, Western Asset Emerging Markets Income Fund II Inc. returned 1.68% based on its net asset value ( NAV )<sup>vii</sup> and -4.58% based on its New York Stock Exchange ( NYSE ) market price per share. In comparison, the Fund's unmanaged benchmark, the EMBI Global, returned 2.65% over the same time frame. The Lipper Emerging Markets Debt Closed-End Funds Category Average<sup>viii</sup> increased 0.55% for the same period. Please note that Lipper performance returns are based on each fund's NAV per share.

During the six-month period, the Fund made distributions to shareholders totaling \$0.55 per share (which may have included a return of capital). The performance table shows the Fund's six-month total return based on its NAV and market price as of November 30, 2007. **Past performance is no guarantee of future results.**

**Performance Snapshot as of November 30, 2007 (unaudited)**

<b>Price Per Share</b>	<b>Six-Month Total Return</b>
\$14.69 (NAV)	1.68%
\$12.65 (Market Price)	-4.58%

**All figures represent past performance and are not a guarantee of future results.**

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares.

**Special Shareholder Notices**

On August 15, 2007, the Board of Directors of Western Asset Emerging Markets Income Fund II Inc. approved changes, to be effective on September 17, 2007, to the Fund's non-fundamental investment policies relating to limits on the credit ratings of the securities, the maturities of the securities and the types of securities in which the Fund may invest.

These changes, which are further described below, are intended to provide the portfolio managers with additional flexibility to meet the Fund's investment objectives and address recent and future developments in the market, although the Fund's portfolio managers do not currently anticipate that any dramatic changes in the Fund's portfolio composition or investment approach will result.

As a result of these changes, the Fund is no longer subject to upper limits on the credit ratings of the emerging markets country debt securities in which it may invest. The Fund was previously limited to investing in emerging markets country debt securities rated below investment grade. The Fund is also no longer subject to restrictions on the maturities of the emerging market country debt securities it holds. The Fund's previous policy provided that those securities could have maturities ranging from overnight to 30 years.

In addition, the Fund is no longer prohibited from investing more than 35% of its total assets in debt securities of corporate issuers in emerging market countries. Under the amended policies, the Fund will invest a minimum of 80% of its total assets in debt securities of government and government-related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers, and debt of corporate issuers in emerging market countries.

Additionally, the Fund is now able to invest up to 20% of its total assets in a broad range of other U.S. and non-U.S. fixed-income securities, including, but not limited to: corporate bonds, loans, mortgage- and asset-backed securities, preferred stock and sovereign debt, derivative instruments of the foregoing securities and dollar rolls. Such securities may



be rated high-yield (i.e., rated below investment grade by any nationally recognized statistical rating organization or, if unrated, of equivalent quality as determined by the manager). Previously, the Fund was not permitted to invest in dollar rolls, mortgage-backed securities or asset-backed securities, among other securities and instruments, and was limited to investing in non-U.S. fixed-income securities. Investments in these types of securities may involve additional risks.

As a result of the amendments to the Fund's non-fundamental investment policies, the Fund will be able to invest in, among other things, dollar rolls, mortgage-backed securities and asset-backed securities as part of its investment strategies. Under a dollar roll transaction, the Fund sells securities for delivery in the current month, or sells securities it has purchased on a to-be-announced basis, and simultaneously contracts to repurchase substantially similar (same type and coupon) securities on a specified future date. During the roll period, the Fund forgoes principal and interest paid on the purchased securities. Dollar rolls are speculative techniques involving leverage and are considered borrowings by the Fund if the Fund does not establish and maintain a segregated account. In addition, dollar rolls involve the risk that the market value of the securities the Fund is obligated to repurchase may decline below the repurchase price. In the event the buyer of securities under a dollar roll files for bankruptcy or becomes insolvent, the Fund's use of proceeds may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. Successful use of dollar rolls may depend upon the ability of the Fund's investment manager to correctly predict interest rates and prepayments. There is no assurance that dollar rolls can be successfully employed.

