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THE IMPACT OF RMB EXCHANG RATE CHANGES ON CHINA'S TEA EXPORT TRADE

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DECLARATION

I hereby declare that this thesis is my own work and effort and that it has not been submitted anywhere for any award. As for other sources of information have been used, they have been duly acknowledged.

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The Impact of RMB Exchange rate Changes on China's tea Export Trade

Abstract

China is the birthplace of the world's tea and is the world's largest tea producer. However, in recent years, due to the developed countries have set up strict technical barriers to Chinese tea, which has dealt a blow to China's tea export trade. And is there a relationship between the RMB exchange rate and China's tea export trade? Can we improve the international status of Chinese tea by studying the relationship between the exchange rate and tea export trade? This project examines the problems in the current state of China's tea trade. The first chapter explains the significance of the topic and the research objectives. The second chapter analyzes the relationship between China's tea trade volume, RMB exchange rate and tea production through an extensive literature review. Chapter three describes the research methodology of this study, describes the sources of data and analyzes the data through the knowledge of the research software to develop a research model according to the research direction. Chapter 4 uses Eviews software to analyze the data, using descriptive and empirical analysis to study the role of exchange rate fluctuation of RMB and Chinese tea production on China's tea export trade. Chapter 5 concludes this study and makes relevant policy recommendations for Chinese tea exporters and the Chinese government.

Chapter 1

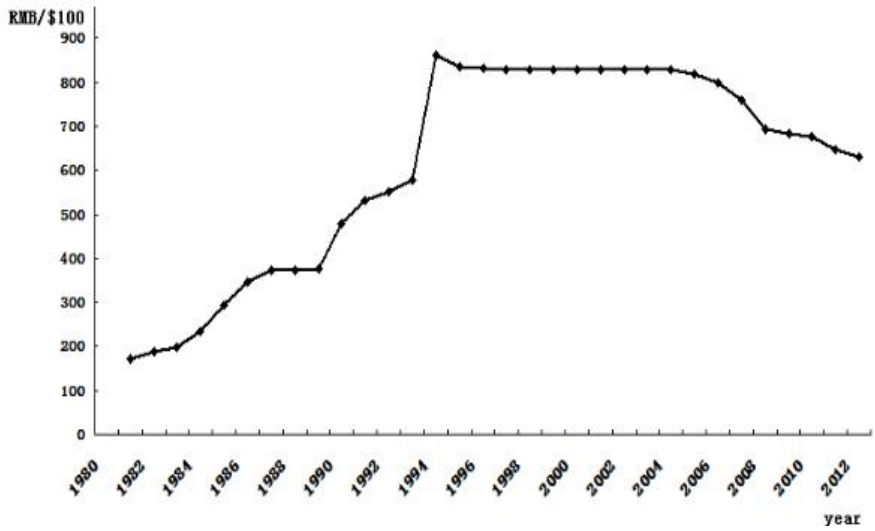
INTRODUCTION

This chapter begins the study with the shaken status of Chinese tea in the international arena, followed by an analysis of the degree of ups and downs of the RMB exchange rate in the current context, a description of the main objectives and significance of the study, and an analysis of the current situation of tea exports and the impact of the appreciation or depreciation of the RMB on China's tea.

1.0 Background

Since the reform of China's exchange rate in 1994, China has been maintaining a trade surplus on the capital account of its balance of payments, and the rapid growth of its balance of payments and foreign exchange reserves has exacerbated trade frictions between China and other countries, resulting in increasing pressure for the appreciation of the RMB(Z., et al., 2020). In this economic background, China joined the WTO, in the economic structure of the existence of a complete imbalance in the state, China in 2005, once again on the exchange rate management mechanism reform, reference to a basket of currencies for regulation, managed floating exchange rate system. This time the exchange rate system basically perfected the defects that appeared in the exchange rate reform in 1994. However, the two-way floating of the RMB exchange rate does not keep the balance of payments in balance, but rather poses a market threat to China's small farming industry (Yue Cheng 2016). With the international tea market supply and demand conditions change, the supply of tea is far greater than the demand, tea trade competition has become increasingly intense, the international tea market competition mode and the degree of competition also greatly affect the instability of the current tea market. So, is there a relationship between Chinese tea and the fluctuation of the RMB exchange rate? This study will analyze this issue. (Dai,2006).

Table 1.1: The average exchange rate of RMB to US dollar from 1981 to 2012
Source: Mbama (2016)



Nowadays, tea is a major drink in the 21st century, and consumers with tea drinking habits are all over the world. As the largest tea supplier in the world, China has a large number of tea export enterprises. As the birthplace of the world's tea, China is also the world's largest tea production and trade, China is the world's earliest tea trade, since the 19th century China has been in the world trade monopoly, China as the world's largest green tea producer and exporter, in 2007 green tea exports 22.4 tons, accounting for 75% of the international tea market, China is also the world's only Oolong tea production and Export base(Riehard,2018). In 2017, tea was exported to 128 countries and regions, 12 of which exceeded 10,000 tons, accounting for 64.8% of the total exports (Yao et al,2006).

Tea is a traditional export industry in China and a pillar industry of local economic development in many regions. It plays a great role in promoting employment, raising the income level of people in mountainous areas and China's economic development. However, China's tea industrialization development is relatively slow, the price competitiveness of tea export is not strong, the added value of tea is small, and the export price of Chinese tea is low, so the comparative benefits in the global value chain are relatively small (Zhu, 2016) . The rate floating of RMB will have a direct effect on the price of Chinese tea export and threaten the international influence of Chinese tea export enterprises.

1.1 Research Problem

China is the birthplace of tea, tea has a long history, has had an extremely profound influence to the world, has declined in China's tea export trade competitiveness in recent years, in the proportion of the world tea exports gradually decline, at the same time, Chinese tea price is relatively low, under the background of the current international tea market supply exceeds demand, China's tea export barriers to international trade and the RMB exchange rate fluctuations of pressure, there are the following problems:

1.2.1 The degree of standardization of exported tea is relatively low

Due to the lack of awareness of tea standardization among Chinese export tea enterprises, tea farmers are even less aware of the standardization of tea. Even though some enterprises have awareness of standardization, they will not fully implement the standard for the sake of pursuing profits in the highly competitive tea market, so the product quality is greatly affected (Zhu, 2016). The quality of Chinese tea exports has been restricted by customs of other countries for many times due to the lack of strict enforcement in accordance with tea standards. Moreover, the standards of Chinese tea are not in line with those of the WTO, showing a low level, which cannot be recognized and accepted by the international market, which also greatly hindering the export of Chinese tea (Yao et al,2006).

1.2.2 Small scale of tea production enterprises

Most of China's manufacturing enterprises are using small-scale business model, lack of effective connection between each production enterprises, shows the diversification of the individual business model, unable to produce a high standard of technology products, lack of integrity in the tea trade, production, processing and sales process, so don't have the advantage of international market risk(Z., et al., 2020). In addition, most Chinese tea producers adopt a loose management model and lack of production and marketing strategies for the world, which makes Chinese tea producers blindly pursue the growth of export volume and export volume, and the difference of export tea products is small (Yao et al,2006). As a result, tea enterprises

compete with each other, leading to the decline of industry profits. The small scale of tea enterprises makes it difficult to give full play to the scale advantage of tea production, which also hinders the improvement of market share of Chinese tea exporters.

1.2.3 Low brand awareness of tea

Because China's emphasis on tea brand awareness is not enough, lead to China's tea in the process of export enterprises, in the face of international market competition situation, did not fully aware of the role of the tea brand in the international marketing competition, formed the Chinese tea brand awareness is not enough, though the quality of Chinese tea is recognized by the world, but not the actual brand recognition, and international brands such as Lipton, Twinings are more easily by the public(Hui, 2014). After entering the market economy, the intensification of market competition and the acceleration of the development trend of global economic integration make the brand strategy significant and its role in tea circulation and communication increasingly important and prominent. In the constantly changing economic environment, people tend to consume according to their brand awareness and loyalty, and tea has entered the era of brand competition (Zhu, 2016) . However, Chinese tea is named after the variety or origin of tea, so this naming method lacks innovation and cannot become a well-known brand (Harvey and Hegerty, 2018). This is the main obstacle that prevents Chinese tea from entering the world market, preventing the export development of Chinese tea.

1.2 Research Aim

Chinese tea is the pillar industry of the economy in many regions. Many tea exporting enterprises help to promote the employment of local population and raise the income level of people in mountainous areas (Z., et al., 2020). They play a great role in promoting social development in the process of China's economic development, but due to the appreciation of the renminbi, Chinese export products, including Chinese tea, are under certain threat in the world market, thus making Chinese tea less competitive internationally (Zhu, 2016). In addition, tea is a very critical industrial chain in China's national economy, and tea belongs to the only source of income for

the mountainous agricultural economy, so either the appreciation of the RMB or a significant increase in production costs will have a negative impact on China's tea exports. Against this background, this study comprehensively and systematically discusses the relationship between the RMB exchange rate and China's tea export turnover, conducts an in-depth analysis of tea export turnover, and discusses the reasons for the decline of China's tea's position in international trade, which is of theoretical and practical significance in promoting the upgrading of tea export trade and the sustainable development of China's tea enterprises(Hui, 2014).

1.3 Research Objective

Tea is one of the representatives of China's long history and culture, and it is also an important factor in foreign trade. However, with the continuous progress of science and the rise of other tea-producing countries, Chinese tea is under increasing stress to compete in the international market. Domestic and international problems have made China's tea exports face great challenges. The quality and safety of tea has become one of the major problems hindering China's tea exports. After the financial crisis, in order to speed up economic growth, countries have been pointing their fingers at China and exerting their pressure on the appreciation of the RMB exchange rate from all sides. Hence, it is needed to investigate and improve the current situation of China's tea outlet business, seek the root cause of the problem, and finally solve the corresponding countermeasures for China's tea outlet (Harvey and Hegerty, 2018). To find a breakthrough for the long-term development of Chinese tea export, in order to achieve greater benefits. Based on the study of relevant export trade and exchange rate theories, this paper combines theory with practice to study the following three objectives:

- RO1: To determine whether RMB exchange rate has significant relationship with China’s tea export trade.
- RO2: To determine whether Tea Production has significant relationship with China’s tea export trade.

1.4 Research Question

- RQ1: Does RMB Exchange Rate has significant relationship with China's Tea export trade?
- RQ2: Does Tea Production has significant relationship with China's Tea export trade?

1.5 Research Hypothesis

The hypotheses are developed based on the following assumptions:

- H1:RMB exchange rate has significant positive relationship with China's tea export trade.
- H2:China's tea production has significant positive relationship with China's tea export trade.

1.6 Significance of the study

China, an ancient country with a long history of thousands of years, is also one of the origins of tea. Tea is also gradually accepted by more foreign people as a representative of ancient civilizations (Riehard,2018). According to statistics, there is a certain demand for tea in more than 160 countries around the world, and more than half of them have the habit of drinking tea, which also provides a vast market for China's tea export. Experts say the tea industry is now one of the most promising industries of the 21st century. One of the representatives of Chinese culture, tea has naturally become a foreign exchange earning commodity for Chinese exports. China accounts for about a quarter of the world's tea varieties and output, and exports between 200,000 and 300,000 tons of tea annually. In recent years, however, China's tea exports have faced increasing difficulties. Since 2008, the RMB exchange rate has continued to rise, and the tea industry, which plays an important role in China's national economy, has been affected by the exchange rate fluctuations to a certain extent (Augustine, 1995).

According to the theoretical analysis of the impact of exchange rate on trade, the

change of RMB exchange rate, especially the appreciation, will inevitably have a great impact on the international competitiveness of China's tea export trade (Z., et al., 2020). In the face of the pressure of currency appreciation of various countries represented by the United States, it is particularly important and far-reaching to correctly understand and analyze China's tea export commerce under the influence of RMB currency rate changes, to uncover the challenges faced by China's tea exports, to strengthen the added value of China's tea exports in the context of globalization, and to gradually enhance the level of China's tea exports, so it is worthwhile for researchers to study and explore (Kong, 2016). Its significance lies in the following three areas:

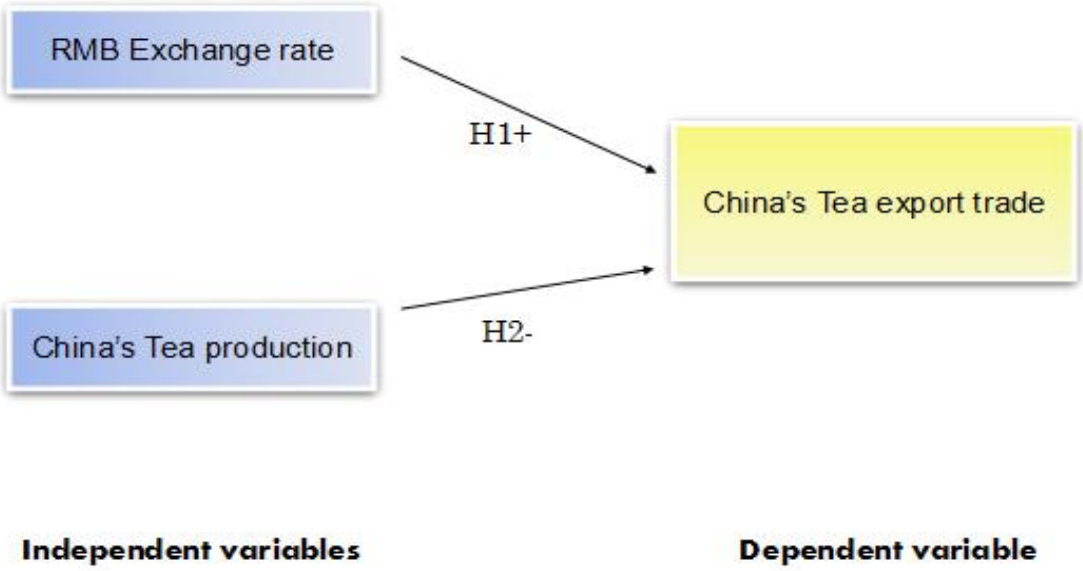
I. It provides an enrichment of knowledge about the theories related to the impact of exchange rate fluctuations on exports and provides theoretical guidance for the effect of exchange rate movements on tea exports (Anon, 2015).
II. This paper analyzes the floating trend of the RMB exchange rate and identifies the correlation with tea export trade, which in turn provides relevant assistance to the country's industries engaged in tea export trade, and also provides theoretical reference for the country to determine the possible risks of exchange rate fluctuations on export trade..
III. To study the trend of continuously rising RMB exchange rate and its impact on tea export trade, it is of special practical significance to optimize the structure of China's tea export trade and improve the level of tea export.

