



**T.C.  
BURSA ULUDAĞ UNIVERSITY  
SOCIAL SCIENCES INSTITUTE  
DEPARTMENT OF INTERNATIONAL MANAGEMENT AND TRADE  
INTERNATIONAL TRADE DEPARTMENT**

**THE EFFECT OF CULTURE ON INTERNATIONAL TRADE: SOME  
COUNTRIES EXAMPLES**

**MSc THESIS**

**IRYNA USTİNOVA**

**BURSA – 2023**





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## ULUSLARARASI TİCARETTE KÜLTÜRÜN ETKİSİ: BAZI ÜLKE ÖRNEKLERİ

Uluslararası ticaret, kültürden büyük ölçüde etkilenir. Sözleşmelerin nasıl müzakere edildiği ve malların nasıl ilan edildiği dahil olmak üzere her şey üzerinde bir etkisi olabilir. Kültürler arasında iş yürütürken düşünülmesi gereken çok şey vardır ve bunu doğru yapmak zor olabilir. Bir firmanın merkezinin bulunduğu yerin kültürü veya bir şirketin iş yaptığı ulusun kültürü olsun, kültür uluslararası ticarete her zaman mevcuttur. Uluslararası ticaret, kültürden hem olumlu hem de olumsuz çeşitli şekillerde etkilenebilir. Kültürü doğru kullanabilen işletmeler için kültür, olası zorluklara rağmen bir güç kaynağı ve rekabet avantajı olabilir.

Bu çalışmada kültürün uluslararası ticaret üzerindeki etkisi incelenmiştir. Araştırmamız, çalışmamızın, kültürün uluslararası ticaret üzerindeki olumlu etkilerini optimize etmek istiyorlarsa, şirketlerin operasyonlarında oynadığı rolü tam olarak anlamaları gerektiğini gösterdiğini gösteriyor. Ayrıca, kültürel farklılıklar kadar çeşitliliğe de saygı duyan ve değer veren bir örgüt kültürü geliştirmek için çalışmalıdırlar. Son olarak, küresel bir ortamda çalışmanın getirdiği fırsatlara ve zorluklara daha iyi hazırlanmak için çalışanlarının kültürler arası eğitim almalarını sağlamalıdırlar.

### **Anahtar Sözcükler:**

Kültürel faktörler, uluslararası ticaret, kültürlerarası iletişim, tüketici davranış

## ABSTRACT

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### THE EFFECT OF CULTURE ON INTERNATIONAL TRADE: SOME COUNTRIES EXAMPLES

International trade is heavily influenced by culture. It may have an effect on everything, including how contracts are negotiated and how goods are advertised. When conducting business across cultures, there are many things to think about, and getting it right can be challenging. Whether it is the culture of the place where a firm is headquartered or the nation where a corporation conducts business, culture is always present in international commerce. International business can be impacted by culture in a variety of ways, both positively and negatively. For businesses that can properly use it, culture may be a source of strength and a competitive advantage despite any possible difficulties.

In this work influence of culture on international business was examined. Our research shows that our work shows that companies must have a thorough understanding of the role that culture plays in their operations if they want to optimize the positive effects of culture on international business. Additionally, they ought to work to develop an organizational culture that respects and values diversity as well as cultural distinctions. Last but not least, they should make sure that their staff members receive cross-cultural training to better prepare them for the opportunities and challenges that come with working in a global setting.

**Key Words:**

Cultural factors, international trade, intercultural communication, consumer behaviour



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## ABBREVIATIONS

<b>AT&amp;T</b>	American Telephone and Telegraph Company
<b>CIS</b>	Commonwealth of Independent States
<b>CT</b>	Customs Tariffs
<b>CV</b>	Curriculum Vitae
<b>EU</b>	the European Union
<b>GAFTA</b>	Greater Arab Free Trade Area
<b>GATS</b>	General Agreement on Trade in Services
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>HRM</b>	Human Resource Management
<b>IBM</b>	International Business Machines Corporation
<b>ICAO</b>	International Civil Aviation Organization
<b>IMF</b>	International Monetary Fund
<b>IMO</b>	International Maritime Organization
<b>MERCOSUR</b>	Mercado Común del Sur (Southern Common Market)
<b>MFN</b>	Most-Favoured-Nation Principle
<b>MT</b>	Mountain Products
<b>NAFTA</b>	North American Free Trade Area
<b>P&amp;G</b>	Procter & Gamble
<b>ROI</b>	Return On Investment
<b>TM</b>	Trade Mark
<b>TNCs</b>	Transnational Corporations
<b>TRIPS</b>	Agreement on Trade Aspects of Intellectual Property Rights).
<b>UAE</b>	the United Arab Emirates
<b>UK</b>	the United Kingdom
<b>UN</b>	the United Nations
<b>US</b>	the United States
<b>USA</b>	the United States of America
<b>USD</b>	United States Dollar
<b>WTO</b>	World Tourism Organization (WTO).
<b>WTO</b>	World Trade Organization

## **INTRODUCTION**

The contemporary global economy is a melting pot of various cultures, manners, ideas, customs, and social conduct. Cultural sensitivity is a priority to achieve international success as the global marketplace expands and supports cross-cultural and multinational businesses and teams. To overcome cultural hurdles that obstruct the expansion and development of businesses, it is crucial to comprehend the function and significance of culture in international trade.

There are many definitions of culture, but in its most basic form, it can be summed up as the social norms, values, attitudes, and behaviours of a person or a society. Culture can be thought of as the amalgamation of various experiences, values, beliefs, and ideologies that affect how a community, an individual, or a group acts and thinks. Religion, language, gender roles, social structure and dynamics, traditions, laws, and customs are a few crucial cultural components. Organizational culture and country cultures and customs are both included in the concept of cultural adaptation in international business. The organizations benefit from having a greater grasp of how the workforce and small companies in the area operate. Too frequently, businesses who operate abroad fail to consider regional differences. They comprehend a national culture in its entirety, but they do not account for the subtle and frequently not-so-subtle distinctions that exist within a national culture. These distinctions frequently go well beyond the merely formal features of etiquette and cuisine. The most obvious example of a regional variation is language, but there are also frequently differences in how people view time, religion, and business. It can be costly to be ignorant of these differences.

The cultural component of global enterprises has a considerable impact on the strategic direction that organizations follow because the global economy cuts across borders and cultures. Business culture, on the other hand, has a broader meaning and includes an organization's goals, morals, manners, viewpoints, and working practices. An organization's values, beliefs, goals, practices, behaviours, and communication patterns that influence its business operations, choices, and relationships are referred to as an organization's culture in trade. Trade culture, in its broadest sense, refers to a variety of practices, such as office setup, dress code, client relations, and workplace

etiquette. The nature and size of the organization, as well as national cultures and traditions, global trade, economic trends, and other factors, all affect the business trade culture.

There are two main aim of this work. Globalization is influencing our daily life as well as business one. There are only geographical borders left. In international trade goods, services and business operations are mixed up. One of the biggest problems facing multinational business today is how to manage activities across national borders. Mistakes can be challenging to fix, and disrespect for the local culture has the potential to bring down the entire enterprise. So while doing business international it is important to notice that world is globalized and to take it into account. Moreover, it is important to know that issues a firm faces while going global are new and unfamiliar.

Never-before-seen challenges are playing a significant role in the company's day-to-day operations. One of these barriers that might have an impact on all aspects of cooperation is culture. There are several ways that culture can affect a firm. It's not unusual to experience issues with pricing, language, and cultures. The main aim is to show that business must be able to address these issues in a way that also benefits the other party. Before entering the foreign country, it's crucial to be awarded about the manners and traditions of the host culture. Negative initial impressions can be challenging to overcome. Many businesses are having trouble operating in the unfamiliar and foreign environment since culture can have both good and bad effects.

For this reason, in the first chapter of the work it was examined the information about essential principles of doing business abroad in modern economic conditions. It was explained what international business is, what its structure, characteristics and factors. At the modern stage of the economy's development, a variety of elements from both the domestic and international environments have an impact on global business. You may concentrate on your issues and determine what techniques and strategies to employ to successfully solve them when you are aware of the elements influencing the growth of global business. It could be useful to think of the elements affecting international business in a methodical way in order to examine them most efficiently. In this chapter the influencing elements are separated into three groups with varying levels, namely the macro level, the micro level, and the internal level. Also it was considered



reasons for doing international trade (access to new raw materials and sources of minerals; access to new labour markets; opening new sales markets) and which types of international trade exists (export; import; licensing; franchising; management contracts; turnkey projects; foreign direct investments).

Additionally, it was reviewed the importance of international business on the international trade. International trade, which first emerged long before the development of the global economy, is thus the oldest type of international economic relations. The industrialized world economy as a whole emerged because of global trade. Moreover, it was analysed the balance of payments as a part of international trade. One of the final exponents of late mercantilism and a Scottish economist named James Stuart popularized the concept of "balance of payments" in 1767. The balance of payments' items are intended to reflect all of the nation's international trade transactions. Furthermore, this chapter was considered exchange rates, which act as a kind of link between national and international market value indicators, have a significant impact on international trade. As a conclusion to this chapter, it was explained the current status of international trade, what its position in the world, how it is regulated by which methods and what kind of multilateral agreements exist.

In the second chapter, globalization and impact of intercultural differences on international trade was considered. The globalization of the modern economy is accelerating. Because of how extensive this process is, no nation can avoid having an impact on several facets of social life. Globalization has a huge influence on international trade. The gradual development of the global trade system, which has been a difficult process and offers new "limits of consumption possibilities," that is, it gives people more other goods than they can produce on their own, is what international trade is all about, has played a significant role in the rapid intellectual and economic development of mankind. International trade issues were being researched by numerous prominent economists.

The mercantilist theory, A. Smith's theory of absolute advantages, D. Ricardo and John Stuart Mill's theory of comparative advantages, Heckscher-Ohlin's theory, Leontief's paradox, M. Porter's theory, Rybczynski's theorem, Samuelson and Stolper's theory, and the theory of the product life cycle are the main theories of international

trade. Moreover in this chapter it was explained the cross-cultural features in the global network, what the role of them in the global trade. Given the variety of ways that "culture" is defined, the idea is generally fairly complicated. This is supported by the theory put forth by the Dutch scientist Gerard Hendrik (Geert) Hofstede who describes culture as "mental human programming" made up of models for our thoughts, feelings, and behaviours. The social milieu (family, school, friends, workplace, etc.) in which a person matures and accumulates his or her life experience is the source of these mental programs.

A number of very important factors, such as political, economic, social, informational, and cultural ones, have a significant impact on today's global trade. These factors encourage businessmen to consider specific circumstances before expanding their operations internationally. Researchers that study how people act in various national cultures have discovered a number of criteria that make it simpler to identify both cultural differences and similarities. The most important factors are the following: religion; language; mental distance (cultural distance); traditions, customs; negotiation; attitude to colours, numbers; attitude to formalities etc.

Third chapter is explaining cultural differences on international trade on particular examples. Different parts of the world have different aspect of culture, which is defined as the customs, mindset, and spiritual values of peoples. The cultural element in international commerce first shows up as a difference in the cultural orientations of participants in those ties. Cultural distinctions are the end consequence of a protracted historical process; they emerged when peoples lived in relative isolation from one another. There are now a few places on Earth that stand out as being characterized by a particular culture. They are: North American culture; European culture; Culture of Arab countries; East Asian culture. In this chapter it was disclosed that business acquaintance, negotiations, clothes, informal environment, running business etc. differs in the abovementioned parts of the world. Every culture has a deeply ingrained idea of what is appropriate conduct. While there are common norms for inappropriate behaviour, there are many instances where it differs greatly from what is acceptable. And this is particularly obvious in the business sector.

# **CHAPTER 1**

## **BASIC PRINCIPLES OF INTERNATIONAL BUSINESS CONDUCT IN THE CURRENT ECONOMIC ENVIRONMENT**

### **1.1 The Structure of International Business**

Business on an international scale is constantly developing and dynamically changing under the influence of competition and globalization processes. The global stage of integration of economic systems is directly related to the multifaceted process of expansion and deepening of global economic ties due to increased mobility of production factors and results (macro level) and involvement of the firm in international operations (micro level) (Филиппова, 2008). International business trends depend on socio-economic changes that occur in the national and international environments, because there are technological and informational gaps between the subjects of these levels.

Business is an initiative economic activity that is carried out at the expense of own or borrowed funds with the aim of obtaining profit and further development of the business. International business involves the conducting business transactions of partners more than from a lot of countries (Колосов, 2007). International business is based on the possibility of receiving benefits (economic or technological) precisely from the benefits of interstate business operations, that is, the sale of a given product in the other country or the establishment of production by a firm of one country in another country, or the joint provision of services by firms of two countries to a third, etc. This provides partners implicated in business with more advantages than they would have if they accomplish similar functions as subjects of only national economies (Cullen, 2010).

#### ***1.1.1 Definition of the International Business***

International business can be determined as the business cooperation of firms of different forms of ownership or their subdivisions located in different countries. It may provide the main aim of obtaining profit from the account benefit in from the advantages of international business transactions (Филиппова, 2008)

International business is primarily associated with the implementation of international trade in goods, which as the form of foreign cooperation arose in the 17th–18th centuries on the basis of the birth of the world market and international division of labour. The international division of employment is based on the principle of comparative advantages production of some goods in the country. On the basis of comparative advantages in resources (natural, labour or capital) a business environment is formed and develops, which determines the direction of international development business. An example of international trade in goods is the purchase of raw materials and materials in one country for the manufacture of finished products already in another or trade in already finished products abroad according to the retail trade system (Лук'яненко, 2008).

### ***1.1.2 Characteristics of International Business***

The principles of conducting international activities are markedly different from domestic ones. For a company to prosper there are things that international companies don't even have to think about. In this regard, there is a need to study the main characteristics, features and mechanisms of conducting international business and control its activities.

Global business (international) is science, technology, production, trade, services and other partnerships between two or more international economic institutions. In the modern context, it is related to the international trade of goods and services and the international movement and use of production materials (Гуцалюк, 2015).

Business, known as domestic or national business is a business transaction that takes place within the geographic borders of a nation. It is also called insider business or insider trading. International business is manufacturing and trading outside this country. Thus, international can be determined as entrepreneurial activity that is carried out across national boundaries. It can be applied to the international movement of goods and services as well as to technology, personnel, capital, and intellectual property such as know-how, copyright, patents, and trademarks. It should be underlined that most people perceive international business as international trade. There is no doubt that

international trade is historically been valuable part of international business, which includes export and import of goods.

But recently, the scale of international business has expanded significantly. International trade in such services as international transport, tourism and travel, advertising, communications, banking, and warehousing. Other not less important developments are the expanse in foreign investment and foreign production of goods and services. Companies began to invest more and more in foreign countries and engage in the production of goods and services in foreign countries in order to get closer to foreign customers and serve them with more benefits at lower costs. All these activities are defined as part of international business. In conclusion, international business is a wider term and includes both production and trade of goods and services across boundaries (Краснікова at al, 2017).

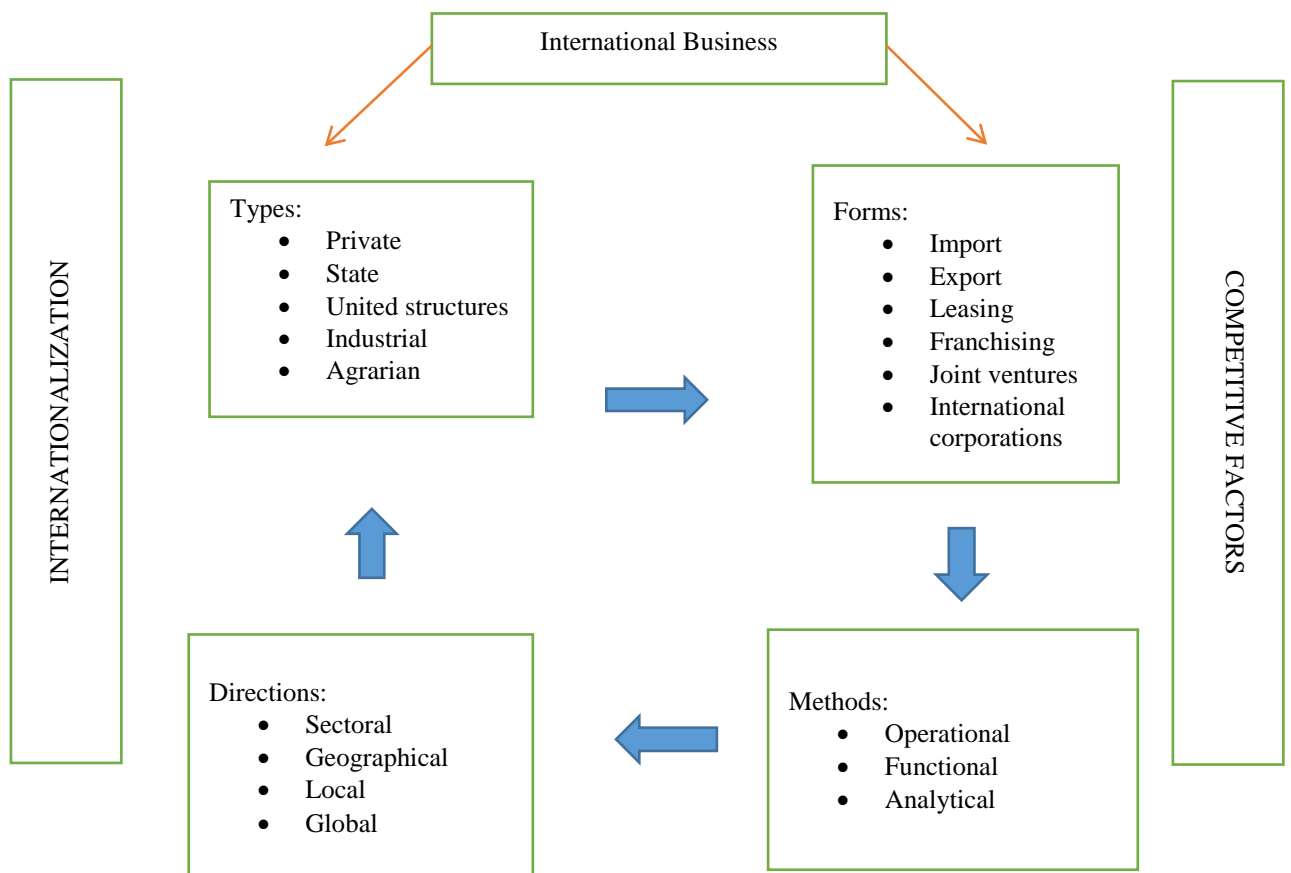
In order to understand the complex nature of international business developed in this region, a detailed study and analysis of the patterns and connections characteristic of each of the above phenomena (areas) should be taken into account. Also, international business deals require in-depth local market research to study the local business environment, familiarize yourself with the various determinants that may apply, and select the appropriate form of business taking into account all the constraints. Such requirements connect macroeconomic issues with microeconomic ones. And only integrating several scientific disciplines (international finance, management, logistics, and marketing) related to the main activities of international business, managers can present a comprehensive clarification of the entire diapason of challenges and problems faced by modern managers who carry out their functions on international markets.

