Upgrading of Export Industry Structure Under China's Economic Uncertainty and RMB Exchange Rate Fluctuations

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Abstract. Since China's reform and opening up, the exchange rate between foreign and domestic currencies and the import and export industry have played a complementary and balancing role. In view of the problems faced by the import and export industry under the current economic situation, this article will study the upgrading of the import and export industry under the new development pattern under the fluctuation of the RMB exchange rate from the perspectives of background, countermeasures, advantages and problems faced by the industry, and provide insights into the post-epidemic era. The import and export market is introduced, analyzed and characterized. In view of the risks and challenges posed by China's economic uncertainty and RMB exchange rate fluctuations to the import and export industry, advance preparation is needed to better carry out industrial upgrades and avoid risks. The import and export market is inseparable from the efforts and cooperation of various industries in various countries. Building a modern industrial system is an important part of promoting development. How can Chinese industries take advantage of RMB exchange rate fluctuations to reasonably upgrade the export industry structure. Explore the rules between the upgrading of the export industry structure and the fluctuation of the RMB exchange rate under the new situation, so as to improve measures for the upgrading of the export industry structure. (The impact of exchange rate fluctuations on RMB output value) Quantitative analysis.

Keywords: Economy RMB exchange rate import and export industrial structure upgrade

1 Introduction

Since China's reform and opening up in 1979, joining the Asia-Pacific Economic Cooperation Organization (APEC) in 1991, and joining the World Trade Organization (WTO) in 2001, more and more Chinese products have entered the international market, such as daily necessities, daily necessities, and consumables. We have fully cooperated with various countries and established international cooperation organizations

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such as BRICS and the Belt and Road Initiative. More and more countries have begun to trust Chinese products. Under the influence of China's strong national power, productivity, military strength and government credibility, some countries and bulk transactions (such as futures, etc.) have begun to accept RMB settlement instead of the previous mainstream foreign currencies such as US dollars or Euros. RMB and offshore RMB are advancing. The recognition in the export market is higher than that of latecomers. The RMB exchange rate is a major factor in the international economic cycle, including cross-border capital, product import and export. To promote China's economic development, it is necessary to upgrade the corporate structure of import and export companies in response to the fluctuation of the RMB exchange rate. The relationship between the fluctuation of RMB exchange rate and trade deficit and surplus is used to analyze how to upgrade the export industry structure.

In the international economic cycle, exchange rate is a very important factor to examine. This article will start from the theoretical connection between exchange rate fluctuations and the development of some industries, analyze the impact of exchange rate fluctuations on the import and export industrial structure, and analyze the uncertainty of economic policies and the fluctuation of RMB exchange rate. rate and volatility spillover effects. Uncertainty about the RMB exchange rate and economic policies can inhibit or enhance economic growth through investment, consumption and output. In addition, as the exchange rate rises and the RMB appreciates, economic growth will slow down. Economic policy uncertainty and RMB exchange rate fluctuations will simultaneously affect the economy. In addition, it is found that external shocks will have different impacts on the economy and various economic sectors, depending on the company's marginal cost structure and the demand characteristics it faces, such as strategic complementarity. Analyze the relationship between the exchange rate pass-through to export and import prices and quantities, and the imported inputs used in production, an important determinant of marginal cost. Using some micro data, it can be shown that there are significant differences in manufacturing and the use of imported inputs and estimated exchange rate pass-throughs. A clear correlation is found between the use of imported inputs and the price response to exchange rate changes. That is to say, the exchange rate is often passed on to prices in industries with high risk (such as import and export), and companies use a larger share of imported inputs. These links are stronger for exports[1].

2 Literature Review

Inresearch on the relationship between import and export industries and exchange rate fluctuations, Feng (2008), Bouvet et al. (2017), Casas (2020) and other scholars Based on the exchange rate transmission theory, it is found that exchange rate fluctuations affect a country's price level by changing the competitive conditions of export enterprises and the price equation of intermediate inputs, thereby changing the country's export industry structure, and there are significant differences in the transmission effect on prices in different export industries. Based on the existing theoretical research foundation, domestic and foreign scholars then studied the effect of exchange rate fluctuations on the export industry structure from an empirical dimension.

In terms of research on the path of the impact of RMB exchange rate fluctuations on the export industry structure, existing research mainly focuses on three main channels: price transmission, international trade, and international capital flows (Xu Weicheng and Fan Aijun, 2012; Fan Zuojun and Lu Xiaoqin, 2013; Liu Dayu , Liu Jinquan, 2015; Wang Songqi, Xu Qian, 2015). In the study of the intermediate path of price transmission, due to the incompleteness and time lag of RMB exchange rate fluctuations in price transmission and structural adjustment of export products, there are significant differences in the competitiveness of different export industries in the international market (Chen Binkai et al., 2010), research by Wang Yaqi and Yu Miaojie (2020) shows that changes in the RMB exchange rate are completely transmittable to the prices of my country's export products, thus forcing Chinese companies to improve the quality of export products and optimize the export industry structure.

