

10 Percent Growth Brings China Economic Issues

By ELAINE KURTENBACH
AP Business Writer

SHANGHAI (AP) - By the usual measures, the world's second largest economy is doing just fine: China's growth this year looks likely to slow only slightly. Prices appear to be moderating and shops are packed as families stock up on food and clothes for Lunar New Year festivities.

But despite the upbeat holiday mood, China is struggling to clamp down on excess lending by its state-run banks, which are pumping huge sums of money into the economy, hindering moves to bring politically risky inflation under control.

"Clearly the risk is on the upside for overall credit growth and inflation in 2011," says UBS economist Wang Tao in a report estimating 2010 total bank lending, including trusts and other forms, at 10.9 trillion yuan (\$1.65 trillion) - way above the 7.5 trillion yuan government-set quota for the year.

Given the massive liquidity sloshing through the economy, raising interest rates is imperative, she says.

From India and Vietnam to South Korea and Australia, countries across Asia are moving to rein in inflation as the global recovery spurs demand for oil and other commodities, accentuating pressures from rising food prices.

But China's challenge is on a scale all its own.

Figures due for release are expected to show China's economy grew just over 10 percent last year, slowing from a post-crisis high of nearly 12 percent in the first quarter of 2011. State media reports put inflation in December at about 4.5 percent, down from a 28-month high of 5.1 percent in November.

By that measure, Beijing's campaign to douse sizzling prices seems to be making progress. But the figure is distorted by a relatively high base effect in December 2009.

"There's a sense this might be temporary. It might well go above 5 percent again, and that is cause for concern," said David Cohen, an economist with Action Economics in Singapore.

While Shanghai's markets are jammed with shoppers gearing up for what is China's biggest holiday, the Feb. 3 Lunar New Year, surging prices are putting a damper on some celebrations and prompting many Chinese to cut back on spending.

"I used to spend 10 yuan (\$1.52) on lunch, but recently the price of some lunch boxes has risen almost 30 percent, so I'm buying cheaper ones," said Ye Jiansheng, a 31-year-old swimming coach. "My swim training business has been seriously affected. Many people don't have spare money for swimming classes now," he said.

For pensioners and others living on low incomes, the price increases - mainly attributed to higher costs for food but also due to rising housing, utility and other bills - are a real hardship.

Acutely aware of the turmoil spun from past bouts of inflation, China's communist leaders have made curbing inflation a top priority. They have hiked interest rates twice in the past four months and repeatedly tightened investment curbs to keep inflation from spreading throughout the economy.

Following news earlier this week that the country's biggest state-run commercial banks splashed out nearly 240 billion yuan (\$36.4 billion) in new loans in the first 10 days

of the new year, the banking regulator again ordered banks to tighten risk controls.

Premier Wen Jiabao told the State Council, or Cabinet, on Tuesday that the government will focus on controlling food and housing costs, the official Xinhua News Agency reported. Authorities are also considering ways to penalize banks for flouting orders to cut back.

Borrowing for real estate development and other projects is the lifeblood for the sales by local governments of land use rights that provide a huge share of their revenues. Such sales rose 70 percent in 2010, helping push property prices 6.4 percent higher compared with a year earlier, further inflating what many view as a massive bubble.

A huge pool of non-bank financing nearly doubled the amount of money available for investment last year, Wang of UBS estimates. Many loans are "off balance sheet," meaning the total amount is unknown.

"Because of the property bubble, risk exists almost everywhere in China's fragile financial system," says Yi Xi-anrong, an economist at the Chinese Academy of Social Sciences' Finance Research Center.

While most analysts agree that public demand for better housing will support China's broader residential property market in the long run, the banks are gambling on a construction frenzy for shopping malls, luxury housing and various other projects unlikely to ever be paid back.

"The government must do more to squeeze the bubble out of the property sector to curb the obvious huge risk to the economy," says Yi. "Just think of it: every regional government is deep in property

investment, involving huge amounts of loans. Once the property market collapses, it will surely be an economic disaster."

