



Research on the Impact and Strategies of Cultural Differences in International Trade

Rongyu Wu*

College of Cultural Tourism and Journalism Arts, Shanxi University of Finance and Economics, Taiyuan, China

*1028872108@qq.com

Abstract. As the world gets more connected through globalization, exploring the specific manifestations, dual impacts and countermeasures of cultural differences in international trade has become the core of research. Cultural differences in international trade are mainly reflected in the differences in business practices and negotiation styles, product marketing and consumer behavior, organizational and management cultures, and legal logic and liability determination. However, both trading parties need to bear the negotiation costs based on communication barriers, information costs based on information asymmetry, and supervision costs based on cultural differences. It is necessary to conduct in-depth cross-border market research, consolidate the foundation of cooperation; optimize trade contracts and cooperation models, formulate country-specific trade policies, and adapt to cultural differences.

Keywords: Cultural differences; International trade; Product differences

1 Introduction

Since 2020, China's import and export volumes have been increasing year by year, with an average annual growth rate of around 15%. The continuous expansion of global trade scale has become an important trend in world economic development. As China's trade ties with various countries have been continuously strengthened, data shows that the growth rate of trade between China and the "Belt and Road" countries has exceeded the average growth rate of China's foreign trade. How do cultural differences affect the efficiency and quality of international trade? Existing research mostly adopts a "static perspective" to analyze the impact of cultural distance, treating cultural differences as fixed constants, unable to capture the dynamic essence of cultural interaction. This paper moves from static to dynamic, introduces the concept of "cultural adaptability", measures the efficiency and effect of enterprises or countries in reducing cultural barriers.

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2 The Manifestation of Cultural Differences in International Trade

2.1 Differences in Business Practices and Negotiation Styles

Negotiation style refers to the characteristics closely related to traditional culture that negotiators exhibit through their words and deeds, handling matters and habits and preferences during the negotiation process. It mainly manifests in aspects such as speech and behavior, handling matters, and habits and preferences. The differences between business conventions and negotiation styles mainly lie in the following aspects. In the establishment of business relationships, regions such as East Asia, Latin America and the Middle East generally follow the "relationship-oriented" model, viewing social activities as necessary investments for building trust; while regions such as North America and Northern Europe follow the "task-oriented" model, emphasizing efficiency and directness.[8]

2.2 Differences Between Product Marketing and Consumer Behavior

Product marketing refers to a marketing approach where enterprises manage and operate aspects such as product research and development, pricing, distribution channels, and promotion to meet consumer needs and gain competitive advantages. Traditional communication and communication also mostly follow a one-way information "broadcast" model, expecting consumers to understand and accept their information in the preset way. However, consumers will adhere to their local cultural identity and decode marketing information based on their own cultural values, social norms, and living habits. At the same time, consumers do not passively receive information but will conduct two-way decoding of marketing content based on their own background, and may easily experience cognitive biases due to cultural differences.

2.3 Differences Between Legal Logic and Responsibility Determination in International Trade

Legal logic refers to the discipline of applying formal logic and reasoning within the context of legal systems and decision-making. International trade is confronted with the collision of different legal systems, such as the civil law system and the common law system of the Anglo-American countries. The inherent logical differences directly affect the way transactions are conducted. In terms of contract drafting, when trading with common law countries, contracts tend to be lengthy and complex, attempting to anticipate all possible scenarios. In contrast, when trading with civil law countries, contracts may be relatively concise, relying more on general legal principles. Regarding expectations for dispute resolution, merchants in common law countries are more accustomed to seeking advantages in the fine print of contract terms; those in civil law countries, however, expect judges to make rulings based on the principles of fairness and the spirit of the law.[5]

2.4 Differences in Organizational and Management Culture

Organizational and management cultural differences directly affect the efficiency of cross-border business cooperation. Based on Hofstede's model, the differences mainly manifest in three aspects: Power distance: China has a high power distance, with clear organizational hierarchies and an emphasis on authority and obedience; the West has a low power distance, with a flatter structure and encouragement for employees to participate in decision-making. Such differences can lead to difficulties in team adaptation and affect execution. Individualism and collectivism: China is collectivist, seeking consensus in decision-making and emphasizing team incentives; the West values individualism, authorizing individuals in decision-making and linking incentives to individual performance. Such clashes may undermine teamwork and innovation, lead to talent loss, and inhibit knowledge sharing. Long-term and short-term orientation: Chinese management focuses on long-term strategies and is willing to sacrifice short-term profits for the market and brand; Western management, on the other hand, centers on short-term financial goals and values immediate returns. Such strategic differences can easily lead to conflicts among management and hinder the progress of cooperation. [1][2]

3 The Positive Influence of Cultural Differences in International Trade

3.1 Product Differentiation Broadens the Consumer's Choice Path and Meets Diverse Demands

In a market without product differentiation, the core issue for consumers is "to buy or not to buy?" The choice path is singular and linear. Product differentiation transforms the core issue into "Which one to buy?" Product differentiation is the main strategy for enterprises to deal with cultural differences. It creates unique market value by adjusting various aspects of the product to align with the cultural characteristics of the target market. In terms of localizing functionality and design, it is directly reflected in the product's adaptability. In summary, product differentiation first breaks the limitations of homogeneous supply, reconstructing the core attributes of the product to form a multi-level and multi-dimensional supply system, allowing consumers' choices to no longer be confined to the functional or form boundaries of a single category. Secondly, differentiated competition prompts enterprises to break through the segmentation of regional markets, further refining the global supply network.