International trade includes all types of trade between more than one country. Such business relations can also be developed at the level of public and private institutions. If private companies engaged in international trade, the business is usually focused on profit. The activity of a public company is not always only runs for profit. Therefore, it is necessary to determine the main reasons for carrying out international activities. These reasons at this stage of economic development may be access to the new labour market; to new sources of minerals and raw materials and striving for new sales markets.

Based on the incentives and characteristics of international trade, we can distinguish specific types and species. There are two main types of business - private and public international business. This division of types of international trade is formed on the division of ownership of economic units. Currently, countries with a transition economy are expressed by a boost in the share of private international trade (Гуцалюк, 2015).

These main motivations for carrying out business transactions outside national borders form the structure of international business, which is a system of interrelationships of types, forms and methods of international business implementation (Fig. 1.1), which functions in the direction of international trade relations, movement and rational use of financial and labour resources (financial and intellectual capital) within the global economic system (Information Economy Report, 2010).

**Figure 1.1. Structure of International Business**

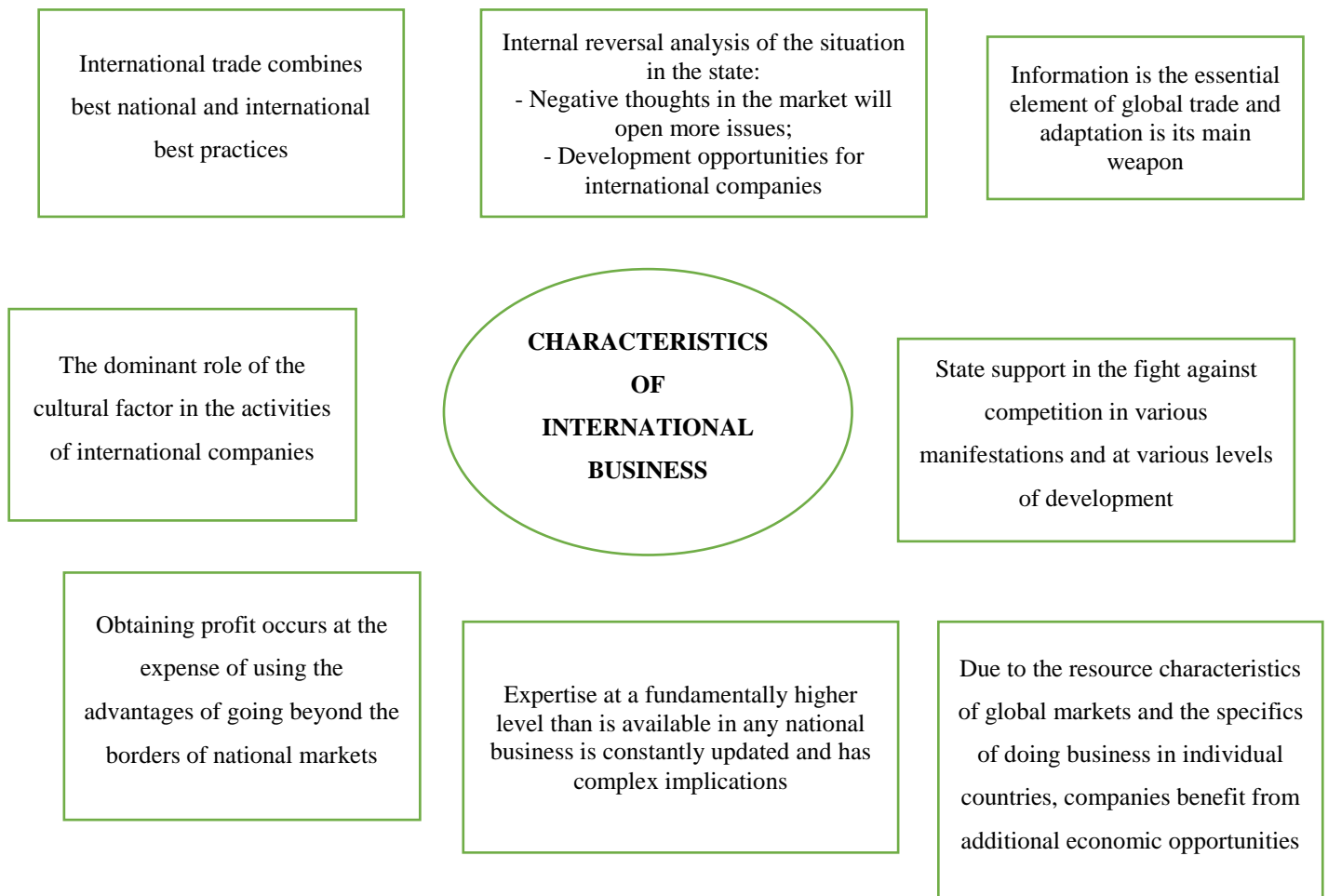


**References:** (Гуцалюк, 2015)

According to the formed scheme, international business activity is an activity imposed through production, trade, service, and other commonly beneficial collaboration of business entities of two or more countries (international partners).

On the basis of the conducted study of the economic category of international business, we can formulate its main characteristics (Fig. 1.2).

**Figure 1.2 Characteristic Features of International Business**



**References:** (Кукіна, 2012).

Thus, international business is characterized as a complex economic system that combines the performance of a number of important economic, social and state tasks. It should be noted that global events relate to the implementation of specific measures to expand markets, services, capital, labour, innovation and capital growth, diversification of economic events, etc.

## **1.2 Factors Influencing Effective Business Management**

At the stage of economic development, world-wide business is influenced by a lot of factors from the domestic and foreign environment. Understanding the factors affecting the development of global business allows focusing on problems and understanding what methods and strategies should be used to effectively solve them. Also, when conducting international business, it is important to consider a number of aspects that can affect the company's business and hinder the growth of international business (Huntington, 1996).

Managers to make decisions in the field of international business enterprises know and understand what is happening in the international economy as a whole, and therefore have a sufficient level to assess the factors influencing its activity and solve problems. A more detailed analysis of the situation in individual foreign markets will allow a better understanding of the market organization and processes specific to the target market.

In order to most effectively analyse the factors influencing international business, it may be effective to consider them in a systematic form. First of all, the influencing factors are divided into three large groups, which differ in levels, namely the macro level, the micro level and the internal level.

### ***1.2.1 The Macro, Micro and Internal Levels***

The macroeconomic level combines a group of factors that make up a single macro environment for the existence of business as an economic phenomenon. At this level, it is essential to notice interstate peculiarities in the political, economic and state system. When choosing a foreign target market or a foreign counterparty for cooperation, it is very important to take into account the country's legal system. The quality and efficiency of international business depends on a thorough approach both to the choice of a partner and to establishing and conducting business affairs with him. Therefore, taking into account the large number of differences in the specified areas, we consider it appropriate to separate them into a separate block of influencing factors.



The next level of researched factors is the microeconomic level - the level that determines the place of company in the global arena of cooperation. The indicators of this block relate specifically to the tools of interaction with a specific international partner or country. The peculiarity of this level is that each of the factors is perceived individually according to differences in national development, position, property, etc. In this block, an important role is played by the country's geographical location and natural environment, socio-cultural differences in doing business and the perception of part-time work as an economic, social and long-term partnership. The third level of factors is internal. A group of factors at this level explains the conditions of economic management of a specific company. This approach allows you to assess the company's strengths and weaknesses in the context of the goal of entering the foreign market. The most important factors include material, financial resources, personnel (for example, qualified personnel) and information resources. A distinctive feature of this group of factors is that they are controlled by the company (Богацька, 2019).

International business combines a large number of components of various spheres of economic activity; therefore, the number of prerequisites for the emergence of influencing factors is quite extensive. It is highlighted the main ones, namely: economic, political, state, socio-cultural, investment, territorial, communication, marketing, structural and trade. This choice of prerequisites is determined by the relevance of the influencing factors of these categories. Thus, by formalizing the above-mentioned characteristics of factors influencing international business in the form of a scheme, it will be easy to structure them.

It is important to emphasize that almost all factors have both a negative and a positive impact on international business. This is primarily due to the national characteristics of the founding country of the business, individual cultural traits, the level of economic development, as well as the lack of other conditions. That is why, in the scheme, the general level of influence of this or that indicator will be indicated without taking into account individual characteristics (Безклубенко, 2013).

On the basis of a detailed explanation of the levels of research of influencing factors on international business, it is suggested considering the next vector of research, namely the prerequisites for the emergence of influencing factors (Table 1.1).

**Table 1.1 Factors Influencing International Business**

PREREQUISITES	FACTORS	Stronger impact
Macroeconomic level		
Economic	Structure of national economies; Economic development of national economies; Business conditions; Socio-economic system of countries	positive
Political and legal	Internalization and globalization of the world's economy; Reducing barriers to the migration of production factors (labour resources, capital, technologies); Emergence of a single informational economic space.	negative
State control	Strengthening the influence of international institutions on the implementation of international business; Impact on the international business of the IMF and the World Bank Group.	negative
Microeconomic level		
Social and cultural	Goodwill of the country; Intercultural differences.	positive
Territorial	Geographical location; Development of transport infrastructure; Reduction of logistics chains; Optimisation of logistics cost.	positive
Internal level		
Investment	Attractive investment climate.	positive
Marketing	Reduction of the life cycle of goods; Trends towards equalization of demand conditions and consumption style in different countries.	positive
Structural	Training of a highly qualified employees;	positive
Communication	Reduction of delivery and production costs; Strengthening communication with customer.	positive
Commercial	Agreements on protection of capital investments; Agreements on cooperation in the field of Informational exchange.	negative

As a result of the examine of elements influencing international business, it was noted that each of the factors has a significant impact on the management system of one or another subject of economic activity. However, there are factors whose influence are a big problem and require increased attention to oneself. Such factors include: cultural differences, competition in the host country, state power, nationalization, war and terrorism, short-sightedness in corporate governance, the presence of internal national barriers, political and economic situations and their instability, changes in currency rates. Accordingly, in order to reduce the risks from these factors, a thorough and rational approach to the study of all possible risks is necessary (Азоев, 2000).

Attention was paid to the peculiarities of communication cultural differences and their impact on conducting international business. The issue of cross-cultural interaction has become one of the defining areas of research into the effectiveness of international relationships.

### ***1.2.2 Reasons for Doing International Business***

The movement of resources (people, capital, raw materials, and technology), goods (finished components, products, semi-finished products), services (banking, accounting, legal) from one country to another is associated with global business.

The uniqueness of world trade is that it is directly affected by a number of circumstances including language differences, distances, exchange rates, tariff barriers, political issues, etc.

It may be noted that the specific benefits of doing business internationally are related to generating higher profits considering the following factors: access to other labour markets (prices, qualifications); access to sources of raw materials and mineral deposits; search for new business opportunities; increasing production volume and reducing product costs (economy of scale and experience curve); limitation of current risks.

The main purpose of global business, the reasons for its formation and development determine a certain system of means to achieve its goals. This system is in various stages of development and the functioning of international affairs has its own

peculiarities. Therefore, it is important to highlight some areas of international business where there are different ways to achieve the goal of international business.

The reasons for doing international business, its nature and the areas of international business are presented in more detail in Table 1.2.

**Table 1.2 Reasons for Running International Business, Its Essence and Areas of International Entrepreneurial Activity**

<i>Reasons for international business</i>		
Access to new raw materials and sources of minerals	Access to new labour markets	Opening new sales markets
<i>International business</i>		
Business interaction of companies with different ownership forms or other subsidiaries based in different countries with the aim of reaping the benefits of doing business internationally	Any commercial transaction conducted by two or more countries	Entrepreneurial activity involving the use of capital in various forms and the profits of increased economic activity which are profitably used and disseminated in the international economic space
<i>Spheres of international business</i>		
Import-export business of a private company, ie foreign markets	The system of international financial flows or financial markets	The process of entrepreneurial activity
↓	↓	↓
sales expansion; acquisition of resources; diversification of sources of supply and sales	participation in foreign investment; acquisition of financial resources; diversification of funding sources entrepreneurial activity	transfer part of the production abroad; geographical expansion of a production space; formation of the foreign sector

Global business is a system of commercial relations and economic operations conducted by economic entities from two or more countries with the aim of making a profit. Modern international trade is characterized by the following features:

- a significant increase in sales under the influence of scientific and technical progress;
- deepening of internationalization;
- the global nature of international business: includes the world system of exchange of commercial information, the world financial market and the world structure of technological innovations;
- deepening of the international division of labour;
- change in the structure of goods and services in world trade (increase in goods density, decrease in raw materials);
- emergence of dependence of some international companies on foreign partners;
- taking into account the cultural factor in the company, that is, a set of requirements and constraints that the culture of a particular country imposes on those who do business there (or with it);
- establishing strong technological relationships between global business units.

### ***1.2.3 Types of International Business***

The forms and types of international business from simple (international trade) to complex ones (international companies with foreign direct investments) changed with the development of internationalization processes.

Export, licensing, franchising, management contracts, turnkey projects, foreign direct investments are the most common types of international business.

Features of the specified types of international business are presented in Table 1.3.

It should be emphasized that export is the simplest form of global business and consists in the actual sale of goods (services) to other countries. Historically, it is the earliest and most common form of international trade. In modern conditions, international trade transactions account for more than 80% of international business volume. In addition, exporting is the least risky but also the least profitable form of global business (Twarowska, 2013).

These characteristics force international trading companies to modernize their exports. The most common forms of this modernization are local warehouses and sales, which means that large quantities of goods are delivered to special warehouses in the host country for subsequent sale from that warehouse. This form of business reduces the costs involved in the rapid transport of large quantities of goods (economy of scale) and also enables pre-sales and after-sales service for the goods.

**Table 1.3 Types of International Business**

<i>Types of international business</i>					
Export products	Licensing	Franchising	Management contract	Turnkey projects	Foreign direct investment
export of goods, capital, services, etc. for sale on the foreign market	a set of actions of the executive authority for granting permission for the subject to carry out foreign economic activities of export, import, use of patents	the method of activity according to which the seller transfers to the buyer the right to use his trademark	a means by which firms can send some of their management staff to support the firm in another country for a fee	concluding a contract for the construction of enterprises, which are transferred to the owner when they are fully ready for operation	real capital investments in enterprises, equipment, technology or services that create a material basis for business expansion across national borders

### 1.2.3.1 Export of Products

If to look at the history, the first form of international business was export and import. All import-export operations can be splitted into two groups. The first group is trade in goods, i.e. material assets. In official US documents, this type of goods is called "merchandise exports and imports" (export and import of goods); the term "visible trade" is used in Great Britain. The second group of export-import transactions is trade in services, i.e. intangible assets, which include transport, accounting and banking services. This type of trade is called "services exports and imports" (export and import of services) in the United States of America (Cullen and Parboteeah, 2009).

However, in economics literature, the concept of only export as a form of international business is most often encountered. Exporting is the easiest way to sell goods to customers in other countries. Quite often, companies work as passive exporters, that is, for the fulfilment of foreign orders, the same costs are incurred as for the fulfilment of domestic orders. The company, having received an order through its website or contract, delivers goods to a foreign customer in the same way as any other customer. Many small enterprises start working as passive exporters, and later move to more complex forms of international business. Once a company moves beyond passive exporting, there are two main export strategies for a multinational company: indirect and direct exporters. Indirect exporters use middlemen to use their knowledge and contacts needed to export to different countries. Small companies and novice exporters who do not have sufficient work experience quite often use this approach. An export management company and an export trading company are the most common intermediaries (Kotabe, 2002).

Using the first form of mediation (indirect exporters), the exporting company transfers all its functions at the international level, where it will be represented by a certain management company that specializes in the sale of certain types of products. The use of this form of cooperation is considered optimal for small exporters, because the intermediary company knows the peculiarities of the culture and markets of individual countries or regions and promotes the promotion of the company's products to international buyers and distributors.

Merchant export companies own the product before export, that is, such companies buy the goods from the exporter and then resell them in another country. Such intermediary companies often act as independent distributors that connect domestic producers and foreign buyers. Therefore, when exporting with the help of intermediaries, is when the company enters the foreign market quickly and without additional costs for managing the sale of products is the most important favour for the exporting company. There is such a category of entrepreneurs who, carrying out export operations, assume the responsibilities of intermediaries for the sale of their own goods and services on foreign markets. Such exporters are called direct exporters.

### *1.2.3.2 Licensing*

When considering the forms of international business, it is worth noting that licensing means the transfer of intellectual property rights to a partner from another country on the condition of obtaining certain revenues. Intellectual property includes inventions, know-how, trademarks, etc. Licensing is a way of organizing production abroad, minimizing investment costs and making resources available to other companies in exchange for a license. Licensing involves signing an agreement under which a company grants another company a license to use its intellectual property (trademarks, patents, brand name, or copyright) on the basis of royalties (Горелова, 2019).

An example of licensing would be Walt Disney granting a German children's clothing company permission to use the image of Mickey Mouse on the condition that the company be paid a percentage of sales.

Cross-licensing is also common, reducing the cost of the technology compared to the cost of developing a similar technology in-house. Licenses are often associated with franchise agreements.

### *1.2.3.3 Franchising*

Franchising is a mode of operation in which the franchisor (seller) grants the franchisee (buyer) the right to use its trademark, which is the key asset for the buyer's business and through which the seller provides on-going support to the buyer in his business. (Кокоріна, 2010).

Franchising generally involves direct involvement in the development and oversight of a marketing program. A franchise system can be defined as a system whereby semi-independent entrepreneurs (franchisees) make payments (commissions, royalties) to the parent company (franchisor) in exchange for the right to identify themselves with their brand name in order to market their products under that name sell it and the ability to take advantage of the format and functionality of the system.