1.7 Scope of study

Using secondary data collected from 1994 to 2017 from the International Statistical Yearbook as a data sample, this paper provides an analysis of the current situation of RMB currency exchange rate volatility and its impact on China's total export volume of tea trade. The main scope of the study is to analyze the influence of the RMB exchange rate on China's tea export trade volume.

1.8 Research Framework:

Table 1.2: Framework



Chapter 2

LITERITURE REVIEW

2.0 Introduction

This part introduces the concept of exchange rate and related theories and analyzes the theory of exchange rate from different angles. A literature review will be conducted to understand the links between exchange rate and trade balance, import and export trade of agricultural goods, and volume of tea exports. At last, the paper summarizes the literature, understands the influence factors of previous studies on tea export, and analyzes the deficiencies in the research literature.

2.1 Basic theories of exchange rate and export trade

2.1.1 Definition of exchange rate

The exchange rate is the ratio of two currencies between countries and strictly represents the price of a country's currency. The exchange rate fluctuation has the direct adjustment function to the country's import and export trade, the country's currency depreciation will directly affect the country's trade surplus, otherwise will lead to the country's trade deficit (Chou, 2000). The exchange rate will also directly affect the country's inflation rate and currency exchange rate as well as the country's economic growth rate (Brahman-Oskooee, 1991). As a part of the international financial theory, the decision theory of currency exchange rate has gone through a process from simple to complex and gradually developed into an independent theory.

2.1.2 Exchange rate related theories

There are many theories about exchange rate determination in the west, such as purchasing power parity theory, mercantilism and exchange rate theory of Marx and David Hume. They analyze the determinants of exchange rate from different angles.

1. Purchasing power parity

First of all, the theory of exchange rate determination based on purchasing power parity was developed by the Swedish economist Gustav Kassel. The core idea is: in a certain period of time, the purchasing power of two currencies determine the exchange rate of two currencies, we can use the price level of two countries to represent the purchasing power of two currencies. In other words, the exchange rate of the two currencies is determined by the ratio of the price levels of the two countries. His theory of purchasing power parity can be divided into absolute purchasing power parity and relative purchasing power parity. Absolute PPP refers to a country's currency and demand because it can be determined by the amount of labor and goods that can be purchased by the domestic unit of currency. Thus, the exchange rate between two countries can be expressed as the ratio of the purchasing power of their currencies. The amount of purchasing power reflects the price level.

According to this relationship, domestic prices rise, which means the domestic currency depreciates against foreign currencies. As a result, more than the absolute purchasing power parity (PPP) is at a certain point in time, refers to the currencies of two countries, to determine the general price level of bilateral business, namely E = PA/PB, among them: E refers to the general level of prices of another country, PA as the general level of prices of a country; PB refers to the general price level of other countries, while relative purchasing power parity (RPP) is the exchange rate between two currencies adjusted for differences in inflation rates. It represents the equilibrium exchange rate between two currencies and is determined by the relative rate of inflation between the two countries.

In general, the purchase parity theory is a more reasonable basis for explaining a country's exchange rate decision. To some extent, it ignores the influence of international capital flows and exchange rates. However, the theory still attracts the

attention of Western economists and is largely used in the mathematical models to predict exchange rate changes.

2. Mercantilism

In the "money supply theory" of exchange rates, developed by Merlins in 1620, the exchange rate is the value of one country's currency represented by the price of another country's currency. When expressed in pounds sterling, he argues that a comparative scarcity of foreign currency would cause the price of foreign currency in England to fall, and a shortage of foreign currency would cause the price of foreign currency to rise. In addition, he argued that speculation is also an important cause of exchange rate fluctuations. In order to keep a country's currency stable, he advocated the policy of exchange control. The exchange rate should be stabilized above an appropriate level, which is known as coinage parity. In contrast, Miserton argued that speculation or devaluation of coinage was not the main cause of currency losses, but the trade deficit was the most important. Therefore, this theory has been referred to as the balanced trade theory. Thomas Meng is not in favor of government banned the production of gold and silver output abroad, he believes, currency and commodity output as long as the export commodity and currency output under the condition of maintain a favorable balance of trade is no different, because he believes that the trade surplus will lead to more money, and the exchange of foreign currency supply and demand impact on a country's exchange rate change is an important factor. Mercantilism regards money as its only wealth. Therefore, they advocated more exports and less imports in order to prevent the outflow of national currency, and even advocated the use of administrative means to prohibit the outflow of national currency. They focus on the use of exchange rate fluctuations to affect the import and export of goods and currencies.

3. Marx's exchange rate theory

Marx's view is that the exchange rate fluctuation of a country will be a comprehensive process, which will be affected by many other factors. When it causes the receipt or payment of external funds, most of the time it will be due to the appreciation or depreciation of the exchange rate of a country's currency, but what does not affect the exchange rate is the cash receipts and payments that the country did not previously trade in currency or the relationship between creditors and debtors,

otherwise the exchange rate will change due to these factors. At the same time, the psychological activity of consumers and the level of interest rates could also be part of the factors affecting the exchange rate. He also argued that exchange rate fluctuations were part of an objective economic movement and that the economic system would remain in balance only if they were compatible with the objectives of economic performance. But exchange rate rises and falls tend to rebalance automatically rather than indefinitely. The exchange rate is also a market price signal. The exchange rate "refers to the status of international balance of payments and market interest rate". The exchange rate, as the price of a kind of currency, can make the monetary units among different countries comparable, and it has a certain translation function.

4. David Hume Exchange Rate Theory

British economists David Hume and Contillon put forward the theory of the point mechanism of coinage. They are based on the quantity theory of money, it is thought that the change in quantity after the price of the goods strictly directly proportional changes will happen,so they think that what affects the exchange rate may be because of the country's trade balance or balance of payments. If the exchange rate falls, then it must be due to a balance of payments deficit, and above a certain limit (COINS) it will lead to gold out of the country, then cast to send the balance of payments adjustment of COINS - lowering import mechanism to stimulate the price along with the price of a country's exports, the flow of the price mechanism in the lower the price at the same time stimulate the country's export trade.

2.2.2 May influence factors of exchange rate

Long-term factors: First, the exchange rate in the international trade balance is the elements of a state of equilibrium of payments movements, in the national export sum total of economic activities is the balance of payments, reflects the foreign exchange world commercial to the change of currency supply, if the trade surplus is likely to increase the supply of foreign exchange market, foreign currency will depreciate, the renminbi to appreciate, on the contrary, the renminbi depreciation pressure will exist. So under normal circumstances, changes in the balance of payments should determine long-term trends in exchange rates. In addition, economic

growth will also affect the balance of payments of a country. When the growth trend of the currency is based on the economic strength of a country, the economic growth rate of a country is higher than that of any other country, which means a high-yielding investment plan, and foreign investors will rush to invest, thus leading to the rise of the national exchange rate. In the 1970s, each country had different economic strength and different degrees of currency appreciation (Yue Cheng 2016).

However, due to the bankruptcy of the Bretton Woods system and the gradual implementation of the world exchange rate system, the degree of dollar depreciation was the highest, mainly because the economic strength of Japan gradually increased, while the economic strength of the United States weakened (Z., et al., 2020). Economic strength is the direct cause of determining a country's exchange rate. In recent years, China's GDP index rise year by year, also constantly improve people's living standard, the promotion of RMB exchange rate has a good growth conditions, increasing the demand gradually help slow rising of RMB exchange rate, international in the continuous upgrading of the status of the renminbi, this is the yuan can remain active one of the important reasons.

Short-term factors: The direct factors influencing the exchange rate is mainly the central bank intervention, macro regulating market economy country central bank balance, this is the main factors influencing the exchange rate directly, in addition to buyers and sellers on the foreign exchange market intervention, participants and the central bank intervention, which is the main market participants, significantly impact on exchange rate of the ups and downs, the appreciation of the RMB, the market in order to control the appreciation of the RMB too fast want exchange rate stability, central Banks need to purchase a certain currency in the foreign exchange market to control, the more foreign currency to buy on behalf of the intervention. Public expectations are also some factors, if the public expected appreciation of RMB exchange rate, then people will reduce the number of holding foreign currency, in order to reduce the loss brought by the RMB exchange rate appreciation and settlement of exchange rate as soon as possible, leads to greater upward pressure on yuan existence, is beneficial to speed up the appreciation of RMB, if the public expect the yuan's exchange rate will decline, people are more likely to hold foreign currency deposit instead of the settlement of exchange.

In addition, according to the interest rate parity theory determined by the exchange rate, interest rate is also a factor affecting the exchange rate. In an open economic system, interest rate changes may affect the exchange rate changes in the process of capital inflow and outflow. For example, when a country raises the interest rate, it means that investors may be interested in domestic financial assets, so the relatively higher return on investment will increase the capital inflow, the foreign exchange market will increase the demand for domestic currency, and finally the exchange rate of national currency will rise. In other words, when the national interest rate is higher or lower than the foreign interest rate, the increase or decrease of the domestic return on financial assets will directly affect the capital inflow, and then the exchange rate will be transformed accordingly.

2.2 Relationship between exchange rate fluctuations and trade balance

Many scholars around the world have different opinions about the impact of exchange rate fluctuations on the trade balance, and many in-depth studies have been conducted on the subject. According to the results of their studies, their views can be divided into two groups: one is the view of scholars who believe that exchange rate fluctuations have an impact on a country's trade balance and the other is the view of scholars who believe that exchange rate fluctuations do not have a significant impact on a country's trade balance.

In studying the impact of exchange rate fluctuations on a country's trade balance, a section of scholars argues that it has been shown through research that exchange rate fluctuations are an important factor in influencing a country's trade balance. Firstly, exchange rate movements can make a country's trade balance better. Paul Krugman (1989), an American scholar, studied the possible effects on the US trade balance by fluctuating the exchange rate of the US dollar. The results show that a real exchange rate depreciation of the dollar improves the trade balance of the United States. Irish

scholar Eleanor Doyle (2001) took Ireland as a subject to study the effect of exchange rate on Ireland's export trade and used an econometric model to analyze the data empirically and the results showed that exchange rate fluctuations have a positive impact on Ireland's export trade. Jinping Dai and Xiaotian Wang (2005) use 22 years of monthly data from 1994 to study the relationship between the real effective exchange rate of the renminbi and China's trade balance. A model is built for empirical analysis and the Marshall-Lerner condition is satisfied. The results prove that when there is a depreciation of the RMB, China's trade situation improves. However, the second view is the opposite, exchange rate fluctuations can worsen a country's trade balance. Dai Shihong (2006) found that by comparing the currencies of the renminbi and the yen, the exchange rate of the renminbi and the yen is related to the bilateral trade balance and when the renminbi depreciates, China will reduce its trade surplus with Japan. In studying the impact of exchange rate fluctuations on a country's trade balance, it is argued that exchange rate fluctuations can have a significant impact on a country's trade balance. Paul Taufiq Choudhry (2005) studied the impact of exchange rate fluctuations on the trade volume of the U.S. and Japan from 1974 to 1998 and found that exchange rate fluctuations had a significant impact on the export volume of the U.S. Arize Augustinec (1995) conducted an empirical analysis of the relationship between the U.S. dollar and exports using U.S. exchange rate and export data from 1973 to 1991, and the results show that exchange rate changes have an elasticity coefficient of 0.015 on U.S. exports, and that exchange rate changes do have a significant impact on U.S. exports.

When asked about the impact of exchange rate fluctuations on a country's trade balance, some scholars argue that exchange rate fluctuations have no significant impact on a country's trade balance. Chinese scientist Ye Yonggang (2006) argues that there is no causal relationship between the real effective exchange rate of the renminbi and China-US trade, and he also empirically explores the relationship between the renminbi exchange rate and China-US trade using the cointegration technique, and he argues that there is no lag effect. Wilson (2005) conducts a study on this relationship and finds that the bilateral real exchange rate has no significant impact on the trade balance between Japan, South Korea and the United States. Import and export costs have no significant impact. Kyriacos Aristotelous (2001) in 1889 to 1999, the relevant data of gravity model, analysis the dollar to sterling exchange rate fluctuations impact

on Britain's exports to the United States, estimates, according to the results of the dollar against the pound currency fluctuations for Britain's exports to the United States was not significant, the influence of the elastic coefficient of exchange rate fluctuations neither significantly negative or positive significantly, the influence factors of exchange rate volatility is not British exports to the US. Pill Horeck (2007) analyzed the correlation between China's export trade to the United States and exchange rate fluctuations in the literature. Dynamic OLS and maximum likelihood estimation were used to effectively establish the long-term co-integration relationship between China's exports and imports to the US and the real exchange rate of RMB. The results show that "the contract of exchange rate elasticity of import and export is 1, and then the real price elasticity of demand is greater than 1". A stronger yuan would balance China's huge surplus with the United States, given that it would continue to drive the overall appreciation of other Asian currencies, suggesting an impact on China's processed exports.