The asset price bubble has so far bypassed China's stock market, where investors remain wary of interest rate hikes and other moves to curb credit. Insulated from global speculative flows by regulations limiting investments by foreigners, it has languished more than halfway below the peak it hit in 2007.

Not all concur with Yi's bleak assessment. Ultimately, the banks will do what the government orders them to do, says CLSA analyst Andy Rothman. Given the Chinese government's dominant role, he views interest rate hikes and increases in reserve requirements as mainly symbolic tools.

Chinese economists appear divided over strategy, with some calling for further rate hikes while others argue the government needs to pull back further on its own spending to cool demand for construction materials and other commodities.

"Tight policies won't solve these problems," Li Yining, an economist at Beijing's prestigious Peking University, told the Communist Party newspaper People's Daily.

China's leaders will likely continue to move cautiously to cool overheated property investments, wary of overshooting targets and putting a damper on growth. Politically, all the choices are difficult, since from villages to the highest levels of government, powerful interests are vested in keeping the property boom on track.

"China seems inclined toward gradualism, as long as inflation is not out of hand," said Cohen.

The Henry Ford Hosts 'Carver' Event Jan. 29

DEARBORN - Famous scientist George Washington Carver's accomplishments and wide-ranging interests left a remarkable and innovative legacy that influences the way we live today. To honor Carver and his many discoveries, The Henry Ford will host a public symposium, "Carver's Legacies: Food, Farming and the Future of Agriculture" on Saturday, Jan. 29 at 9 a.m.

Admission is \$37 for members and \$45 for non-members and includes morning coffee, admission to the symposium, buffet luncheon and admission to Henry Ford Museum for the day.

To reserve a seat, call (313) 982-6001 or visit the Web site at www.thehenryford.org.

Carver was a groundbreaking scientist, educator and humanitarian with a mission bring practical knowledge to those in need, to discover nature's secrets and harness their power for the good of all mankind.

Many believe his devotion to finding practical solutions to complex problems such as hunger, poverty and environmental devastation is significantly

important as these critical issues still challenge our nation today.

The public is invited to attend the Carver event on Jan. 29 for a day of dialogue and conversation with keynote speakers Walter Hill and Will Allen as they separately reflect on Carver's accomplishments and share their own agenda's as they relate to Carver's vision.

Hill, the Dean of the College of Agricultural, Environmental and Natural Sciences and Director of George Washington Carver Experimental Station at Tuskegee University, will speak on the topic of "Carver: the Greatest Good."

Allen, the founder and CEO of Growing Power and champion of urban farming and recipient of a MacArthur "genius grant," will present the topic of "Growing food and Community in the City."

Moderator Rick Foster, W.K. Kellogg Chair of Sustainable Food Systems and Director of Michigan State University Extension's Greening Michigan Institute, will lead a panel of food and agricultural activists in lively discussion together with the Dearborn audience.

Osram Supports LEDs

When the travel range of electric vehicles determines who makes it home to recharge their batteries and who is stranded by the side of the road, every watt saved and every additional mile certainly counts.

So suggests Jonathan Dunlap, an automotive lighting engineer and product marketing manager with Osram Sylvania, the world's leading manufacturer of automotive lighting, in reference to an SAE paper regarding LED and power consumption of exterior vehicle lighting. Though the paper was written in 2008, the trend is now taking hold, he now says.

Osram believes that "micro-hybrids" or mild hybrids, which feature engine stop-start mechanisms to boost efficiency of conventional vehicles, will benefit greatly from LED lighting by reducing power draw and battery drain, as well as increasing light output during low-power mode and startups.

"Just like going from a 75-watt incandescent lightbulb down to a 18-watt compact fluorescent has made a significant difference to reduce the nation's energy consumption

in the home, so too can LED lighting make a difference in automobiles, especially once alternators and generators in the car are right-sized for higher efficiency," said David Hulick, marketing director for Automotive Solid State Lighting for New Hampshire-based Osram Sylvania.