Compared to licenses, franchise agreements are generally longer-term, with the franchisor transferring a wide range of rights and assets including: equipment, management systems, user manuals, induction training, site development.

It is also possible to provide all the necessary support for franchisees to start their business. While the license agreement provides for the use of such concepts as intellectual property, trade secret and others, in the franchise agreement it is possible to use only trademarks and operational know-how of the business. We can single out some significant advantages of international business franchising: low political risk, low investment cost for developing the format and system of operation, the possibility of simultaneous expansion in different regions of the world. Properly selected partners can bring financial investment to the owners, as well as increased management potential (ГОЛОВКО, 2010).

In the United States, 1/3 of retail is franchised. Approximately 3/4 of these sales come from car and truck dealerships, gas stations and the bottling of soft drinks. The most common way (60%) for a franchisor to enter another country is to choose a master franchise and transfer the rights in the country or region to that (usually local) organization. Then the main buyer opens his own business or a business through a sub-franchise. McDonald's companies follow this pattern (Lipset, 2003).

#### *1.2.3.4 Management Contract*

Management contracts are a way for a company to second part of its senior management to another country to support a foreign company there or to perform special management functions for a certain period of time for a fee. Prices include manager tickets. Salaries and risk costs that may arise from mistakes made by managers in another country (Kotabe, 2002).

The attention should be paid to the fact that management contracts are used under the following circumstances (Kotabe, 2002):

- the expropriation of foreign investments by the beneficiary country when the current owner is proposed to extend the management of the company to the training of local managers;

- creation of a new commercial project where the beneficiary country does not have the necessary managerial experience but has the necessary equipment;
- increasing the efficiency of the company's operations by involving the management personnel of well-known foreign companies (Kotabe, 2002).

Management contracts as a form of international business are common among firms operating in the hotel business (Twarowska, 2011). So, for example, the Marriott and Hilton company does not always own expensive hotels bearing its name, it only manages them in accordance with contracts.

A hotel management contract, also known as a management contract or an operating contract, is a contract whereby the owner of a hotel contracts with a separate company or operator to manage the hotel.

A hotel management company hired to operate a hotel business provides expertise, established methods and procedures, oversight, and generally an auditable history of past performance. The operator runs the hotel for a certain fee on the terms agreed with the owner; The more common of these terms are described in more detail below. Such an arrangement is typically designed to maximize return on investment (ROI) for the operator and the owner (usually “owner-investor”), transfers operational risk of profit and loss to the owner and may affect positively or negatively over the good. The value depends on the quality of the company's operations and market conditions (Кавешников, 2010).

#### *1.2.3.5 Turnkey Projects*

Turnkey projects are one of the ways of doing international business. This method is usually characterized by a short period of execution, a quick return of the invested funds. Carrying out such activities at the international level, its owners have benefits, because they implement ready-made and tested technologies that do not require additional development costs.

However, there may be threats to such a business due to the inability to ensure the proper level of performance of assigned tasks at the local level.

Contract manufacturing involves a form of joint entrepreneurship under the conditions of concluding contracts for the production of products with manufacturers in the foreign market, but the implementation is carried out by the company of the customer. So, to generalize, it can be defined that a joint venture involves the cooperation of two or more business entities from different countries with the aim of establishing the production of goods or providing services to obtain greater profits or social effect. Usually, but not always, international companies, after cooperation in the form of exports or creation of joint ventures, move to the most complex form of business, that is, to direct foreign investment, which involves the transfer of capital for use by residents of another country.

In this case, the customer pays for it in stages and the contractor company builds the enterprise (object) at its own expense. Manufacturers of relevant design, equipment, consulting organizations or construction become general contractors. The state organizations or large international corporations are the customers.

Usually, the calculation is carried out in three stages (Дакно, 2003):

- priority (advance) payment – 10–25%;
- current payments in the course of work - 50-65%;
- final payment after completion of works on the facility and putting it into operation - 10-40%.

#### *1.2.3.6 Foreign Direct Investment*

Foreign direct investment ("foreign direct investment") involves the investment of capital for the purpose of further control over property, assets and companies in other countries. The country from which foreign investments are made and in which the headquarters of the parent company is located is called the country of origin ("home country"), and the country on the territory of which business is conducted is called the host country ("host country") (Колосов, 2007). Foreign direct investment is the highest degree of internationalization, because business is carried out within the framework of one state with the use of international control.

There are two main methods of direct investment: firms can directly purchase a business and open their own business, while capital investments are made in the development of a project "from scratch" (Дахно, 2003).

Greenfield investment is a form of business. Acquisition has become a popular way of entering foreign markets, mainly because of quick access. Acquisition is considered a less risky way of making investments than Greenfield investments, as the result of the acquisition can be assessed quite quickly and accurately. Greenfield investment involves the creation of a new subsidiary, which is considered complex and potentially expensive, but such a business is fully controlled by the founding firm and therefore has the greatest potential to provide returns higher than the market average. This way of conducting international business requires not only investment, but also the study and implementation of appropriate marketing strategies to increase competitiveness in the new market. Thus, the implementation of direct foreign investment takes place after consideration of all the advantages and disadvantages of this way of doing business.

Advantages of foreign direct investment (Kotabe, 2002):

- free access to markets (sales, resources, workforce);
- reduction of production costs;
- better adaptation of goods on local markets;
- the possibility of providing after-sales service;
- circumvention of tariff (customs) duties and non-tariff protectionist barriers;
- receiving financial benefits compared to the import of goods and foreign loans;
- one-time acquisition of new technologies in anticipation of their permanent supply.

Disadvantages of foreign direct investment (Kotabe, 2002):

- growth in capital investment costs;
- the need to attract expensive managers or employees;

- increasing political risks;
- increasing financial risks.

### **1.3 The Importance of International Business on the International Trade**

In the "Big encyclopaedic dictionary" (1998) in the note "International trade", it is succinctly stated that international trade is all foreign trade of the different countries in the world. In the same dictionary, in the note "Foreign trade", this concept is explained somewhat more broadly: "International trade, trade of one country with other countries, a component of international economic relations. It is split into export (export) and import (import) of goods. The sum of exports and imports gives the foreign trade turnover. Foreign trade is based on the foreign division of labour. All foreign trade transactions of the countries of the world are international trade" (Big encyclopaedic dictionary; 1998).

The "Economic Dictionary-Reference" contains the article "International trade" with the following content: "International trade is trade between countries, which consists of the import (import) of goods and services and their export (export). It is based on the international division of labour. Although international trade arose during the period of the slave system, but in the 16th century (before the beginning of the existence of the capitalist mode of production) only a small share of manufactured products was involved in international trade. In the 16th century the world capitalist market is born, and with the end of the industrial revolution of the end of the 18th and the beginning of the 19th centuries, with the development of large-scale machine industry, its more perfect forms appear, as a result of which it turns into a world capitalist market.

#### ***1.3.1 International Trade is a Component of Global Economic Relations***

With the disintegration of the world into two systems, relatively independent subsystems emerged in international trade (Орлов, 2014):

-trade between capitalist countries;

-trade between developed capitalist countries and most underdeveloped countries of the world;

-trade between socialist countries;

-trade between developed capitalist and socialist countries.

International trade between the developed countries of capital, due to the high degree of international division of labour achieved between them, was conducted mainly in finished products and, first of all, in machines and equipment. The objects of such trade between countries with high economic development and developing countries were, on the one hand, industrial products, and on the other, agricultural raw materials.

Economic science operates with the concept of "terms of trade", which means the ratio of prices for exported and imported goods. If a larger quantity of goods must be exported each year to obtain a certain amount of imported goods, then the terms of trade are said to be deteriorating.

Therefore, international trade is the oldest form of international economic relations, which appeared long before the emergence of the world economy. It was thanks to international trade that the developed world economy as such arose (Мясоедов, 2020).

International trade occupies a significant place in the system of international economic relations. It is both a consequence and a prerequisite of the international division of labour. Historically, international trade has evolved from isolated and often indiscriminate foreign trade operations into long-term and large-scale trade and economic cooperation. The modern scientific and technological revolution has boosted international trade. The specificity of the current phase of international trade becomes particularly clear when analysing its long-term trends, forms and methods.

International trade is the central link of a complex system of global economic relations that unites almost all countries of the world into a single international economic system. Subjects of both international public law and international private law participate in international trade. They include states, state-like entities, intergovernmental organizations, nations fighting for their independence, legal entities, natural persons — entrepreneurs.

International trade is a tool used by the countries of the world to develop and deepen the specialization of their economies, increase labour productivity and efficient use of their resources.

It is clear that the intensity of trade relations is not uniform in different countries of the world. The share of industrialized countries reaches 70%. The countries of this group mainly support trade with each other; about 80% of the exports of the economically developed countries of the world are accounted for by their mutual trade. The vast majority of countries in the modern world are countries with open economies. A significant part of the gross domestic product is created in them with the participation of the foreign trade sector (Цыганков, 2004).

The countries of the world are unequally provided with factors of production - labour, capital, technology, entrepreneurial skill, land containing raw materials. Furthermore, a country's progress in allure export exercises depends not only on allure money, but also on the environments of an appropriate trade atmosphere and on the ability of household builders expected ambitious in their own market and in different markets. Many determinants in the financial environment can limit nations' talent to consume their resources and production benefits. These involve inflation, the rate of exchange, active environments, government tactics and measure. These and other determinants can influence the competitiveness of exporters in worldwide trade.

It is known that demand and supply for a specific product in a market economy are balanced by establishing the equilibrium price. International economics considers these categories not only in relation to the volume of production and the level of prices within the limits of a specific country, but also in the context of the world volume of production and the level of prices in the international market. Aggregate demand and aggregate supply establish a relationship between the volume of production of goods and services and the level of their prices.

The modern theory of international trade pays equal attention to aggregate demand and aggregate supply (for comparison, it should be remembered that at one time the mercantilists emphasized the importance of the sphere of circulation, while later the classics emphasized the importance of the sphere of production; modern theory has

abandoned such one-sidedness). The so-called standard model of international trade is a model of general equilibrium in international trade and relates supply and demand within a country to demand and supply from abroad. It takes into account reciprocal demand, which shows how much of an imported good a country needs to be interested in exporting another good. The general international equilibrium is achieved when the supply and demand for goods (services) in both domestic and international trade are simultaneously balanced (Цыганков, 2014).

### ***1.3.2 Balance of Payments as a Part of International Trade***

The idea of "balance of payments" was popularized in 1767 by James Steuart, a Scottish economist, one of the last representatives of late mercantilism. The articles of the balance of payments are designed to reflect all foreign trade operations of the country with the outside world. These articles cover exports of goods and services, spending by tourists abroad, etc. The country's trade balance is the balance middle from two points the country's gains from the outside globe and allure payments to it.

The balance of payments consists of three main components (Передерієв, 2007):

1. Foreign trade balance. It refers to the export and import of goods, is calculated according to customs statistics and takes into account the value of goods crossing the customs border of the respective country in real time. The balance of payments takes into account payments and receipts in the field of foreign trade turnover, which over time may not coincide with the movement of goods.

2. Balance of payments for services and one-way transfers. The latter are non-commercial payments. The balance of payments for services is receipts and expenses for transport, insurance, post, telegraph, telephone, commission operations, cultural exchange, tourism, consumer transfers (salary, inheritance, scholarships, pensions, etc.), maintenance of diplomatic and trade missions, interest and dividends for investments, license fees, etc.

These two balances together form the balance of payments for current operations, or the current balance. It determines the amount of net income (revenues) or



net costs of a specific country in connection with its international trade in goods, services, as well as transfers.

3. Balance of capital and credit movements. It is the ratio of import and export of both private and public capital, as well as received and granted international credits. It can also be understood as the ratio of sale and purchase of assets. The foreign trade balance is the difference between commodity exports and imports. If exports are greater than imports, then there is a positive trade balance, while if imports exceed exports, the trade balance is negative. So, in the first case we have an active trade balance, in the second - a passive one. In the case of a passive trade balance, a deficit occurs in the foreign trade of a certain country.

It should be noted that the current balance and the balance of capital and credit movements are closely related. A current account deficit is a direct indication that the country is living beyond its means, because exports are not enough to pay for imports. Financing of imports in this case requires either attracting a foreign loan or selling certain assets to foreigners. In the last version of the development of events, the deficit of the balance of payments is covered by the inflow of capital to the country. If the balance of payments is active (that is, the balance is positive), capital outflow is often observed under the article "Capital movement" (Передерієв, 2007).

The Bretton Woods currency system provided for the systematic regulation of the balance of payments, which had to take place in different directions depending on the type of balance of payments (passive or active). The Jamaican currency system uses the principle of symmetrical equalization. A small deficit in the balance of payments is obviously not dangerous, it should be covered next year by an active trade balance. The elimination of the deficit cannot be left for the distant future.

A significant deficit of the balance of payments, especially one that tends to steady growth, indicates that the products of the respective country are losing competitiveness on the world market. Deficit factors can be both internal and external (social and economic cataclysms, energy price increases, etc.) (Дажно, 2003).

The long-term aggravation of the balance of payments deficit is caused by the reduction of the country's official reserves. This can push its leadership to introduce trade barriers (application of high tariffs and/or extensive import quotas, often such measures are not enough; the country becomes a thorny path of life as a permanent debtor and the threat of default hangs over it).

### ***1.3.3 Exchange Rate and Foreign Trade***

International trade is strongly influenced by exchange rates, which form a kind of bridge between the value indicators of national and international markets. The influence of the exchange rate is reflected in the relationship between export and import prices, which in turn leads to changes in the domestic economic situation and corrects the activities of companies engaged in export and/or in competition with imports. With the help of the exchange rate, companies are given the opportunity to compare their production costs with prices on the world market (Передерієв, 2007).

The exchange rate affects the profit of entrepreneurs and the competitiveness of their products on the international market. Due to numerous factors, exchange rates cannot be completely unchanged for a long time, but their sharp fluctuations cannot be considered a positive phenomenon. Exchange rates are an indicator of the instability of international economic relations in general and monetary, credit and financial relations in particular. History knows many examples when sharp changes in exchange rates made some states richer and others poorer.

The depreciation of the national currency is beneficial to exporters and disadvantageous to importers. In such a situation, exporters have the opportunity to reduce prices in foreign currency for their products. Exporters receive premiums by exchanging the received foreign currency (which has become more expensive) for the national currency (which has become cheaper). Exporters sell their products at prices lower than the world average. Consequently, exporters get richer while their country gets poorer (Kotabe, 2002).

The foreign suppliers are forced to raise the prices of their products to compensate for the loss of income due to the depreciation of their foreign suppliers' exchange rate so the devaluation of the national currency raises import costs. As a

result, in countries where the national currency depreciates, prices, imports and consumption of foreign goods decrease, which usually has a negative impact on the domestic economic situation. The drop in the exchange rate increases the burden of foreign debt settled in foreign currency and it becomes unprofitable to return the profits made by foreign investors in the currency of the country in which they invested. These profits are either reinvested or used to purchase goods at domestic prices in the investment country for later export.

If a country's exchange rate rises, this has a negative impact on its export industry. Changes in the prices of goods imported and exported from these countries may be made by changes in exchange rates inevitably. That is why, the competitiveness of goods on international markets is influenced not only by factors of production, but also by exchange rates. There are many examples of how the steady growth of the exchange rate of the national currency caused the loss of competitiveness of the corresponding country's products, despite the fact that its technological level, as well as management features did not cause any doubts or concerns. A high exchange rate contributes to the expansion of imports to such a country and the growth of foreign investment income. The repatriation of profits from foreign investments is increasing. The real amount of foreign debt denominated in foreign currency is decreasing. So, as you can see, the exchange rate is a kind of double-edged sword. It is clear that individual governments may be tempted to use the exchange rate to solve certain problems. There is a rich arsenal of measures for overestimating and underestimating the exchange rate. Overvaluation of the national currency means its official establishment at a level higher than parity. An undervalued rate, on the contrary, is set at a level lower than the parity rate (Legal texts WTO, 1995).

In connection with the exchange rate, inflation should also be mentioned. If the rate of inflation exceeds the rate of depreciation of the exchange rate, then (other things being equal) the import of goods increases in order to sell them at high prices. If the external devaluation of the currency is more intense than the internal one, the conditions are created for the so-called currency dumping.

In some countries, several exchange rates may be used for different participants in foreign economic activity. For example, in the field of commercial transactions, the

official exchange rate is used, and in the case of international capital movement, the market rate is used. Practice shows that the exchange rate for commercial transactions is usually undervalued. Governments resort to such manipulations in order to revive the economy and increase the competitiveness of exports. In such a country, production increases, but consumption decreases, domestic prices rise, which negatively affects the well-being of the population (Legal texts WTO, 1995).

It was believed by proponents of the mechanism of floating exchange rates that the free fluctuation of exchange rates adequately responds to the demand and supply of foreign currencies, automatically corrects the deficit and assets of the balance of payments. Floating exchange rates actually affect international movement of capital (primarily, short-term), pricing, and inflation.

The inflow of speculative foreign capital ("hot money") to a country is used by governments to accelerate economic development and cover the state budget deficit and has increased the rate of its national currency.

The outflow of capital from the country reduces investment and causes other negative consequences, including an increase in unemployment. The exchange rate is an arena of fierce struggle not only between national exporters and importers (given the oppositeness of their interests), but also between states. Exchange rate problems are always relevant from a scientific and practical position, since worldwide trade is impossible without the use of currency (Legal texts WTO, 1994).

### ***1.3.4 The Current State of International Trade***

International trade is the mutual economic dependence of producers of goods and services and consumers from the other countries. It reflects the international division of labour. Technical and scientific revolution, cooperation and specialization of production and other factors strengthen the interaction of national economies. International trade is becoming more active, its growth rate exceeds the growth rate of manufacture of goods and services. The analysis of foreign trade turnover shows that for every 10% increase in world production, there is a 16% increase in the volume of world trade. Production and trade should be understood as mutually stimulating factors. Production creates opportunities for the expansion of trade, and the latter accelerates the

development of the production of goods and services. Everything that is good for production is also good for international trade, and vice versa.

