

# GM highlights greener cars

By JEANMARIE LUNSFORD  
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DETROIT—After securing more than \$13.4 billion in federal bailout cash from Washington, a leaner and greener General Motors presented themselves with renewed confidence at their press conference on Sunday at the North American International Auto Show.

On Sunday they announced their commitment to fuel economy by unveiling a four-door mini-car called the Chevrolet Spark. Initially introduced in 2007 as the Beat,

this small car with unmatched fuel economy will be available for the public in 2011. GM said that the Spark will get 40 miles to the gallon.

"The Chevrolet Spark will bring great style, roominess and versatility to the segment of extremely fuel-efficient small cars in the US," promised Troy Clarke, President of GM North America. "The decision to add the Spark to Chevrolet's portfolio reflects our commitment to being a fuel efficiency leader in this industry."

For generations, General Mo-

tors' line of Cadillacs, Hummers and Buicks were synonymous with luxury and the ability to appeal to a class of people who were financially insulated from the vagaries of rising gas prices. However, on Monday, GM continued its theme of being a leaner, greener company worthy of tax-payer money.

Several electric and hybrid vehicles were unveiled. Among them was the Cadillac Converj concept car which is projected to use the same lithium battery technology as the Chevy Volt. Despite its appeal as a larger vehicle, the Converj promises to go 40 miles on electric power alone, with a small gasoline engine added to extend its driving range.

The Chevy Orlando, a compact minivan which will seat seven, will also go into production in 2011. The fuel-efficient appeal for the Orlando is the 2.0-liter turbo-diesel that will generate 150 horsepower.

Perhaps the biggest news for local Michiganders was the announcement on Monday that the planned powerhouse for many of GM's new line of extended range vehicles will be produced right in Michigan and not outsourced overseas.

On Monday, GM CEO and Chairman, Rick Wagoner, unveiled the Volt battery, sometimes referred to as the Voltec battery. Accompanied by Peter Kim, CEO of LG Chemical, Bob Lutz, GM's Vice-Chairman of Global Development, and Dr. Ann Sastry from the University of Michigan, Wagoner announced that the Volt battery packs used in all of GM's future extended range vehicles, such as the Chevy Volt, will be built in the USA. Although GM execs remain tight-lipped about concrete plans, with the plants to be located here in Michigan, this could conceivably generate 5,000 jobs.

GM execs plan to bring the Volt to market in November, 2010. Locally, hope runs high that GM's Chevy Volt will also be produced in Michigan, giving a much needed boost to its sagging economy.



**LEANER AND GREENER:** Michigan Gov. Jennifer Granholm marches with auto workers and dignitaries behind a Chevy Volt electric vehicle during the introduction of General Motors' vehicles during the press preview for the Detroit International Auto. BILL PUGLIANO/GETTY IMAGES



**An investor views stock index at a securities company on December 3, 2008 in Changchun of Jilin Province, China. The benchmark Shanghai Composite Index rose 75.78 points, or 4.01 percent, to 1965.41 points following a rebound in blue chips due to better economic forecasts than expected.**

PHOTO BY CHINA PHOTOS/GETTY IMAGES

# Three vulnerable areas in China's economy

By HU SHAOJIANG  
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Beijing is experiencing an exceptionally cold winter this year. For the first time, the Chinese regime worries about the sharply declining economy. However, during its 2008 Central Economic Work Conference, officials routinely boasted about economic growth and in the same breath complained about the overheated economy; they emphasized the need to control investments.

The Chinese stock market has declined at a rate faster than any industrialized country and the markets of almost all developing countries. The housing industry is in a slump. Existing housing sales have declined drastically; even state-funded housing has many vacancies. The number of businesses closing and the unemployment rate are increasing. Provinces that are exporting migrant workers are experiencing tremendous pressure from the millions of returning workers; even the export business, which the Chinese economy has relied on, experienced negative growth this November for the first time in more than a decade. Many high profit-businesses, including state-owned monopolies, have seen sharp declines.

In July and August of 2008 I published three commentaries entitled, "The Chinese Economy Is Sliding Into Crisis" for Radio Free Asia. Many economists were skeptical, and friends questioned me, wondering if my cautionary remarks were unfounded. The majority of them thought that in the face of the worldwide financial depres-

sion, China is in a unique position, enjoying a better outlook. I am certain that five months later, these doubters must realize they ought to have changed their views.

