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The Impact of RMB Internationalization on China's Import and Export Trade

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Abstract

RMB internationalization will have many impacts on China. This article will discuss the advantages and disadvantages of RMB internationalization on China's import and export trade based on the current level of RMB internationalization and China's participation in the world economy. The rise of the RMB's status has also increased the attractiveness of capital and reduced the continuous flow of money. In addition, the internationalization of the RMB can actively promote the adjustment of national economic results and trade structure. What's more, the internationalization of the RMB can also provide positive leeway for monetary policy. However, the upgrade of RMB exports will significantly reduce the competitiveness of traditional industries and have a particular impact on the stability of the current financial market. China's foreign exchange reserves will also suffer huge losses. In order to make the research perspective more systematic and comprehensive, this paper sets up a specific model based on theory, extensively collects data for empirical testing, and draws corresponding conclusions. On this basis, the research conclusions of this paper are made, and specific countermeasures and suggestions are put forward.

JEL Classification: G13, G10, G8

Keywords: RMB internationalization, Exchange rates, Imports, Exports

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1. Introduction

In recent years, China's economy has continued to maintain medium-to-high speed growth, foreign trade has increased, trade surplus has continued to expand, and the international voice of RMB valuation is steadily increasing. The exchange rate is the exchange rate between two currencies. It is a bridge that connects world trade and economic development. At present, the impact of changes in the RMB exchange rate on China's international trade is also increasing. With the rapid growth of China's economy, GDP has developed rapidly. China should continue to use foreign exchange to trade in the international market. As a result, issues related to the internationalization of the RMB have become increasingly apparent. The so-called RMB internationalization refers to the process in which countries around the world use RMB for commercial trade, and all countries regard RMB as an important form of currency for foreign exchange reserves. China's import and export trade has a significant impact on China's domestic economic growth.

From 2017 to 2020, the RMB exchange rate against the U.S. dollar has experienced multiple large-scale two-way fluctuations, with an operating range of 6.0-7.2. The main factors affecting the large fluctuations in the exchange rate range during this period include the difference in the level of economic growth between China and the United States, the balance of payments, the spread between China and the United States, and the trend of the US dollar index (Zhang, 2020). Since the second quarter of 2020, the United States has introduced fiscal stimulus policies and extremely loose monetary policies. Currently, the US federal funds target interest rate level continues to be at a historical low of 0-0.25%. Since May 2020, the U.S. dollar index has continued to fall sharply, dropping to about 90 points from about 100 points. There was a small rebound in October-November 2020. After bottoming out in January 2021, there was another rebound until the end of March 2021 (Song, 2021). It can be seen that the depreciation of the U.S. dollar since April 2021 is only a stage in the depreciation trend of the U.S. dollar since May

last year. There is no suddenness, and it is basically in the market's expectations. In view of the fact that most commodities are priced in U.S. dollars, the pressure on the U.S. dollar index from rising commodity prices has continued since the second quarter of last year.

At present, the global economy is still facing uncertainty, but the RMB can maintain strong stability in it for three reasons: First, the resilience of the Chinese economy. Faced with the sudden impact of the epidemic and the increasingly severe external environment, China's economic and social system is very resilient. Not only has the epidemic prevention and control battle achieved major strategic results, but also has achieved remarkable results in adapting to the normalization of the epidemic and promoting economic and social development. The real economy and foreign trade have achieved positive growth, and the actual use of foreign capital has reached a new high, providing a good economic environment for the internationalization of the RMB. The second is the stability of the value of the RMB. Under the impact of the epidemic, the international financial market experienced huge turbulence, and market panic rose sharply. Central banks of major countries and regions initiated ultra-loose monetary policies and carried out unconventional countercyclical operations. While China's monetary policy is in a normal range, the RMB interest rate exchange rate is relatively strong. The third is the continuous deepening of international cooperation. Since 2008, the People's Bank of China has signed bilateral local currency swap agreements with central banks or monetary authorities in more than 30 countries and regions, covering major developed and emerging economies around the world as well as major offshore RMB markets. Bilateral currency swaps not only help promote trade and investment facilitation and guarantee the supply of RMB liquidity, but also enhance the RMB's ability to withstand risks and enhance overseas confidence in the RMB (Song, 2021).

