

# Research on Real Rmb Exchange Rate Fluctuation and China's Foreign Trade

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**Abstract:** The exchange rate, as a currency tool for regulating the foreign market, plays a role in measuring and converting prices in international investment activities and foreign trade transactions. It is an important economic lever for adjusting a country's trade income and expenditure. Therefore, exchange rate fluctuations are balanced and stable for a country's import and export trade. Development has important implications. However, since 2015, China's economic growth has gradually changed from the original high-speed growth to medium-high speed growth. Various economic indicators have shown a downward trend, and the development of import and export trade is inevitably affected. At the same time, the development of China's import and export trade in the future will face domestic supply-side reforms to eliminate backward production capacity; severe domestic economic conditions such as increased risk of exchange rate uncertainty as the marketization of the RMB continues to deepen, and the rise of protectionism in Europe and the United States; The complicated foreign economic environment such as the rotation of political parties in European countries and unstable economic conditions. In this context, from the perspective of exchange rate changes, it is of practical significance to study how to maintain a balanced and stable development of China's import and export trade, so that China's domestic economic growth is kept stable under the promotion of international trade.

## 1. Introduction

Economic globalization is an inevitable trend in today's world economic development. With the further development of economic globalization, the economic ties between the countries of the world are getting closer and closer. As an important means to promote economic development and promote the effective allocation of resources, foreign trade has a decisive role in promoting China's rapid and sustainable economic development. The exchange rate is the ratio of a country's currency unit to another country's currency unit. It links the international price with the domestic price and determines the relative price between a country's goods and services engaged in international trade. Its changes affect a country's foreign trade. Both balance and fluctuations in domestic economic activity have profound effects.

With the increase of the degree of integration between China and the world economy, the impact of exchange rate changes on foreign trade has become more significant. China has implemented a dual exchange rate system since the beginning of the year. The RMB has established a managed floating exchange rate system that takes market as supply and demand. In fact, the exchange rate system pegged to the US dollar is a temporary measure of the Chinese government in response to the East Asian financial crisis. After the end of the East Asian financial crisis, as the decoupling of the yuan from the US dollar may lead to appreciation of the yuan, which is not conducive to export growth, the Chinese government has not changed the situation where the yuan is actually pegged to the US dollar.

Since the beginning of the century, the global economy has tended to decline, and many western countries are facing tremendous pressure from deflation. Contrary to some western developed countries, China's economy has maintained the above growth. And the RMB exchange rate has been in a stable state. Under this background, the "world factory theory", "China threat theory", "China export deflation theory" and so on have appeared internationally. The "RMB appreciation theory" was put forward on this premise. At the same time, the trend of the RMB exchange rate has always been the result of the supply and demand of foreign exchange under the control of the

government, rather than the effect of the real market. The RMB exchange rate determined in this government-controlled foreign exchange market cannot accurately reflect the true supply and demand of foreign exchange. And the real value of the RMB. Therefore, a series of issues challenge the RMB exchange rate mechanism, and reform of the RMB exchange rate mechanism is imminent. After China's accession, China's opening to the outside world has entered a new stage, and its limited opening will gradually become an all-round opening. The basis and prerequisites for the marketization of the RMB exchange rate will be gradually established. Therefore, it is imperative to establish a real market-determined exchange rate mechanism and expand the exchange rate fluctuation range, which will make enterprises face greater threats from exchange rate risks. Under this premise, exchange rate risk management has become an important content in modern enterprise management.

## 2. Related Meanings of Exchange Rates

The exchange rate is the exchange rate or exchange rate between different currencies of two countries. Expressed by the formula is the exchange rate two currency or exchange rate currency. As a kind of exchange or exchange rate, the exchange rate essentially reflects the value comparison relationship between the currencies of different countries.

The exchange rate plays an important role in international economic and trade exchanges. ① As a conversion standard for foreign exchange trading, there is no way to talk about transactions without an exchange rate. ② As a bridge between domestic and foreign currency prices, that is, through exchange rates, The prices of domestic goods and services are converted into prices expressed in foreign currencies and vice versa Information on economic development, trade and capital exchanges.

There are usually two groups of concepts describing exchange rate movements: the depreciation of the currency and the appreciation of the currency. The depreciation and appreciation of currencies belong to the scope of official exchange rate fluctuations. Monetary authorities have publicly announced a reduction in the legal gold content of their currencies or a reduction in the exchange rates of their currencies against foreign currencies, and accordingly a corresponding reduction in the national currency exchange rate or an increase in foreign currency exchange rates, that is, currency depreciation. Appreciation is the opposite. The other group is the devaluation of currencies. With currency appreciation. The depreciation and appreciation of currencies is that in a certain country's foreign exchange market or the international foreign exchange market, a certain amount of currency of a country can only be exchanged for currency of many other countries than before. Nothing.