3.2 Promote the Refinement of Industrial Chain Division and the Efficient Matching of Resources

Cultural traits shape comparative advantages and lay the foundation for division of labor. The cultural endowments of different countries and regions interweave with factor endowments, forming unique production advantages. In terms of innovation and creativity, the traits in the American culture that encourage taking risks, tolerate failure, and advocate individual heroism enable it to lead in disruptive innovation fields such as

software development, Silicon Valley hardware, and biotechnology. In terms of scale and efficiency, some emerging economies, at specific development stages, demonstrate flexibility, resilience, and an extreme pursuit of efficiency, making them indispensable modern manufacturing bases in the global context. The division of cultural traits promotes the fragmentation and refinement of the industrial chain. To enhance their global competitiveness, enterprises split their production and distribute it to regions with advantages. Cultural differences lead to diversified demands, forcing the industrial chain to be divided into various stages such as research and development, cultural adaptation, production, and marketing. International trade enables labor to find suitable positions in the global industrial chain, achieving precise employment and full utilization of talents, forming a specialized division of labor network, and avoiding talent waste. [7]

4 The Negative Impact of Cultural Differences on International Trade

4.1 Communication Barriers Increase the Cost of Negotiation

Communication barriers manifest themselves initially at the linguistic level, but they are more deeply rooted in non-verbal communication and cognitive patterns. In terms of the loss of precision in language and translation, even when both negotiating parties use a third language (such as English) or rely on professional translation, the precise transmission of meaning still faces challenges. This conflict in cognitive patterns can lead one party to perceive the other as "inefficient and ambiguous", while the other party may feel that the other is "aggressive and lacking in sincerity", thereby greatly increasing the difficulty of reaching consensus. Communication barriers directly translate into specific and costly negotiation costs, mainly manifested in time, manpower, and risks.

4.2 Information Asymmetry Increases Information Costs

In international trade, information is the core of decision-making. However, profound cultural differences exacerbate the information asymmetry between the two parties in the transaction, that is, one party possesses information that the other does not. Cultural barriers have intensified the difficulty for foreign enterprises in acquiring tacit knowledge, putting them at a disadvantage in terms of information. This deepened the gap of information asymmetry. Although formal institutions such as laws and regulations exist in text form, their implementation and interpretation are greatly influenced by informal cultural norms. [4]

4.3 Increased Cultural Differences Lead to Higher Supervision Costs

The magnitude of cultural differences directly determines the scope and complexity of the content that needs to be supervised in cross-border operations. This is mainly manifested in two aspects: the scope of content mainly reflects the degree of deviation in

the implementation of standards, and the larger the cultural difference, the more serious the deviation of the unified standards set by the headquarters when implemented in overseas branches. First, enterprises need to invest a large amount of resources in designing supervision systems with cultural adaptability, including formulating multilingual operation procedures. Secondly, the execution of daily supervision work requires the investment of professional human resources.[3]

5 Strategies for Dealing with Cultural Differences in International Trade

5.1 Conduct In-Depth Market Research Across Multiple Countries to Solidify the Foundation of Cooperation

Effective cross-border market research should not merely focus on superficial cultural elements such as language and customs, but should deeply explore the core cultural dimensions that influence business behavior. Firstly, systematically explore the values and business ethics of the target market. Secondly, complete the in-depth decoding of the consumption psychology and behavioral patterns of the target market. Finally, precisely analyze its business practices and negotiation styles.

5.2 Optimize Trade Contracts and Cooperation Models to Adapt to Cultural Differences

Enhancing the flexibility and cultural inclusiveness of contract terms is the prerequisite. Within the legal framework, contracts should not merely be regarded as a rigid list of rights and obligations. For partners from high-context, relationship-oriented cultures, flexible terms that reflect "relationships" should be embedded in the contract, incorporating informal social norms partially into the formal contract to compensate for the potential trust fractures caused by mere legalism. Different cultures have varying requirements for the precision of contract terms. In joint ventures, the cultural preferences of each party regarding power distance and the distribution of management rights and responsibilities must be fully considered to determine the equity structure.

5.3 Utilize Cultural Differences for Innovation and Transform Them into Trade Value-Added Points

Enterprises need to deconstruct the aesthetic preferences, symbolic meanings, lifestyles, and social values in different cultures and re-integrate them. Innovate products that meet functional needs, provide identity recognition, emotional resonance, and cultural experiences, thereby establishing a strong differentiation advantage and brand premium, achieving trade value addition. Create communication and marketing's dissemination value addition. In the marketing and communication aspect, the key to value addition lies in constructing a meaning system that can cross cultural boundaries and

evoke resonance. Enterprises need to deeply understand the cultural cognitive framework, communication habits, and information interpretation methods of the target market. [6]

6 Conclusion

This article systematically explores the specific manifestations, dual impacts, and core coping strategies of cultural differences in international trade. Against the backdrop of increasingly close global economic ties, the continuous deepening of China's foreign trade, and the rapid growth of trade with the countries along the Belt and Road Initiative, deeply understanding and effectively managing cultural differences have become key issues for enhancing the efficiency, quality, and sustainability of international trade. This study abandons the traditional perspective of regarding cultural differences as static constants and introduces the dynamic concept of "cultural adaptability" to more accurately grasp the essence of cultural interaction.

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