### Expense of cheap goods

The current Chinese financial crisis has made economists who study China's economy understand three issues better. The first one is the vulnerability of China's economic growth. The sharp decline of the Chinese economy, i.e., 3 percent or more in one year, is an absolute rate of decrease rarely seen in any other country, aside from times of war or a devastating natural disaster. This vulnerability derives from the unhealthy nature of China's economic growth. Specifically, the Chinese economy has relied heavily on undercutting and underpricing of goods and services. This artificially created an ultra-low pricing system, in particular, fed by super low labor costs and [lack of] environmental protection costs. This is not sustainable and can quickly diminish the seemingly magical economic growth in China in no time.

### Cheap labor is volatile

The second issue is how vulnerable Chinese society is in a declining economy. Once the economy declines, the whole society, especially those who live at the bottom of society are quickly agitated. This type of vulnerability comes from prolonged and exacerbated injustices in allocating resources and manpower, coupled with political corruption at the expense of economic development.

The economic growth and the anticipated growth benefits have

become a pretext for the ruling party's legitimacy. When growth encounters problems, people soon lose their confidence and thus their tolerance of injustice and corruption. People hasten and withdraw their perceived legitimacy for the ruling party, just as they would withdraw their bank account anytime banks are collapsing. Once the phenomenon occurs, the force is unstoppable. It will not only engulf the economic achievements over the past 30 years, but also lead to an overall break-up in society.

### Applauding China's economic independence

The third vulnerability is China's low immunity against international economic depression. Not long ago, both those arrogant economic nationalists and Western scholars who work for the Chinese regime praised and applauded "China's economic independence." They preached that the fast-moving and well-developed Chinese economy had already enabled the Chinese system to sustain growth by completely relying on its own market and economic strength. This fairy tale has been completely shattered in the face of the current crisis.

This crisis surely has its own fundamental causes; undoubtedly, the West's financial depression is worsening China's economic crisis. The worldwide depression is not only intensifying the failing Chinese economy, but is also limiting China's capacity to resolve its crisis. The Chinese regime's increasing efforts to restore the previous volume of exports clearly demonstrates this point.

# Manufacturing report paints dismal picture

By HEIDE B. MALHOTRA  
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WASHINGTON—Manufacturers disclosed a dismal picture of the industry, according to the December 2008 Federal Reserve Bank of Philadelphia Business Outlook Survey.

"The performance of the worldwide manufacturing sector through 2008 is the worst for a calendar year since 2001," suggests the JPMorgan Global Manufacturing PMI report released this month. The PMI is the Purchasing Managers Index of the manufacturing industry's economic health. The PMI analyzes five factors—new orders, levels of inventory, production, deliveries, and employment.

In several December 2008 manufacturing industry surveys, U.S. manufacturers reported new business orders in decline, curtailed product shipments, production cuts, reduced inventories, and possible layoffs.

"Manufacturing activity continued to decline at a rapid rate during the month of December. The decline covers the full breadth of manufacturing industries, as none of the industries in the sector report growth at this time," disclosed the Institute for Supply Management (ISM) in its report, released early January.

### New orders taking nosedive

Factory orders from North and South America have dropped, as have orders from Europe. Orders from Asian companies have come to an abrupt halt.

Business orders for machinery from "Asia—particularly China—has virtually shut down," according to the ISM Report.

U.S. manufacturing industry was hit hard, "where production and new work received fell at the fastest rates in the 61-year ISM survey," disclosed the JPMorgan report.

Japan's manufacturing base was hit the worst in the world, where production and "new orders indexes fell to levels unprecedented in the histories of any of the national manufacturing surveys included in the global manufacturing PMI," JPMorgan said.

### Laying off employees

U.S. employment dropped, as about 42 percent of the surveyed manufacturing firms put employees on furlough while 13 percent said that they did hire a few extra hands.

JPMorgan claimed that Denmark, Spain, the United States,



**A worker at a Chrysler/Jeep factory in Toledo, Ohio, look over the plant floor. Chrysler closed all its plants for thirty days to try to avoid bankruptcy.** J.D. POOLEY/GETTY IMAGES

Russia, and the UK reported the greatest drop in employment. China also reported layoffs in great numbers.