The benefits are most notable in EVs, which rely completely on stored electricity from batteries.

"An efficient LED headlamp system can extend vehicle range by nearly six miles. Even with conventional vehicles, a 28-watt LED emits only 196 grams of carbon dioxide per 100 kilometers compared to 768 grams of carbon dioxide per 100 kilometers from conventional 110-watt H7 halogen bulbs," Hulick said.

"Whether the goal is reduced fuel consumption or reduced carbon emissions, LED lighting is the best technology available."

Most people are aware of this surge in electric vehicles, but few realize that their headlights may have no traditional "light bulb" to speak of.

Auto lighting changes can make a significant contribution to fuel efficiency.

Supplier SPX Auctions 2008 Mustang for Charity

CHARLOTTE, N.C. and SCOTTSDALE, Ariz. - Auto supplier SPX Corp. announced that the company is donating a 2008 Ford Mustang FR500S race car to be auctioned off at the 2011 Barrett-Jackson Collector Car Auction, with proceeds going to St. Jude Children's Research Hospital.

The highest bidder will win the Ford FR500S Mustang racecar, along with an opportunity to compete in the SCCA 2011 Pro Racing World Challenge Championship race. In addition, the winner will receive admission into Ford Racing High Performance Driving School at Miller Motorsports Park, and a sponsorship package from SPX for technical racing support, valued at over \$30,000.

The auction was scheduled to take place on Friday, January 21, and be televised live on the Speed Channel Cable Network.

This will mark the second consecutive year that SPX is donating a car to benefit St. Jude's annual fundraising efforts. At last year's Barrett-Jackson Collector Car Auc-

tion, SPX helped raise \$275,000 for the charity with a race-proven 500S, autographed by numerous racecar drivers.

"SPX is extremely proud to support St. Jude Children's Research Hospital, a world leader in advancing the treatment and prevention of children's catastrophic diseases," said Christopher J. Kearney, Chairman, President and Chief Executive Officer of SPX. "We're looking forward to the opportunity to help raise awareness and financial support for St. Jude's, as well as give one lucky bidder the chance to receive an extraordinary car while supporting this very important organization."

Outfitting this special edition FR500S was a joint effort among SPX, Ford Racing, Miller Motorsports Park, the Ford Racing High Performance Driving School, Stand 21, SPEEDCOM Communications, Capaldi Racing and Cragar Wheels.

This special Mustang is further outfitted with Ford Racing Performance Parts such as high-flow cylinder heads,



2008 Ford Mustang SPX

full race camshafts, intake manifold, competition throttle body, a race-capacity oil pan and high torque one-piece aluminum driveshaft. SPX and Ford Racing enlisted Capaldi Racing group to modify a new FR500S specifically for competing in the World Challenge SCCA Race Series.

Also, this Mustang FR500S features a carbon fiber louvered hood, trunk, and rear spoiler for less weight and better aerodynamics, as well as Pirelli racing tires. The vehicle also includes Brembo Racing Pro Series four-piston brake calipers, 14-inch slotted discs with Hawk racing brake pads.

"A lot of hard work went into creating a truly unique car

that will hopefully generate a great deal of interest and excitement among bidders, and raise as much money as possible for St. Jude Children's Research Hospital when it crosses the Barrett-Jackson auction block," Kearney added.

For nearly four decades, the Barrett-Jackson Auction Company has been recognized throughout the world for offering only the finest selection of quality collector vehicles, outstanding professional service, and an unrivaled sales success.

From classic and one-of-a-kind vehicles to exotics and muscle cars, Barrett-Jackson attracts only the best, organizers say.

Restaurateur Seeks to Revive 'LaShish' Name

By JEFF KAROUB
AP Business Writer

DEARBORN, Mich. (AP) - The name of a Michigan restaurant chain famous for spreading Middle Eastern cuisine - but infamous for its founder's legal troubles - is making its return.