This article summarizes the process of RMB internationalization, the reasons why China wants RMB internationalization, and a theoretical summary of the advantages and disadvantages of RMB internationalization, which lays a solid foundation for the subsequent analysis. For

RMB internationalization, the process of RMB internationalization will first affect China's exchange rate. Therefore, it is most direct to analyze the impact of RMB internationalization on China's import and export trade from the perspective of exchange rates. This paper will select two indicators of import and export volume and exchange rate, and use the data of various indicators to study the impact on China's international trade. Finally, in view of the existing problems, combined with the theoretical and empirical test results, policy recommendations on how to promote business development are put forward to promote the development of international trade.

2. Literature Review and Hypotheses Development

2.1 Theoretical research on current process of RMB internationalization

2.1.1 China's current account surplus and share of total world exports

First of all, I would like to explain the current process of RMB internationalization. Alicia (2011) use mathematical models to research on China's current account surplus and China's share of total world exports, and find that in any case, the actual value of the RMB exceeds 20% of its own. He discovers the fact that the RMB may become the reference currency in Asia sometime in the next few years. This also means that in a world where risks are increasingly diversified, the RMB will be seen as a suitable asset, especially considering the already high and growing weight of the Asian region in the global economy. The reason is that, apart from the yen, not many candidates can compete for this role, and with the decline of Japan's economic strength and regional influence, this kind of competition has also diminished over time. However, he mentioned that RMB has not yet played a role in official functions, such as reserve currency, intervening currency or even pegging the exchange rate. Therefore, the internationalization of the RMB still has a long way to go.

2.1.2 The degree of currency internationalization

Chen and Hu (2013) established the RMB Internationalization Index (RII) to evaluate the degree of currency internationalization. They calculated the RII levels in 2010 and 2011 and found that RII increased sharply in the past two years. Although compared with the currencies of developed countries, the RMB is far from being fully internationalized. However, with the continuous development of China's economy, China's participation in the world economy has become higher and higher, and the use of RMB in the international market has become more and more widespread.

2.2 The reasons why China wants to internationalize the RMB

2.2.1 The biggest dollar asset holder of the world-China

Secondly, I want to discuss the reasons why China wants to internationalize the RMB. Gao (2013) used the chart of China's foreign reserves to show that China now has become the biggest dollar asset holder of the world. China's desire for currency internationalization is due to the long-term instability of the international monetary system. The recent global financial crisis has intensified China's impulse to get rid of the so-called "dollar trap." First of all, China, like many other emerging Asian economies, is subject to the so-called "dollar standard": the U.S. dollar is the dominant currency in China's trade settlement and exchange rate baskets and serves as the main reserve currency. The dominance of the dollar is certainly not the original intention of US policy. However, in the past few decades, the export-oriented strategy and the weak and small domestic financial market in China have become the main source of excessive accumulation of reserves. Second, the recent financial crisis has put China in a situation of huge potential capital losses. While the world is complaining that China's excessive saving has led to global imbalances, China is suffering from a shrinking of its wealth, mainly in the form of US Treasury assets.

2.2.2 The recent efforts of Chinese government

Kwon (2015) explained the recent efforts of the Chinese government to realize the internationalization of the RMB. China's status as the world's second largest economy and its foreign exchange reserves of over US$3.9 trillion can make great use of China's currency power. As the United States relied heavily on China's financial support after the recent financial crisis, China tried to take advantage of this financial advantage. China may seek to influence decisions regarding future restructuring of the international monetary system. If the RMB becomes a global currency, the US dollar's status as the world's number one currency will be

compromised, and the hegemony of the United States in the international political economy may be challenged. However, the intention of Chinese policymakers is not to replace the U.S. as the supreme currency, but to increase China's policy autonomy. Since the internationalization of the RMB requires large-scale financial liberalization in China's domestic economy, which may threaten the vested interests of domestic groups, China adopts a global and regional dual-track strategy to gradually promote the internationalization of the RMB.

2.3 The advantages and disadvantages of RMB internationalization

2.3.1 China’s foreign exchange reserves

Finally, I would like to discuss the advantages and disadvantages of RMB internationalization for China and the world. Yu and Gao (2011) concluded that the continuous increase in US current account and budget deficits after studying previous literature means that China’s foreign exchange reserves may suffer considerable capital losses. Due to the fragility of China's financial system, China will not be able to fully open its capital account. In addition, due to China's shallow financial market and insufficient liquidity, it is unable to provide potential foreign investors with attractive financial tools. Therefore, to realize the internationalization of the RMB, China must accelerate the development of the financial market.