Manufacturing furloughed 149,000 jobs in December. 791,000 workers were laid off in 2008, according to the latest Bureau of Labor Statistics (BLS) report, released on Jan. 10.

December saw the "the largest over-the-month decline [in the workforce] since August 2001," the BLS said.

Metal production firms laid off a total of 28,000 employees and the transportation industry cut 21,000 jobs.

### Weathering the storm

On a positive note, prices for raw materials—especially energy-related products used in the manufacturing process—dropped for almost half of the surveyed firms and only 9 percent of firms claimed to have faced higher costs.

The computer and electronic products industry sees continued orders and sales.

Increases in revenues and profits were predicted by a large number of manufacturing managers in a recently released report by Bank of America (BoFA).

More than 60 percent of the BoFA respondents are confident that government intervention is a major step toward recovery. To keep or regain competitive edge, expansion and growth plans were slowed but not stopped, claimed 52 percent of the respondents.

Major reasons for curtailing expansion plans were weak sales, market uncertainty, and flagging

economies worldwide.

International sales are still on the rise, but to a lesser degree than in the past five years, said CEOs in the BoFA report. About one-third of respondents predict that the sagging economy will begin to reverse in the second quarter of 2009 and 40 percent see recovery beginning in the third quarter of 2009.

### Benchmarks, surveys hogwash

Consumers and businesses alike have been bombarded with economic predictions and reports claiming to represent investor sentiment.

"The urge to forecast must be as psychologically deep-rooted as our need for benchmarks, even though we know these make no sense," said Andrew Freeman, a Risk Center economist. "A forecast creates an illusion of control, all the more powerful if the forecast can also be adjusted."

Merely trying to make sense of statistical information rejects the soundness and power of knowledge, experience, insight, creativity, and ingenuity suggests a Risk Center report.

Today's risk assessment and management is based on financial information instead of fostering and sustaining the "trust and confidence" of all those involved in the consumer process, according to the report.

"A survey, rating or benchmark comparison may be as much an illusion as a 'forecast.' Too often they substitute for the hard thinking that we should be doing for ourselves," said Freeman in the Risk Center article.

# Flying on algae and weeds

## Continental conducts first U.S. biofuel commercial flight

By ANTONIO PEREZ  
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Continental Airlines, the nation's fourth-largest carrier, successfully demonstrated the first North American commercial flight powered in part by renewable energy on Wednesday.

The Boeing 737-800 flight, powered by a mixture of conventional jet fuel and biofuel, took off from Houston's George Bush Intercontinental Airport and lasted about an hour and 45 minutes. The plane flew over the Gulf of Mexico toward Louisiana and swung back to Houston.

The airport is a main Continental network hub and the flight had no passengers. The flight performed a series of mid-air maneuvers—including engine shutdowns and rapid acceleration—to monitor performance and viability of the fuel.

"This demonstration flight repre-

sents another step in Continental's ongoing commitment to fuel efficiency and environmental responsibility," said Chairman and Chief Executive Officer Larry Kellner in a statement. "The technical knowledge we gain today will contribute to a wider understanding of the future for transportation fuels."

Continental's test was conducted jointly with Boeing Co., GE Aviation/CFM International, and Honeywell's UOP.

Continental's biofuel consisted of 50 percent biologically-derived fuel and 50 percent regular jet fuel. The fuel was made from algae and jatropha plants, both sustainable, second-generation sources that do not impact food crops or water resources or contribute to deforestation, the companies conducting the experiment said in a statement.

The experiment verified that bio-fuel-powered flights could indeed reduce emissions and fuel costs for carriers, many of which were hurt

by skyrocketing oil prices. But bio-fuel-powered commercial flights with passengers are still several years away, at least, and could face supply and production issues.

Although fuel for flights must be certified by international agencies due to safety concerns—it must withstand extreme temperatures—the companies are confident in its viability as an additive to regular jet fuel.

"The biofuel meets and exceeds specifications necessary for jet fuel, including a flash point and a freezing point appropriate for use in aircraft," Continental said in a statement.

Sapphire Energy CEO Jason Pyle agreed. "Today's flight puts us one step closer to moving away from fossil fuels and energy dependency, and with no impact on the transportation infrastructure, food sources or the environment," he said in an interview with Energy Current News.