2.3 Relationship between exchange rate fluctuations and agricultural products import and export trade

A number of economists have conducted extensive research on the relationship between exchange rate volatility and agricultural commodities, and based on the final conclusions of their findings, they can be divided into two points, the first being that exchange rate fluctuations do have a significant effect on the balance of trade in agricultural commodities, and the other being that exchange rate fluctuations have little effect on the balance of trade in agricultural commodities.

Scholars have argued that currency exchange rate movements can have a significant impact on the trade balance of agricultural products. So, according to this view, there are two research findings as follows.The first view is that exchange rate fluctuations promote the agricultural trade balance. Ren Xu (2005) use from 1985 to 2003, China's main agricultural products trade in exports, foreign trade partners of the foreign income, the consumer price index and effective exchange rate index data, such as establishing econometric model, calculates the sum of China's agricultural products

import and export demand elasticity is 1.3562, the yuan is good for China's agricultural products trade. The second view is that exchange rate fluctuations have an adverse effect on the agricultural trade balance. Chen Wenhan (2006) argues that with China's reform and opening-up, the foreign agriculture also more and more open, foreign direct investment agriculture and agricultural products import and export are growing rapidly, the influence of the exchange rate change on export-oriented agriculture gradually will be very big, the appreciation of the RMB to the development of China's agriculture and agricultural goods export trade has great pressure. Yu Junlin and Yan Shuiqing (2007) estimated the elasticity coefficient of the effect of RMB exchange rate fluctuations on agricultural trade by building a model. When the RMB appreciated by 1%, China's agricultural exports would decline by 1.09%, and imports would increase by about 1.5%, and China's agricultural trade balance would deteriorate.

Some scholars think that currency rate fluctuations have no significant effect on agricultural trade balance. Ju Ronghua、 Li Xiaoyun (2006) used relevant data from 1992 to 2003 to study the pass-through degree of exchange rate changes to prices. By controlling the price of domestic agricultural products, a model of the pass-through of exchange rate to export price of agricultural products was established. In this case, the exchange rate movements have no significant influence on China's agricultural goods export trade.

2.4 Relationship between exchange rate fluctuations and tea export trade

Most studies on the relationship between RMB exchange rate fluctuation and Chinese tea trade hold that RMB appreciation is unfavorable to tea export trade. Deng (2007) argues that the decline in the price competitiveness of Chinese tea in the market is affected by the appreciation of the RMB, however, this effect also has a lag time.Han Rong and Yang Wenjie (2012) established a time series model based on China's tea export data from 2000 to 2009 to make an empirical analysis. According to the model analysis, RMB exchange rate fluctuations are positively correlated with

China's tea export trade with Morocco. Zhang Yin (2012) uses data from 1980-2010 as a sample to develop a measurement model after the cointegration test and Granger's non-causality test to study the causal link between the exchange rate fluctuation of the RMB and China's tea exports. It is concluded that RMB depreciation will have a positive impact on tea exports, while the nominal exchange rate has a weaker influence on China's tea exports than the real effective exchange rate.

Above all, about the currency rate change on the effect of the trade balance of payments and international numerous scholars have done in-depth research and achieved fruitful results, through the review, found that research on the basis of elasticity theory, mostly to Marshall-Lerner condition as the standard to judge the currency rate change on the influence of the trade balance, and to determine the exchange rate change on the influence of the trade if there is a lag, moreover also has many scholars use different empirical methods, to study of exchange rate changes on the influence of the trade balance, the research results. The reasons for the differences in results are as follows: first, the research results of each country are different due to the different economic, political and cultural conditions of the research object country; Second, for the same country, the conclusions will be different due to different research periods and different empirical methods. Third, exchange rate fluctuations are only one of the factors affecting a country's trade balance, and there are many other factors (national income, trade barriers, national policies, etc.). Some studies have some shortcomings, such as the study sample data is small, data is not stable, some only study the nominal currency rate and study the impact of the real exchange rate on the trade balance is more valuable, but there are few views on the impact of currency rate changes on China's tea export trade.

Chapter 3

METHODOLOGY

3.0 Introduction

This chapter focuses on the specific research methods used by the researcher to collect the necessary data to validate the hypotheses formed in the previous chapter. First, the research design is introduced, which includes an introduction to the measurement instrument and operationalization of variables; then, the research approach and process is described, followed by an analysis of the data sources and a brief description of the data. Reliability and validity tests and analyses are discussed; relevant models are developed, and limitations of the data sources are presented.

Finally, two types of data analysis - descriptive analysis and multiple regression analysis - are discussed.

3.1 Research Design

This study will use quantitative research method and correlation coefficient to explore the relationship between variables. The main objective of this study is to determine the level of correlation between the variables. The degree of correlation between the variables includes positive, negative and irrelevant correlation. The quantitative analysis used in this article, however, is based on statistical data and simple regression through the development of an econometric model as the basis for the final analysis. Since this study is to analyze the effect of RMB on China's tea export trade, the RMB exchange rate and China's tea production are chosen as the independent variables and China's tea export trade as the strain variables to prove the correlation between the two, so the quantitative research method is more suitable for this study.

However, there are certain deficiencies in quantitative research. First of all, although quantitative research methods can show the phenomenon and degree of a certain topic with very intuitive and clear statistical methods, it is difficult to explain the cause and origin of the corresponding problems.(Anon, 2015) In addition, the conclusion of this research method will change according to the change of time and conditions, which cannot completely ensure that the final conclusion can still explain the previous hypothesis after experiencing the change of some conditions.

3.2 Research Measuring Instrument

This research adopts the research is Eviews software, is very common in finance in the statistical analysis software, its main characteristic is a powerful analysis engine and econometric analysis of simple interface software, as a functional powerful analytical software, to a large number of customers, will need modern software model is built and graphics technology combine together to form a perfect inclusive interface. Eviews also allows you to get a clear picture of a simple function from the screen, as well as an efficient data model for prediction. The main research direction of this study is a multiple simple regression model based on time series, and Eviews can make perfect use of software advantages to clearly analyze and evaluate data. In addition, we can also use Eviews science to forecast economic forecasts, analyze costs and other aspects of the financial industry (Wilson, 2019).

However, Eviews software also has limitations. Because it is suitable for beginners to conduct a simple regression analysis, compared with other econometric software such as SPSS, Eviews is relatively poor in extensibility and fineness when doing a lot of programming work. When using micro data, there will be the problem that the prediction results are not obvious enough. In addition, if you study further, you will find that there is little continuity and it is more difficult for you to learn software, because there are few materials about learning software on the Internet.

3.3 Research approach

The research approach used in this study is empirical research, which collects relevant data to analyze the degree of influence between variables, obtains experience by observing the degree of correlation between data and variables, and then deduces experience into theory.

The biggest advantage of empirical research is that it is scientific (Anon, 2019). The empirical test of hypotheses replaces the judgment of those who have previously put forward theoretical hypotheses with objective and observable practical evidence rather than pure logical reasoning. In this study, the hypotheses mentioned above are tested and verified based on the data over the years, so that the research has a high accuracy. However, this method also has some shortcomings (Xing, 2018). Quantitative analysis is used in empirical research to prove hypotheses based on facts. However, due to the limited observation and analysis ability of researchers, errors in research results cannot be avoided.

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The main purpose of this paper is to analyze the influence of currency rate on the export volume of tea. Therefore, the RMB currency rate and the output of Chinese tea are selected as independent variables, and the export volume of Chinese tea is selected as the dependent variable to analyze the degree of the relationship between the variables. This paper mainly studies the effect of exchange rate fluctuations on China's tea export trade. Therefore, the total amount of China's tea export trade from 1994 to 2017 is used to analyze the impact of RMB exchange rate on China's tea export trade. The appreciation of RMB is a major factor affecting the export of Chinese tea. The appreciation of the exchange rate will force the non-active increase of the export price of tea, which will have an impact on the export volume of relative exporting countries (China). Based on the data collected over the years, Eviews5.0 was used to conduct OLS linear regression for China's tea export trade data from 1994 to 2017. In this study, Ordinary Least Square (OLS) model was selected for analysis. OLS predicted dependent variables through a series of independent variables.

$$\mathbf{Y_t=\alpha+\beta x_1++\beta X_{2+}\mu_t}$$

Y_t =China's tea export volume

X_1 =RMB exchange rate

X_2=Chinese tea production

α、β =Regression coefficient

μ_t =Random error term

3.4 Data Collection

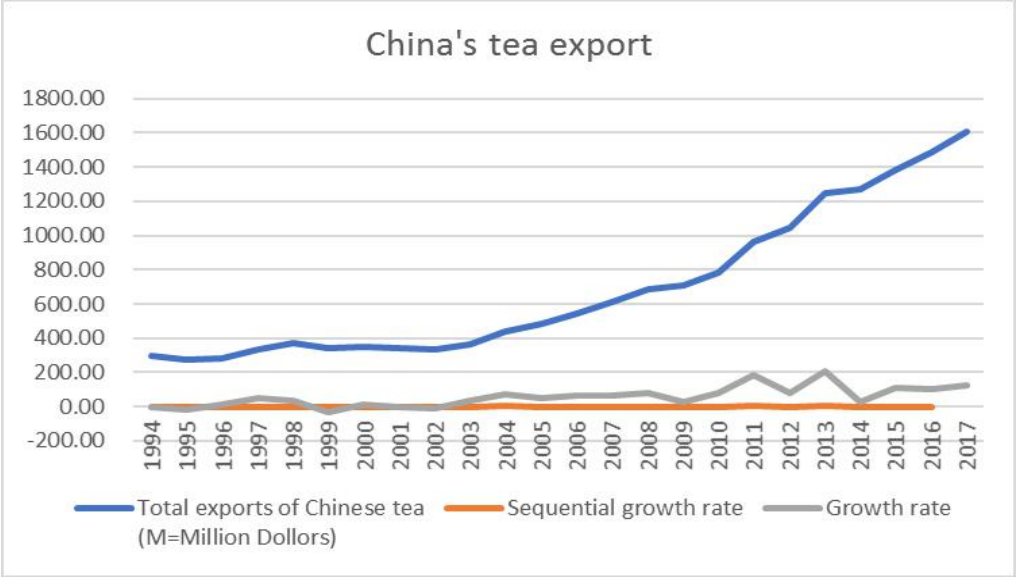
Quantitative analysis is selected in this study. Data are from the official website of National Bureau of Statistics of China and China Statistical Yearbook from 1994 to 2017, and the data are external second-hand data.

Since China only carried out the exchange rate reform in 1994, the previous data fluctuated too much and had no reference value, so the data was collected from 1994. In order to ensure the timeliness of the research, the latest data will be selected for analysis (2017). Compared with the original data, second-hand data is more convenient, faster and easier to obtain. However, compared with the original data, second-hand data is easy to obtain, but the timeliness is poor.

The data sample of this study is from the National Bureau of Statistics official website, so the data source credibility is higher, as sample data, the reliability of the results is stronger, by analysis of the secondary data of the existing research results again the correctness of the analysis of the predecessors' research results, and it also can show your own design ideas. But It's hard for me to be sure how accurate the data are, because the data collection that began in 1994 is so long ago that it's not as timely as it is now.

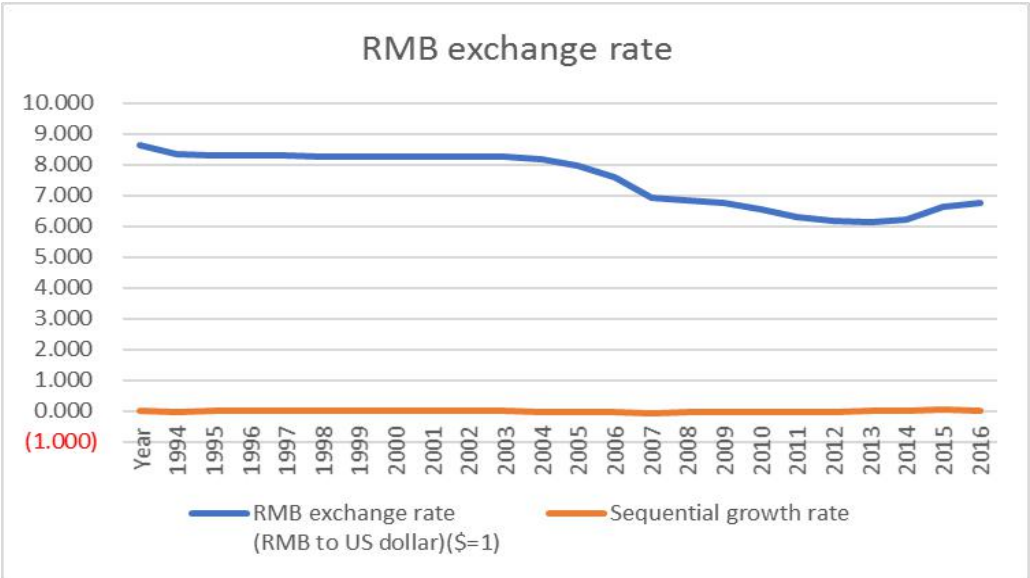
According to the second-hand external data collected by The National Bureau of Statistics of China and China Statistical Yearbook, the export volume of Chinese tea, the exchange rate of RMB and the total production of Chinese tea from 1994 to 2017 were collected and briefly analyzed as follows:

Table 3.1 :1994-2017 Year Total exports of Chinese tea



It can be seen from the figure that the export volume of Chinese tea showed a rising trend in 2002. Although the export volume of tea was still rising gradually after 2008, the growth rate fluctuated. In 2012, China's tea export volume reached 10.422,600 tons, which was the first time that China's tea exports exceeded 10 million tons. In 2011, Influenced by the restrictions of pesticide testing in developed countries, China's tea showed a slight downward trend, but the growth rate of tea export volume in 2011 was still more than 12% in the previous year.