2.3.2 Annual growth rate of the real GDP of China

Wen and Yao (2010) perform a study with the data of annual growth rate of the real GDP of China and the world and with reviewing recent literature. This study investigates China's GDP is growing in the world rankings. Therefore, the use of RMB in the international arena will greatly increase in the next few years. As a country's trade volume increases, the country's currency will be used more frequently in international transactions, thereby further promoting currency circulation. The importance of currency in the international market is directly related to

its proportion of world trade. If a country's enterprises participate in international trade more frequently, then the country's currency is more likely to be used for payment, settlement and storage. In recent years, China's international trade has developed rapidly, and imports and exports have maintained rapid growth, which has led to a continuous increase in the trade surplus. The internal conditions for RMB internationalization include strong economic growth, stable prices, comparative advantages in international scale, and highly developed financial markets. External conditions include foreign countries' confidence in the stability of the convertible system, as well as maintaining a reasonable current ratio and a healthy balance of payments.

2.3.3 The impact on China's economic growth

Ma (2009) uses the IS-LM model to analyze the impact of RMB internationalization on China's economic growth. As the demand for RMB from overseas continues to increase, China's national income has declined. The reason is that, on the one hand, the continuous increase in demand for RMB from abroad has caused an increase in interest rates. The increase in interest rates reduces domestic investment, and the decline in investment ultimately affects the growth of China's national economy. At the same time, the continuous appreciation of the RMB exchange rate in the process of RMB internationalization will affect China's exports. For China, which is increasingly dependent on foreign countries, the decline in exports will cause China's total demand to be greatly affected, thereby causing China's national economic growth rate. affected. The outflow of RMB is an increase in China's external liabilities. With the RMB in their hands, foreign residents can at any time require China to repay their debts by purchasing Chinese goods. In the process of RMB internationalization, because the amount of RMB outflow is uncontrollable, the management of the scale of China's government's foreign debt is out of control, and the timing of the return of foreign RMB is uncertain, resulting in the repayment

period of the Chinese government's foreign debt. It is also beyond control. If, due to reasons such as the RMB exchange rate, the RMB accumulated by foreign residents suddenly returns on a large scale, this is equivalent to a large amount of foreign debt suddenly maturing, which will have a great negative impact on China's economy.

2.3.4 RMB-related exchange rates

Liu (2012) analyzed the current composition of international reserve currencies and their degree of influence from an empirical perspective. The results show that economic aggregates, imports and exports, and financial markets are the basic factors that affect the current composition of international reserve currencies. The share of major currencies in reserve holdings is also affected by factors such as inflation and exchange rates. Based on the results, he analyzed and compared the economic conditions of China and other major international currency countries and concluded that the initial conditions for the internationalization of the RMB have been met. Wang and Chang (2019) use the DCC-GARCH model to investigate how China and international policies and situations, including RMB internationalization, US QE, European Debt Crisis, Brexit, and Abenomics, influence co-movement of the USD/CNY and SDR/ CNY exchange rates from 2010 to 2017. Then they found that although RMB-related exchange rates are still significantly affected by domestic policies, they are also affected by international policies and situations.

2.3.5 The internationalization of the RMB

Yu (2012) analyzes the internationalization of the RMB through the study of RMB exchange rate fluctuations. Some time ago, the RMB exchange rate continued to depreciate. Many foreign scholars believe that due to the deterioration of China's economic situation, the market has generated expectations of RMB depreciation. It is this anticipation of devaluation that has led to the actual devaluation of the RMB. This view is not entirely wrong, but it is a

vague theory that deviates from China's exchange rate formation mechanism. First, China has not seen the withdrawal of foreign direct investment and other long-term capital. Secondly, after 11 consecutive trading days of small depreciation, the RMB exchange rate has returned to the path of small appreciation. During this period, the market's expectations of China's economic prospects and government policies have not changed. Enterprises and banks reduced their holdings of RMB assets and increased their holdings of US dollar assets are the main reasons that led to China's balance of payments deficit, which in turn led to the decline of the RMB exchange rate.

Hypothesis 1: The benefits of RMB internationalization outweigh the disadvantages for China.

Hypothesis 2: RMB exchange rates have a positive impact on China’s Imports and have a negative impact on exports.

3. Data and methodology

The research on the impact of RMB internationalization on China's import and export trade mainly includes two parts: theory and reality. The theoretical part has related views about the internationalization of RMB and associated ideas about the impact of RMB exchange rate changes on import and export trade. The empirical part uses data and related formulas to analyze the relationship between the RMB exchange rate and import and export trade.