The most basic factors of international trade are considered to be the following:

- heightening of the transnational division of labour and internationalization of product;
- exercise of the accomplishments of the experimental and mechanics revolution, that, exceptionally, exhibits itself in the recurrence of money available for business, the invention of new types of products, the rise of new arms of the frugality and the rebuilding of usual one;
- activation of activities of transnational corporations on the world market;
- liberalization of international trade on a bilateral and multilateral basis, manifested in the abolition or reduction of tariff and non-tariff restrictions, the creation of free economic zones, the introduction of joint entrepreneurship;
- the growth of trade and financial integration through the creation of multilateral trade zones, the introduction of a alone tariff for countries that do not take part in economic groupings, the establishment of common markets and monetary and financial unions;
- acquire political independence by domains that previously belonged to pioneering empires, and the emergence of "new industrial states" (Legal texts WTO, 1995).

#### *1.3.4.1 International Trade in the World*

International trade spread to the entire world market, and its goal became the involvement of all countries of the world in international trade from the end of the 18th century to the beginning of the 19th century. Starting from this period and up to the present day, there have been regular changes in the dynamics of the development of international trade. In general, the development of international trade in the world, (its increase) in a sustainable form, refers to the period after the Second World War. And this is based on the general economic activity in the world after the Second World War. In the same period of time, the international transportation of goods, services and capital in countries with open economies began to develop at a rapid

pace. A gradual increase in the number of countries with open economy based on general principles and standards led to the formation of a global trade system (Кукіна, 2012).

The United States of America was the main system-forming element in the creation of the global trade system. After the Second World War, general trends characteristic of the development of international trade were formed, which include the following (Рахманов, 2013):

1. significant increase in the volume of international trade in the post-war period;
2. regional and international integration processes, giving a powerful impetus to the development of the world economy and economic growth in the participating countries, bring income from the growth of trading capital;
3. international trade for profit strengthens the influence of international specialization and cooperation (Рахманов, 2013).

In the modern period, the changes taking place in the dynamics of the development of the merchandise and geographical structure of worldwide trade are influenced by numerous and multilateral factors. These factors can be classified as follows (Безклубенко, 2013):

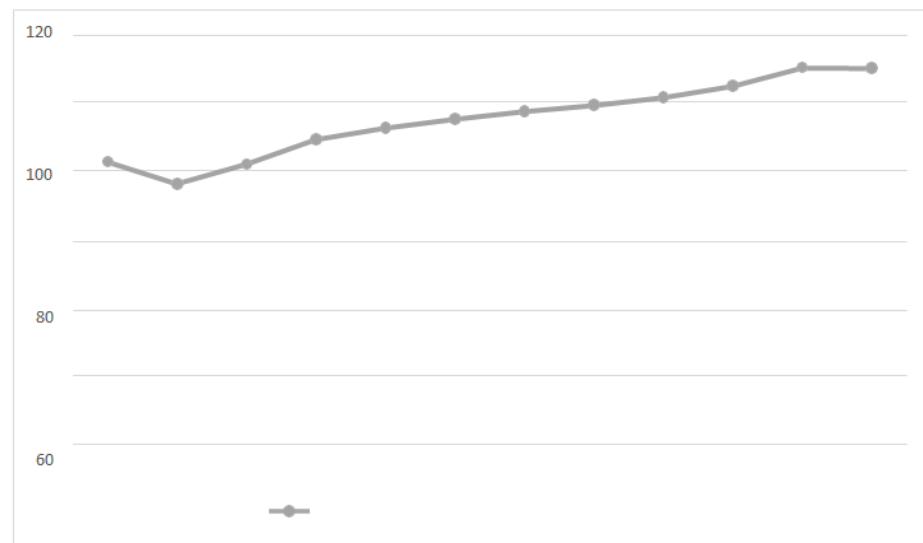
- the expanding of the international separation of labour and the deepened internationalization of the world frugality, that leads to an increase in the indicator of the exposure of national frugalities in the countries of the globe;
- scientific and technological progress and innovative development led to the creation of flexible work structures and structural changes in the national economy;
- the aggregation and centralization of result and capital on national and worldwide markets led to the incitement of activities of transnational associations on world markets;
- the export of capital, in particular, the scale of direct property and the rate of increase experienced to the strengthening of the smuggle potential and the tumor of the turnover of worldwide trade in the globe;

- accompanying the collapse of the Soviet system of worldwide trade in Eastern Europe and the nations of the former Soviet Union, it started in transit the formation of the civil economy and the composition of new independent states, definitely influenced allure expansion;
- in general, international economic organizations, individually, the World Trade Organization (WTO) on the basis of principles strengthens the process of liberalization of foreign trade;
- spatial expansion and increase in the number of free trade zones and customs unions led to the intensification and deepening of integration processes that eliminate regional barriers;
- for the incitement of foreign trade change and export-import movements in the countries of the world, approving conditions were created by way of active intervention of united states of America in foreign economic venture and promotion of the development of overseas trade (Безклубенко, 2013).

The factors mentioned above determined the trends in the development of foreign trade. First of all, it encourages the national and international economy in the world to gradually cover a wider circle, increase the transparency of the national economy in various countries and increase the number of indicators of openness to achieve international standards.

Analysis of trends in the development of international trade after 2019 shows, first, minimal growth in the period between 2019 and 2020, then a decline in 2020 and 2021, and finally a strong rise in 2021 and 2022. After a long period of instability, world trade grew by about 10 percent in 2017 and 2018, reaching \$25 trillion. USA. In 2019, against the background of trade wars and a slowdown in economic development, the volume of world trade decreased by 0.1. (Fig. 1.3)

**Figure 1.3 Dynamics of International Trade Development For the Period 2018-2022 (trillion USD).**



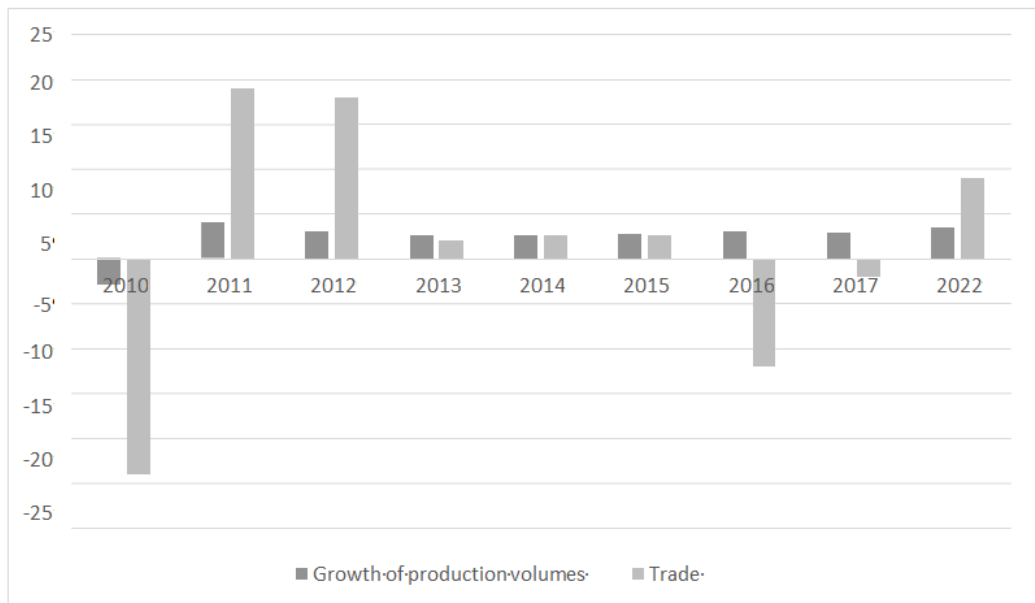
**Resource:** Constructed based on UNCTAD data.

The increase in the volume of international trade was caused, first of all, by the tendency to increase the prices of raw materials (the recovery of oil prices) and a slight decrease in the exchange rate of the US dollar during 2019. In addition, there was a steady increase in the volume of international trade, the main factor of which was the dynamic growth of the world production - was observed in most countries - which helped to stimulate significant investments in economic growth (Faulkner, 1996).

The action of the growth rates of world result and trade, in addition to the ratio of the value of planet trade and the volume of realm production - this sign, as a rule, is used to assess proliferation trends. In the period between 2019 and 2020, this indicator stopped at the level of about 30 percent, and then decreased in 2021 and 2022 - these two years are often called the period of de-globalization. Later, this indicator began to grow, reaching peak levels in 2022 (Fig. 1.4).



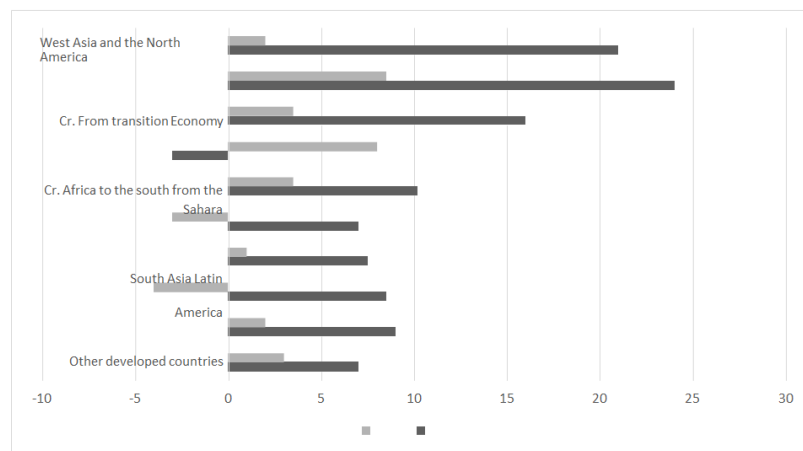
**Figure 1.4 Dynamics of Economic Growth Rates of the World Economy and Volumes of International Trade for the Period 2010-2022 (in percent,%).**



**Resource:** Constructed based on UNCTAD data.

Although the annual growth rate of trade was generally strong in 2022, this growth slowed in the second half of 2018. UNCTAD data indicate stagnation in the value of international trade in the first quarter of 2019. In 2022, trade growth rates were high in all regions and trade integration groupings. Exports from the European Union, the United States of America, China and East Asia grew by 7-9 percent. Prices for raw materials contributed to the rapid growth of exports in countries with transition economies, as well as in the countries of Africa and the Middle East. On the contrary, data for 2019 show that export growth has practically stopped in the United States of America and China and has acquired a negative value in the European Union.

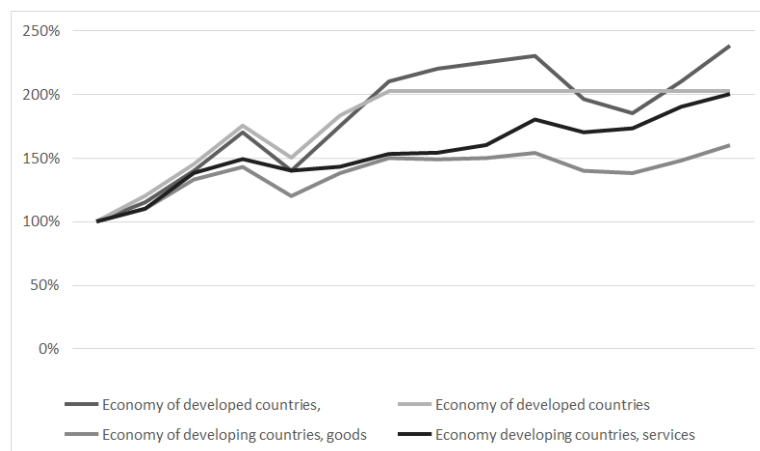
**Figure 1.5 Dynamics of Exports of the Countries of The World for the Period 2019-2022 (in percent, %).**



**Resource:** Constructed based on UNCTAD data.

On a global scale, trade in services reached a record level of \$5.8 trillion in 2018 dollars USA, confirming the dynamics of the export of services, which grew faster than the export of goods in both developed and developing countries (Fig. 1.5). In addition, the export of services has a more stable character than the export of goods, since its maximum reduction occurred during the periods of the global economic and financial crisis in 2009 and the decrease in trade volumes in 2015.

**Figure 1.6 Comparative Characteristics of the Dynamics of Export of Goods and Services of Developed Countries and Developing Countries for the Period 2019-2022 (in percent, %).**



**Resource:** Constructed based on UNCTAD data.

In the period between 2021 and 2022, the share of the economies of developing countries in the world export of services increased from 23% to 30%. The leading positions are still occupied by developing countries - the countries of Asia, which in the period between 2005 and 2018 saw the highest rates of growth in the export of services, and in 2018 - the largest share in the world export of services, which amounted to 24 percent. In the period between 2005 and 2018, there was a noticeable annual growth in the export of services in the least developed countries, which amounted to 11 percent, exceeding the growth of their exports of goods and increasing the share of services in the total volume of exports from 14 to 19 percent. This indicates the continued influence of services on export growth in developing and least developed countries (Faulkner, 1996).

The distribution of commercial services exports in 2018 by economic sector highlights the different profiles of services trade in developed and developing countries. Dependence of developing transition economies on transport and travel was still higher by 59 and 54 percent of their total volume of exports of commercial services, respectively, and was more noticeable in Africa and the least developed countries, accounting for 72 and 75 percent, respectively. On the other hand, developed countries continued to specialize mainly in higher value-added service categories such as financial services.

Despite these distinctness, the gap between the economic profiles of cultivating and developed nations has slightly narrowed. In the ending between 2019 and 2022, the fastest increasing export categories in underdeveloped countries included duties in the field of telecommunications, machine control and information, economic and other business aids, with annual development rates of 13, 12 and 9 percent, respectively. This surpassed to an increase in the dependence of the smuggle of commercial services in underdeveloped countries on these categories accompanying a higher added worth in the conditions of a decline in the relative share of services in the field of transport and travel (Любинская, 2002).

#### *1.3.4.2 Regulation Methods of International Trade*

Regulation of worldwide trade is divided into state rule and regulation by way of international agreements and the partnership of countries in the invention and activities of international institutions.

The types of government regulation of international trade can be divided into two groups: tariff and non-tariff (Богацька, 2019).

Tariff methods are limited to the use of duties – special taxes levied on products in international trade. Customs tariffs are fees charged by the state for registering goods and other valuables abroad. This fee, known as the license fee, is included in the product price and is ultimately paid by the consumer. Customs taxation is the use of import duties to make it more difficult for foreign goods to enter a country, while export duties are used less frequently.

Depending on the calculation method, customs duties are distinguished (Hampden-Turner, 2000):

1. ad valorem, which are charged as a percentage of the product price;
2. specific, charged in the form of a certain amount of money from the volume, weight or unit of the product (Hampden-Turner, 2000).

The main purposes of imposing import duties are both direct import restrictions and restrictions on competition, including unfair competition. Its extreme form is dumping - selling goods on the foreign market at a lower price than the same product on the domestic market.

The main purposes of imposing import duties are both direct import restrictions and restrictions on competition, including unfair competition. Its extreme form is dumping - selling goods on the foreign market at a lower price than the same product on the domestic market. These include (Лук'яненко, 2008):

- Quota (quotation) - determination of quantitative parameters within which certain foreign trade transactions can be carried out. In practice, quotas are generally set in the

form of lists of commodities whose free import or export is restricted as a percentage of the volume or value of their national production. When the quantity or quantity of the quota is exhausted, the export (import) of the product in question is suspended;

- Licensing - issuing of special permits (licenses) to commercial companies to carry out foreign trade activities. It is often used in conjunction with quotas to control license-based quotas. In some cases, the license system acts as a kind of customs fee, with which the country generates additional customs revenue;

- Embargo - ban on import-export transactions. It can apply to a specific product group or be introduced for individual countries;

- Currency control - money and credit restrictions. For example, a financial quota may limit the amount of foreign exchange an exporter can receive. There may be quantitative restrictions on the amount of foreign investment, the amount of foreign currency exported by citizens, etc;

- Taxes on export-import operations - these are non-tariff measures that are not regulated by international agreements (customs duties) and which therefore affect domestic and foreign products. Government grants are also available for exporters;

- Administrative measures mainly affecting the quality restrictions of goods sold on the domestic market;

- National rules play an important role. Failure to comply with national regulations can be the reason for banning the import of imported products and their sale on the domestic market. Likewise, a domestic freight tariff system often creates advantages by paying exporters versus importers for the freight. In addition, other forms of indirect restrictions can also be applied: the closure of some ports and railway stations to foreigners, an order to use a certain proportion of domestic raw materials in the manufacture of products, a ban on the purchase of imported goods by state organizations in the presence of domestic analogues, etc. (Лук'яненко, 2008).

#### *1.3.4.3 Multilateral Agreements*

A special role in the regulation of international trade is played by multilateral agreements concluding within the framework of following agreements:

- GATT (General Agreement on Tariffs and Trade);
- WTO (World Trade Organization);
- GATS (General Agreement on Trade in Services);
- TRIPS (Agreement on Trade Aspects of Intellectual Property Rights).

GATT. According to its main provisions trade between countries should be based on the most-favoured-nation principle (MFN). The most-favoured-nation regime (MFN) applies to trade in the GATT member countries, which acts as a guarantor of equality and obliges the government to introduce a non-discriminatory trade policy. However, exceptions to the PNB have been established for countries participating in economic integration groups. Also, exceptions are established for countries, former colonies, which are in traditional ties with former metropolises; for border and sabotage trade. According to approximate calculations, the share of such "exceptions" make up at least 60% in the structure of the total volume of world trade in finished products, which deprives PNB of its versatility (Merchandise exports by product group – annual. WTO).

The GATT defines customs tariffs (CT) as the only acceptable regulatory instrument. If you look at the dynamics of customs tariffs, it has been for the last time has a decreasing character. Currently, their average level is 3-5%.

There are also exceptions that allow the use of non-tariff protection instruments (tax credits, export, quotas, export and import licenses). These include application of agricultural production regulation programs, balance of the balance of payments, implementation of regional development programs and aid programs.

The GATT contains the principle of refusing unilateral actions (if such actions (decisions) could lead to restriction of free trade) and making decisions in favour of negotiations and consultations.

The GATT is the predecessor of the WTO. GATT made decisions in the negotiating round of all members of this agreement. There were eight in all. The most important decisions that have guided the WTO in regulating products to date were taken during the last (eighth) Uruguay Round (1986-1994). Through this WTO Round, the Round has further broadened the scope of the issues it regulates. These included trade in services, as well as intensify efforts to regulate products in certain industries (including agriculture), strengthen control over those areas of national economic policy that affect the country's foreign trade and a program to reduce customs duties (Dumoulin, 2003).

