DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

C-570-980
Administrative Review
Public Document

October 18, 2021

James Maeder
Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations
Department of Commerce

Dear Deputy Assistant Secretary Maeder:

Pursuant to 19 C.F.R 351.528(c) and your letter dated September 13, 2021, please find below the evaluation and conclusion of the Department of the Treasury (Treasury) regarding the determinations under 19 C.F.R. 351.528(a) and (b)(1) in relation to Commerce's countervailing duty (CVD) administrative review of an alleged subsidy pertaining to currency undervaluation on crystalline silicon photovoltaic cells, whether or not assembled into modules, from the People's Republic of China (China) for the period of administrative review, which is the calendar year 2019 (Case No. C-570-980).

In order to make our evaluation and conclusion as to the determinations requested by Commerce, Treasury has conducted an analysis using its Global Exchange Rate Assessment Framework (GERAF). GERAF provides a multilaterally consistent method for assessing the extent of any currency misalignment and the specific economic fundamentals and government policies that contribute to the misalignment. For further detail on GERAF, please see the methodology paper[1] and a non-technical summary[2] of how GERAF is applied for purposes of submissions for Commerce's countervailing duty investigations and reviews.

Regarding the determination under 19 C.F.R. 351.528(a)(1), Treasury assesses that the Chinese renminbi (RMB) was undervalued during the relevant period. Specifically, Treasury's evaluation leads us to assess that in 2019 there was a gap between China's real effective exchange rate (REER) and the real effective exchange rate that would achieve an external balance over the medium term under appropriate policies (equilibrium REER). Treasury's assessment that the renminbi was undervalued in 2019 is independent of its finding of undervaluation as a result of government action on the exchange rate, which is the determination required by 19 C.F.R. 351.528(a)(2).

[1] U.S. Department of the Treasury, *Global Exchange Rate Assessment Framework Methodology*, available at: https://home.treasury.gov/system/files/206/Global-Exchange-Rate-Assessment-Framework-Methodology.pdf.
[2] U.S. Department of the Treasury, *Treasury Framework for Assessing Currency Undervaluation Summary*, available at: https://home.treasury.gov/system/files/206/Treasury-Framework-for-Assessing-Currency-Undervaluation-Summary.pdf.

Regarding the determination under 19 C.F.R. 351.528(a)(2), Treasury assesses that in 2019 China did not undertake "government action on the exchange rate" that contributed to the undervaluation of the RMB. As noted in Treasury's *January 2020 Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States*, monthly changes in the People's Bank of China's (PBOC) foreign exchange assets recorded small net sales as of December 2019.[3] **Treasury assesses the small net sales of foreign exchange had no effect on the bilateral exchange rate vis-à-vis the U.S. dollar in 2019.** Although Treasury assesses (under 19 C.F.R. 351.528(a)(1)) that the RMB was undervalued on a real effective basis, with respect to the determination required by 19 C.F.R. 351.528(a)(2), Treasury determines that this undervaluation was due to other factors than "government action on the exchange rate."

In Treasury's previous assessment of RMB undervaluation and government action on the exchange rate for the year 2019, Treasury expressed concern over the transparency of China's exchange rate regime, management, and practices. While Treasury retains these concerns, the GERAF model provides the most consistent and empirically robust approach to assessing the extent of any currency undervaluation and government policies that contribute to the undervaluation.

China continues not to disclose its data on foreign exchange intervention activities, and its lack of transparency warrants intensified attention. Treasury continues to closely monitor China's use of exchange rate management, capital flow, and macroprudential measures and their potential impact on the exchange rate.[4]

If you have any questions regarding this analysis, please contact Treasury at CurrencyCVD@treasury.gov.

Sincerely,

Patricia Pollard
Acting Deputy Assistant Secretary, International Monetary Policy

Enclosure

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[3] U.S. Department of the Treasury, Report to Congress—*Foreign Exchange Policies of Major Trading Partners of the United States*, January 2020, pg. 21, available at: https://home.treasury.gov/system/files/136/20200113-Jan-2020-FX-Report-FINAL.pdf.

[4] U.S. Department of the Treasury, Report to Congress—*Foreign Exchange Policies of Major Trading Partners of the United States*, April 2021, pg. 18, available at: https://home.treasury.gov/system/files/206/April_2021_FX_Report_FINAL.pdf