Table 3.2: 1994-2017-year RMB exchange rate



In 2007, the RMB exchange rate rose to 7.5:1 for the first time. Against the

background of the international financial crisis, in 2008, the RMB exchange rate rose from 7.3:1 to 6.86:1 in a straight line. However, in 2009, there was little fluctuation and the annual close was 6.83:1. As of 2017, the ratio of RMB to US dollar has been 6.75:1. In addition, the month-on-month growth rate reached 1.65%, and the exchange rate of RMB against US dollar declined and showed a trend of continuous decline.

Chapter 4

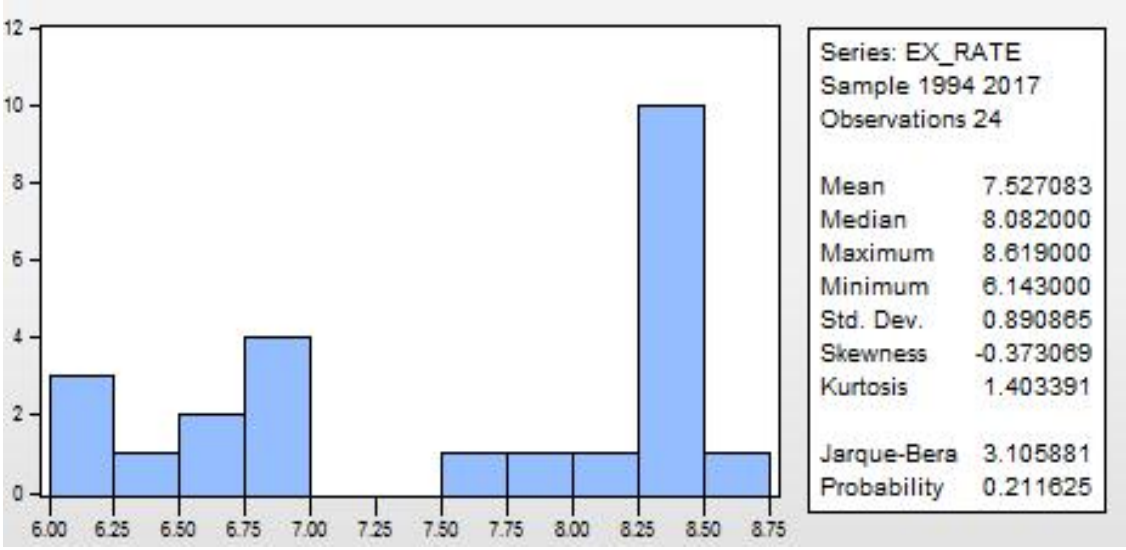
DATA ANALYSIS

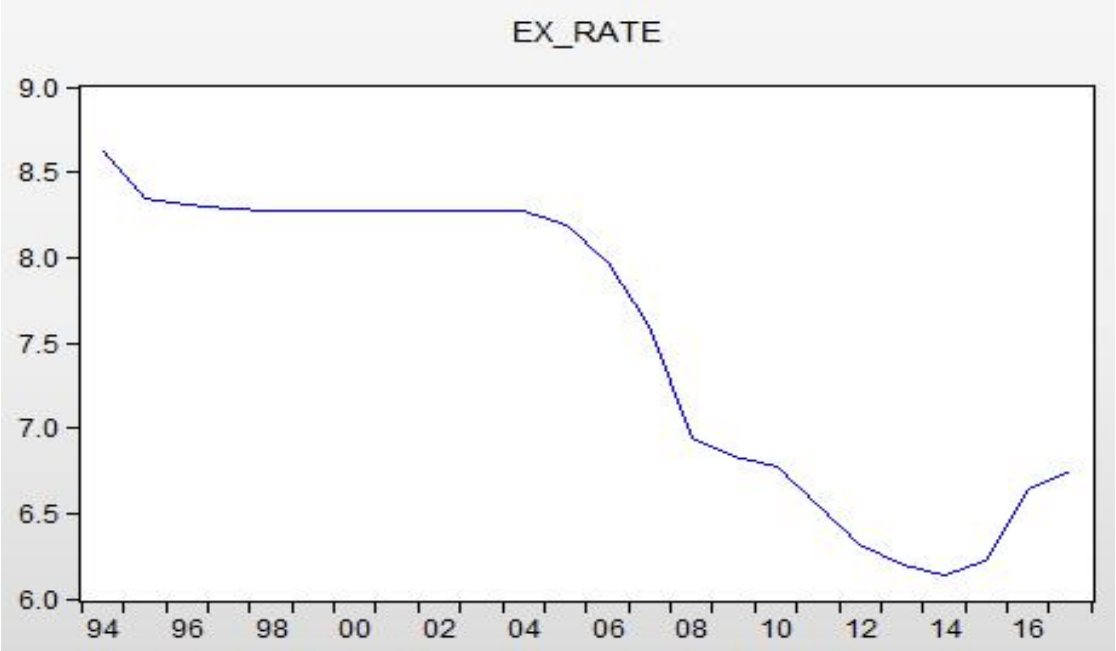
4.0 Introduction

This chapter builds a model using existing secondary data, performs linear regression and descriptive analysis using Eviews, and then performs empirical analysis using the OLS model to verify correlation between the RMB currency rate and the value of Chinese tea exports volume.

4.1 Descriptive Analysis

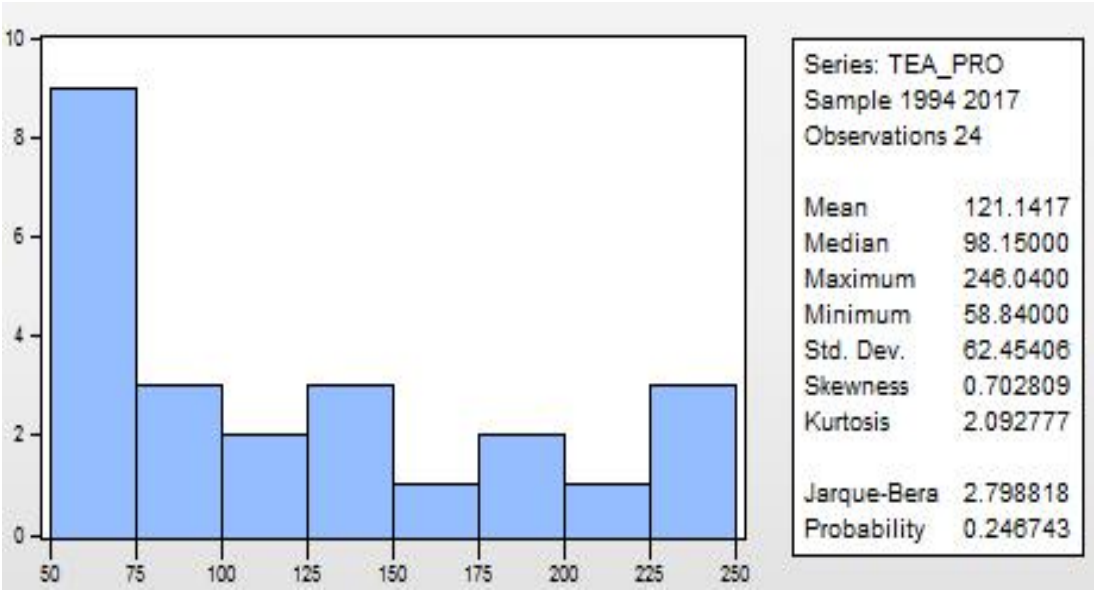
Table 4.1: Exchange rate histogram and status (Source adapted from: Eview10 Analysis).

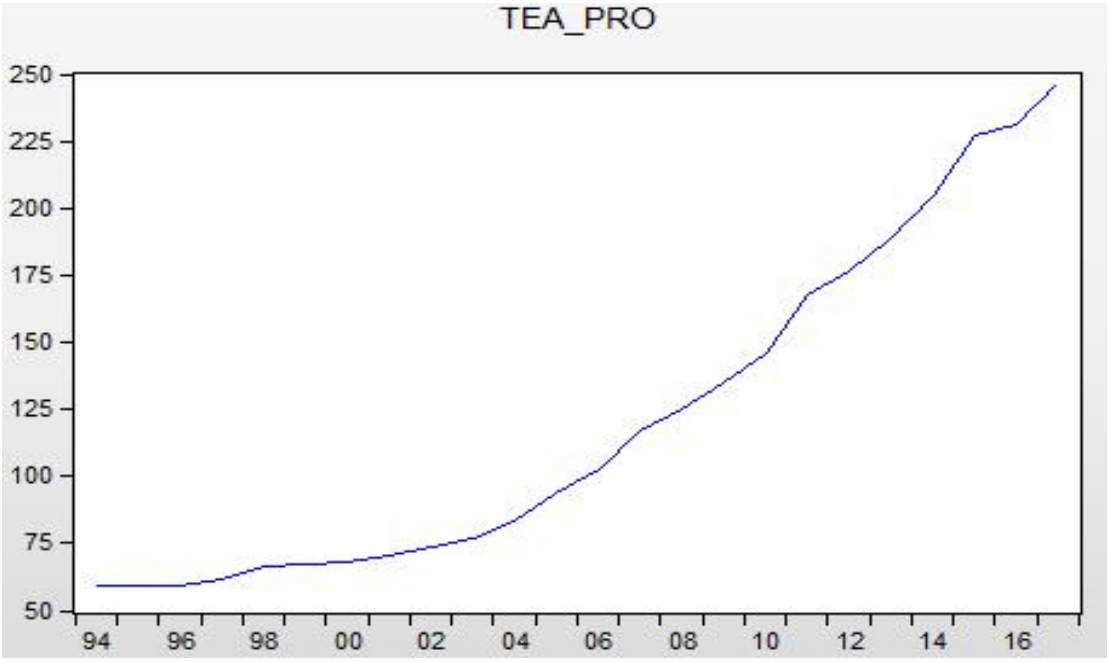




According to the above histogram of RMB exchange rate growth, the statistical average value from 1994 to 2017 is 7.527083, the median growth rate of RMB exchange rate is 8.082, the maximum growth rate is 8.619, and the minimum growth rate is 6.143. As can be seen from the histogram, the interval from 7.50 to 8.25 is relatively stable, and the 8.50 increase of 8.25 is extremely high. According to the bar chart, from 1994 to 2005, the exchange rate of RMB has been in a stable state, but after 2006, the exchange rate changed a lot because of China's exchange rate reform and the rise of foreign exchange rate. After 2014, the exchange rate showed a rising trend.

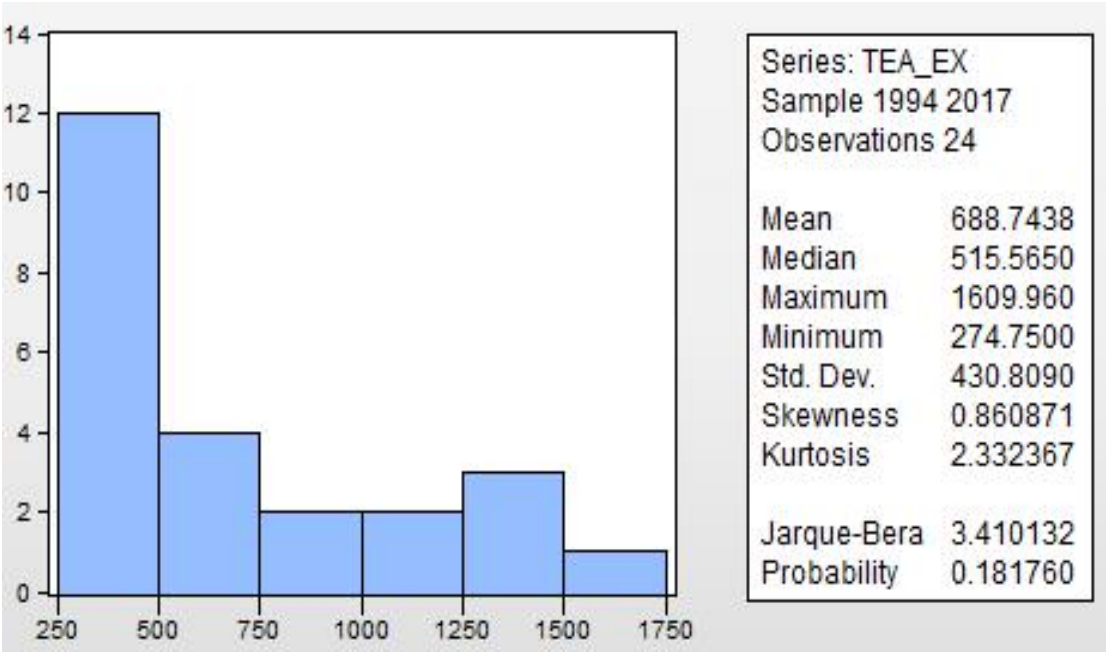
Table 4.2: Tea Production histogram and status (Source adapted from: Eview10 Analysis).