Mortgage-backed securities may be issued by private companies or by agencies of the U.S. Government and represent direct or indirect participations in, or are collateralized by and payable from, mortgage loans secured by real property. Asset-backed securities represent participations in, or are

secured by and payable from, assets such as installment sales or loan contracts, leases, credit card receivables and other categories of receivables. Certain debt instruments may only pay principal at maturity or may only represent the right to receive payments of principal or payments of interest on underlying pools of mortgages, assets or government securities, but not both. The value of these types of instruments may change more drastically than debt securities that pay both principal and interest during periods of changing interest rates. The Fund may obtain a below market yield or incur a loss on such instruments during periods of declining interest rates. Principal only and interest only instruments are subject to extension risk. For mortgage derivatives and structured securities that have imbedded leverage features, small changes in interest or prepayment rates may cause large and sudden price movements. Mortgage derivatives may be illiquid and hard to value in declining markets.

### **Information About Your Fund**

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

### **Looking for Additional Information?**

The Fund is traded under the symbol *EDF* and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol *XEDFX* on most financial websites. *Barron's* and *The Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites, as well as [www.leggmason.com/individualinvestors](http://www.leggmason.com/individualinvestors).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

December 28, 2007

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

**RISKS:** Foreign bonds are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging or developing markets. High-yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Leverage may magnify gains and increase losses in the Fund's portfolio.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board ( Fed ) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Citigroup High Yield Market Index is a broad-based unmanaged index of high-yield securities.
- vi The JPMorgan Emerging Markets Bond Index Global ( EMBI Global ) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.
- vii NAV is calculated by subtracting total liabilities from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund's market price as determined by supply of and demand for the Fund's shares.

viii Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended November 30, 2007, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 12 funds in the Fund's Lipper category.

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**Fund at a Glance (unaudited)**

**Investment Breakdown (unaudited)**

**As a Percent of Total Investments**







## Schedule of Investments (November 30, 2007) (unaudited)

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

Face Amount	Security	Value
<b>SOVEREIGN BONDS 57.6%</b>		
<b>Argentina 4.3%</b>		
	Republic of Argentina:	
2,000,000DEM	10.250% due 2/6/03 (a)	\$ 520,565
1,000,000DEM	9.000% due 9/19/03 (a)	244,437
3,000,000DEM	7.000% due 3/18/04 (a)	753,814
3,875,000DEM	8.500% due 2/23/05 (a)	989,972
5,400,000DEM	11.250% due 4/10/06 (a)	1,391,739
1,000,000DEM	11.750% due 5/20/11 (a)	255,477
8,800,000DEM	12.000% due 9/19/16 (a)	2,168,893
3,448,605ARS	5.830% due 12/31/33 (b)	1,111,555
3,062,390ARS	Bonds, 2.000% due 1/3/10 (b)	1,975,182
591,000	Bonds, Series VII, 7.000% due 9/12/13	505,518
	GDP Linked Securities:	
57,059,503ARS	1.383% due 12/15/35 (b)	1,885,360
3,200,000EUR	1.262% due 12/15/35 (b)	531,100
2,705,000	1.318% due 12/15/35 (b)	347,863
	Medium-Term Notes:	
6,000,000,000ITL	7.000% due 3/18/04 (a)	1,523,770
3,000,000,000ITL	5.002% due 7/13/05 (a)	732,539
1,000,000,000ITL	7.625% due 8/11/07 (a)	248,189
625,000DEM	8.000% due 10/30/09 (a)	150,990
	<b>Total Argentina</b>	<b>15,336,963</b>
<b>Brazil 15.8%</b>		
	Brazil Nota do Tesouro Nacional:	
1,000BRL	10.000% due 1/1/10	540
47,854,000BRL	10.000% due 7/1/10 (c)	25,592,459
5,763,000BRL	Series B, 6.000% due 5/15/45	4,971,176
	Federative Republic of Brazil:	
5,679,000	11.000% due 8/17/40	7,631,156
	Collective Action Securities:	
3,980,000	8.750% due 2/4/25	5,104,350
11,911,000	Notes, 8.000% due 1/15/18	13,382,009
	<b>Total Brazil</b>	<b>56,681,690</b>
<b>Colombia 2.9%</b>		
	Republic of Colombia:	
1,632,000	7.375% due 1/27/17	1,815,600
7,711,000	7.375% due 9/18/37	8,694,153
	<b>Total Colombia</b>	<b>10,509,753</b>
<b>Ecuador 1.3%</b>		
4,840,000	Republic of Ecuador, 10.000% due 8/15/30 (d)	4,694,800

See Notes to Financial Statements.