The data are shown in Table 1. This paper uses EVIEWS8.0 software to obtain preliminary descriptive statistical results of RMB international payment market share. It selects China's monthly data from January 2012 to December 2020 for a total of 108 months. The original data of China's total imports and total exports and the exchange rate of RMB against the US dollar come from Bloomberg. And the data of China and the United States GDP from 2012 to 2020 are selected from the National database.

According to the Marshall-Lerner condition, it reveals the relationship between the depreciation of a country's currency and the degree of improvement in its trade balance. When the sum of export elasticity and import elasticity is greater than 1, the Marshall-Lerner condition is met, and currency depreciation is conducive to improving the trade balance. Whether a country's currency depreciates relative to other countries currencies and enhances the country's trade balance depends mainly on the elasticity of demand and supply of traded goods. Four specific elasticities need First, the demand elasticity of other countries' export commodities. Second, the supply elasticity of export commodities. Third, the elasticity of demand for imported goods. Fourth, the elasticity of the supply of imported goods. On the assumption that a country is under-employed and has enough idle production resources to make the supply of export commodities fully elastic, the effect of devaluation depends on the elasticity of demand. Demand elasticity refers to the degree of change in import and export demand quantity caused by price changes. If the quantity change is more significant than the price change, the elasticity

of demand is more powerful than one. Conversely, if the quantity change is less than the price change, the elasticity of demand is less than 1. If Dx is used to denote the demand elasticity of other countries for export commodities from depreciating countries, and Dm is the import demand elasticity, then when Dx + Dm> 1, when the sum of export demand elasticity and import demand elasticity is greater than 1, depreciation can improve the trade balance, which is the Marshall-Lerner condition. The economic conditions of developed and developing countries are different, and the degree of application of the Marshall-Lerner condition is also very different. Most of the imports and exports of industrialized developed countries are manufactured products with high demand elasticity, and the prices of these products are greatly affected by currency depreciation. The difference is that most of the imports and exports of developing countries are semi-finished products or raw materials with low demand elasticity. The prices of these products are primarily priced in US dollars or other currencies, so currency devaluation has little effect. It can be seen that the theory of improving the balance of payments through exchange rate changes does not apply to the existing economic conditions of developing countries. When developing countries adjust the structure of their imports and exports, from primary products with lower export demand elasticity to finished products with higher export elasticity, they improve their balance of payments through changes in exchange rates.

$$Ex+Em>1$$

$$\Downarrow$$

$$dT/de>0$$

According to the basic theory of microeconomics, the main variables affecting import and export demand are the relative prices of import and export commodities and the actual income levels of domestic and foreign consumers. Assuming that the substantial income of domestic and foreign consumers remains unchanged, the main factor affecting the prices of import and export commodities is the exchange rate. Currency depreciation, the foreign currency

price of exported goods will fall, while the domestic currency price of imported goods will rise, the export volume will increase, and the import volume will decrease. This paper will conduct a regression analysis on various variables to explore the relationship between the RMB exchange rate and China's import and export trade. The export value, import value and nominal exchange rate calculated in 2012-2020 US dollar prices in the table are respectively logarithmically transformed, and the transformed values are respectively substituted into the regression model. Based on the above theoretical analysis and data analysis, the national income and RMB exchange rate are used as independent variables, and import and export trade are dependent variables to establish a measurement model.

The export demand function is: C1=C1(E, GDP2)

Import and export demand function: J1=J1(E, GDP1)

China's exports are C1, imports are defined as J1, the US GDP is GDP2, and China's GDP is GDP1.

In the process of empirical analysis, the influence of heteroscedasticity on the regression results can be avoided by taking the logarithm of the variable. Take the logarithm for both sides of the above equation, namely Ln(E), Ln(C1), Ln (GDP1), Ln (GDP2), Ln (J1) can establish the following regression equation, that is, the basic model of empirical analysis:

$$Ln(C_1) = \beta + aLn(E) + bLn\ (GDP_2)$$

$$Ln(J_1) = \beta + aLn(E) + bLn\ (GDP_1)$$

4. Results and discussion

4.1 Main Results

The results of correlations are shown in Table 2. As shown in the table, the asterisk in the upper right corner of the value represents the P-value. The general standard table format for correlation analysis is: P-value is represented by *, P <0.01 is represented by 2 * signs, P <0.05 is represented by 1 *. According to the Pearson test, the significance is less than 0.05, indicating a correlation, which means that the RMB exchange rate is correlated with import and export trade. Looking at the correlation values are 0.332 and 0.21. According to regulations, as long as the correlation is greater than 0, it is positive. As the RMB exchange rate increases, import and export trade will increase.