Currency devaluation. Refers to a country's monetary and financial authorities, in the form of a government decree, officially announced a measure to reduce the parity or basic exchange rate of the national currency and gold, and increase the foreign exchange rate. In short, legal depreciation refers to the government's initiative to reduce the gold content of its currency in order to increase foreign exchange rates.

There are many reasons why a country's government declares a legal currency devaluation, but it is mainly because the country's export difficulties cause a persistent trade deficit, and serious domestic unemployment results in a balance of payments crisis. The national currency cannot maintain the original internationally. Some ability to pay, etc.

The legal depreciation of currency, as an emergency economic measure adopted by a country's government when it is compelled to do so, will inevitably have different degrees of impact on domestic and foreign economies, especially on import and export trade and balance of payments. Generally speaking, the depreciation of a country's currency can improve the country's trade balance, and then reduce the country's balance of payments deficit to stabilize the exchange rate.

On the one hand, after the devaluation of the domestic currency against foreign currencies, the price of domestic exports in foreign currencies will inevitably become cheaper than before, thereby increasing the competitiveness of its exports in the international market, as well as the export

volume and export revenue of commodities. The corresponding increase will help improve the country's balance of payments. On the other hand, due to the devaluation of the national currency, the price of foreign currencies will rise, so the price of domestic imports in domestic currency will certainly be more expensive than before, thereby inhibiting the import of goods. Reduce the current account trade deficit in the balance of payments. It can be seen that the legal depreciation of a country's currency has the dual effects of stimulating exports to increase foreign exchange income and inhibiting imports to reduce foreign exchange expenditure, which will help alleviate the country's balance of payments deficit and stabilize its foreign exchange rate.

Currency depreciation is the decrease in the external value of a country's currency caused by changes in supply and demand in the foreign exchange market. From a domestic perspective, currency depreciation under the metal currency system refers to measures to reduce the legal metal content of the national currency and reduce its metal-to-metal ratio in order to reduce the value of the national currency. Currency depreciation refers to banknotes in circulation under the modern paper currency system. When the quantity exceeds the required money demand, that is, when the currency swells, the value of the banknote decreases. From an international perspective, the value of a currency is expressed as its ability to exchange with foreign currencies, which is specifically reflected in changes in exchange rates. At this time, currency depreciation refers to the decrease in the ability of a unit of domestic currency to exchange foreign currencies, and the decline of the domestic currency against foreign exchange prices.

Currency appreciation refers to a measure that a government officially announces to increase the gold content of its currency, or to increase the base exchange rate between its national currency and foreign currencies, and to reduce foreign exchange rates. The role of statutory appreciation is to restrict exports, increase imports, and reduce the balance of payments surplus. The statutory appreciation further strengthens the domestic currency, enhances its status and prestige, and expands payment and use in the international arena. The appreciation of the country's economy will also have a greater impact on the decline in the prices of imported goods, which will help ease domestic inflation, stabilize domestic prices, reduce the cost of imported raw materials, benefit many companies, promote changes in the industrial structure, and reduce labor productivity and cannot reduce exports. The industry of commodity cost and price tends to shrink, so that specialization develops into a more superior industry, which improves economic efficiency.

The measures adopted by a country's government to statutory currency appreciation have deep domestic and foreign reasons. From a domestic perspective, if a country's international balance of payments has a large and continuous surplus, its currency will become stronger and it will inevitably become the international financial market. Buying objects, demand pressure has increased sharply. To this end, the government must issue additional national currencies and acquire foreign currencies in order to prevent the weakening of foreign currencies and reduce the pressure on the demand for domestic currencies. However, the inflow of foreign currencies and the large-scale outflow of national currencies will undoubtedly exacerbate domestic inflation. In turn, domestic wages and prices will rise in turn, which will greatly weaken the export competitiveness of domestic goods. Therefore, under the circumstances of compulsion, the country can only resort to the appreciation of the currency, try to avoid the impact of international hot money on the local currency, and reduce the pressure of domestic inflation. From the perspective of foreign reasons, a country's long-term balance of payments surplus means that there must be countries that have been in deficit for a long time. And the continuous balance of payments deficit will cause its balance of payments crisis. Therefore, in order to protect its national interests, the deficit Congress will do everything possible to pressure the surplus countries to force the surplus countries to implement measures to appreciate their currencies. At the same time, in order to take care of the interests of countries with close economic and trade relations with their own countries, surplus countries also need to take measures to appreciate their currencies. It can be seen that, due to domestic and foreign pressure, countries that have been in a balance of payments surplus for a long time have to make the choice of currency appreciation. Appreciation. It is the increase in the external value of a country's currency due to changes in the supply and demand relationship in the foreign exchange market. It

