



BRIEFING MEMORANDUM
UNCLASSIFIED

July 12, 2010

RELEASED IN FULL

TO: The Ambassador

THROUGH: A/DCM – Aubrey Carlson

FROM: ECON – William Weinstein

SUBJECT: Xinjiang: Meeting with Local U.S. Business Representatives, Monday, July 19, 3:30-4:00 p.m. Location: Sheraton Hotel Executive Lounge

The meeting will be small and informal, with two or three Urumqi-based representatives from U.S. companies, including Peabody (coal) and GE. You will hear first hand about the challenges and opportunities faced by foreign businesses in Xinjiang, particularly in the energy sector. They will be interested to hear about your trip to Xinjiang and the outlook for U.S.-China relations in 2010.

While Xinjiang remains an important resource base for traditional energy including oil, natural gas, petroleum products and coal, the region is also making strides in clean energy. The province is working to attract investment and increase trade, including with neighboring countries in South and Central Asia. The opening of the China-Central Asia natural gas pipeline last December was seen as a significant step forward in enhancing China's energy security, bringing much-needed natural gas supplies to eastern China. St. Louis-based Peabody Energy, the world's largest private-sector coal company, has opened an office in Urumqi and is actively pursuing opportunities in Xinjiang's underdeveloped coal sector.

Key Message: We support your efforts at continued economic cooperation in Xinjiang. How can we help you address challenges in China's business environment?

Key Topics: U.S. business concerns include:

- **Transparency.** Transparency of regulations and enforcement.
- **Local advantage.** Policies that may give local companies an unfair advantage over foreign-invested companies, including a lack of enforcement of intellectual property and indigenous innovation.
- **Infrastructure.** Underdeveloped infrastructure and logistics capacity.
- **Skilled managers.** Increased competition for a limited pool of local, skilled managers as more companies from the developed coastal region move west in search of lower costs.

REVIEW AUTHORITY: Charles Lahiguera, Senior Reviewer

Attachments:

- Tab 1 Local U.S. Business Participants List
- Tab 2 Background on Recent Economic Developments in Xinjiang

DRAFTED: ECON:Dave Moore, Ext. 4940; July 12, 2010

APPROVED: ECON: LStone -

CLEARED: DOE – MSchoenberger - ok
FCS – BBrekke - ok
ESTH – SHong - ok