A resolution was made regarding the intensification of duties as the strength of processing of goods increases while lowering duties on natural resources and eliminating them on few types of alcoholic beverages, explanation and agricultural equipment, commission furniture, toys, drug products - in total, about 40% of total world imports. Liberalization of carry clothing, fabrics and agricultural goods resumed. But tariffs are acknowledged as the last and only means of regulation.

To combat price dumping, a number of anti-dumping measures were taken, in particular, concepts such as "legal subsidies" and "acceptable subsidies" were formed, which include subsidies aimed at environmental protection and regional development, provided that their amount is at least 3% of the total the size of the import of the product or 1% of its total value. All other species subsidies are classified as illegal, and therefore their use in foreign trade is prohibited.

With regard to a number of issues, the solution of which has an indirect effect on the economic regulation of international trade, the Uruguay Round contained requirements for the minimum export of goods produced at joint ventures, the mandatory use of local elements and a number of possible choices (Dumoulin, 2003).

At the Uruguay Round, a decision was approved regarding the creation of the WTO, which became the successor of the GATT and preserved its main provisions. However, the decisions of the round linked them with the task of ensuring freedom of trade not only through liberalization but also through the use of so-called ties. The importance of this connection is that any government decision to increase the tariff is taken at the same time as the decision to liberalize imports of other goods. The WTO does not belong to

the sphere of activity of the United Nations. This allows it to follow its own independent guidelines and to monitor the actions of the participating countries to ensure that agreed agreements are met. (Faulkner, 1996).

GATS. Economic regulation of international trade in services differs due to the fact that it has its own specificity. The fact is that, unlike goods, services have a wide variety of forms and content, because of which they cannot form a single market that has the same features. But due to general trends, it is possible to regulate it at the global level, even taking into account the new stages in its development, to which TNCs are pushing it, occupying dominant positions on it and monopolizing it. Currently, the world services market is regulated at four levels: international (global), industry (global), regional and national (Лук'яненко, 2008).

General global regulation occurs under the GATS, which came into effect on January 1, 1995. Its regulation is based on the same principles that the GATT developed for the economic regulation of international trade in goods: transparency (publicity and unity of reading laws), national regime, non-discrimination, refusal of application of national laws to erect barriers to international manufacturers. However, the full implementation of these principles is impossible because of the differences between services and goods: the material formlessness of most of them, the coincidence of the times of production and consumption of services. It follows that regulation of the terms of the exchange of services leads to regulation of the terms of their production, which in turn means regulation of the terms of investment in their production.

The GATS consists of following parts: a framework agreement that sets out the general principles and rules for trade in services; special agreement. These are agreements that regulate specific service industries and a list of commitments by national governments to lift restrictions on service industries. Therefore, the regional level is excluded from the scope of the GATS.

The GATS agreement aims to liberalize trade in services and includes the following types of services: telecommunications, financial services and transport services. The issue of export sales of films and television programs is excluded from its sphere of



activity, as individual countries fear losing the identity of their national culture (Кукіна, 2012).

Branch regulation of international trade in services is also carried out on a global scale, due to the fact that their production and consumption are also of a global nature.

However, unlike the GATS, the organizations involved in the regulation of such issues are of a specialized nature. As an example, sea transportation by the International Maritime Organization (IMO), civil air transportation is regulated by the International Civil Aviation Organization (ICAO), foreign tourism by the World Tourism Organization (WTO).

The regional level of the global trade in services is regulated in the middle of economic integration groups, due to their charter and the formation of internal institutions. As a rule, such restrictions are removed on mutual internal trade in services (as, for example, in the EU) and restrictions on such trade with third countries may be introduced (Lukyanenko, 2009). The internal level of economic regulation concerns foreign trade in goods and services between individual states. This process is implemented thanks to the signing of bilateral or multilateral trade agreements, a component of which can be both trade in goods and services. A significant place in such agreements is occupied by the issue of regulation of investments directed to the basic export-oriented sectors and branches of the national economy of the countries of the world.

WTO. Today, the World Trade Organization (WTO) remains one of the most effective international intergovernmental organizations. Among the factors of this efficiency, the mechanism of implementation of the functions of this international organization occupies a key place

Although the Uruguay Round agreements deal with various issues that may arise in the process of international trade, a general idea can be traced in all the agreements. All the provisions of these treaties are ultimately aimed at achieving four main goals (Ubi Remedium, 2005):

- to achieve equality in trade for all member states (the application of the rules on the most-favoured regime, the national regime, the prohibition of other forms of trade discrimination should lead to this goal);
- to achieve simplicity in state regulation of international trade;
- consistently to carry out a fair policy in trade (for example, using customs tariffs as the only tool for limiting international trade, using only certain customs valuation methods, fair use of standards, etc.);
- to ensure the transparency of trade procedures and the practice of their application, wide access to legislative acts (Ubi Remedium, 2005).

Although the main goal of the WTO and the Uruguay Round agreements, which it administers, is formulated very simply - to facilitate international trade, to ensure more predictable conditions for the implementation of trade activities, it can be achieved only with the help of a complex legal mechanism. Thus, within the framework of the WTO, the professional level of lawyers, both those working in the WTO Secretariat and those representing member states, is of particular importance (compared to the vast majority of other international intergovernmental organizations) (Legal texts WTO, 1995).

A very important factor that determines the effectiveness of the system of WTO bodies is the fact that the main driving force here is not the bureaucratic structures of the WTO, but the representatives of the member states. The structure of the WTO bodies is as complex as the structure of the Uruguay Round agreements. These agreements are united by a "common idea" and have a common purpose. But the means of achieving this goal are different at different stages and in different areas of trade.

For example, today there are different approaches to the liberalization of trade in goods and trade in services. They are related to the specifics of services and the fact that international trade in services has been formed relatively recently, while trade in goods has existed for several thousand years (Huntington, 1996).

Special approaches also exist for certain groups of goods (agricultural products) and services (telecommunications, financial, accounting services). The establishment and reduction of trade barriers is also different for goods and services. The reduction of tariffs for various types of goods takes place, with some exceptions, as a single process. Obligations for different types of services differ. The negotiation process is on-going and new agreements on trade in certain types of services are concluded. All these features are appropriately taken into account in the system of bodies of the World Trade Organization (Wolff, 2002).

## **CHAPTER 2**

### **GLOBALIZATION AND THE IMPACT OF INTERCULTURAL DIFFERENCES ON INTERNATIONAL TRADE**

#### **2.1. Main Aspects of Globalization**

Ascending is the concept of globalization - from which the processes of social transformation and institutionalization are considered, or more precisely, transformational institutionalization.

Globalization is a dual-transformational phenomenon, since from the very beginning it is in a state of so-called "dynamic equilibrium, that is, it is constantly accompanied by equally valuable and equally weighty phenomena - evolution, progress and revolution (social, economic-production, political-legal, scientific-technical , political-legal, state-ideological, etc.) on the one hand and regression, devolution - on the other. However, revolution itself (revolutionary transformations of the world level) is both a condition and a dialectical state of globalization. Therefore, this process (globalization) occurs simultaneously in the forms of integration, unification, internationalization, expansion, and regionalization, deglobalization, alter-globalization, etc (Кокоріна, 2010).

For modern scientific thought, social science and socio-philosophical, economic and political and management theories, the integration of developed societies in the modern "neo-capitalist" (or "neo-industrial", "post-industrial", "late capitalist"

according to other terminology) phase of their development is an object special studies of how modern developed states manage to institutionalize and control socio-economic and political relations.

### ***2.1.1 Definition of Globalization***

There are several definition of globalization according to Cambridge dictionary.

Globalization:

- is a situation in which available goods and services or social and cultural influences gradually converge in all regions of the world;
- the development of closer economic, cultural and political ties between all countries of the world by facilitating travel and communication;
- the way economies have grown and work together as one system;
- the process by which certain social and cultural influences, goods and services, progressively become corresponding in all parts of the world (Cambridge dictionary).

The modern world economy is increasingly globalizing. This process is comprehensive, it is impossible for any country to avoid its impact on various spheres of social life. As the latest trend in the development of society, the process of globalization is studied by various scientific schools, but there is still no single definition of the term "globalization". But, summarizing different approaches, we can say that globalization is a complex geopolitical, geo-economics, and geocultural phenomenon that has a powerful effect on all aspects of society's life (Азоев, 2000). Globalization is based on the development of world markets for goods, services, labour and capital. The process of globalization is accompanied by the intensification of the international movement of capital, which is directed to the most profitable areas of the world economy, the rapid development of financial markets, the main indicator of globalization of which are international financial flows, the activation of the financial innovation market and the innovation process in general - the process of creating, mastering and spreading innovations.

### ***2.1.2 Globalization of International Trade***

The rapid intellectual and economic development of mankind is largely determined by the gradual formation of the international trade system, which has followed a difficult path and which, according to the famous economist Samuelson, offers new "limits of consumption possibilities", that is, it gives people more other goods than they can produce on their own, and there is the essence of international trade.

Worldwide trade is a system of international market and currency relations that includes the foreign trade of all countries in the world. International trade arose with the emergence of the world market in the 16th-18th centuries. Its development is one of the meaningful factors for the progress of the world economy of the "New Times" (Кукіна, 2012).

The term international trade was first used in the 12th century by the Italian economist Antonio Margarete, the author of the economic treatise "The Power of the Popular Masses in Northern Italy" (Dixon, 1976).

The trade of any country with any other countries, consisting of paid import (import) and paid export (export) of goods is "foreign trade" (Кукіна, 2012).

Advantages of countries participating in international trade:

1. export earnings serve as a source of capital accumulation for the country's industrial development;
2. international competition forces companies to improve;
3. an increase in export deliveries leads to an increase in employment;
4. the intensification of the breeding process at domestic farms is a consequence of increasing specialization, the creation of opportunities for the emergence and development of mass production, the increased use of equipment, increasing efficiency and the introduction of new technologies (Beugelsdijk, 2010).

The structural changes in the economies of the countries under the influence of research and development, specialization and cooperation in industrial production

strengthen the interaction of the economies.

This helps activate international trade. International trade, which mediates the movement of all interstate flows of goods, helps to accelerate the growth of production. According to studies on foreign trade turnover, every 10% increase in world production leads to a 16% increase in world trade volume. This creates more favourable conditions for its development. When international trade is disrupted, global manufacturing development slows.

Various foreign trade activities are divided by following product specialization: trade in machines and equipment, trade in raw materials, trade in services, and trade in finished products (Hampden-Turner, 2000).

International trade is the worldwide paid aggregate turnover. However, the term "international trade" is used in a wider meaning: the total turnover of developing countries, the total turnover of industrialized countries and the total turnover of the countries of any continent or region (such as European countries) (Dixon, 1976).

There are developed (perfect) and imperfect forms of international trade (Belosur, 2006):

- Perfect - a form of international trade in which export-import operations are carried out separately on a commercial basis.
- Imperfect - a form of international trade in which agreements are concluded with the condition of full or partial exchange of goods (only the difference is covered by money).

Two main trade methods are used in international trade (Belosur, 2006):

- direct method - carrying out a transaction directly between the producer and the consumer;
- indirect method - carrying out a transaction through a commercial intermediary (Belosur, 2006).

The development of international trade is based on the benefits it brings to the participating countries. The theory of international trade explains what underlies this foreign trade gain or what determines the direction of foreign trade flows.

As an exchange of goods and services, global trade is an external sign of the existence of the world market as well as the material basis of international economic relations, which ensures the integration of the global economy. In the second half of the 20th century international trade has become an important tool for the effective distribution of resources and ensuring the economic growth of many countries in the region. The forms and degree of participation of any country in this department determine its level of evolution, the sectorial and reproductive structure of the economy, and the foreign economic policy of the state. However, the external sector, the relations with them of each country and the conditions of globalization have acquired such importance and such changes that states cannot remain a party to the laws and rules dictated by world practice (Stukalo, 2005. Porter, 1991).

The essence, development, and promising directions of international trade must be studied in the context of globalization, since international trade, along with the internationalization of production and capital, the increase in the scale of international labour migration, and the development of global infrastructure, is an integral feature of economic globalization. The current level of globalization sets the rules for and influences international trade.

A special trend in international trade in the early 1990s was offshoring – moving certain stages of production to foreign countries in order to minimize costs. As a result, a significant share of world exports and imports falls on intra-company trade. But it is difficult to accurately quantify this process in the world due to differences in national statistical data.

### ***2.1.3 Scientific Studies of International Trade in Terms of Globalization***

Many well-known economists were engaged in the study of international trade issues. The dominant theories of the global trade are the mercantilist theory, the theory of absolute advantages of A. Smith, the theory of comparative advantages of D.

Ricardo and John Stuart Mill, the Heckscher-Ohlin theory, the Leontief paradox, the theory of the product life cycle, M. Porter's theory, Rybczynski 's theorem, and also the theory of Samuelson and Stolper.

The mercantilist theory of international trade was historically the first. Mercantilism - a system of views of economists of the XV-XVII centuries, speaks of the need for state intervention in economic activity. Thomas Man, Antoine de Montchrestien, William Stafford are the representatives of this direction. The definition was proposed by Adam Smith. The mercantilist theory of international trade arose in the period of the initial accumulation of capital and great geographical discoveries, its basis was the idea that behind the prosperity of a nation lies the country's gold reserves. According to their beliefs, foreign trade should be focused on the acquisition of gold (gold coins), because unlike simple commodity exchange, gold does not cease to exist, unlike ordinary goods, after their use, and can be reused for international trade (Kyrylenko, 2008).

Trading has been studied as a zero-sum game, where one player's win automatically leads to the other's loss, and vice versa. Intervention and control of international trade by a country necessary to maximize its benefits.

The trade policy of the mercantilists, called protectionism, was to create barriers in international trade, which leads to the protection of domestic producers from foreign competition, to implement a policy of stimulating exports and limiting imports, through the mechanisms of imposing duties on foreign goods to obtain gold and silver as payment for your goods.

The main provisions of the mercantilist theory of international trade necessity support active trade balance state (Excess of exports over imports) (Кукіна, 2012):

1. acknowledgment of the benefit of attracting gold and additional precious metals to the country so that improve its prosperity;
2. money is an incentive for trade, because it is believed that an increase in the quantity of money increases the volume of merchandise;
3. welcome protectionism, directional on admittance raw materials and semi-



finished produce and export of finished device;

4. limits on the export of expensive goods, as it leads to the outflow of golden from the state (Кукіна, 2012).

Adam Smith's theory of absolute advantages arose during the formation of the mechanism of free competition. In his work "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776), while criticizing the theories of the mercantilists, Adam Smith formulated the idea that countries are interested in the free development of international trade because they can benefit from it, despite the fact that they act as exporters or importers. Each country should specialize in the production of goods where it has an absolute advantage - a reward based on the difference in costs involved in production in individual countries "participants in foreign trade". When a country abandons the production of goods in the production of which they do not have absolute advantages, and concentrates resources in industries for the production of other goods, there is an increase in the total volume of production, Adam Smith's theory of absolute advantage is based on the fact that the real wealth of a country consists of goods and services that are available to its citizens. An absolute advantage is if any country can produce any product more and cheaper than any other countries. Different countries can produce the same product with different efficiency. The country's resources go to profitable industries because the country cannot compete in unprofitable industries. This leads to an increase in the country's productivity as well as an increase in the qualification of the workforce; Long production times of homogeneous products promote the development of more efficient working methods.

There were natural advantages for a single country singled out by Adam Smith: resource; climate; territory. There is advantage captured for a single country. It is the ability to produce a variety of products which is called production technology (Hampden-Turner, 2000).

There is a theory of comparative advantages which was opened by D. Ricardo and D.S. Mile. In the work "Principles of Political Economy and Taxes" (1817), D. Ricardo proved that the principle of absolute advantage is just a special case of the general rule and supported the theory of comparative (relative) advantage. When analyzing the directions of development of foreign trade, two facts should be noted: on

the one hand, the “natural, labour, etc.” economic resources unevenly distributed among countries, and on the other hand, due to the effective production. For the manufacture of different goods you need a different level of technology or one different combination of resources (Передерієв, 2007).

The advantages that countries have at the start are variable; D. Ricardo stated that countries can benefit from trade exchange even if they have absolutely higher levels of production costs. D. Ricardo's law of comparative advantages states that it is in the interests of each country to practice the production in which it has the greatest advantage, the least weakness, and for which not the absolute, but the relative benefit is the greatest. According to Ricardo's version, total production is maximum when each good is produced by the country with the lowest (relative) opportunity cost. Thus, the relative advantage is an advantage based on lower opportunity costs in the exporting country. Both countries involved benefit from this specialization and the exchange.

Then John Stuart Mill, in his Principles of Political Economy (1848), explains the price at which exchange takes place. In Mill's interpretation, the exchange rate is set by the laws of supply and demand at such a level that the sum of each country's exports equals the sum of its imports - an international law of value (Faulkner, 1996).

Heckscher-Ohlin theory. This theory of Swedish scientists, which arose in the 1930s, refers to the neoclassical concepts of international trade, due to the fact that these economists did not adhere to the labour theory of value and viewed capital and land as productive through labour. They see the cause of world trade in the different supply of each country with factors of production - a participant in international trade (Abramovitz, 2009).

The main visions of their theory were reduced to the following: first, countries tend to export goods that are produced at the expense of surplus factors of production and, conversely, to import goods that must be produced using deficit factors; second, international trade tends to equalize “factor prices”; Third, the export of goods can be replaced by moving production factors out of the country.

Heckscher-Ohlin's neoclassical concept proved suitable for explaining the

reasons for the development of trade between developed and developing countries, when in exchange for raw materials flowing into developed countries, finished machinery and equipment, high-grade finished products were brought in developing value-added countries. Although, not all international trade phenomena fall under the Heckscher-Ohlin theory, as today the focus is shifting towards mutual exchanges between “similar” entities countries", "similar goods" (Hampden-Turner, 2000).

Paradox of Vasily Leontief is a study by an American economist who questioned the position of the Heckscher-Ohlin theory. His work examined the post-war American economy, specializing in the type of production that required relatively more labour than capital. The core of Leontief's paradox was that the share of capital-intensive goods in exports should have increased and the share of labour-intensive goods should have decreased. However, as the analysis of the US trade balance shows, the share of labour-intensive goods has not decreased. The essence of Leontief's paradox was that the labour intensity of goods imported into the United States was quite high, but the price of labour included in the cost of goods is much lower than that of export shipments from the United States. Labour capital intensity in the United States is high, coupled with high labour productivity, resulting in a significant impact on labour prices in export shipments. The actual increase in the supply of labour-intensive goods in the US export structure confirms Leontief's paradox. This is due to increases in the share of services, labour prices and changes in the structure of the US economy, which have led to an increase in the labour intensity of the US economy as a whole, including exports (Dixon, 1976).