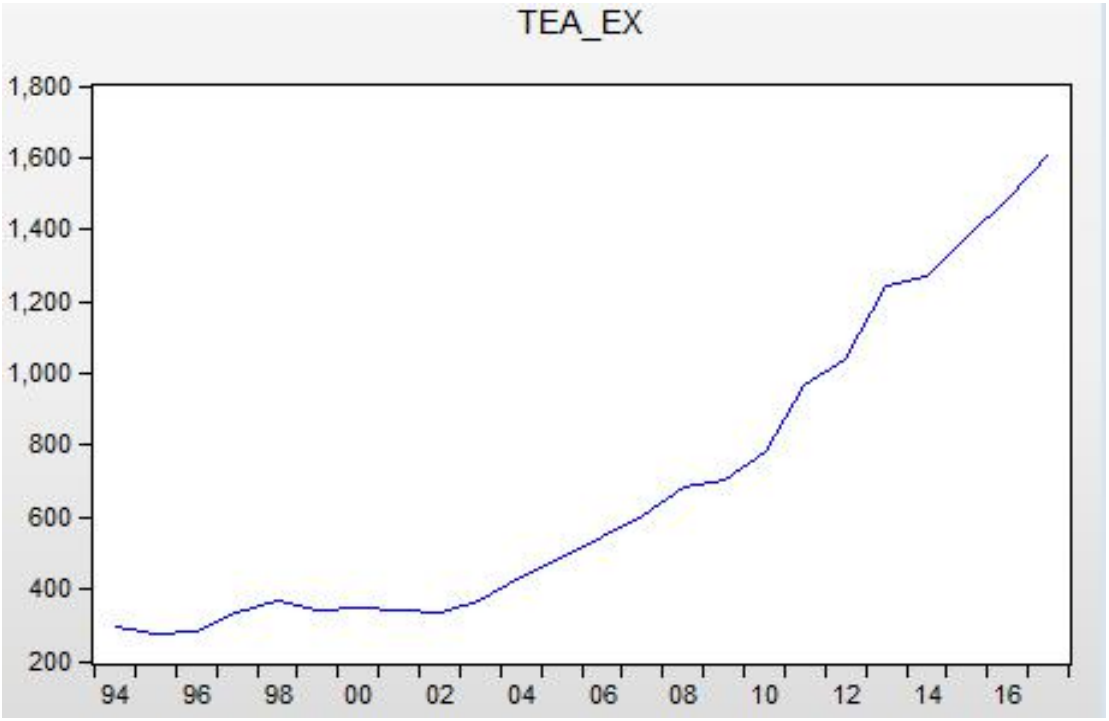




From the histogram of tea production and the Status in the table can see clear, from 1994 to 2017, 23 statistical average value is 121.1417. Industrial production of the median is 98.15, however, the industrial production of a maximum of 248.04, the lowest can reach 58.84, tea production has been in the stage of ups and downs about China's tea production with market supply and demand, promoting the development of tea industry. According to the line graph, tea production has been on the rise, and may be on the rise in the future. The gradual increase of tea production indicates that consumers have a higher and higher demand for tea and the momentum of China's tea production industry is getting better and better.

Table 4.3: Tea Export histogram and status (Source adapted from: Eview10 Analysis).





From the above-mentioned three histogram and status of China's tea export, six statistic average value is 688.7438, the tea exports of the median is 515.5650, the maximum value is 1609.960, the tea exports the minimum value is 274.75. From 500 to 1750 interval the number of occurrences of basic consistent, tea export trade can intuitive see global market for the supply of China's tea export. It can also be clearly

seen from the line chart that the export volume of Chinese tea has been increasing year by year, indicating that Chinese tea has strong competitiveness and a large market share.

4.2 OLS Regression Model (Ordinary least square)

Based on 24 years of secondary data collected, and descriptive analysis of the above data and model validation, Eviews 10.0 is used to conduct linear regression on the data of China's tea export volume from 1994 to 2017 and the OLS model, and the following results are obtained:

Table 4.4: Ordinary least square regression model (Source adapted from: Eview10 Analysis).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	53.05	25.21	2.10	0.048
X2	7.56	0.36	21.01	0.000
C	-626.22	230.69	-2.71	0.013
R-squared	0.991		F-statistic	1195.47
Adjusted R-squared	0.990		Prob(F-statistic)	0.00

From the OLS model analysis in Table 5, it can be seen that X1 represents RMB exchange rate, X2 represents Chinese tea production, and Y represents Chinese tea trade volume. At the significance level of 0.1 (10%), it can be seen from the estimation results in Table 5 that, $R^2 = 0.991$, after adjustment $R^2 = 0.990$, the determination coefficient is very high, which indicates that the model fits the samples well. OLS model is highly suitable for the data samples of RMB exchange rate and Chinese tea production. The statistical value of the joint test $F = 1195.47$ was large, and the corresponding P-value was 0, indicating that the regression equation was significant. In other words, the combination of the two independent variables did have a significant impact on the dependent variable "tea export volume". Moreover, T statistics of X_1、X_2 variables are 2.1 and 21.01 respectively, and corresponding P values are 0.048 and 0 respectively, indicating that RMB exchange rate and tea

production have a significant positive effect on tea export volume.

It can be seen from the results that, on the one hand, when the RMB depreciates, that is, when the ratio of RMB to 1 DOLLAR goes up by one unit, China's tea export volume will increase by 5305 million US dollars correspondingly. On the other hand, when the RMB exchange rate remains unchanged, when the tea production increases by 1 unit, namely 100,000 tons, China's tea export will increase by 0.756 million US dollars correspondingly. According to the above data, it can be concluded that both RMB exchange rate and Chinese tea production have an impact on the tea export volume, and a significant positive impact. Chapter 5 will draw conclusions about the data results in chapter 4 in detail.

Chapter 5

CONCLUSION

5.0 Introduction

This part first summarizes the empirical analysis in Chapter 4, then predicts and makes recommendations for the development of Chinese tea exporters based on the conclusions, and then makes some policy recommendations to the government. It concludes by describing some of the limitations of this study.

5.1 Conclusion

According to above analysis, this research according to the China statistics bureau on the official website of the data by using OLS model for the RMB currency rate and China's tea production as independent variables, under the condition of China's tea export trade volume as the dependent variable, to study the effect of RMB exchange rate on China's tea export trade, significant positive influence on overall the results of the study, that is to say, is the hypothesis 1 and 2 in the first chapter, under the condition of without considering lag factors, China's tea export trade will be affected by the RMB exchange rate and China's tea production, is the exchange rate rises, the tea production unchanged, under the condition of tea exports increased; When the exchange rate falls, the number of exports decreases(.Mark, 2018).

This study analyzed the influencing factors of tea export volume from the perspective of macroeconomic environment, and the research results were the same as the previous hypothesis. We can learn through the chapter 2 literature review, some scholars think that the influence of the RMB exchange rate on China's tea export trade is small enough to study, but also some scholars think that the appreciation of the renminbi may be combined with China's tea exports increased, but most of the

scholars study is carried out in general descriptive comparison, this article through the use of the data model for China's tea exports impact analysis, empirical analysis of exchange rate and the impact of China's tea trade and draw conclusions.

In general, the float of the exchange rate have an impact on China's tea export trade, first, the appreciation of the renminbi is beneficial to improve China's tea trade conditions, when this kind of the tea industry of labor-intensive industries, the appreciation of the renminbi is beneficial for the promotion of social welfare increase in the tea trade export commodity prices become competitive, although there are many different kinds of tea and producing area is different, different tea in the position in international trade, this is the tea types may have different market share in the international market(Wilson, 2019). The appreciation of the RMB is conducive to expand the scale of the tea trade in China, the appreciation of the renminbi after forcing Chinese tea to speed up the adjustment of export structure, so countries in tea industry may trade complementarities and a downward trend, although the decline process is slow, so after the appreciation of the renminbi will lead to China's tea import and export flow, flow rate increase is a part of the tea trade scale increase, so the Chinese exchange rate appreciation will make tea trade scale(Anon, 2019).

China is based on promoting market supply and demand of the floating exchange rate system, in order to form a flexible exchange rate, RMB exchange rate of the bidirectional floating directly affects the amount of tea exports, through the above analysis, we can get the tea trade to promote the development of China's agricultural economy and has important practical significance(.Mark, 2018). Belongs to the tea industry is labor-intensive industries, and the tea industry to attract a large number of rural labor force, promote local economic development, also can improve the living standard of farmers, faster and faster in the modern urbanization development in China, development area tea economy can promote social progress and speed up the pace of the construction of new countryside(Hui, 2014). Although China has a long and kinds of tea, but now the tea trade development do not like my previous forecasts for China's tea status is so high, now the tea trade development has much room to improve, with the continuous development of China's economy, China's economy is gradually higher than the world average, the RMB exchange rate, there is the trend of rising. Chinese tea exports will be affected by the appreciation of the RMB and, in

recent years, China's tea exports for the Chinese government to bring a lot of money, but also establish the important status of Chinese tea in the world market, the export of Chinese tea has been one of the world's monopoly, strong tea export competitiveness, total trade volume and the trend of rising until 2017, suggests that the export of Chinese tea has a development prospect(Wilson, 2019).

5.2 Recommendations

5.2.1 Development direction of tea export enterprises

1. Development of foreign exchange

Rapid development of the RMB foreign exchange market, reduce the risk of currency rate fluctuations, Chinese tea exporters need to decline the exchange rate fluctuation risk that may be triggered by the appreciation of the RMB, the need to respond effectively through financial market channels, the need to accelerate the construction and development of the RMB foreign exchange market, in order to better filter the risk of exchange rate fluctuations, but also in order to effectively prevent the economic turmoil caused by currency rate changes (Xing, 2018). This will enable Chinese tea exporters to obtain relatively stable profit income, thus promoting tea exporters to become bigger and stronger (Hui, 2014). In the process of establishing the RMB foreign exchange market, it can be circumvented and dealt with through the trade financing business provided by banks, or it can be circumvented and controlled through the RMB exchange rate hedging tool. In the process of accelerating the construction of the RMB foreign exchange market, RMB hedging instruments can effectively reduce risks (Hui, 2014). In the current macroeconomic environment, most of China's tea export enterprises usually choose foreign exchange forward trading tools to effectively cope with the risk of exchange rate fluctuations, in addition, there are some tea export enterprises choose foreign exchange options tools, but this tool in practice there are certain restrictions, most of the tea export enterprises are unable to bear the high risks associated with foreign exchange options. With the continuous development and improvement of China's RMB foreign exchange market, the market can provide a more reasonable choice of tools for Chinese tea exporters, thus promoting Chinese tea exports to better avoid the risks of exchange rate changes, the RMB will also appear to depreciate, in the face of this situation, tea exporters can

choose a foreign currency as the settlement currency; RMB appreciation trend, tea exports can be The choice of RMB as the settlement currency can radically reduce a series of adverse reactions to exchange rate changes(.Mark, 2018).

2. Price elasticity of demand reduction

The above analysis has determined that the floating currency rate of the RMB will have an effect on China's tea exports, then the export demand elasticity of Chinese tea is also one of the important influencing factors, when Chinese tea export enterprises in response to the situation of exchange rate changes, can change the price elasticity of tea export demand, thus reducing the risk of exchange rate fluctuations on tea export enterprises (Xing, 2018). In the current structure of Chinese tea exporters, the general problems are mainly the lack of high technology, the low added value of tea products, and the significant lack of monopoly position in the international market, which leads to the price elasticity of the export demand for Chinese tea(Wilson, 2019). In the face of this situation, we need to improve the technological content of Chinese tea products and need to deeply explore the added value of tea, so as to consolidate the monopoly position of Chinese tea on the country, but also can better deal with the series of risks brought about by the exchange rate of the RMB in this way, and more can help enterprises to exempt from the impact of shocks(Anon, 2019).

If you want to enhance the scientific and technological content of China's tea exports, then we must first embark on the Chinese tea production and business model, the original tea production enterprises mainly adopt the small farmer business model, the lack of effective links between the various production enterprises, the lack of integrity in the production process of tea trade, do not have the ability to cope with international market risks, greatly hindering the status of Chinese tea export enterprises(.Mark, 2018). So in order to improve this situation, enterprises can reduce the export of raw tea and achieve scientific manufacturing of tea, in addition to the need to improve the processing process of science and technology, cultivate excellent tea varieties to provide the most safe and reliable raw materials. In addition to the need for systematic training of tea-related personnel, and continue to cultivate excellent tea researchers, which is conducive to the innovation in the tea manufacturing industry that they can deeply explore (Xing, 2018). It is also possible to promote the role of tea in various different fields, such as food and medicine, which

will help improve the competitiveness of tea in the market and also enable tea exporters to play an important role in the buyer's market.

3. Diversified tea structure

In order to adapt to the market economy, the current tea export enterprises need to continue to optimize their products in a changing market, so enterprises can only adopt a diversified structure of tea products for export, the export of tea product structure adjustment, the main advantages of Chinese tea reflected, for example, Chinese tea in the green tea and specialty teas are the main varieties of the market competition, enterprises can enhance these varieties in the market(Anon, 2019). The proportion of Chinese tea in the total number of consumers in the world, through efficient marketing and promotion of the functional effects of Chinese varieties of tea, such as reducing the risk of hypertension by drinking tea. New tea markets can also be opened up according to the customs, consumer psychology, and purchasing behavior of other countries. For example, among the main export markets of Chinese tea, the Moroccan market is the most competitive and has great export prospects, which can be based on Moroccan customs to create a localized tea taste and help enterprises to stabilize the traditional export countries. In addition, enterprises also need to focus on the brand of export products, if you want to push Chinese tea to the top of the world, must need to build a standardized brand, in line with international product quality standards in order to be recognized by the public, but also to push Chinese tea to the world's high-end market important initiatives.

