THE IMPACT OF CNY REAL EXCHANGE RATE ON CHINA’S BILATERAL TRADE WITH THE U.S

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A research submitted to the Othman Yeop Abdullah Graduate School of Business partial Fulfillment of the requirements for the degree of Master of Science (Finance), Universiti Utara Malaysia

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ABSTRACT

This thesis uses Co-integration Test and Error Correction Model to investigate the effect of CNY real exchange rate on China’s bilateral trade with the U.S. The model utilizes China and U.S economic variables, namely, bilateral trade balance, CNY real exchange rate, and GDP. The sample data is from 2005.Q1 to 2011.Q4. The major results suggest that GDP for the U.S plays an important role in China’s bilateral trade to U.S. GDP for China and CNY real exchange rate have limited effect on China’s bilateral trade to U.S.

Keyword: CNY Real Exchange Rate, China’s Bilateral Trade to U.S, GDP for China and GDP for the U.S, Co-integration Test and Error Correction Model.
ABSTRAK


I would like to express my gratitude to my supervisor, Dr. Hasniza bt. Mohd. Taib, for her suggestions and invaluable comments throughout this study. She leads me towards more achievement to show a distinctive performance. Her advice and support were notably essential to the completion of this study.

I would like to thank my parents: my father Mr. Huang Tianzeng; My mother Mrs. Zhang Xuefeng who gave me the name, the life and everything else in between, thank you for endless support, encouragement, and inspiration.

Finally, my grateful thanks to the examiner of my thesis Associate Professor, Dr. Angappan Regupathi, Phd. for his helpful and valuable perspective to improve the research work.
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<tr>
<td>ECM</td>
<td>Error Correction Model</td>
</tr>
<tr>
<td>CNY</td>
<td>Chinese Yuan</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>NEX</td>
<td>Net Trade Balance</td>
</tr>
<tr>
<td>IM</td>
<td>Imports</td>
</tr>
<tr>
<td>EX</td>
<td>Exports</td>
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<tr>
<td>RER</td>
<td>Real Exchange Rate</td>
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<tr>
<td>NER</td>
<td>Nominal Exchange Rate</td>
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<tr>
<td>GDPc</td>
<td>GDP for China</td>
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<tr>
<td>GDPu</td>
<td>GDP for the U.S</td>
</tr>
<tr>
<td>CPIc</td>
<td>CPI for China</td>
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<tr>
<td>CPIu</td>
<td>CPI for the U.S</td>
</tr>
<tr>
<td>ARDL</td>
<td>Auto Regressive Distributed Lag</td>
</tr>
<tr>
<td>OCED</td>
<td>Organization for Economic Co-operation and Development</td>
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CHAPTER 1

INTRODUCTION

1.0 Background

Under the background of economic globalization, international trade drives the economic development and promotes efficient allocation of resource. The exchange rate is the ratio of two countries’ monetary unit. Exchange rate performs the function of conversion between different prices in the international financial and trade activities. It’s an important indicator of a country’s international economic activities. The change in exchange rate has a profound impact on the development of both international trade and the domestic economy. Since 2001, China’s trade surplus and foreign exchange reserve have kept increasing, which brings huge pressures to the Chinese government. Western countries state that China’s trade surplus caused the imbalance in international trade. The study focus is on the issue of the impact of CNY real exchange rate on China’s bilateral trade with U.S.

Since China joined WTO, the volume of China’s international trade has experienced significant growth. In 2008, due to the subprime crisis, the global economy experienced a downturn. In 2009, foreign demand for Chinese exports reduced. However, China rebounded in a short time, outperformed other countries in 2010
The contents of the thesis is for internal user only
REFERENCES:


Asia Development Bank, http://www.adb.org/data/main


http://wenku.baidu.com/view/ec7b14dbad51f01dc281f125.html