3 Analysis of China's Import and Export Market

3.1 Advantages

3.1.1 Upgrading of the Import and Export Market

At present, China's mainstream export market has changed from the original mid- to low-end manufacturing products to mid-to-high-end manufacturing products. In China's foreign trade export market in recent years, automobiles have been a prosperous product, among which commercial vehicles and New energy vehicles occupy most of the market. As of April 2024, 114,000 new energy vehicles were exported, a month-on-month decrease of 8.6% and a year-on-year increase of 13.3%. From January to April 2024, 421,000 new energy vehicles were exported, a year-on-year increase of 20.8%. [2]. As of April 2024, China's total import and export volume has reached US$512.555 billion. So far, China still has a trade surplus, that is, exports are greater than imports, and its export volume and surplus amount rank first in the world.

3.1.2 Upgrading of Financial Technology, Technological Innovation, and Expansion of Sales Channels

Fintech is mainly used in deposits, loans and financing services, payment and settlement services [3]. Through the upgrade of fintech, settlement and structured exchange have become more convenient. Since more social media became popular, media such as Tik Tok independent stations have enabled cross-border e-commerce and online e-commerce to export goods. With the innovation of production technology, cheap and durable Chinese products have been exported overseas. More accepting, more and more useful and cost-effective Chinese products are exported through cross-border e-commerce, such as 3C products, accessories, clothing, etc. More foreign-oriented enterprises have sales channels, and they no longer need to conduct large transactions and can accept retail investors. There can be more profit.

3.1.3 There are More Opportunities for International Exchanges and Cooperation

As China's national strength, productivity, and world influence increase, more and more countries have reached cooperative relationships with China. The Sino-German FAW-Volkswagen Company and the Sino-Japanese FAW Toyota Company under the FAW Group have reached long-term cooperation. Import production lines, import technology, and export materials such as steel and batteries. This has increased China's foreign exchange reserves and cultural exchange opportunities. Under the cooperation of countries along the Belt and Road, China exports a large number of engineering supplies, commercial vehicles and trains, and subway locomotives. For example, the Kuala Lumpur Metro MRT Line 2 in Malaysia is constructed by China Railway and China State Construction Engineering Corporation. Singapore purchases electric buses from Chinese company BYD. Including the member countries of the Asia-Pacific Economic Cooperation, China is in line with international standards, and opportunities for exchanges and cooperation are also increasing.

3.2 Disadvantages

3.2.1 The Current Settlement System has Some Flaws.

The current mainstream currency for settlement transactions is the U.S. dollar. When exchange rates fluctuate, if the cost is too high, it will cause losses to the company. Some countries do not support RMB settlement, which brings inconvenience to the export industry to a large extent. When the RMB appreciates, it may lead to a decrease in export competitiveness, and many countries or customers may not accept this. It is easy to understand that many companies and companies do not perfect the exchange rate matching work, which often leads to difficulties and obstacles in transactions. In particular, some foreign-oriented manufacturing companies or OEMs of some cross-border companies will encounter losses, lose customers, or even go bankrupt due to fluctuations in exchange rates.

In fact, many companies have actually made plans to deal with exchange rate shocks in the face of exchange rate fluctuations. Many companies take this opportunity to increase research and development efforts and purchase new patents, production lines or technologies. Want to bring profits through the upgrading of products, such as buying chip technology and integrated circuit technology. However, the research and development cycle is too long, causing some plans to go bankrupt.

3.2.2 Debt Problems Caused by Exchange Rate Fluctuations

In recent years, the scale of international loans has continued to expand. In import and export transactions, in most cases the buyer or seller does not have the ability to pay the settlement in full, which involves financial borrowing. When exporting, when the RMB depreciates, more loans need to be repaid, and the extra The exporter or importer often needs to bear the part, which will reduce profits or cause losses. Even the down payment or deposit for some transactions is also an advance. Facing the pressure brought by various force majeures such as RMB depreciation and foreign debt defaults, some companies' economic burden is constantly increasing and they will face the risk of bankruptcy. The downturn in the import and export industry will also have some adverse effects on the international financial market.[4]

4 The Impact of China's Current Economic Policies on the Import and Export Industry and Exchange Rate Fluctuations

4.1 Theoretical Analysis

China's deposit interest rates are currently on a downward trend. The reduction in interest rates will indirectly affect the fluctuation of the exchange rate. Through the "no-arbitrage equilibrium" theory, low interest rates will lead to an increase in the amount of domestic currency and a decrease in the share of foreign currencies. Before this, the Federal Reserve was As interest rates rise, more people buy U.S. dollars to deposit money. For this reason, Hong Kong, China, is also following the Fed's footsteps in raising interest rates. People from mainland China begin to go to Hong Kong, China, to deposit money. The decline in the interest rate of the local currency will briefly lead to the depreciation of the exchange rate between the local currency and the US dollar, and the depreciation of remittances will directly affect the import and export industry, which will lead to the inability to repay foreign currency loans or losses. Export companies in Hong Kong, China, can make profits through this. When the exchange rate of the Hong Kong dollar increases, the interest rates of Hong Kong banks will also be indirectly affected. This will lead to more mainlanders going to Hong Kong to deposit money, creating a vicious cycle.