refers to the policy of capitalist countries to increase the amount of gold in their national currencies and increase the exchange rate of their currencies against foreign countries. Currency appreciation is another manifestation of currency instability in capitalist countries. It does not mean increasing the domestic purchasing power of the national currency, but merely increasing the exchange rate of the domestic currency against foreign currencies.

### 3. Theoretical Development of the Impact of Exchange Rate Fluctuations on China's Foreign Trade

Exchange rate fluctuations affect the trade balance of a country by affecting the price and quantity of imported and exported commodities, and the theory of the impact of exchange rate fluctuations on trade balance can be traced back to the relevant discussions of the mercantilist school. The mercantilist school believes that currency is the only wealth, and uses the amount of currency as a measure of a country's wealth. It advocates rewarding exports and restricting imports to increase the inflow of currency, thereby increasing the total wealth of a country. The devaluation of our currency on the exchange rate is detrimental to outsiders and beneficial to us. “David Hume proposed a price-cash flow mechanism, and pointed out that under the gold standard, the money supply of each country was composed of gold itself or gold-backed paper currency. He believes that domestic prices will rise until the trade surplus is eliminated. The price-cash adjustment mechanism is an automatic adjustment mechanism under the gold standard, that is, as soon as an imbalance occurs in the balance of payments, this adjustment process will be triggered and will continue to operate until the imbalance is completely eliminated. Changes in the domestic prices of the deficit countries and the elasticity of the import and export prices of the two countries are effective because of the sensitive response of the volume of imports and exports to price changes.

$$DInEX_t = \alpha_0 + \sum_{i=1} \beta_0 DInEX_{t-i} + \sum_{i=0} \beta_1 DInY_{t-i} + \sum_{i=0} \beta_2 DInREER_{t-i} + \sum_{i=0} \beta_3 DInV_{t-i} + \delta_1 InEX_{t-1} + \delta_2 InY_{t-1} + \delta_3 InREER_{t-1} + \delta_4 InV_{t-1} + \epsilon_t$$

The elasticity analysis of the impact of exchange rate fluctuations on trade balances was gradually completed by Marshall, Lerner, Metzler and others after the establishment of the elasticity theory of international economics. The elastic analysis method mainly analyzes the impact of changes in the relative prices of imported and exported commodities on the trade balance caused by exchange rate fluctuations from the perspective of the commodity market. However, even if Marshall-Lerner conditions are established, whether a devaluation can improve a country's trade balance still depends on the adjustment of its import and export volume. Due to the time lag of the adjustment of trade contracts, when the devaluation occurs, the trade balance may deteriorate. The change of trade balance over time is roughly similar to the shape of a letter, so it is called “curve effect”. The elasticity analysis method specifies the necessary conditions for exchange rate fluctuations to balance trade income and expenditure, and incorporates the conditions of trade effects into the analysis of the effects of exchange rate fluctuations.

Table 1 Marginal Inspection Results from January 1996 to June 2005

	Lag order of horizontal variables							
	1	2	3	4	5	6	7	8
F	1.133 6	1.248 6	2.544 5	3.037 1	4.488 9	4.930 8	4.310 1	3.579 8
p	0.345	0.296	0.045	0.022	0.003	0.001	0.004	0.001

Absorption analysis adopts general equilibrium analysis and pays more attention to the response of macroeconomics to depreciation. The theory states that the trade balance is the difference between national income and domestic absorption, and exchange rate fluctuations further affect trade income and expenditure by affecting national income and domestic absorption. The absorption analysis method emphasizes that the devaluation of the local currency reduces the relative prices of

domestic goods and the feedback effect of domestic production and income on trade. Therefore, the effect of depreciation on improving trade balance is smaller than the full elastic analysis method.