5.2.2 National policy proposals

1.Government develops tea quality testing system

China's existing tea quality and safety standards system has some small loopholes, such as the duplication of many of the content of the system leads to China's tea cannot meet the international testing standards, so we need to start from the source of production to strengthen the quality level of tea production, regulate the poor farmers' production and business practices, especially export tea enterprises should be more rigorous review of the production technology, operating procedures and every other link, to improve the overall tea exports(.Mark, 2018). If the quality of

a tea trader's product is not reasonably monitored and supervised because of an inadequate system, it may shake the world's trust in Chinese tea by reducing sales or damaging its reputation (Xing, 2018). The Chinese government can fully understand the international quality testing standards and then establish its own reasonable testing standards. Secondly, the relevant research departments in China should conduct targeted research to learn from the quality testing methods of other tea-exporting countries, in order to check the quality of tea through more sophisticated and advanced testing equipment, rather than only checking the pesticide residues of tea(Hui, 2014). Finally, various government departments should collaborate with each other to strictly test the quality of tea traders' tea after setting up quality testing standards (.Mark, 2018).

2.Macroeconomic regulation

China's tea export enterprises in line with international standards at the same time, the need for timely access to market information, the introduction of new technology business philosophy should pay attention to the macro control of the market, the government should strengthen macro efforts, tea farmers and tea export enterprises to give corresponding incentives and measures, such as giving tea production base some economic subsidies or incentive policies, to promote the production of tea farmers enthusiasm; local governments can also develop mountainous areas! Tea ecotourism, improving the environment in mountainous areas, increasing the economic income of tea farmers, and promoting the development of the tea industry and tea trade in China is a way to develop China's tea industry and tea trade in a more positive direction (.Mark, 2018). The government needs to strongly support tea exporters, provide effective technical and economic support to the tea industry, and adopt rational strategies to foster speedy development of China's tea industry.

5.3 Limitations

Along with China's economic development gradually higher than the world average of strong momentum, the RMB exchange rate is also gradually appreciating,

the appreciation of the RMB exchange rate will also strengthen the price competitiveness of Chinese tea trade in the world, in view of the challenges of the rapid development of the current society, tea trade if you want to gain an advantage in international trade competition, it is necessary to carry out scientific and technological innovation, but also need to adopt new foreign trade Strategy, innovative competitive advantage strategy is a competitive advantage oriented, innovative tea technology as the driving force, the development of high-tech industry as a means, but also sustainable development as the purpose of a comprehensive open trade strategy.

However, in the current economic environment, the tea industry is at a disadvantage, due to green trade barriers to China's export trade suppression, many developed countries advocate environmental protection at the same time set up many very strict system to restrict product imports, the surface appears to have a certain degree of rationality, but in fact the implementation of green trade protection countries are usually developed countries, but due to the technology of developed countries more Advanced, relatively he requires imported products also need to meet certain technical standards, so from this point of view, green trade protection is to restrict the exports of products from developing countries. So in the face of the global market for Chinese tea strict restrictions, the development of China's tea export trade will be very bumpy road.

In addition, the trade war between countries is becoming increasingly serious, after the new century, China replaced Japan in global trade to become the world's second largest economic system, and the development rate is very fierce, which makes the United States long-term in the top of the world economy feel dangerous, so began to impose tariffs on Chinese goods, in the hope of limiting China and the proposed development, this behavior on China's tea export trade has a serious negative impact (Xing, 2018).

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Appendix

Appendix A-Proposal Defense

1.ABSTRACT

China is the birthplace of tea in the world and the largest tea producer in the world. But in recent years, due to the strict technical barriers imposed by developed countries on Chinese tea, this has brought some blows to the export trade of Chinese tea(Yao et al,2006).

- The **first** chapter explains the significance of the topic and research objectives.
- The **second** chapter analyzes the relationship between Chinese tea trade volume, RMB exchange rate and tea production through a large number of literature reviews.
- The **third** chapter selects the analysis method and collects the analysis data.

2.STATEMENT OF THE PROBLEM

Tea is a traditional export industry in China and a pillar industry of local economic development in many regions. It plays a great role in promoting employment, **raising** the income level of people in mountainous areas and China's economic development(Brahman-Oskooee, 1991).

However, China's tea industrialization development is relatively **slow**, the price competitiveness of tea export is **not strong**, the added value of tea is **small**, and the export price of Chinese tea is **low**, so the comparative benefits in the global value chain are relatively **small**.

Main Problem: Figure out the influence degree of the RMB exchange rate on China's tea export trade,in order to know how to enhance the status of Chinese tea in the world.

3.SIGNIFICANCE OF RESEARCH

- **Enriched** relevant theories on the impact of **exchange rate fluctuations on exports**, and provided **theoretical guidance** on the impact of exchange rate fluctuations on tea exports;
- This paper provides a **reference** for the analysis of the correlation between the fluctuation **of RMB exchange rate** and the influence of **China's tea export trade**, and then provides **theoretical support** for the country to determine the fluctuation of RMB exchange rate from the perspective of tea export trade(Brahman-Oskooee, 1991).
- To **study** the **trend** of continuously rising RMB exchange rate and its impact on tea export trade, it is of special practical significance to optimize the **structure** of China's tea export trade and improve the **level** of tea export.

4.RESEARCH OBJECTIVES

Specific Objectives:

RO1.	To determine whether **RMB exchange rate** has significant relationship with China's tea export trade.
RO2.	To determine whether **China's Tea Production** has significant relationship with China's tea export trade.

General Objective:

The main purpose of this study is to understand the relationship between RMB exchange rate and Chinese tea exports

5.RESEARCH QUESTIONS

In order to realize these study goals, the two questions of research are listed below:

RQ1. Does **RMB Exchange Rate** has significant relationship with China's Tea export trade?

RQ2. Does **China's Tea Production** has significant relationship with China's Tea export trade?

6.Hypothesis Development

The hypotheses are developed based on the following assumptions.

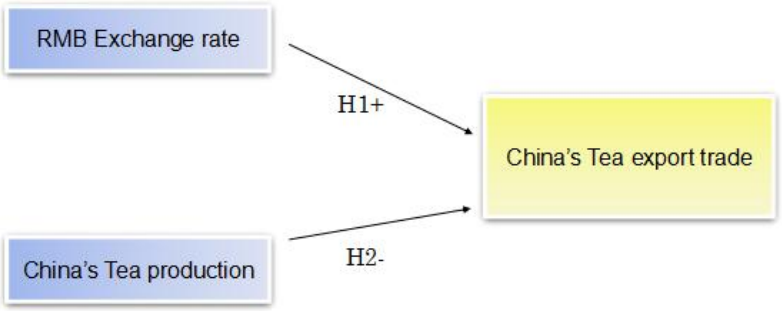
- H1:**RMB exchange rate** has significant positive relationship with China's tea export trade.
- H2:**China's tea production** has significant negative relationship with China's tea export trade.

7.LITERATURE REVIEW

Year	Journal Details, with title, Vol, issue, Page no	Author/ researcher	Title of the work	Outcome of the Study
2016	Modern Economy, 09(02), pp.339-361	Lu Xin	Does the Depreciation of RMB Exchange Rate Inhibit the Innovation of Export Enterprises?	Policy makers should develop coherent policies to achieve a stable exchange rate regime to achieve and maintain the stability of real exchange rate,
2018	Korea International Trade Research Institute, 14(6), pp.231-245	Lee, S.	The Effect of Won/Yuan Exchange Rate Volatility on Korea's Export to China.	Export performance will be impacted by exchange rate volatility in the long run. A one percent increase in exchange rate volatility will reduce export volume
2018	Science Innovation, 4(4), p.186	Pai, J	The Influence of the RMB Exchange Rate on the Export Trade in Jiangxi Province (China).	The exchange rate is the real price of the domestic currency in terms of a weighted average of the currencies of major trading partners. A positive shock to the exchange rate, an unanticipated appreciation (overvaluation)
2016	African Development Review, 25(1), pp.55-66	Yue Cheng	Exchange Rate Volatility and Trade Flows in Zambia	A stable exchange rate is important in order to sustain the growth of trade as persistence in exchange rate volatility may influence the reallocation of resources to the non- tradable sector

Year	Journal Details, with title, Vol, issue, Page no	Author/ researcher	Title of the work	Outcome of the Study
2007	Modern Economy, 09(02), pp.23-67	Dengying	Chinese RMB exchange rate and local currency price stability in ASEAN trade	This paper studies the export effect of exchange rate fluctuation on China's main trade objects, and USES econometric model to make an empirical analysis. The results show that the exchange rate fluctuation is beneficial to China's export trade.
2008	Economic Review,2008.18(4):p.403-416.	BAAK,S	The bilateral real exchange rates and trade between China and the U.S.China Economic	The exchange rate fluctuation has little pass-through to the export price of agricultural products. In this case, the exchange rate fluctuations have no significant impact on China's agricultural export trade.
2016	Education and Human Science, 8(2),pp.364-372.	Kong, L.	Research on the Impact of the Fluctuation of RMB Exchange Rate on China's Import and Export Trade.	Based on the import and export volume of China's agricultural products trade from 1985 to 2003, an econometric model was established, and the devaluation of RMB was beneficial to China's agricultural products trade
2017	22(null), pp.75-104.	Li Jiang	A Analysis on the Influence of RMB Exchange Rate on the China's Export and Import. China and Sinology	It is concluded that the appreciation of RMB will weaken the price competitiveness of Chinese tea in the international market, and the effect is hysteresis.

8. Proposed Research Framework



Independent variables **Dependent variable**

9. Research Theoretical Model

- Ordinary Least Square (OLS) model
- $$Y_t=\alpha+\beta x_1++\beta X_{2+}\mu_t$$
- Y_t =China's tea export volume
- X_1 =RMB exchange rate
- X_2=Chinese tea production
- α、ß =Regression coefficient
- μ_t =Random error term

10.Research Methodology

Scope of the Study:

Tea exports from China to the period from 1994 to 2014

Data Collection method:

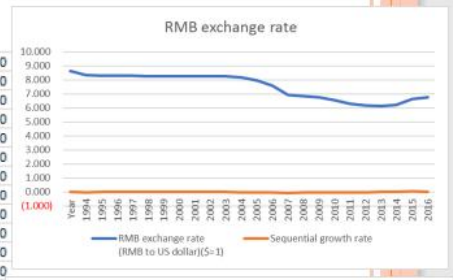
Secondary Data(From 1994-2017 China statistical year-book)

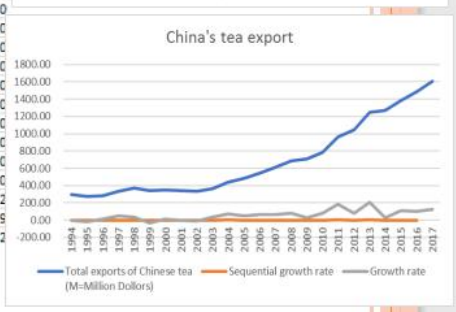
Analysis tool: EViews 5.0(It is a statistical package for windows, used mainly for time-series oriented econometric analysis)

Analysis of the Results/Statistical Analysis:

This study will adopt descriptive and inferential statistical analysis.

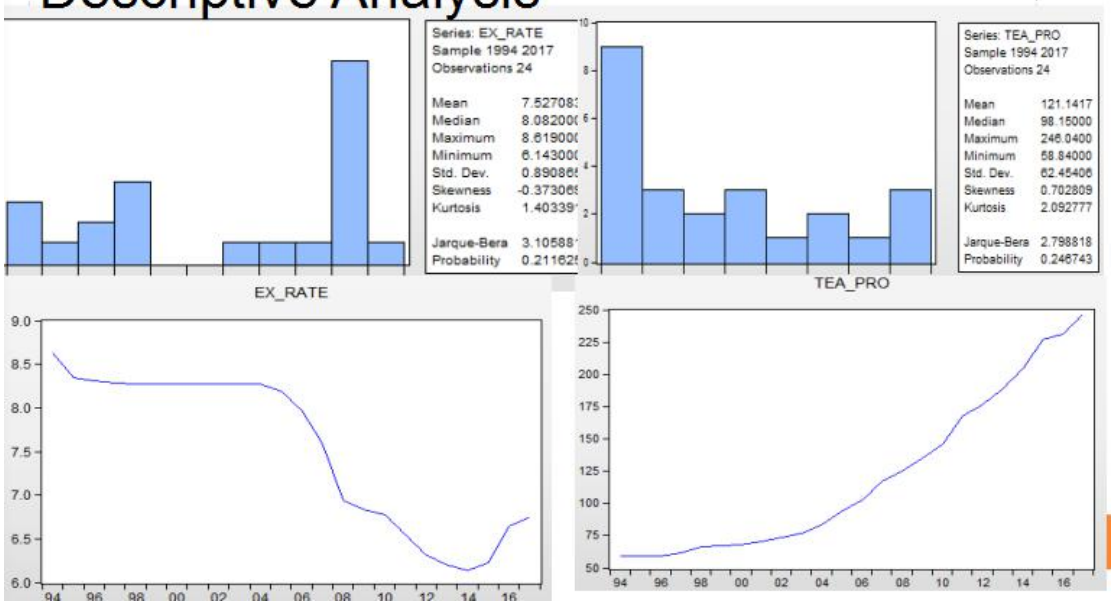
Year	Total exports of Chinese tea (M=Million Dollors)	China's tea production (10Kilo-tons)	RMB exchange rate (RMB to US dollar)(S=1)	Gross exports value (M=Million
1994	294.35	58.85	8.619	121006.00
1995	274.75	58.84	8.350	148708.00
1996	282.50	59.30	8.314	151048.00
1997	332.48	61.30	8.290	182792.00
1998	369.80	66.50	8.279	183712.00
1999	338.34	67.60	8.278	194931.00
2000	347.14	68.33	8.278	249203.00
2001	342.04	70.17	8.277	266098.00
2002	331.76	74.05	8.277	325596.00
2003	367.19	76.81	8.277	438228.00
2004	436.85	83.52	8.277	593326.00
2005	484.21	93.49	8.192	761953.00
2006	546.92	102.81	7.972	968978.00
2007	607.14	117.05	7.604	1220060.00
2008	682.26	125.48	6.945	1430693.00
2009	704.95	135.06	6.831	1201612.00
2010	784.12	146.25	6.770	1577754.00
2011	965.10	167.76	6.549	1898381.00
2012	1042.26	176.15	6.313	2048714.00
2013	1246.31	188.72	6.193	2209004.00
2014	1272.66	204.93	6.143	2342292.70
2015	1381.74	227.06	6.228	2273468.22
2016	1485.02	231.33	6.642	2097631.19
2017	1609.96	246.04	6.752	2263344.92