According to the theory of the product life cycle which was developed and identified by Raymond Vernon and Charles Kindleberger. According to this theory, each product consists of five stages from the moment of its appearance on the market and until its exit goes through a cycle (Стукало, 2005):

1. product development. At this stage, the firm is developing a new product but sales volume is zero, costs are increasing.
2. bringing the product to the market. Above this stage, the company has zero profit according to high costs for marketing activities, the volume of sales is increasing casually;

3. quick conquest of the market leads to rising in profit;
4. maturity. The increase of the sales volume is slowing down, due to the fact that the need of a larger share of consumers in the product has already been satisfied. The level of profit stays the same or decreases due to increasing marketing costs to protect the product from the competition;
5. decline. It is characterized by a decline in sales volumes and a reduction in profits. During this stage, the product loses its competitiveness and undergoes moral aging (Стукало, 2005).

Accordingly, each of the stages of the product's life cycle has its own intensity of foreign trade development.

M. Porter's theory is closely correlated with the concept of the competitiveness of country. It is interstate competitiveness, from Porter's point of view, that is the decisive factor in the question of a country's success or failure in the world market in specific industries and explains the place that the country occupies in the system of the world division of labour and in the system of the world economy. M. Porter says that national competitiveness depends primarily on the level of development and competitiveness of industry. The explanation of a country's competitive advantage is based on the host country's role in stimulating renewal and improvement (i.e. in stimulating the production of innovations).

Government's measures to support competitiveness:

- influence of government on factor conditions;
- influence of government on demand conditions;
- the influence of the government on the strategy, structure and rivalry of firms (Цыганков, 2004).

A strong incentive to be successful on the world market is the high competitive pressure on the domestic market. Artificially dominating corporations through instruments such as government subsidies, Porter said, is a bad decision that leads to inefficient use of the country's resources. The postulates of Mr. Porter's theory served

as the basis for the development of government recommendations to increase the competitiveness of foreign trade deals and sales of goods in Australia, New Zealand and the United States in the 1990s.

Rybczynski's theorem. The content of the theorem is the statement that in order to maintain price stability for goods and factors of production (resources), it is necessary to increase the production of these products when the value of one of the two factors of production increases in which this factor is intensively used, and by which To reduce production of those products where the constant factor is used intensively. In order for commodity prices to remain unchanged, factor prices must also remain unchanged. Factor prices, on the other hand, can only remain constant if the ratio of the factors used in the two industries remains constant. In the case of an increase in a factor, this can only happen if production increases in one industry where that factor is heavily used and production decreases in another. He becomes available for use with the growth factor, which is the evolving industry. (Стукало, 2005).

In the middle of the 20th century (1948), the American economists P. Samuelson and V. Stolper refined the Heckscher-Ohlin theory and imagined that with homogeneity of the production factors, identical technology, perfect competition and full mobility of goods, the International trade equals the input prices between countries. The authors base their concept on the model of D. Ricardo with the additions of Heckscher and Ohlin and regard trade not only as a mutually beneficial exchange but as a means of reducing the disparities in the level of development between countries. (Annamoradnejad, 2019).

It should be noted that the evolution of theoretical views on the development of foreign trade took place in coordination with changes in development practice international trade and took into account the market trends of its modification - from the dominance of exclusively price factors to taking into account the influence of such non-price factors as: competitiveness, resource provision, labour productivity, specialization and cooperation of production in the system of international economic relations.

## **2.2 The Role of Cross-Cultural Features**

With the development and opening of global markets, adaptation to a dynamic and heterogeneous international environment and taking into account the intercultural characteristics of different countries, cross-cultural characteristics are becoming increasingly important for the successful operation of an international company. In international business, factors of the cultural environment are one of the biggest difficulties, and therefore there is a need to establish effective intercultural communication. Therefore, it is becoming increasingly important to correctly assess and take into account different national cultures and deal effectively with them in a multicultural environment.

Every international company is somehow involved in the international intercultural environment. It is necessary to know the details of corporate culture in other countries. After all, the activities of companies in the conditions of globalization cross national borders and thus involve more and more people with different cultural worldviews. Therefore, cultural differences play an increasingly important role in the company and directly affect the efficiency of business operations. If we ignore the specifics of another culture that the company encounters during its activities, intercultural problems arise due to the inconsistency of working under new social and cultural conditions (Godwing, 2009).

### ***2.2.1 Cross-Cultural Features in the Global Network***

With the development and opening of global markets, adaptation to a dynamic and heterogeneous international environment and taking into account the intercultural characteristics of different countries, cross-cultural characteristics are becoming increasingly important for the successful operation of an international company. In international business, factors of the cultural environment are one of the biggest difficulties, and therefore there is a need to establish effective intercultural communication. Therefore, it is becoming increasingly important to correctly assess and take into account different national cultures and deal effectively with them in a multicultural environment.

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The development of interpersonal relations in a multicultural team or management organizations of different countries, interaction with foreign partners is always a conflict between different national cultures. Misunderstandings often arise in business relations between representatives of different countries. Therefore, modern managers need "cross-cultural" knowledge to avoid such a problem (Huntington, 1998).

Today, the subject of comparative management is its national models, the similarities and differences of which are determined by the cultural and institutional features of different countries and regions (Гриценко, 2007).

It is clear that the issue of intercultural communication is vast. Interest in intercultural communication is growing with the globalization of the business. Unfortunately, most interest is not in the science of intercultural communication but in the study of each country's specific cultural traits and etiquette. While there is value in understanding the customs of specific cultures, it is more effective to develop a basic understanding of cross-cultural communication that can then be applied across cultures.

Companies in different countries have individual characteristics. The task of intercultural management is to create a unified system of communication skills between certain counterparties under certain conditions.

Therefore, the management of companies should further develop and train their employees in matters of intercultural management in this area.

In practice, there are many examples of the destructive influence of culture on the company's activities, the interests of a multicultural environment in the sphere of values, language, and spiritual beliefs (Twarowska, 2011).

In order to understand the need for further knowledge about intercultural communication, it is necessary to examine the impact of intercultural communication on the global business environment and its impact on the success or failure of a global company. However, the impact of cross-cultural communication on global business has rarely, if ever, been effectively measured. Failed joint ventures, marketing failures due to inaccurate translations, and failed ventures into new markets can rarely be explained solely by ineffective cultural understanding and communication. It is unrealistic to expect that any single aspect of the global trading environment can be isolated and measured with any precision. For this to happen, research and business case histories must be systematically linked using a predefined dashboard.

Thus, the company's success in the foreign market depends mainly on how well the manager knows the laws of the company and the laws of the country of a partner; how well established professional communication with an international business partner; how well managers follows the specifics of the local culture in order to place the product on the market; etc. Only the appropriate level of education can guarantee a high result of negotiations.

Their implementation is the most difficult forms of professional communication. Different characteristics of the partner's corporate culture require special skills from the participants. The absence of language barriers, level of knowledge, the ability to use it at meetings, compliance with the rules of business etiquette, taking into account the cultural differences of the other party - all this affects not only the nature of negotiations, but also the fate of the company (Arup, 2008).

### ***2.2.2 Content and Characteristics of Cross-Cultural Foundations***

It is important to take into account the cultural characteristics of many other countries when firms enter new foreign markets. It should be taken into account how domestic workers perceive their work and the company as a whole, how they build relationships and what challenges they face. Keep track of what motivates them, how



they prioritize multiple problems, what methods they use to solve them, and what methods they solve most effectively.

The main barriers to cross-cultural management are the differences in the historical values of companies resulting from global economic integration and the international involvement of experts in the processes of recognizing new cultures. Therefore, in order to build an effective intercultural management mechanism, it is necessary to internationalize managerial attitudes, take into account national cultural differences, and effectively transfer intercultural experiences into the process of multinational activities. Therefore, the ability to identify and use national cultural assets allows the company to create unique competitive advantages in the world market.

Each nation's culture conforms to a well-known and unique system. Each new generation adopts old values and beliefs that reflect their country's cultural heritage. It presents not only ethical ideas but also methods and examples of governance that distinguish one country from another. On this basis, one form or another of corporate culture is known in the country (Kroeber, 1952).

The first level of culture elements includes factors such as language, religion, state system and mentality. These factors underlie the consciousness of the citizens of the country and in most cases determine a specific pattern of behaviour. The state system of the country cultivates patriotic and national traits among its citizens by enforcing its own ideological policy of thought and action under certain conditions. This creates a collective (national) system of behavioural elements both in everyday life and in business relationships.

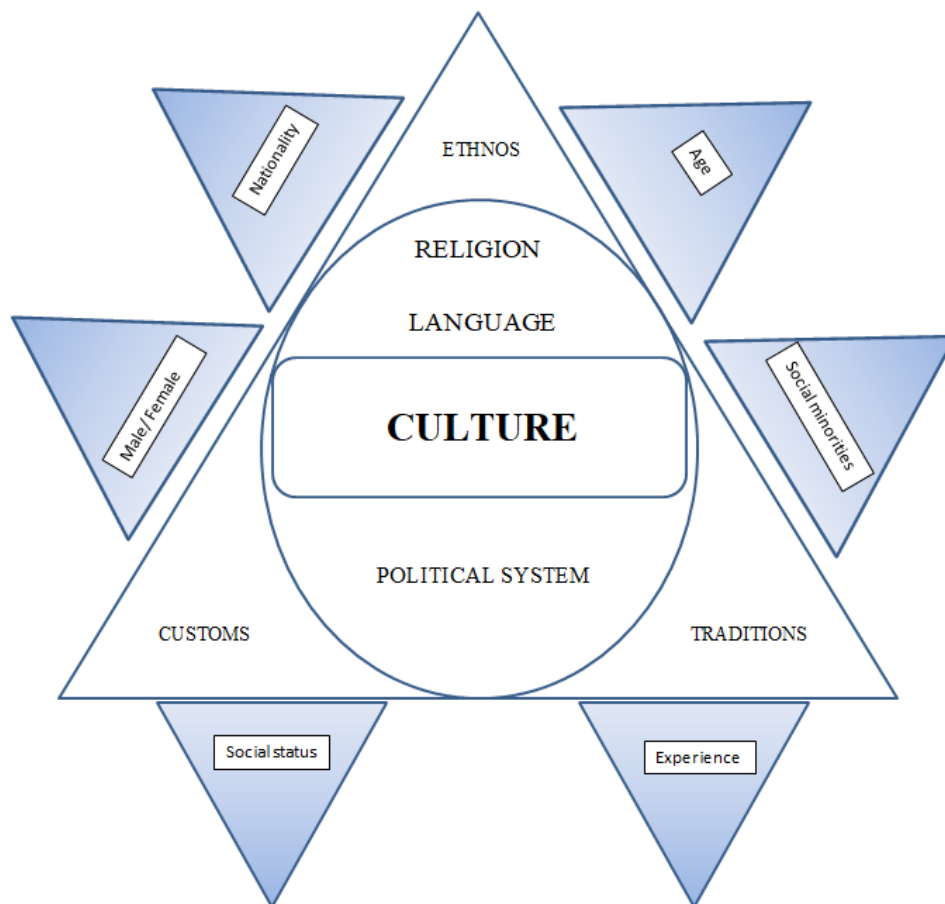
The next level of cultural formation is ethnicity, customs and traditions. This stage is characterized by historically established norms and rules of conduct for citizens of one country or another. In terms of the extent of influence on human behaviour, these factors are no less important than those of the previous level of culture.

Customs and traditions are the generally accepted order of leading a householder's life and building every nation, which is passed, down from generation to generation and is cultivated by almost all nations in the world.

The third level of culture combines modern instruments of the behavioural characteristics of humans that arose under the conditions of today's structural changes in the political, economic, social and ecological environment. These instruments include nationality, social status, gender, age, experience and attitudes towards social minorities. The relevance of the above culture-forming factors is determined by the fact that many changes are taking place in the international community, which therefore require adaptation to new conditions of existence.

Thus, formalizing the above in the form of a scheme, one can clearly imagine the analyzed levels of culture formation (Fig. 2.1).

**Figure 2.1 Basic Principles of Cross-Culture Formation.**



**Resource:** (Колосов; 2007)

Therefore, representatives of each country belong to a certain cultural group formed on the basis of significant historical, social, political, geographical, linguistic,

religious and other characteristics. Comparing world cultures, it is safe to say that some of them share similar characteristics, and others have completely opposite ideologies. Therefore, intercultural relations in international business is not about learning and adapting to the specifics of each country, but about finding means and channels of communication that take important cultural differences into account.

This approach to creating business relations will maximize the positive effect expressed in economic indicators and create a comfortable environment for long-term relations between business participants (Колосов; 2007).

### **2.3 Cultural Factors Affecting International Market**

The concept of culture is very ambiguous. Today, there are a dozen if the culture is not defined (the American anthropologists Kroeber and Klaxon in a book published in 1952 counted 164 definitions). It is generally understood as the level of spiritual (more precisely, soul-spiritual) development of a people or society. Achievements in language, religion, morality, philosophy, science, art, system of education and upbringing; in fact, the totality of these types of human activity sounds like culture.

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#### ***2.3.1 Definition of Culture***

Sometimes the concept of culture also includes law, state system, public order, etiquette, social habits and forms of communication, as well as economy, industry, technology, economy. However, all this, although it also reflects the level of spiritual development, it is more appropriate to refer to the concept of civilization and, thus, to distinguish culture from civilization.

From this point of view, culture and civilization have different goals: culture is primarily the development and education of the human soul and civilization is the development and maintenance of the body, and culture (at least true spiritual culture) pays the main attention to the development of each individual soul and only then to the specific one. Community of people (nation, people, society), and civilization - on the contrary, aims primarily at the social organization of a certain society, and to that extent - every person.

The concept of "culture" in the modern sense began to be used in the 17th century, in the works of the German lawyer and historiographer Samuel von Pufendorf. The first scientific explanation of culture was carried out by the English ethnographer Edward Tylor. He said: "Culture in a broad sense consists in its entirety of knowledge, beliefs, art, morality, laws, customs and some other abilities and habits acquired by a person as a member of society."

Currently, there are many definitions of culture in scientific sources. In particular, such as (Merriam-Webster Dictionary):

- culture is a set of spiritual values, the means of expression of which are language, science, literature, art;
- culture - a set of achievements of the human community in industrial, social and spiritual life;
- culture is a historically resolved level of development of society, creative powers and human abilities, which is expressed in certain forms and types of organization, people's life and actions, in their relationships with one another and in material and spiritual values created by them.

In everyday life, this concept is mostly used in three main meanings (Merriam-Webster Dictionary):

- 1) the sphere of social life, which exists in the form of a system of institutions and organizations engaged in the production and distribution of spiritual values of society (communities, theaters, museums, etc.);

2) a set of values and norms characteristic of a large social group, people or nation (American culture, youth culture, etc.);

3) a high level of human achievements in any field (household culture, artistic culture, etc.).

Thus, it can be mentioned that the concept of "culture" includes knowledge, the structure of the behaviour of the human community and the system of values inherent in it.

In the interpretation of Alfred L. Kroeber and Clyde Kluckhohn, the concept of "culture" is presented as a set of material objects, objects, ideas, images created by man himself during his history, as "second nature", which forms the human world itself, in contrast to the wild nature.

At the same time, scientists emphasize that "culture consists of revealed and hidden patterns of thinking and behaviour, which is a specific achievement of human communities, embodied in symbols, with the help of which they are perceived and transmitted from person to person and from generation to generation. It is necessary to include those achievements that are manifested in the material goods created by the cultural society. At the core of any culture are ideas... and especially values transmitted through tradition. Cultural systems can be considered, on the one hand, as the result of completed actions, and on the other, as the basis of future actions" (Bibler, 2020).

According to this definition, it is quite obvious that a perceived as a multiplex phenomenon that includes material and social phenomena, as well as various forms of individual behaviour and organized human activity, which help him understand his own actions, explain differences in the behaviour, mentality, and national character of the representatives different cultures, as well as the human ability to develop culture through communication, various forms of interaction and contacts.

The position of Mikhail Bakhtin and Vladimir Bibler regarding the consideration of culture primarily through the prism of the individual, man as a representative and bearer of culture, and the history of mankind as a "spiral of cultural epochs, their dialogue" is very constructive.

It should be noted that Vladimir Bibler states that understanding of culture is a three-aspect (Bibler, 2020):

1) culture is a form of simultaneous existence and simultaneous communication of people of different cultures (past, present, future), a form of individual self-determination, human life, consciousness and thinking, the invention of the "world for the first time";

2) culture exists only in a person, is generated and transmitted through his works and in the process of interaction, communication of personalities as a communication of cultures, since "...every individual is a complete culture capable of endlessly developing itself";

3) "culture is the communication of individuals as personalities...", which is their communication "as real (and potential) cultures".

It is quite obvious that when it comes to communication between representatives of two different cultures, we are entering the field of intercultural communication, where language, culture and personality interact. Intercultural communication refers to the functionally determined communicative interaction of people as carriers of different cultural communities. Intercultural communication is focused on the interpenetration of cultural-communicative meanings, achieving mutual understanding taking into account and preserving the "national picture of the world", their mutual enrichment in socio-cultural and spiritual terms.

### ***2.3.2 Theory of Cultural Dimensions of Geert Hofstede***

Considering the diversity of the definition of "culture", the defined concept in general is quite complex. In confirmation of this, the Dutch scientist Gerard Hendrik (Geert) Hofstede believes that culture is "mental human programming", which consists of models: how we think, how we feel and how we act (Hofstede, 1993). The source of these mental programming is the social environment in which a person becomes mature and acquires his life experience (family, school, friends, workplace, etc.).

At the same time, the researcher divides the concept of "culture" into two parts: narrow and broad. In the narrow sense, it is civilization or education and its results, such as upbringing, art and literature. According to Hofstede, the defined narrow concept is "culture - 1". As for the broad concept, it consists of fairly simple elements, such as food, expressions of feelings, physical distance or care for hygiene, which is defined by Gerard Hendrik (Geert) Hofstede as "culture - 2". Note that when addressing the problems of intercultural communication, it is important to take into account both the broad and narrow meaning of the concept of culture, which allows implementing a multi-level approach to the definition under study.