The currency analysis method inherits David Hume's thinking, treating balance of payments as a monetary phenomenon, and thinking that a country has a balance of payments surplus or deficit, and the root cause is that there is an excess supply or excess of the country's domestic currency stock demand. When the money supply of a country grows more than that of other countries, the residents of that country find that the money they actually hold is greater than the amount of money they are willing to hold. As a result, people will increase expenditures such as imports, which will lead to a deficit in the country's trade balance.

$$\begin{aligned} \ln EX = & 0.921 + 0.563 \ln EX^* (-1) + 0.427 \ln EX^* (- \\ & (0.941) \quad (6.44) \quad (4.82) \\ 2) - & 1.369 \ln Y^* + 1.443 \ln Y^* (-1) - 0.235 \ln REER - \\ & (-2.13) \quad (2.24) \quad (-1.58) \\ & 0.0041 \ln V \\ & (-0.19) \\ R^2 = & 0.983770 \quad \text{Adj} R^2 = 0.982843 \\ F = & 1060.773 \quad P = 0.000000 \end{aligned}$$

Marshall-Lerner Condition 1 was first derived by British economists Marshall and Lerner. What this condition wants to explain is that in the case of infinite supply elasticity, that is, at constant domestic and foreign prices, depreciation can improve the elasticity of import and export demand for trade balance. Marshall-Lerner condition is the core of elasticity analysis method of trade balance, first proposed by Marshall. The assumption of the Marshall-Lerner condition only considers the two countries and two commodities using a partial equilibrium analysis method, and only considers the impact of currency depreciation on trade balance, and does not consider the impact of depreciation on income, other commodity prices, and other factors Interest rates, national income, employment, and income and expenditure remain unchanged, so the demand for imported and exported goods is a function of the prices of these goods and their substitutes. There is no capital flow. The balance of payments is equal to the trade balance. The trade balance is used as the starting point for analysis. The balance of payments adjustment process can be completed instantly.

The Marshall-Lerner condition describes the long-term effect of the devaluation of the currency on trade, and the short-term effect is generally described by a curve effect. Exchange rate fluctuations can improve a country's trade balance through the price mechanism, but the analysis of the price mechanism does not take into account the time factor. From a dynamic perspective, the impact of devaluation on the trade balance depends on the degree and length of the adjustment of import and export prices and output after devaluation. Generally, the adjustment speed of prices is faster than the adjustment speed of output. This makes the time trajectory of the trade balance change caused by depreciation like the shape of a letter. During a period of devaluation, the trade balance first deteriorates and then gradually improves, which is called the curve effect. .

When a country's currency depreciates, the relative price of domestic products falls, while the relative price of foreign products rises, which is conducive to the growth of export trade, while suppressing import demand. Therefore, when a country tends to depreciate, its current account improves, but the impact of exchange rate changes on the current account is not shown immediately, but gradually after a period of time. The reasons are as follows: After the currency depreciates, the information about the new price of the country's export goods cannot be immediately known to the demand side, that is, there is a time lag in decision-making and a time lag in decision-making. The domestic supply of goods and services cannot be increased immediately, that is, both the supply side and the demand side of production lag need a certain period of time to process the previous inventory, that is, it will take some time to replace the time lag to transport goods and services through the international market, that is, there is a Delay in delivery. As for the adjustment time of the curve effect, each country is different due to different circumstances. It is generally believed that the time lag of developed countries is around a month, while that of developing countries is one year or more.

#### **4. The Short-Term Impact of Fluctuations in the Real Exchange Rate of the Rmb on China's Foreign Trade**

First, relative to overseas markets, the prices of Chinese-made goods will rise. In the domestic market, imports will rise. From the exchange rate fluctuation to the increase and decrease of exports, we must consider the degree of export's response to the exchange rate. Only when the price elasticity of a country's exports is high, exchange rate fluctuations will have a significant impact on export trade. Generally speaking, in international trade, the price elasticity of essential commodities such as minerals and energy is relatively small. In addition, the price elasticity of non-replacement items such as high-tech products is less. Products in fiercely competitive fields, as well as products with low technological content, have more alternatives and have greater price elasticity. Therefore, China's industrial manufactured products do not have high technological content. Most of them are owned by production plants invested by multinational companies in China, and are the lowest part of the international industrial chain. As the price elasticity of these industrial manufactured products is very large, the appreciation of the RMB may also have a certain impact on these industries.

At the same time, it can be seen that the proportion of high-tech products in China's export products is very small compared with developed countries, and not even as many as in developing countries. Although China's high-tech products account for an increasing share of exports, products exported by high-tech companies invested by foreign multinationals in China account for most of the share. China's high-tech products are exported by processing trade, which shows that China's high-tech product export enterprises have low profit levels, and the proportion of independent research and development by enterprises is very small. Once the RMB exchange rate appreciates, certain price changes can greatly affect China's exports, so the adjustment and upgrading of the industrial structure also becomes particularly important.