4.2 Actual Situation

Although the RMB exchange rate continues to fall, the import and export industry is still on the rise. It responds to RMB exchange rate fluctuations by increasing prices, using RMB settlement or other methods. With the depreciation of the RMB exchange rate, more countries or companies support RMB as the settlement currency unit. For example, the settlement units for China's new energy passenger vehicles in the Middle East and Arab regions are mostly settled in RMB, including many bulk transactions, such as crude oil, natural gas, etc. in the Middle East, and some futures are settled in RMB, with the increasing recognition of RMB. , many industries in the United States or the European Union have also begun to accept RMB settlement. For example, the German side of FAW-Volkswagen mentioned in this article, or the French side of Dongfeng Citroen both accept RMB settlement. In addition, many countries' imports from China are settled in U.S. dollars, which replenishes China's U.S. dollar foreign exchange reserves. As a result, the exchange rate fluctuates and the RMB exchange rate appreciates in real time. This has also led to the fact that although the exchange rate has fluctuated, it has not affected the normal operations of some companies. Through the internal asset allocation of the company, under the survival of the fittest, many companies have gone bankrupt or learned from their losses and continued to make profits.

5 Conclusion and Suggestions

5.1 Conclusion

To sum up, when the RMB depreciates, the export volume and output of some of the above-mentioned industries will decrease. In the long run, the depreciation of the RMB will not bring about economic growth, nor will it help the introduction of technology, and will It will affect the economyand has no practical help in improving my country's economic development, optimizing and adjusting the upgrading of my country's export industry structure. When the RMB depreciates sharply, it will not help the economy and will harm China's high-tech development.[5]

When the RMB appreciates and the RMB exchange rate appreciates, it will have a greater positive effect on the output, added value and export volume of some domestic industries such as manufacturing and technology. But at the same time, there will also be a slight decrease in exports to some industries. Although the appreciation of the RMB exchange rate may not necessarily promote economic growth in the short term, it will be helpful to optimize and upgrade the export industry structure.[6]

From a long-term perspective, the appreciation of the RMB exchange rate can optimize the industrial structure and promote economic growth to some extent.Policy Recommendations.[7]

The People's Bank of China (i.e., the Central Bank of China) should raise interest rates, lower loan interest rates, make companies more confident in operating or investing, and increase the share of government bonds, thereby shrinking the circulation of RMB. For Hong Kong, offshore RMB should be more regulated, and Protecting the circulation of the New Taiwan dollar, Hong Kong dollar, and Australian dollar in Taiwan, Hong Kong, and Macau, that is, shrinking circulation, has caused the appreciation of the exchange rates of five currencies, including the RMB and offshore RMB, against foreign currencies, thus making my country's foreign exchange reserves richer. At the same time, our country should improve its foreign exchange supervision system so that cross-border capital and other companies cannot achieve capital flight and arbitrage, and protect our country's foreign exchange market.[8]

Appropriately increase customs duties on some foreign goods to attract foreign currencies for China's foreign exchange reserves and protect Chinese domestic enterprises. When encountering exchange rate fluctuations, that is, the depreciation of the RMB, they can avoid bankruptcy, thereby preventing the reduction of jobs and allowing more people to Multiple people can have jobs and collect more taxes. It also encourages enterprises to conduct R&D and technological innovation when the RMB exchange rate fluctuates, so that Chinese enterprises going overseas will have more competitive products and brand effects, thereby increasing the international recognition of Chinese brands. Help China's export industry go further and become more stable under the international economic cycle and competition in domestic and foreign financial markets.

Enterprises should continue to work hard to go overseas, strive to build the popularity of Chinese brands, and increase the dominant position of import and export enterprises in the import and export industry structure. Under the new development pattern, China's export enterprises should continue and actively promote the upgrading of the internal structure of the industry, comprehensively and continuously change themselves, have accurate judgments on both domestic and international markets, and have good market operations. and management capabilities. While conducting research and development and technological innovation, we should strive to obtain new patents, possess the ability to possess intellectual property rights, form a competitive advantage in the industry, make full use of the opportunities brought by the appreciation of the RMB, and continue to participate in international competition.

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