The developer of the theory of cultural dimensions, Geert Hofstede, was using information analysis to describe how a society's culture influences the individual values of its members and how these values influence their behaviour. The researcher proposed four dimensions according to which, in his opinion, it is possible to analyze cultural values. Gerard Hendrik (Geert) Hofstede was forced by independent research in Hong Kong to add a fifth dimension. That is a long-term orientation to cover aspects of values that were not discussed in the initial paradigm of the theory. In 2010, Gerard Hendrik (Geert) Hofstede added a sixth dimension - indulgence against self-restraint (Hofstede, 2001).

Thus, according to the theory of cultural dimensions of Geert Hofstede, the following indicators can serve as the main dimensions of national cultures (Hofstede, 2011):

1. power distance index;
2. the degree of integration of people into the system of social relations based on the ratio of individualism and collectivism;
3. a dimension that assumes the social role of opposite sexes in society - masculinity versus femininity;
4. uncertainty avoidance;
5. long-term versus short term orientation;
6. indulgence versus self-restraint.

### 2.3.2.1 Power Distance

*The power distance index*, according to Geert Hofstede, determines citizens' perception of power. Cultures with a high index of power distancing (Latin America, Southeast Asia, Russia) are characterized by the perception of power as the most important part of life and bowing to representatives of power; for cultures with a low index of distancing from the authorities (Austria, Denmark, the USA, Germany) the construction of relations based on equality and respect for the individual is characteristic.

Power distance reflects the distribution of power between individuals in a society. It describes the degree of acceptance and acceptability of differences and inequalities in the distribution of power by the members. Countries with low power distance accept egalitarianism, while countries with high power distance accept hierarchies. In countries with high power distance, decision-making power is concentrated in a few people at the top; In countries with low power distance, decision-making power is shared by more people. While in Japan almost everyone is in the middle class, in India the upper tier controls a significant portion of their decision-making and purchasing power (Crawford, 2000).

The power distance dimension reflects the degree of trust between community members. The higher the power distance, the lower the degree of confidence. High power distance is expressed in hierarchical organizational design, in structures that tend to centralize and have relatively more supervisory staff. Power distance also provides insight into the dynamics between superiors and subordinates. In cultures with high respect for hierarchy, subordinates have to circulate among many assistants to reach the boss. In such a situation, the bosses are isolated in closed offices.

Key differences between low and high power gap societies (Hofstede, 2011):

Low power distance

High power distance

The use of force is legitimized and subject to good and bad criteria.

Power is the fundamental reality of society and its legitimacy is invalid.



Families treat their children as equals.	Parents teach their children to obey.
The elders are neither respected nor feared.	Elders are both respected and feared.
There is student-centered education.	There is teacher-centered education.
Hierarchy means inequality of roles.	Hierarchy means inequality that exists.
Subordinates can be consulted.	Subordinates are expected to do what needs to be done.
There are pluralist governments that express the majority vote and power shifts in an environment of peace.	There are autocratic governments that express election by vote of a particular group and change through revolution.
Corruption is rare, scandals kill careers.	Corruption is common, scandals are covered up.
The income distribution in the society is more or less equal.	Income distribution in the society is not at all equal.
Religions emphasize the equality of believers.	Religions refer to the hierarchy of clergy.

Recent research reveals that while evaluating alternatives to enter global markets, businesses prefer to have subsidiaries instead of partnering with companies with high power distance because it gives them more control. On the contrary, companies with low power distance are more prone to joint ventures.

#### 2.3.2.2. *Individuality – Collectivism*

*Individuality – Collectivism* describes the behaviour of a person to act alone or with the community. Collectivism is any religious, political, philosophical, economic or social point of view that underlines the inherent interdependence of people. It represents the opposite of individualism. Group goals are more important than individual goals. It

underlines concepts such as cohesion, spirit of solidarity and belonging within social groups. Collectivists often depend on concepts such as society, people, nation or country (Table 2.1).

The dimension related to the degree of integration of people in society and in groups (based on the relationship between individualism and collectivism) is interpreted by the researcher as follows: A collectivist society is a society with a rigid social structure with a clear division into social groups (family, clan, organization, etc.), each of which guaranteed the attention, protection, and care of the other in exchange for loyalty to the group.

An individualistic society is a society with a relatively flexible social structure, where everyone must be responsible for himself, his family and be independent of the interests of others. In collectivist cultures (most Latin American countries, countries of the Middle East, China, Japan, etc.), the philosophy of life is built through the prism of collective interests: family, industrial, etc. The collective has its own identity, by which "own" and "other" are defined (Hofstede, 2001).

**Table 2.1 Main Differences Between Individualist and Collectivist Societies**

<b>Individualism</b>	<b>Collectivism</b>
Everyone is only responsible for himself or his closest family	People are born into extended families and remain loyal to them throughout their lives
There is a consciousness of "I"	There is a "we" consciousness
They care about the right to privacy (solitude)	Emphasize belonging to something
Others qualify as individuals	Others are seen as in-group and out-group
Personal opinion is important. One person means one vote	Opinions and votes are predetermined within the group
Violation of norms causes feelings of guilt	Violation of norms causes a feeling of shame
The use of the word "I" is indispensable	The use of the word "I" is avoided
The purpose of education is to teach how to learn.	The purpose of training is to teach how to do it
Work comes before relationship	Relationship comes before work

**Resource:** (Hofstede, 2011)

While personal achievements and independence are at the forefront in individualist societies, team spirit, acting together, accepting success or failure as a team is more important in collectivist societies. Countries such as the USA and Canada are individual societies, while countries such as China and South Korea are collectivist societies.

Regarding the individualism and collectivism dimension, it is important for entrepreneurs to know which culture is individualistic and which is collectivist before engaging in foreign trade. For example, Japan is collectivist. As there is team focus and the pursuit of harmony in Japan, it is not welcome for someone to stand out in the team and to be praised by the others. The phrase "the nail that comes out is hammered" in Japanese is appropriate for this situation. Conversely, in the highly individualistic US culture, a person whose individual achievements are publicly appreciated will be pleased. On the other hand, in cultures where individualism is high, a person may be displayed in advertisements, and in cultures with low individualism, a group may be displayed. Finally, products or services advertised by word of mouth among influential consumer groups in collectivist cultures can quickly spread to other countries as a phenomenon (Keegan and Green, 2015).

### *2.3.2.3 Masculinity Versus Femininity*

Masculinity-femininity refers to the roles that culture imposes on the genders in society. Masculinity describes societies in which men are assertive, competitive, and interested in material success, while women care for children and think about their own happiness. On the contrary, femininity defines societies in which male-female roles are intertwined and neither gender engages in assertive and competitive behaviour. In masculine societies, issues such as power, wealth, competition and success are at the forefront. In turn, in feminine societies, values such as friendship, benevolence and benevolence, thinking about others, and valuing interpersonal and interpersonal relationships predominate.

According to Geert Hofstede, the gender dimension involves the analysis of the social roles of opposite sexes in society. This parameter does not involve an analysis of the direct relation to women or men in society, but serves only as a kind of fixator of the

relevant features that prevail in the national character as a whole. The division of cultures into "male" and "female" is connected with the fact that different nations have different ideas about the role of men and women in society, raising children, etc.

According to the established traditional idea, men are attributed with firmness, orientation towards competition, leadership, ability to fight, to participate in solving serious problems, and women are attributed with orientation towards family values, pliability, emotionality, sensuality, dependence, etc. Accordingly, the so-called "masculine cultures" are dominated by such qualities as strength, perseverance, independence, striving for material success, and openness. This applies mainly to countries such as Austria, Great Britain, Venezuela, Germany, Greece, Ireland, Mexico, Switzerland, the Philippines, Japan, etc.. The so-called "feminine cultures (Denmark, the Netherlands, Norway, Portugal, Finland, Chile, Sweden etc.) value emotional human relationships, caring for members of society more than anything else. In these countries, social equality of the sexes is promoted, the ability to empathize and avoid conflicts is formed (Hofstede, 2014).

Masculinity and femininity are related to how dominant masculine and feminine values are in a particular culture. For this reason, it becomes important whether success and materialistic values or more emotional issues will be addressed according to the masculinity and femininity level of the society, especially in advertising messages. While Japan is a masculine society, the Netherlands, Spain and Scandinavian countries can be given as examples of feminine societies.

The masculinity-femininity dimension emerges in the relative importance of the spirit of cooperation and social support (feminine values) compared to achievement and possession (masculine values). An aggressive, achievement-oriented salesperson is more attuned to a culture with masculine values. A Western woman sent to present to a Japanese company will no doubt find that her audience is male. Japanese rulers may react to a woman especially if she is younger than them.

Key differences between masculine and feminine societies (Hofstede, 2011):

Masculinity:

- Maximum emotional and social role differentiation is made between the sexes.
- Men have to be assertive and ambitious.
- Work comes before family.
- There is admiration for the strong.
- Father deals with facts, mother deals with feelings.
- Girls cry, boys don't. Boys fight, girls don't fight.
- Fathers decide the size of the family.
- There are very few women in elected political positions.

#### Femininity:

- There is minimal emotional and social role differentiation between the sexes.
- Men and women are modest and caring.
- There is a balance between work and family.
- There is sympathy for the weak.
- Mom and dad deal with both facts and feelings.
- Both boys and girls may cry, but neither can fight.
- Mothers decide the size of the family.
- There are many women in elected political positions.

#### 2.3.2.4 Attitude to Uncertainty

*Uncertainty avoidance* indicates the extent to which members of a society feel threatened by suspicious situations and attempt to prevent them through other security measures. Uncertainty avoidance is about the degree to which people take risks.

Highly uncertainty avoidant cultures dislike taking risks, prefer rules, want to consider and evaluate every possibility when making their decisions, and set up procedures to control uncertainty. Low uncertainty avoidance cultures tend to tolerate uncertainty more. Managers tend to make quicker decisions and take risks.

By understanding the uncertainty avoidance dimension, entrepreneurs operating in foreign trade can more easily determine the amount of risk that consumers can take.

In Japan and other Asian countries, where tolerance for ambiguity is low, consumers will be more conscious of brand names and will likely exhibit higher brand loyalty. In countries with high uncertainty avoidance, advertisements should emphasize warranty, money-back guarantee, and other risk-reducing features (Keegan and Green, 2015).

According to the researcher, the measurement of the attitude to uncertainty is based on the following considerations: all cultures can be divided by the attitude of their citizens to the future, which may be uncertain. Representatives of cultures with a high degree of fear of uncertainty try to avoid situations of ambiguity through various rules, rituals, prohibitions, etc., which should preserve the belief in absolute truth and prevent future dangers.

Such societies are characterized by an increased need for clear written confirmations, instructions, schedules, schedules and everything else that should ensure efficiency and viability in society. Countries with an exaggerated fear of uncertainty include: Portugal, Greece, Peru, Japan, Germany and others. Cultures with low levels of fear of uncertainty are more likely to accept unexpected turns of fate and treat them as adventures or experiments. They value initiative, flexibility in decision-making, innovative thinking in general. Such countries include Sweden, Denmark, Norway, Ireland, Finland, the Netherlands, the USA, and others (Crawford, 2000).

**Table 2.2 Key Differences Between Low / High Uncertainty Avoidance Societies**

<b>Low Uncertainty Avoidance</b>	<b>High Uncertainty Avoidance</b>
The uncertainty in the structure of life has been accepted and each new day continues as it is.	Uncertainty in the nature of life is seen as a constant threat that must be fought.
Comfort, less stress and anxiety, self-control.	More stress and anxiety, sensuality.
Subjective health and well-being ratings are higher.	Subjective health and well-being ratings are lower.
Tolerance of people and thoughts outside of normal: What is different is curious.	Intolerance of people and thoughts outside of normal: What is different is dangerous.
There is comfort in the face of uncertainty	Clarity and integrity are needed.

and chaos.	
Teachers know how to say "I don't know".	Teachers need to know all the questions.
Changing jobs is not a problem.	Even if you are not satisfied, the job is not changed.
Written-oral rules are disliked.	There is an emotional need for rules.
There is relativism and empiricism in religion, philosophy, and science.	In religion, philosophy, and science, certain truths and major theories are believed.

**Resource:** (Hofstede, 2011)

### 2.3.2.5 Long-term Versus Short Term Orientation

Long-Short-term focus is a classification about which period (future/present and past) societies are focused on. Every society must remain connected to its past while facing the challenges of the present and the future. Societies prioritize these two goals in life differently. In long-term oriented societies, there is perseverance, frugality, regulating relations according to status, and a sense of shame. In short-term oriented societies; It is important to meet social obligations, to respect traditions, to protect one's face and personal stability (Hofstede, 2011).

Long-term polar societies prefer reward-oriented future virtues, in particular perseverance, frugality, order in status relationships and a sense of shame. Societies located at the short-term pole, on the other hand, prefer the virtues linked to the past and present, especially with regard to tradition and protect one's "face," and fulfill social obligations. East Asian countries are mostly long-term oriented, while Australia, the United States, some Latin American, African, and Muslim countries can be described as short-term oriented societies (Hofstede, 2001).

Luria et al. (2015) assumed that “in societies with a long term orientation, people expect to have more interaction with others in the future and are consequently more willing to help others”. However, this assumption was not supported. Indeed, in societies with strong short-term orientation, people tend to prefer long-term plans, but prosocial behaviours such as helping strangers and giving money for charity are more

spontaneous. In fact, WGI is primarily interested in prosocial behaviour towards strangers, which was generally not to be expected in the long-term plan.

East Asian countries, followed by Central European and Eastern countries, are long-term focused. A medium-term trend is found in the countries of South Asia and Southern and Northern Europe. Australia, the United States of America, Latin America, Africa and Muslim countries are short-term focused (Hofstede, 2011).

Differences between long-short term oriented societies:

Short term oriented societies:

- The most important events in life have happened in the past or present.
- Personal reliability and stability: A good person is always the same.
- There are universal rules about what is good and bad.
- Traditions are sacred.
- There are obligations in family life.
- Service to others is an important goal.
- Social spending and consumption.
- Students attribute success and failure to luck.
- Slow or no growth in poor countries.

Long term oriented societies:

- The most important events in life will occur in the future.
- A good person adapts to circumstances.
- What is good and bad depends on circumstances.
- Traditions are adaptable to changing circumstances.
- In family life, duties are shared.
- Saving and perseverance are important goals.
- Large savings are transferred to funds available for investment.
- Students attribute success to effort and failure to lack of effort.
- Rapid economic growth of countries up to a welfare level.



### *2.3.2.6 Indulgence Versus Self-Restraint*

The sixth dimension - indulgence versus self-restraint - assigns to the degree of freedom that societal norms allow citizens to pursue their human desires. Permissiveness of a society is determined by indicators to what extent society has the opportunity and allows relatively freely satisfying the basic and natural human desires related to the pleasure of life and entertainment. A society of self-restraint is a sign of a society that controls the satisfaction of the needs of its citizens and regulates them with the help of strict social norms (Hofstede, 2001).

By tolerant society is meant a society that ensures relatively free satisfaction of basic and natural human needs related to the use and enjoyment of life. An oppressive society is one that controls the satisfaction of needs and regulates them through strict social norms (Hofstede, 2011).

Liberalism prevails in regions of Western Europe, Sub-Saharan Africa and South and North America. Confinement prevails in the Muslim world, Asia and Eastern Europe. Mediterranean Europe occupies a middle position in this dimension (Hofstede, 2011).

Tolerant societies' features (Hofstede, 2011):

- The percentage of those who express themselves as "very happy" is very high.
- Perception that one's personal life is under his control
- Freedom of speech is considered important.
- Free time is very important.
- They are more likely to remember positive emotions.
- In countries with educated populations, high birth rates
- More people actively do sports.
- Countries with adequate food have a higher proportion of obese people.
- Tolerant sexual norms in rich countries
- Maintaining order in the country is not a high priority.

Repressive societies' features (Hofstede, 2011):

- The rate of “very happy” people is quite low.
- Perception of helplessness: What happens to me is not because of me.
- Freedom of speech is not a priority.
- Free time is not so important.
- They are less likely to remember positive emotions.
- In countries with educated populations, low birth rates
- Fewer people actively play sports.
- Countries with adequate food have a lower proportion of obese people.
- In rich countries, strict sexual norms
- The number of police officers per 100,000 people is quite high.

The value of Geert Hofstede's six-dimensional model is that it allows comparison of cultures on an international scale. The comparison of indicators covers a range from 1 to 100. For example, the power distance index is high in African, Asian and Latin countries; European countries have a low index (for example: in Austria - 11 points, in Denmark - 18). The index of individualistic cultures is high in Canada and Hungary (80 points each). The biggest contrast can be clearly seen when comparing the two extreme countries according to this dimension: in Guatemala - 6 points, and in the United States of America - 91 points (Crawford, 2000).

The value of Geert Hofstede's theory lies in the fact that it laid the research foundations in the field of intercultural psychology, which are referred to by scholars and practitioners in the field of international business and communications, international management and intercultural communication. Researchers consider Geert Hofstede's theory to be the most famous and popular, which is explained by the set of universal parameters that have been successfully found and are suitable for analyzing cultures, regardless of which country they refer to or in which cultural one context they operate (Keegan and Green, 2015).

### ***2.3.3 Influence of Culture on Global Trade Between Different Countries of The World***

In economic analysis, culture is usually viewed from the point of view of its

"purely instrumental role" - as a resource or as a barrier to economic development. However, culture is made up of various elements, each of which can have its own impact on the economy. Ethnicity, language and religion are considered as the most significant cultural parameters influencing economic analysis.

In contrast to economic and political factors, cultural factors do not change significantly over relatively long periods of time and therefore can be presented as an irreplaceable tool for comparative analysis of the global economy. Although, the huge linguistic, religious and ethnic, diversity of the world requires generalizations based on the allocation of "cultural areas" (Huntington, 1998).

Given the diversity of existing economies, it is possible to explore geographical, political and economic approaches to the multidimensional analysis of the world economy. Each of them has its own advantages, but the approach to analysis based on the cultural characteristics of a particular part of the world economy is especially useful in terms of long-term comparative economic analysis. For this purpose, cultural areas are defined.

For example, Rongxing GUO in his studies "Cultural influences on economic analysis", defines several different cultural areas.