Restaurateur Carmel Halloun said last week that he's acquired the rights to use the La Shish name and plans to open a restaurant in March in the former chain's first location in Dearborn. The suburb is the capital of the Detroit area's Arab American community, which is one of the largest in the U.S.

Halloun, 40, said he employs people from the former chain at his Taboon restaurants in Flint Township and Sterling Heights and uses La Shish recipes. He said he's not connected to former owner Talal Chahine, who fled the U.S. in 2005 and was charged with multiple counts of tax evasion and citizenship fraud. Federal investigators, who allege Chahine skimmed \$20 million in cash from his business, believe he's in Lebanon. Despite the criminal cloud, Halloun said he knows people

loved the food and is willing to take a chance. He said he wouldn't reopen at La Shish's first location without the restaurant's original name.

"I want people to come back," he said.

Promoting ties to the chain that closed in 2008 after nearly 20 years is common for Middle Eastern restaurants across the Detroit area, which is home to hundreds of thousands of people who trace their roots to the Arab world.

A chain called the Palm Palace acquired the business assets of several former La Shish restaurants and its Dearborn headquarters, and hired an executive chef credited with originating La Shish recipes.

Others have done their best to replicate menus or come as close as they can to the name. One restaurant is simply called "Sheesh," another "La Feast."

Halloun's landlord, Bilal Haidar, filed articles of incorporation for La Shish Inc. last July, after the corporation registered to Chahine dissolved, according to the Michigan Department of Labor, Energy and Economic Growth. "Other restaurants that

have opened up claiming some type of connection are still open and are doing really well," said Fay Beydoun, executive director of the American Arab Chamber of Commerce. "Enough time has passed. . . I'm hoping it will be fine."

Halloun, who came to the U.S. in 1989 from Haifa, Israel, and also owns two American-fare restaurants in the Flint area, said he's talking about opening additional La Shish restaurants and has an eye on another Detroit-area location once "things settle down."

JCI Opens New Recycling Facility

Johnson Controls, Inc. (JCI) last week broke ground on a fully-integrated battery recycling facility in Florence, S.C.

The Florence Recycling Center, slated for completion during 2012 and to be operated by JCI's Power Solutions business, represents a capital improvement of more than \$150 million and will create an estimated 250 new jobs and approximately 1,000 indirect jobs in the area.

The facility is the first facility of its kind to receive an air permit in the U.S. in nearly 20 years.

Meanwhile, federal authorities are still looking for Chahine, whom they consider a fugitive. The U.S. Attorney's office in Detroit said in a statement last week to The Associated Press that it has repeatedly urged Chahine to surrender to answer three active warrants arising from three indictments. The U.S. has no extradition treaty with Lebanon. Federal indictments claim that between 2000 and 2004, Chahine skimmed more than \$20 million in cash from his business.

Ford to Invest \$400M In Aging Missouri Plant

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product lines.

Ojakli said the incentives played a "very important role" in the company's decision to invest further in the plant. Nixon said the tax breaks were saving jobs and helping suppliers in every corner of the state.

"This is a very special day," Nixon said. "Doesn't it feel nice to be at the wheel when the U.S. auto industry turns a corner?"

Ford, GM and Chrysler have all announced plans to retain or hire new workers as the economy and auto sales improve. Ford said last week it plans to add 7,000 workers over the next two years.

"It's a very big day," said

Glen Barton, who spent his day off from delivering materials to the production line to attend the event. "This is our future right here."

Jeff Schmidt of the local United Auto Workers said the mood at the plant had been stressful and tense in anticipation of the announcement.

"Everyone should be able to release a big sigh of relief," he said.

He said the measurements being taken at the plant as the company prepares to retool the production line suggest that the new product that will be produced there will be larger than the Escape. He had no other details.

"Hopefully, it is something that will sell well," he said.



Ford's 100,000th hybrid was an Escape built at the Claycomo, Mo. plant back in 2009. Escape assembly is moving to Kentucky.