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### China Set to Release its 12<sup>th</sup> Five Year Plan, with Important Implications for Petrochemical Trade Flows

Next month, China is scheduled to formally release its 12<sup>th</sup> Five Year Plan for National Economic and Social Development. This plan will provide an overview of the government's industrial goals and identify key projects for the period 2011-2015. The Chinese government is also expected to announce derivative plans and policies for individual jurisdictions and industries in the following months.

China's 12<sup>th</sup> Five Year Plan for the Petroleum and Chemical Industries is expected to be released in April. Early reports indicate that a major focus of this plan will be adjusting the structure of the petrochemical industry to favor higher value-added goods including, for example, certain fertilizers, pesticides, paints, and dyes. The plan will also call for increased development of engineering plastics, degradable products, fluorine and silicone materials, polymers, carbon fiber, and polyurethane. The plan is also reported to call for more olefin projects and the production of ethylene with more diversified input materials.

China's industrial plans have important implications for competing industries because they provide a clear indication of the focus for Chinese industries and companies in the near term. Calls to increase the production of a particular chemical product can, for example, result in the construction of new plants, which will draw input materials from other markets, decreasing supply and increasing prices. At the same time, the new production will increase supply of the targeted product in China, decreasing domestic prices and displacing imports.

The combination of higher costs for input materials and increased price competition resulting from new producers seeking to place their product has on many occasions led Chinese producers to petition their government for antidumping investigations. During the period covered by China's 11<sup>th</sup> Five Year Plan (2006-2010), for example, the Chinese Ministry of Commerce conducted antidumping duty investigations of imports of many of the chemical products identified for development in the 11<sup>th</sup> Five Year Plan for the Petroleum and Chemical Industries. The investigations

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included, for example, Epichlorohydrin, Polybutylene Terephthalate Resin, Nonyl Phenol, Bisphenol-A, Acetone, Cyclic Dimethyl Siloxane, Adipic Acid, 1,4-Butanediol, Polyamide-6, Pure Terephthalic Acid, Methanol, and Caprolactam.

Companies active in the petroleum and chemical industries would be well advised to review China's forthcoming industrial plans. They are important not only because of the increased likelihood of antidumping investigations, but also because they have the potential to affect trade flows for the products identified by the Chinese government for development as well as related products and input materials.

For more information about China's industrial planning and how it could affect your company or industry, please feel free to contact the lawyers identified in this alert or any member of the King & Spalding International Trade Team.

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