Secondly, the elasticity of input factors related to the production cost of export commodities will also affect the effect of exchange rate fluctuations on trade balance. First of all, it is necessary to distinguish the source of input factors, which mainly refers to whether the relevant production raw materials come from domestic or foreign sources during the production process of export commodities. Generally speaking, when the production raw materials are completely provided by the country, the impact of exchange rate fluctuations on its prices is neutral, that is, the effect of exchange rate fluctuations will fully affect the overseas market prices of exported goods. In this case, the trade effect of exchange rate fluctuations is inversely proportional to the proportion of imported raw materials in export production, that is, the larger the proportion, the smaller the effect of exchange rate fluctuations and vice versa, the greater the effect of exchange rate fluctuations. .

In China, because processing trade is mostly imported raw materials and machinery and equipment, it is produced in China and then exported, so the proportion of imported raw materials in processing trade is relatively large, which is also caused by the current stage of economic development in China of. With the upgrading of China's industrial structure and the rapid development of basic industries, more raw materials, parts and semi-finished products required for the production of export products will be produced by domestic manufacturers, and the adjustment of the exchange rate will also have a certain expansion effect on its export trade. .

#### **5. Long-Term Effects of Fluctuations in the Real Exchange Rate of the Rmb on China's Trade Balance**

The current theoretical discussion of the long-term effects of exchange rate fluctuations on foreign trade can be divided into two types of neutralism and non-neutralism. The so-called neutral theory means that the influence of exchange rate fluctuations on a country's trade tends to zero over a long period of time. The price competitive advantage formed by exchange rate fluctuations can only exist in the short term, and in the long run various constraints gradually offset the price competitive advantage formed by exchange rate fluctuations. The so-called non-neutrality theory is that exchange rate changes can not only promote the expansion of a country's export trade in the short term, but also promote the long-term and stable development of a country's export trade. Role,

and then promote the sustained growth of export trade. From these two perspectives, it can be found that the long-term beneficial effect of exchange rate fluctuations on the development of foreign trade is not caused by exchange rate changes themselves, but by the exchange rate fluctuations as an opportunity and formed through the conversion of comparative advantages. Therefore, in order for exchange rate fluctuations to promote the long-term development of export trade, certain prerequisites must be met.

First, the export industry should be characterized by economies of scale. Because the price competitive advantage generated by exchange rate fluctuations is only short-term, in order to convert such advantages into long-term advantages, it is necessary to ensure that the export industry quickly forms an industrial competitive advantage that does not depend only on price factors under the short-term effect of exchange rate fluctuations. Obviously, this transformation of competitive advantage must be based on economies of scale. Only if the export industry has the characteristics of economies of scale, the conversion of this competitive advantage can be completed in a short period of time.

Table 2 Johansen Co-Integration Test Results

Inspection object	Characteristic root	Trace statistics	Critical value below 5%	Maximum eigenvalue	Critical value below 5%	No
	0.522 381	99.139 18	54.079 04	38424 95	28588 08	0
1	0.454 378	60.714 24	35.192 75	31503 14	22299 62	1
	0.327 151	29.211 1	20.261 84	20604 16	15892 10	2
2	0.335 505	55.930 81	54.079 04			0
	0.453 230	69.545 79	54.079 04	33205 03	28588 08	0
3	0.283 322	36.340 76	35.192 75			1
	0.353 246	61.503 3	54.079 04			0
4						
	0.286 430	36.663 27	35.192 75			1
	0.498 250	74.328 12	54.079 04	37930 98	28588 08	0
5						
	0.369 791	36.397 13	35.192 75	25393 68	22299 62	1
	0.447 966	69.181 12	54.079 04	32083 84	28588 08	0
6	0.257 606	37.097 28	35.192 75			1
	0.252 527	21.012 05	20.261 84			2
	0.412 860	74.678 78	54.079 04	29287 02	28588 08	0
7	0.355 887	45.391 76	35.192 75	24193 48	22299 62	1
	0.218 245	21.198 28	20.261 84			2
8	0.366 533	62.001 76	54.079 04			0
	0.286 621	39.978 58	35.192 75			1

Second, the exporting country should have a relatively complete industrial system. A sound industrial system is not only an important foundation on which the short-term effects of exchange rate changes depend, but also an important prerequisite for supporting the export industry to realize the conversion of comparative competitive advantages. Only with a relatively complete industrial system can we maintain a reasonable structure and close links between industries and industries. Various chain effects in the process of economic operation can be brought into full play, and the development of the overall national economy can accept short-term exports. At the same time as the development of trade is being promoted, it is counteracting the transformation of the comparative competitive advantage of the export industry.