The results of our regressions are shown in Table 3. It can be seen from Table 3 that regardless of the regression estimation method, the change in the RMB exchange rate level is significant for China's import trade. From the perspective of the regression coefficients, the absolute value of the regression coefficients of the four methods reaches about 2, in which the exchange rate is a single factor. The total value of the regression coefficient of the level is the largest, and they are all significant at the 1% level. From the perspective of the positive and negative regression coefficients, the appreciation of the real effective exchange rate has had a negative effect on China's imports. For every 1% appreciation of the RMB's real effective exchange rate, China's import trade will decrease by about 2%. The emergence of this situation is inconsistent with the traditional international trade theory and needs to be explained by the actual situation in our country. The impact of China's import trade is only significant under the single-factor level of exchange rate volatility, but the coefficient is only 0.023. This may be due to the fact that the exchange rate level change has a specific effect on the volatility change when

the exchange rate level changes and the exchange rate volatility changes. This effect offsets the impact of volatility on import trade.

The impact of changes in the RMB exchange rate level on China's export trade is only significant in the regression results of the exchange rate single factor and the core equation. From the perspective of the regression coefficient, the absolute value of the regression coefficient at the single factor level of the exchange rate is almost 3, during the regression coefficient in the core equation. The total weight is 0.25, and both are significant at the 5% confidence level. This shows that the change in exchange rate volatility has an impact on the level of the exchange rate, which has an effect on export trade, and the impact of this effect is in It becomes smaller after adding the control variable. From the perspective of the positive and negative regression coefficients, the appreciation of the real effective exchange rate has a negative effect on China's export volume. This is consistent with the traditional international trade theory and will not be explained too much. The impact of changes in exchange rate volatility on China's trade is significant at the level of exchange rate volatility factors and core equations. From the perspective of regression coefficients, the regression coefficients of the two estimation methods are both at zero. About S, this means that for every 1% increase in the real effective exchange rate volatility, China's import trade will decrease by about 0.5%, which indicates that the exchange rate risk caused by exchange rate volatility has an adverse effect on China's exports.

4.2 Additional results

Taking 2012 as an example, the elasticity of China’s export commodity demand to changes in the nominal exchange rate is 2.3764, that is, every 1% depreciation of the RMB exchange rate can increase China’s export revenue by 2.3764%. On the contrary, every 1% appreciation of the RMB will reduce export revenue. 2.3764%. The elasticity of demand for imported goods in

China to changes in the nominal exchange rate is 1.3091, that is, for every 1% depreciation of the RMB exchange rate, China's import expenditure will decrease by 1.3091%. On the contrary, for every 1% appreciation of the RMB, import expenditure will increase by 1.3091%. The sum of the elasticity of demand for China's import and export commodities is 3.6885, which is far greater than the critical value of 1 in the Marshall-Lerner condition, indicating that China's import and export commodities fully satisfy the Marshall-Lerner condition, and exchange rate changes have a significant impact on import and export trade. We respectively substitute the exchange rate changes and the import and export volume values in the first, second, and third years afterwards to find that the impact of RMB exchange rate changes on exports is relatively long-lasting, and lasts until the third year after the exchange rate changes. Every 1% depreciation of the exchange rate can increase exports in the first year after the exchange rate change by 1.1212% over the previous year, in the second year it will increase by 0.8652% over the first year, and in the third year it will increase by 0.7531% over the second year. By the fourth year after the exchange rate change, this effect became very small, only 0.4215%, and the correlation was poor. In contrast, the time period for which exchange rate changes have a significant impact on imports is relatively short, the current year of exchange rate changes and the first year after the Imports in the first year decreased by 0.9613%.