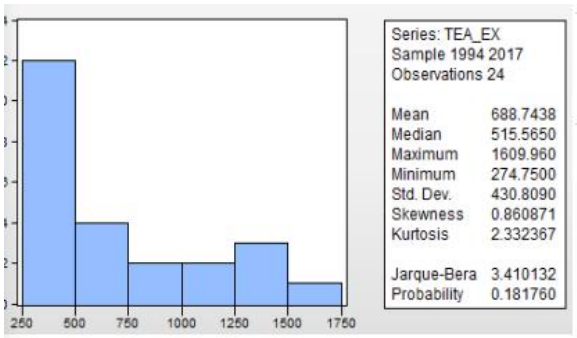


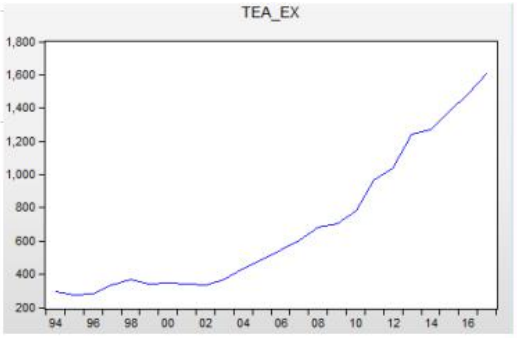


Source: 1994-2017 China statistical year-book

Descriptive Analysis







According to the above in the Tea export trade histogram and status above, the mean of 26 years different six statistic is 688.7437%.
The tea export trade is still rising year by year.

CORRELATIONS ANALYSIS

Ordinary Least Square (OLS) model

$$Y_t=\alpha+\beta x_1++\beta X_{2+}\mu_t$$

Ordinary least square means the least squares method. The least squares estimate is looking for the parameters 1, 2... To minimize the sum of the squares of the deviations from the above equation.

Pearson Correlation analysis showed the strength of the relationship of two variables, but it did not explain how much of the variance in the dependent variable will be clarified when multiple independent variables were hypothesized to influence it concurrently.

Based on the data collected over the years and the model set up above, Eviews 10.0 is used to conduct OLS linear regression on the data of China's tea export trade from 1994 to 2017. The results are shown in Table :

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	53.05	25.21	2.10	0.048
X2	7.56	0.36	21.01	0.000
C	-626.22	230.69	-2.71	0.013
R-squared	0.991		F-statistic	1195.47
Adjusted R-squared	0.990		Prob(F-statistic)	0.00

Table： Regression analysis of the impact of exchange rate on tea exports

It can be seen from the results that, on the one hand, when the RMB depreciates, that is, when the ratio of RMB to 1 DOLLAR goes up by one unit, China's tea export volume will increase by 5305 million US dollars correspondingly. On the other hand, when the RMB exchange rate remains unchanged, when the tea production increases by 1 unit, namely 100,000 tons, China's tea export will increase by 0.756 million US dollars correspondingly.

So,**H1 Accept**:**RMB exchange rate** has significant positive relationship with China's tea export trade.

H2 Accept

CONCLUSION

- Through the above analysis, we can see that tea trade plays an important practical significance for China's social and economic development.Here are some related Suggestions:

- **1.Strengthen the industrialization development of tea**

- **2.Enhance tea quality**

- **3.Focus on scientific and technological innovation**

Appendix B-All the Tables of Finding Results

Table 3.1: Data collection

Year	Total exports of Chinese tea (M=Million Dollors)	China's tea production (10Kilo-tons)	RMB exchange rate (RMB to US dollar)($=1)	Gross exports value (M=Million
1994	294.35	58.85	8.619	121006.00
1995	274.75	58.84	8.350	148708.00
1996	282.50	59.30	8.314	151048.00
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2009	704.95	135.06	6.831	1201612.00
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2013	1246.31	188.72	6.193	2209004.00
2014	1272.66	204.93	6.143	2342292.70
2015	1381.74	227.06	6.228	2273468.22
2016	1485.02	231.33	6.642	2097631.19
2017	1609.96	246.04	6.752	2263344.92

Table 3.1 :1994-2017 Year Total exports of Chinese tea

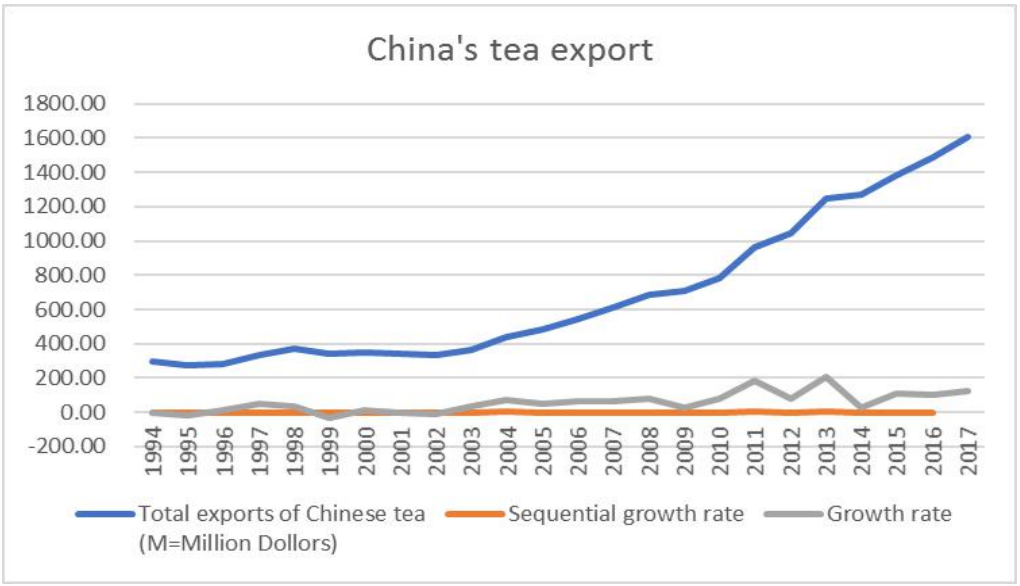


Table 3.2: 1994-2017 year RMB exchange rate

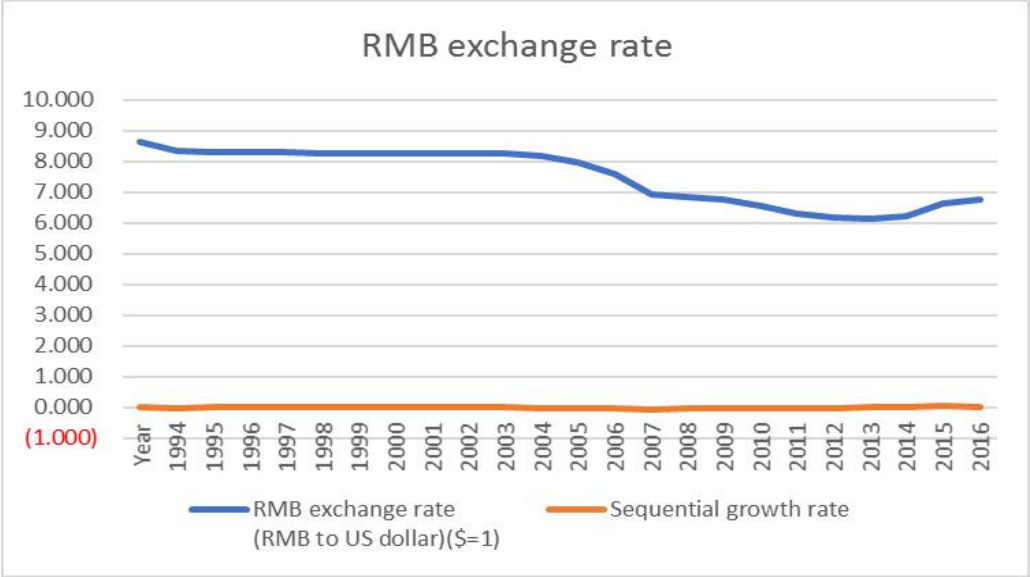
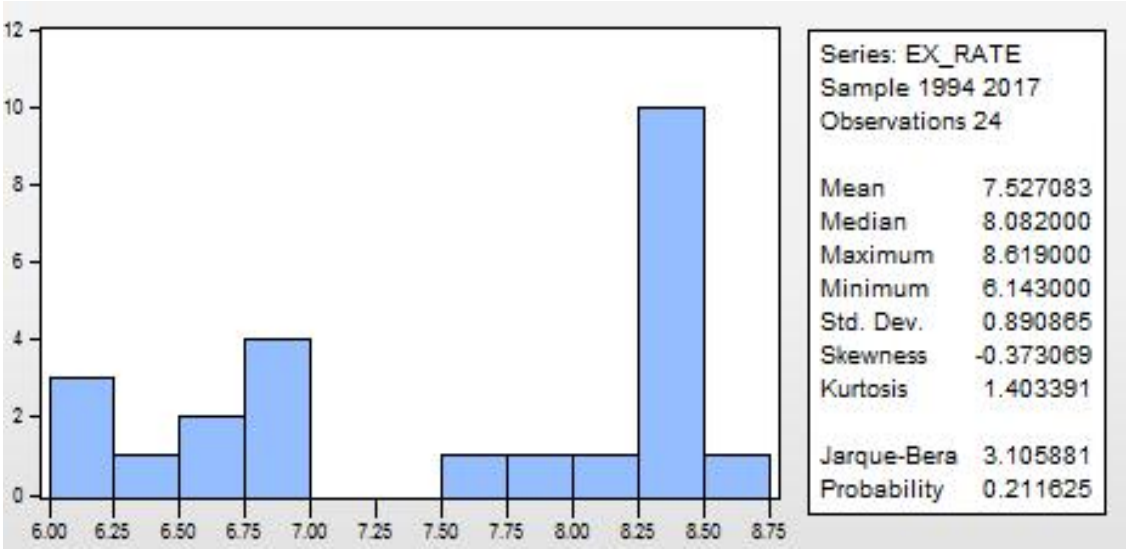


Table 4.1: Exchange rate histogram and status (Source adapted from: Eview10 Analysis).