## Schedule of Investments (November 30, 2007) (unaudited) (continued)

	Face Amount	Security	Value
<b>Egypt</b>	<b>0.6%</b>		
	11,070,000EGP	Arab Republic of Egypt, 8.750% due 7/18/12 (d)	\$ 2,047,000
<b>Indonesia</b>	<b>2.4%</b>		
	21,153,000,000IDR	Republic of Indonesia:	
	17,914,000,000IDR	Series FR40, 11.000% due 9/15/25	2,217,986
	28,181,000,000IDR	Series FR42, 10.250% due 7/15/27	1,749,775
	21,312,000,000IDR	Series FR43, 10.250% due 7/15/22	2,843,592
		Series FR45, 9.750% due 5/15/37	1,944,221
		<b>Total Indonesia</b>	<b>8,755,574</b>
<b>Mexico</b>	<b>5.8%</b>		
	390,000	United Mexican States:	
		11.375% due 9/15/16	555,769
	2,395,000	Medium-Term Notes:	
	13,840,000	8.300% due 8/15/31	3,134,576
		Series A, 8.000% due 9/24/22	17,110,392
		<b>Total Mexico</b>	<b>20,800,737</b>
<b>Panama</b>	<b>4.3%</b>		
	2,225,000	Republic of Panama:	
	11,793,000	9.375% due 4/1/29	3,048,250
		6.700% due 1/26/36	12,412,133
		<b>Total Panama</b>	<b>15,460,383</b>
<b>Peru</b>	<b>0.4%</b>		
	169,000	Republic of Peru:	
	1,073,000	8.750% due 11/21/33	223,503
		Bonds, 6.550% due 3/14/37	1,121,285
		<b>Total Peru</b>	<b>1,344,788</b>
<b>Russia</b>	<b>3.3%</b>		
	4,175,000	Russian Federation:	
	2,930,000	11.000% due 7/24/18 (d)	5,980,688
	532,620	12.750% due 6/24/28 (d)	5,332,600
		7.500% due 3/31/30 (d)	605,522
		<b>Total Russia</b>	<b>11,918,810</b>
<b>Turkey</b>	<b>8.9%</b>		
	5,206,000TRY	Republic of Turkey:	
	3,519,000	14.000% due 1/19/11	4,185,490
	22,449,000	11.875% due 1/15/30	5,560,020
		Notes, 6.875% due 3/17/36 (c)	22,112,265
		<b>Total Turkey</b>	<b>31,857,775</b>
<b>Uruguay</b>	<b>1.3%</b>		
	4,298,944	Republic of Uruguay, Benchmark Bonds, 7.875% due 1/15/33 (e)	4,863,180

See Notes to Financial Statements.

## Schedule of Investments (November 30, 2007) (unaudited) (continued)

Face Amount	Security	Value
<b>Venezuela 6.3%</b>		
7,751,000	Bolivarian Republic of Venezuela:	
5,713,000	8.500% due 10/8/14	\$ 7,353,761
716,000	5.750% due 2/26/16	4,477,564
	7.650% due 4/21/25	605,020
	Collective Action Securities:	
6,395,000	9.375% due 1/13/34	6,327,852
3,500,000	Notes, 10.750% due 9/19/13	3,710,000
	<b>Total Venezuela</b>	<b>22,474,197</b>
	<b>TOTAL SOVEREIGN BONDS</b>	
	(Cost \$195,481,703)	<b>206,745,650</b>
<b>CORPORATE BONDS &amp; NOTES 35.9%</b>		
<b>Brazil 5.5%</b>		
2,136,000	Globo Comunicacoes e Participacoes SA, Bonds, 7.250% due 4/26/22 (d)	2,071,920
1,784,000	GTL Trade Finance Inc., 7.250% due 10/20/17 (d)	1,828,875
890,000	Odebrecht Finance Ltd., 7.500% due 10/18/17 (d)	901,125
	Vale Overseas Ltd., Notes:	
2,635,000	8.250% due 1/17/34	3,156,572
11,333,000	6.875% due 11/21/36	11,837,432
	<b>Total Brazil</b>	<b>19,795,924</b>
<b>Chile 0.7%</b>		
2,374,000	Enersis SA, Notes, 7.375% due 1/15/14	2,540,861
<b>Colombia 0.3%</b>		
1,010,000	EEB International Ltd., Senior Bonds, 8.750% due 10/31/14 (d)	1,028,685
<b>India 0.2%</b>		