5. Conclusion

Comprehensive theoretical analysis and empirical analysis show that: First, the long-term stability of the level of RMB internationalization, exchange rate fluctuations and expectations, and the level of Sino-US trade balances can be used to make short-term forecasts; second, the current acceleration in the internationalization of the RMB has triggered expectations for the appreciation of the RMB exchange rate. However, in the long run, the increase in the internationalization of the RMB will drive the devaluation of the RMB and make the foreign exchange market form an expectation of depreciation of the RMB. The reasons for this result may be policies have not promoted the internationalization of the RMB Significantly increase the confidence of international investors in the RMB. At present, the degree of RMB internationalization is still low, and its effect on the exchange rate is lagging. Domestic trade accounts for a high proportion of the total international trade of RMB. Excessive historical appreciation, over-adjustment or overvaluation of the exchange rate, etc.; third, the stability of the exchange rate at a reasonable equilibrium level promotes the internationalization of the RMB and the healthy development of Sino-US trade. The influence of the exchange rate on the Sino-US trade balance is complicated. The United States blindly urges the RMB Appreciation does not meet its expectations of improving the US-China trade deficit; fourth, there is a positive relationship between the RMB exchange rate and the RMB exchange rate in the foreign exchange market in the short-term, but the stability and significance of this positive relationship in the long-term have declined. The relationship between exchange rate and exchange rate expectations is still to be further studied; fifth, the internationalization of the RMB and Sino-US trade balances affect each other, the expansion of Sino-US trade balances, and the improvement of China’s economic strength, can promote the RMB's global trade settlement function in the long term, the development of the RMB has led to the internationalization of the RMB, but this role is not obvious in the short term. Conversely, the internationalization of the RMB is also

conducive to the development of Sino-US trade and increase China's import and export trade volume; sixth, in the RMB, the interaction of internationalization, exchange rates, and Sino-US trade balances, the impact of exchange rate fluctuations plays a dominant role.

6. Contributions and Limitations

6.1 Contributions

The rise of the RMB into an international currency is conducive to establishing a diversified international currency system and avoids the disadvantages brought about by the US dollar as a single international currency. The internationalization of the RMB is also conducive to solving the problem of the mismatch between China's economic development and the international status of the RMB. Therefore, research on the internationalization of the RMB has certain practical significance for our country and the international community. The degree of economic globalization is increasing rapidly, and the economic, trade and financial ties between countries are getting closer. However, as China's economic development enters a new normal, China's foreign exchange market construction is not yet perfect, and the Sino-US trade balance continues to expand but trade frictions continue. Continue to accelerate the internationalization of the RMB, whether it has significant advantages or disadvantages, whether the construction of exchange rate marketization can promote the development of foreign trade and promote the internationalization of the RMB, and whether the sustained long-term surplus of Sino-US trade balance can bring about a surplus of benefits, etc., are all right. The formulation and implementation of China's economic policies put forward new requirements. In addition, the direction of the influence of each variable is uncertain. This article uses qualitative and quantitative analysis to explore the background of the period of strategic opportunities for RMB internationalization, the continuous improvement of the RMB exchange rate formation mechanism, the continued expansion of Sino-US trade support, and the constant trade frictions. Next, conduct research on RMB internationalization, Sino-US trade balance, exchange rate and its expected impact mechanism and linkage mechanism, propose practical policies for advancing

RMB internationalization, promote exchange rate market reform and Sino-US trade balance issues Workable suggestions.

6.2 Limitations

In the selection of article indicators, other more representative and comprehensive indicators can be selected, such as the degree of RMB internationalization. The current academic and practical circles have different calculations and measurements of the RMB internationalization degree, and some are useful. An indicator represents the degree of RMB internationalization, such as the share of RMB settlement in cross-border trade, the balance of Hong Kong's offshore RMB deposits, the market share of RMB foreign exchange reserves, etc. Some use the comprehensive RMB internationalization index published by authoritative institutions or research institutes, such as RMB International Internationalization Index RII, RMB Global Index RGI, Bank of China Offshore RMB Index ORI, and some use factor analysis or entropy method to measure the degree of RMB internationalization. Due to the limitation of knowledge level, the breadth and depth of the theoretical analysis in this paper are not complete, and the robustness of the empirical results of software operation still needs to be further tested.

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Table 1 Descriptive Statistics

Variables	Number of Observations	Mean	Min	Max	StdDev
Exports	108	118963	7236	387408	102654
Imports	108	100014	5760	233077	92784
RMB	108	1.466535	2.79	0.24	0.665822
Trade	108	2151842	3553827	698232.3	514685.8
GDP	108	21864143	1321103	69360557	12985924
RMB Exchange Rates	108	7.182	6.1143	7.0986	1.109

Table 2 Correlations

	Exports	Imports	GDP	RMB Exchange Rates
Exports	1.00			
Imports	1.00	1.00		
GDP	0.95	0.95	1.00	
RMB Exchange Rates	0.33	0.21	0.35	1.00

Table 3 Main Regression Results

	RMB Exchange Rates	Import	Export
GDP		1.4579*** (0.0534)	3.4263*** (0.2583)
Import	0.210* (0.0921)		
Export	0.332** (2.847)		
Trade		-2.9202*** (0.1724)	-0.2447** (0.2644)
Adj. R-squared		0.9847	0.9454