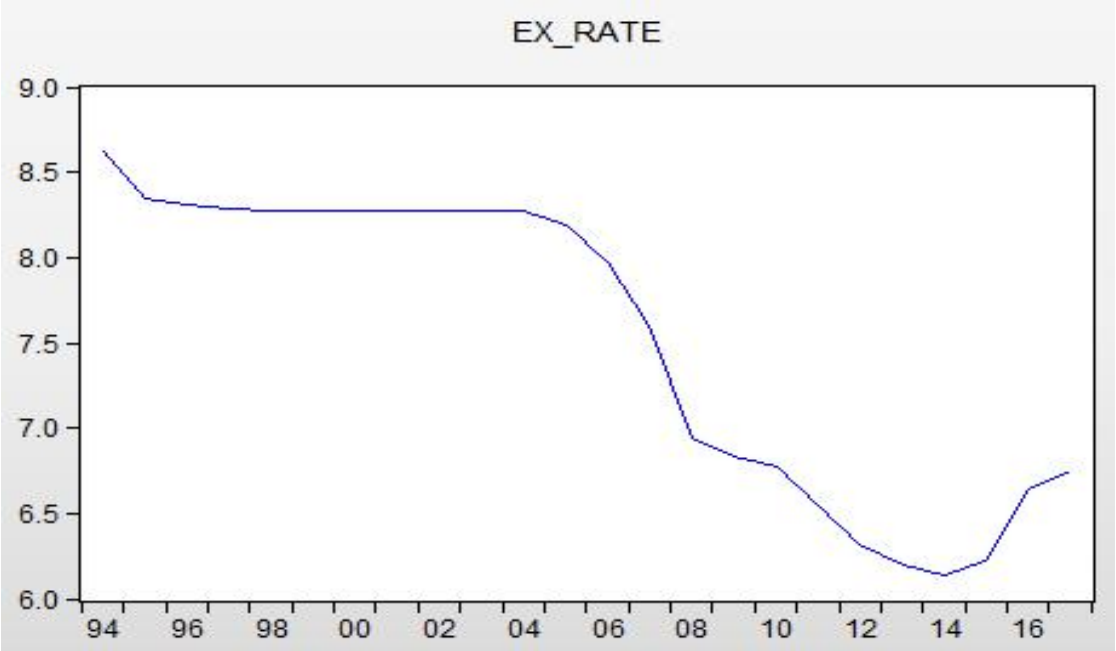
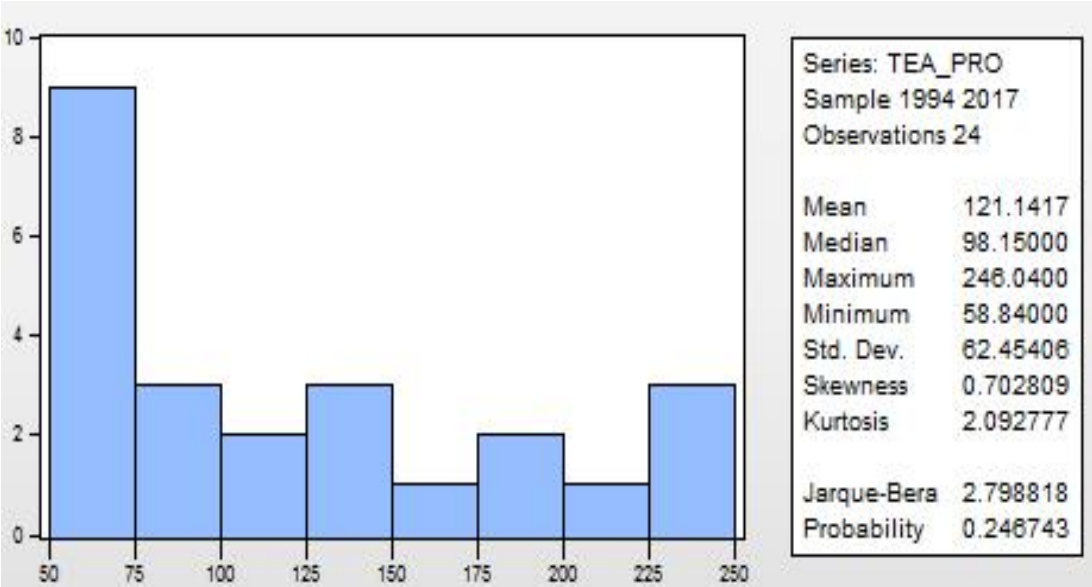


Table 4.2: Tea Production histogram and status (Source adapted from: Eview10 Analysis).



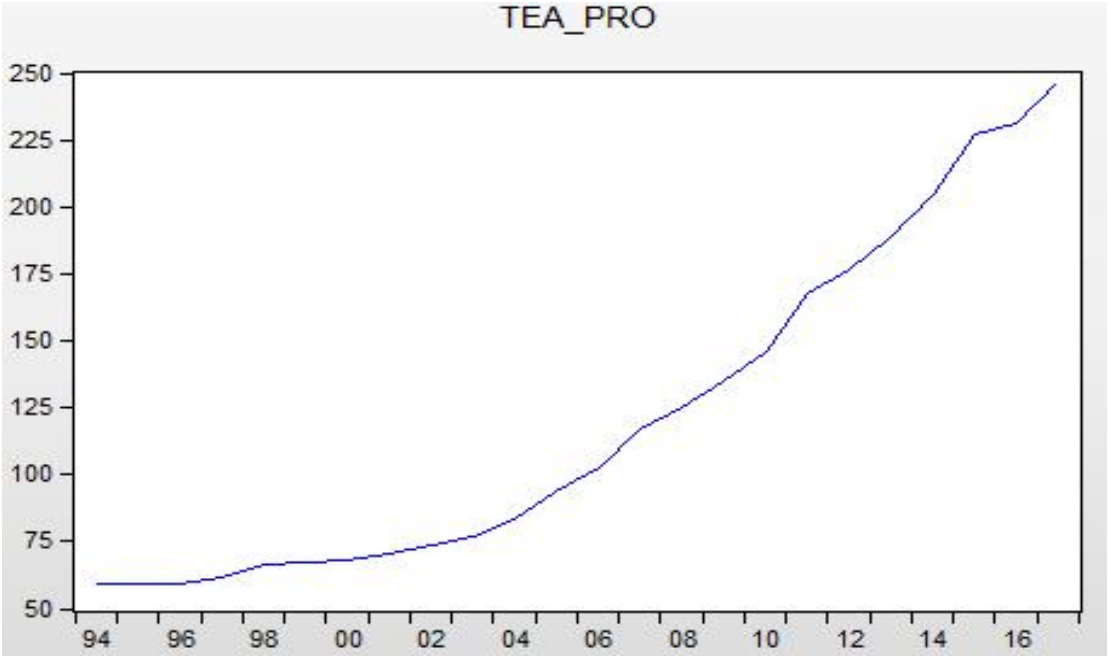
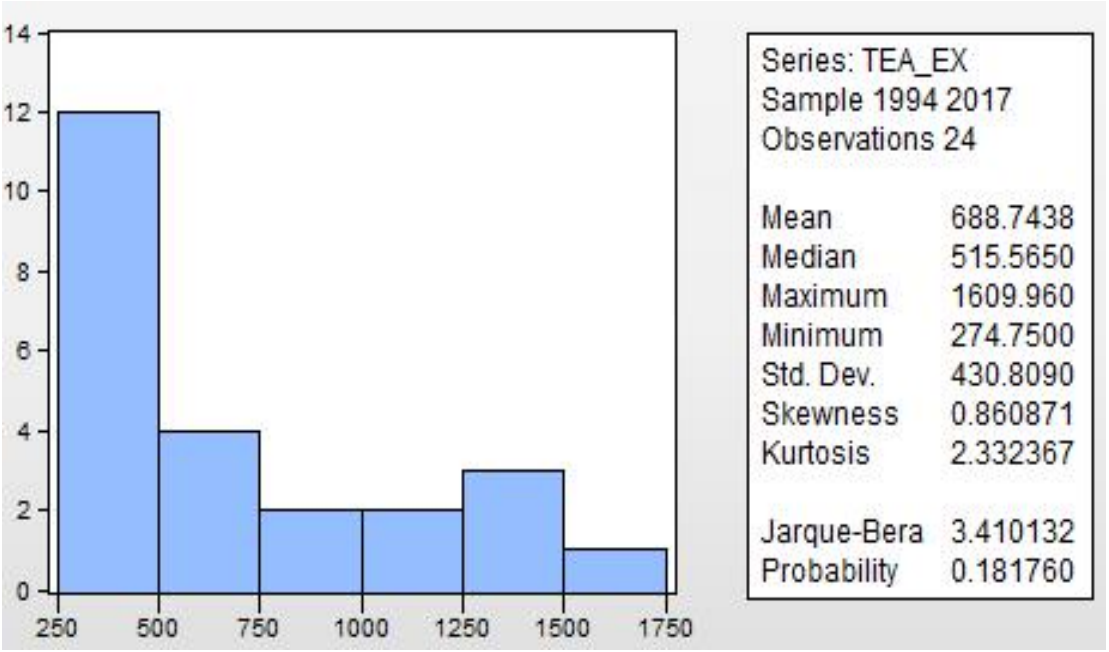


Table 4.3: Tea Export histogram and status (Source adapted from: Eview10 Analysis).



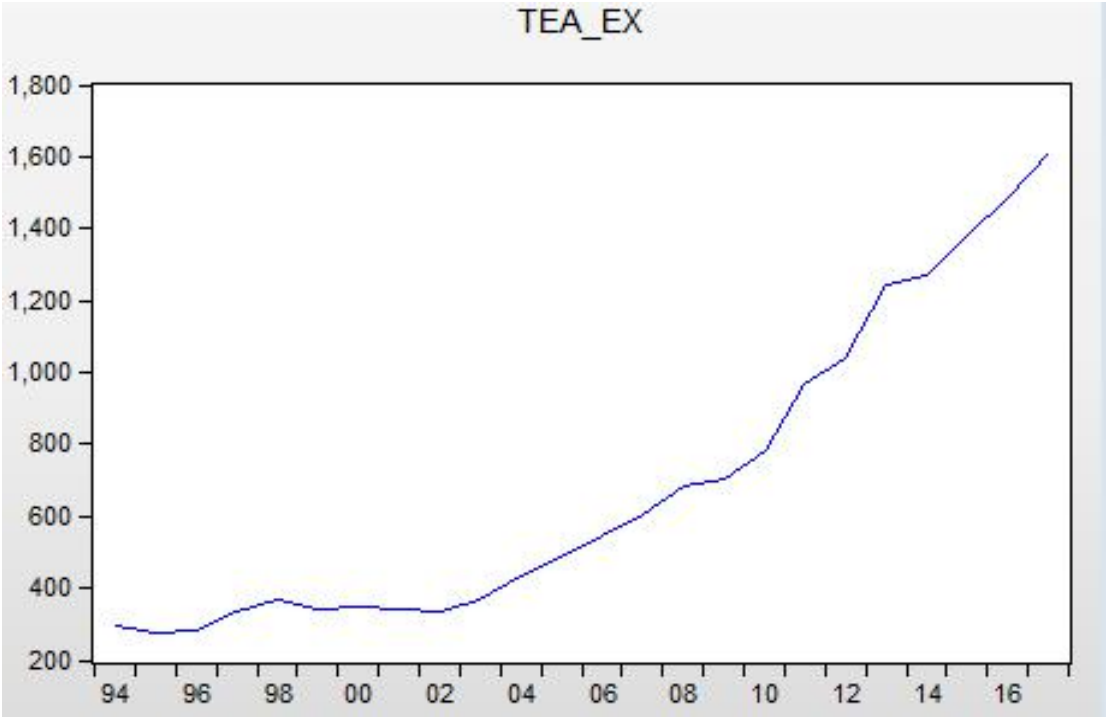


Table 4.4: Ordinary least square regression model (Source adapted from: Eview10 Analysis).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	53.05	25.21	2.10	0.048
X2	7.56	0.36	21.01	0.000
C	-626.22	230.69	-2.71	0.013
R-squared	0.991		F-statistic	1195.47
Adjusted R-squared	0.990		Prob(F-statistic)	0.00

Appendix C: MBA Project Log

Student Name:	**Cai Rangquzhen**
Supervisor's Name:	**Mrs. Rebecca Ming Yian Yew**
Dissertation Topic: **The Impact of RMB Exchange rate Changes on China's tea Export Trade**	

SECTION A. MONITORING STUDENT DISSERTATION PROCESS

The plan below is to be agreed between the student & supervisor and will be monitored against progress made at each session.

	Milestone/Deliverable Date							
Discussion on Research Topic	18/5							
Revision of Chapter 1		22/5						
Research Framework		22/5						
Revision of Chapter 2			30/5					
Discussion of Research Methodology			30/5					
Review of Chapter 3				15/6				
Discussion on Feedback from Proposal Defense					9/7			
Discussion on Chapter 4						15/7		
Discussion on Findings of the Research							30/7	
Preparation for the Final Defense								4/8
Discussion on Chapter 5								15/8

Section B. RECORD OF MEETINGS

The expectation is that student will meeting their supervisors up to seven times and these meetings should be recorded.

Week 1

Date of meeting	18/May/2020
Progress Made	Discuss the main points of initial proposal, and independent variables, discuss the feasibility of the topic and the purpose of the topic selection.
Agree Action	Write theoretical framework
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 2

Date of meeting	22/May/2020
Progress Made	Chapter 1 is not clear enough, the framework is wrong
Agree Action	Rewrite objective,purpose and research questions.
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 3

Date of meeting	26/May2020
Progress Made	Discuss modified chapter 1 2 3.
Agree Action	Arranged the PD slides and detailed procedures
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 4

Date of meeting	29/May/2020
Progress Made	Submitted the latest modified proposal paper,checked the PD slides.
Agree Action	Re-arranged the PD slides
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 5

Date of meeting	10/June/2020
Progress Made	Communicated the main suggestion after PD from second examiner.
Agree Action	Collected Data
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 6

Date of meeting	22/June/2020
Progress Made	Discussed issue related to data analysis methods
Agree Action	Chose Eviews as data analysis software
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 7

Date of meeting	9/July/2020
Progress Made	Supervisor checked the content of Chapter 4, data analysis part.
Agree Action	Rewrite chapter 3 4
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 8

Date of meeting	15/July/2020
Progress Made	Amend the model and re-examine chapter 4
Agree Action	Building an econometric model
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 9

Date of meeting	29/July/2020
Progress Made	Checked chapter 5
Agree Action	Stared prepare second PD slides
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Meeting 10

Date of meeting	12/August/2020
Progress Made	Complete all chapters and conduct inspections
Agree Action	Rewrite Conclusion
Student Signature	Cai Rangquzhen
Supervisor's Signature	Rebecca Yew

Section C. Comments on Management of Project

Student Comments:

Ms. Rebecca is my supervisor and very professional during the time she supervised my project. She guided me through chapters 1 to chapter 5. She contributed her time and energy to give me recommendations by very detailed way. She would love to know and respectful of my point of view and she really helped me a lot in the process of completing my thesis.

Supervisor's Comments:

Student is able to complete the research project. However, a few areas such as literature review, methodology, analysis & conclusion could have been improved.

Signature of Student: Cai Rangquzhen	Date: 21/08/2020
Signature of Supervisor: Rebecca Yew	Date: 22/08/2020
Ethics Confirmed	Date:21/08/2020

Appendix D: Plagiarism Rate