Third, the accumulation and supply of human and technological capital are the most fundamental factors affecting the effect of a country's long-term exchange rate fluctuations. Since the long-term trade effects of exchange rate fluctuations are achieved through dynamic comparative advantages, the adjustment of the industrial structure is an important material basis on which the trade effects are realized. To promote the improvement of the industrial structure, high-level investment in human and technological capital is an indispensable important factor.

At present, the RMB has appreciated against the US dollar, and there is a trend of further appreciation. In the past, China's currency was actually undervalued. This is a kind of realised financial support. In order to pursue this additional profit, many import and export companies have increased their production inputs, and many constructions are completely unnecessary and repeated. This has given our economy Development and adjustment of the structure of industry and foreign trade have brought great difficulties. At present, the exchange rate formation mechanism is moving towards a more flexible mechanism, which in fact has brought competition pressure to China's import and export enterprises. Enterprises will pay more attention to their own management capabilities, investment in scientific research, and the introduction of talents, which will fundamentally improve the competitive advantage and viability of enterprises, and ultimately make China's trade and industrial structure more reasonable and scientific, which will help balance trade balance. steady development.

## **6. China's Import and Export Trade Policy Recommendations to Deal with Exchange Rate Fluctuations**

Actively expand domestic demand and reduce dependence on foreign trade. Judging from foreign development experience, the dependence of developed countries on foreign trade has gradually declined. Therefore, at the same time as China actively develops opening to the outside world, it must work hard to promote opening up to the interior, actively transform its development strategy, and change from an outward-oriented to a domestic-demand type. The policy of expanding domestic demand can offset external demand that may decline. Although the rise of the RMB exchange rate itself will automatically expand domestic demand, this is far from enough, and this newly increased demand will mainly be demand for foreign products. Generally speaking, China still has a lot of room for policy to expand domestic demand, such as reducing taxes, adjusting individual tax collection points, reducing fees, increasing expenditures, eliminating financing discrimination against private enterprises, and eliminating tax privileges enjoyed by foreign-funded enterprises.

Adjust China's industrial structure and promote the upgrading of trade structure. The structure of foreign trade depends on the structure of production and serves the structure of consumption. The structure of foreign trade needs the support of industrial structure, and the structure of industry needs the structure of foreign trade to drive. The coordination between the two can promote a benign interaction. The formation and adjustment of a country's industrial structure is bound to be affected by the foreign trade structure. At the same time, a country's foreign trade structure is regulated by the state of a country's industrial structure. This shows that a country's industrial structure gains comparative benefits through its foreign trade structure. A country's industrial structure reflects its competitiveness through its foreign trade structure. The experience of developed countries shows that the change in industrial competitiveness is consistent with the trend of highly industrialized structure.

Make reasonable use of China's sufficient foreign exchange reserves to improve the export competitiveness of enterprises. From the analysis of the micro-foundation pressure of RMB appreciation pressure, it can be seen that, because the RMB appreciation pressure is largely derived from a large number of foreign exchange reserves, it is not only possible to use China's current large foreign exchange reserves to import petroleum, grain, mineral sand and technical equipment, such as China's scarce resources and urgently needed technologies Alleviating the pressure of RMB appreciation accumulated by a large number of foreign exchange reserves, and it can improve the production capacity and overall quality of Chinese enterprises, and ultimately be conducive to the export of foreign products, and give full play to the beneficial effect of RMB appreciation on China's trade. Specific ways to consider are the futures reserve mechanism that can establish and improve China's important strategic resources in the international financial market, such as China's scarce resources such as oil, copper, and iron ore, and make necessary preparations to ensure national security.

## 7. Conclusion

At present, although the world economy has gradually recovered from the impact of the global financial crisis, there are still many uncertain and unstable factors affecting development. Although the fundamentals of China's economy are promising in the future, there are also some deep-seated contradictions and problems. Domestic policy adjustments and cost changes, domestic demand and international competitiveness adjustment of exports, weak domestic demand in the United States, and deceleration of global economic growth are the three most important factors affecting China's import and export trade in the future. The degree of reaction of trade variables to changes in exchange rates, interest rates, tax rates, currencies, and prices will directly affect the actual effect of reducing trade surpluses.

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