Based on the opinions and classifications of world cultures existing in science (many of which are based on the identification of very heterogeneous groups), Rongxing GUO identifies seven modern areas, while emphasizing a certain degree of conventionality that is inevitably present in such a classification (Guo, 2006).

- African range - includes southern and central parts of Africa;
- East Asian area - according to the existing point of view, Japanese culture is historically largely an offshoot of Chinese, but throughout the 20th century it influenced the latter, which serves as the basis for their unification into a single space. This also includes the economies of Southeast Asia under Chinese influence.
- Eastern Orthodox area - it has the lowest population density. It has a

population of other faiths. The isolation of this area as a single whole is useful mainly for the aim of making economic and political comparisons with Eastern Europe, Asia and the Islamic world.

- Western range - the only cultural space that does not have geographical unity. Includes Israel, North America, Western Europe, Australia, and New Zealand.
- Indian area - united by the geographical unity of the subcontinent of South Asia. The basis is Indian (Hindu) culture, but includes Buddhism and Islam, as well as some minorities. It has the highest population density.
- Islamic area - includes North Africa, Middle East, Central Asia, excludes Indonesia and Malaysia which are under mixed cultural influence.
- Hispanic area - differs confessional homogeneity (Catholic Christianity). The main cultural difference from North America is a greater degree of collectivism (S. P. Huntington; 1998).

Despite all its limitations and arbitrariness, the division into cultural areas is widely practiced in the social sciences. Today, it is experiencing an increasing practical and theoretical interest in the framework of research into the process of cultural globalization. The analysis of cultural areas makes it possible to make comparisons, historical reconstructions of cultural and economic phenomena, and to trace the impact of natural factors. The proposed classification can serve as a basis for collecting the necessary data for a quantitative analysis of the impact of culture on economic activity.

It is well known that the Western range has the highest rates of income and standard of living, while the Indian or African ranges have the lowest. The East Asian range, which had the lowest indicators in 1950, significantly improved its indicators in subsequent years (Keegan and Green, 2015).

Superiority in human resources is not an advantage in terms of economic development, especially in countries that are in transition from an agrarian economy, mainly using traditional methods of production, to an industrial society, requiring not only new technologies, but also trained personnel. The tremendous growth in the

average level of education as a whole is a characteristic feature of the world economy in the 21st century. There is no doubt that economic success was largely determined by investment in education. However, there are exceptions here that violate the laws. Investments in physical and human capital, as a rule, stimulate economic growth, however, in some cases, high rates of accumulation and the development of the education system may not result in accelerated growth. Technological change has been the most significant factor in economic development. It may be given as an example of advanced economies and their successful pursuers: Japan, Taiwan, South Korea and China. One of the reasons for this growth can be called international economic relations, through which developing countries are able to introduce new technologies borrowed from advanced countries and ensure high rates of technological progress and industrialization.

Tracing the influence of cultural factors on the dynamics of economic development, one can cite a variety of examples. Thus, in India, the caste system served as a huge brake on development, in which caste members have a predetermined, hereditarily transmitted occupation and place in society. Social segregation hinders the emergence and spread of new ideas, the growth of productivity through the efficient distribution of employment, the exchange of activities.

The advantage of the West since the XVII century Rongxing GUO associates with the elimination, especially in the Protestant world, of the differences between secular and religious life, with the attachment of religious value to industriousness, frugality and accumulation (GUO, 2006).

Although the countries of Latin America and Eastern Orthodox area are closely associated with Western culture, their economic performance lags behind the Western world. Significant and prolonged lagging behind North America from Latin America in terms of growth and income levels is associated with a tradition of strict government regulation, chronic inflation, habitual irresponsibility in relation to meeting debt and financial obligations, and long-standing political instability.

In most countries of East Asia, the ethical norms of Confucianism had a great influence on interpersonal relations and the preservation of their traditional character.

A special culture has been developed here, which attaches great importance to the harmony of feelings and the richness of spiritual life. This determined, at least in part, the economic culture. Despite ancient civilization and technological advances, East Asia lagged far behind the West in the 19th and much of the 20th century. Reasons include such traits as nepotism, the importance of personal connections and patronage, bribery and corruption, conservatism and worship of authority, which have turned into inflexibility and inability to innovate. However, after the 1980s, there was an opinion that traditional "Asian" values were a factor that contributed to the outstanding economic success (Keegan and Green, 2015).

Economic achievements of Japan in the second half of the twentieth century associated with "aggressive patriotism". An example is the behaviour of the Japanese during the Second World War, and in the economy - a patriotic attitude to work at their enterprise.

Chinese culture is characterized by complexity, the interweaving of Confucianism, Buddhism and Taoism, which has maintained harmony over a long period. Probably due to this, pride in past achievements, belonging to the "middle empire", despite the huge economic backwardness, developed. Self-satisfaction and ethnocentrism are features of a long period of isolationism in Chinese history. The differences between the Japanese and Chinese economies are explained by the fact that in China, foreigners appeared on the periphery of a huge country, and the ruling elite looked at the invasion of "barbarians" as an annoying nuisance. In Japan, foreigners invaded the largest city in the country, humiliated the shogun and destroyed his legitimacy as a ruler. The Japanese already then borrowed important elements of Chinese civilization and did not consider it shameful to copy the Western model, which showed technological superiority (Huntington, 1998).

Thus, it is impossible to ignore the fact that patterns of human behaviour depend on their diverse cultural background.

In countries with low levels of inequality, a high level of religious diversity can be a source of productive influence that promotes economic growth; but high levels of inequality in an environment of religious diversity can seriously hurt economic growth.

Where religious diversity is low, income inequality can contribute to economic growth because there are few or no intercultural barriers in a culturally homogeneous environment. Economies with lower levels of inequality will not only be less sensitive to indicators of cultural diversity than economies with high levels of inequality, where cultural differences create barriers to international trade, but will also be able to gain relative economic advantages in today's multicultural world. It is hoped that cultural diversity will turn into a positive factor in economic development (Huntington, 1998).

The result of cultural impact on international trade is complex, non-linear, depending on various conditions that turn this impact into an incentive or an obstacle. On the one hand, cultural mismatch causes intercultural transaction costs; On the other hand, there is an “economic complementarity” that directly affects trade. The higher the cultural diversity (the number of groups in a multicultural society), the higher the other parameters, the higher the risk and administrative costs (House, 2004).

When an economic union is formed by countries with different cultural characteristics, they expect to reap some benefits from the transition to a more open economy, but without relinquishing control over the cross-border flows of goods and services, and thus over domestic production and consumption patterns. However, as more countries and regions of the Union lift restrictions on the movement of goods and services between them, they lose internal control over the economy (Huntington, 1998).

Intercultural relations have become one of the most popular objects of study in world politics and economics since the end of the Cold War era. However, there are different points of view here, pointing both to intercultural conflicts and to the cooperation of cultures.

Cultural differences can result in cooperation as well as in conflict, depending on diverse socioeconomic conditions. Thus, intercultural cooperation is very sensitive to the parameters of cultural differences in those countries where cultural heterogeneity creates serious problems within the country and at the global level. However, cultural differences have very little effect on conflicts if different groups are used to living with each other in a politically stable and economically fair environment. As an example,

we can take Israel and Palestine. Diversity in culture is a reason for conflicts but at the same time trade and production is actively going on.

The regional principle can serve as a basis for interstate cooperation only to the extent that the geographical factor coincides with the cultural one. Neighbourhood without regard to culture does not provide commonality and can act in the opposite direction. The overall effectiveness of multicultural organizations is inversely proportional to the cultural diversity of their members. Multicultural organizations are less stable and successful than monoculture organizations (Huntington, 1998).

If we take the perspectives of the evolution of cultures, we can note the differences in the rates and factors (internal and external) of changes at various stages of historical development. Among external factors, intercultural contacts and exchanges play an important role. Cultural diffusion has always served as a catalyst, since the development of human culture as a whole relied on the ability to borrow and integrate elements of other cultures. The inevitability of integrating new elements into cultural heritage creates new problems that require new solutions and thus generate new ideas. Thanks to technological progress, social division of labour, trade, migration, etc., the speed of cultural spread in the world has accelerated significantly compared to any other historical epoch.

There are two different points of view on the future of cultural diversity: first, concern about the prospect of the disappearance of cultural differences under the pressure of modernization. From the other side, optimism about the revival of local cultures against the backdrop of globalization and their role as a factor in the consolidation of society and human behaviour. Inadequate development policies can destroy some cultural beliefs, but the right policies, effective projects and programs can promote cultural and economic development and their mutual enrichment (Gokmen, 2017).

#### ***2.3.4 Cultural Differences and International Trade***

Without cross-border trade and international communication, modern society is unimaginable. Bilateral and multilateral agreements, which are characterized by heterogeneity and unevenness both in the aggregate of countries and in relation to the



same country in dynamics, provide the framework and avenues for reciprocal commerce. Large transnational corporations pursuing their own financial interests have some influence on international commerce, but in general, trade is the consequence of the active influence of many various factors on the players.

On the other hand, the presence of customs borders and customs control means sufficiently detailed (bilateral) documentation of interethnic trade transactions and the corresponding commodity flows. At the same time, the existing international and national classifiers of commodity flows are generally congruent to each other. The latter makes it possible to form large comparable databases of statistical data on the volumes of international commodity flows in various industry and classification sections over long periods of time (Keegan and Green, 2015).

From the perspective of modern institutional economic theory, it is customary to include languages spoken in the countries under consideration, ethnic and religious affiliation of population groups living in these countries, the presence of a common colonial past countries in a given historical period, as well as other factors of cultural differences (behaviour patterns, for example) on the list of cultural factors that are to some extent quantifiable in terms. There are more than ten sociocultural measurement techniques available today, in addition to the World Values Survey database, some of whose data are appropriate for quantitative assessment of cultural differences (E. Hall, G. Hofstede, S. Schwartz, F. Trompenaars, R. Inglehart, R. Lewis, G. Triandis, R. House and others).

Algorithms for measuring "distances" between nations, which represent distinctions in languages, ethnicity, religion, and culture, are linked to an examination of the structural traits of societies in various nations and are typically based on the accessibility of each nation. As an example, the assessment of language distances strives to pinpoint linguistic barriers that emerge during communication between officials of various nations, notably while discussing trade issues. Although the international (English) language plays a big role, the existence of a near or shared language or ethnic group also has a considerable impact on the productivity of trade communication and, as a result, on the amount of interactions that arise between countries.

More complex presentation has indicators reflecting differences in cultures. Normally, a quantitative measure of cultural distance should capture and demonstrate the degree of similarity/difference in the population's values and behavioural attitudes for each pair of nations in the sample being studied. In addition, it is implicitly assumed that a rise in "cultural distance" should signify a challenge in comprehending and anticipating the partner's actions. The latter, in turn, has an adverse impact on the volume of global trade.

The disparity in organizational and managerial cultures between the two nations is also reflected in the rising of decision-making uncertainty and the related rise in information costs. As a result, the effectiveness of global trade interactions decreases as transaction costs rise (Gokmen, 2017).

Finally, the socio-political characteristics of how nations interact can also be taken into account as a potential component in the increased transaction costs of global trade. They can be considered, in particular, in the context of the so-called "Huntington hypothesis of the clash of civilizations," which contends that, in the years following the end of the Cold War, differences in religion, ethnicity, and culture became the primary causes of international and domestic conflicts that harmed trade relations between nations. (Гриценко, 2007).

The positive impact on bilateral trade of a common cultural feature of a pair of countries, such as language, religion, civilization, a common colonial past, etc., is generally not in doubt. The effect is statistically significant in different samples of countries and for different time periods.

The study and research of cross-cultural aspects of behaviour in international business are important for effective communication and cooperation between foreign partners. It is the national business culture that affects the style of conducting negotiations, methods of performing various tasks. The globalization of the world economy, the growing openness of markets, and the large number of national business cultures call for a multifaceted study and research of the cross-cultural specifics of doing business.

The effectiveness of conducting business is increased, and it is possible to reach mutual understanding during business negotiations and meetings thanks to knowledge of all cross-cultural aspects of behaviour in international business, including the understanding of national characteristics of people's behaviour in various countries, value systems, negotiation models, traditions, and customs (Gokmen, 2017).

Understanding the business culture of partners is the most essential condition for effective interaction in the global business. It is important to study the peculiarities of national culture, its influence on models of business negotiations. National culture largely determines the behaviour of employees and seriously affects the organizational culture and management regime.

National culture is a set of values, viewpoints, ideas, and conventions that a nation adopts and that are generally held by its citizens (Мясоедов, 2020). National business culture is an integral part of it. It includes business norms and rules, business ethics and business etiquette. According to E. Shein's model, national culture affects the deep level of beliefs and basic concepts, the level of universal values, the level of organizational culture, and this ultimately determines the cultural features of a specific organization (Рахманов, 2013).

Numerous criteria are found by researchers that examine how people behave in various national cultures, making it easier to spot both cultural variances and commonalities. The following criteria are the most crucial:

- religion;
- language;
- mental distance (cultural distance);
- traditions, customs;
- negotiation;
- attitude to colours, numbers;
- attitude to formalities;
- social and personal space;
- attitude to nature;
- attitude to the use of time;

- relations between people.

#### *2.3.4.1 Religion*

For the first time, a detailed analysis of the influence of religion, in particular, Protestantism, on the formation of economic relations was made by M. Weber in his book "Protestant Ethic and the Spirit of Capitalism", in which he almost undeniably demonstrated a fact, the existence of which was only vaguely guessed before him: the success of individual individuals in entrepreneurial activity, worldview ideas, which they share, have a great influence (Landes, 1998).

Religion seriously affects the nature of business relationships, employee morale, appearance, consumer behaviour, and work schedules. In order to cooperate with different countries, it is important to pay attention to all the peculiarities of religion. For example, some types of business activity are prohibited in Islam. Such restrictions include agreements with increased risk, i.e. futures, options; certain types of activities that are incompatible with the morality of Islam: lotteries, gambling business and speculation with securities; production and trade of prohibited goods.

Religion determines the attitude of believers to consumption, personal responsibility, work, and planning for the future. Sociologist Max Weber explains the development of capitalism in Western Europe with the influence of Protestant morality, which especially underlines hard work, frugality and success as a means of glorifying God. According to Protestant morality, there are characteristics that are necessary for the stable functioning of a capitalist economy. They are the accumulation of wealth, the constant struggle to improve efficiency and the reinvestment of profits in order to further increase productivity are considered virtues. Contrary to the Protestant Church, Hinduism preaches spiritual improvement, not economic success. The goal of a Hindu is to unite with Brahma, the universal spirit according to Hinduism; it is possible to achieve such a union by leading an increasingly ascetic lifestyle in each incarnation of the soul during a number of cycles of reincarnation. The desire to accumulate material goods can slow down the process of spiritual improvement. Thus, Hinduism does not support such capitalistic activities as investment, accumulation of wealth and constant search for ways to increase productivity and efficiency.

There are other equally important aspects of religion's influence on business conditions. Very often religion limits an individual's role in society. For example, the caste system advocated by Hinduism traditionally regulates the division of labour between members of different castes, which affects the organization of the labour market and also prevents maximum exploitation of business opportunities.

In countries where true followers of Islam predominate (such as Iran and Saudi Arabia), there is a ban on women being employed; the reason for this ban is that, according to the norms of Islam, the circle of communication between Muslim women and men should be limited exclusively to relatives (Lewis, 2001).

Religion influences, among other things, the composition of the goods bought by believers and the seasonality of consumption. For example, Christmas is a crucial time for gift-giving in the majority of Christian nations; nevertheless, on Christmas Day, corporate activity considerably declines while consumer spending grows significantly in the weeks leading up to Christmas. Because workers and employees take brief vacations to visit friends and family, businesses experience a dramatic decline in production.

Consider Saudi Arabia, home to the holy city of Mecca, a city to which every Muslim must make a pilgrimage at least once in their lifetime. The significance of comprehending Islamic principles for businesspeople involved in international trade and the part played by these principles in the exporting of goods, their production, marketing, and credit sales of goods in the Saudi Arabian market cannot be overstated. You can use the example below as an example. Five times a day, work is stopped in Saudi Arabia so that Muslims can pray to Allah. A non-Muslim manager would be foolish to oppose to such a behaviour, even if it lowers production (Jalbert, 2002).

In Sweden, Muslims discovered socks with the image of a Lego man with a jackhammer allegedly punching out the word "Allah" in the stores of the H&M chain. Because of this, a scandal broke out and the company had to withdraw the entire batch of "blasphemous" socks from sale.

Even worse issues could develop in nations with a diversity of religious beliefs. The religious demands of their employees and customers who follow Judaism,

Christianity, Islam, and Hinduism must be considered by businesses functioning in cosmopolitan areas like London and New York (Harrison, 2000). Holidays, food restrictions, and rituals, as well as Sabbath days—which are regarded as holy days by some religions—are examples of such religious necessities. Companies that can't change to meet these needs risk losing business owing to employee absenteeism, team morale issues, and a decline in revenue.

There is one more example of Coca Cola. In Christian countries, Coca Cola is adopting its marketing strategy during Christmas holiday, associating Coca Cola with Santa Clause and Christmas. If to look at colours of Santa and Coca Cola it may be noticed that they are same: red and white. So due to those sales of this drink is increasing during holidays. In Muslim countries because of forbidding alcohol, non-alcoholic drinks are selling more in comparison to other countries.

#### *2.3.4.2 Language*

Language is the most important means of communication between societies. Therefore, the primary factor in establishing a cultural group's boundaries is language. Experts estimate that there are more than 10,000 distinct dialects and around 3,000 different languages in the world. In a well-known study done in Hong Kong, 153 bilingual high school students (Chinese and English) were split into two groups. A task in English was provided to one group, and a task in Chinese was assigned to the other. The experiment's lead professor took all necessary precautions to guarantee the translation's high calibre and precision. The responses that the students in these two groups submitted, however, differed considerably. This fact suggests that the language has altered the nature of the information that members are transmitting.

For example, many languages, such as French, Russian, German, and Spanish, have formal and informal forms of addressing the second person; the use of these forms depends on the relationship between the interlocutors. The existence of such language forms in itself is a sign that interaction is in progress with business people from countries where these languages are used, it is necessary to carefully observe an acceptable level of formality of communication.

There are 16 officially recognized state languages in India; in addition, the population of the country uses about 3,000 dialects, which indicates the heterogeneity of Indian society (Lewis, 2000).

Society is typically more homogeneous in nations where one language predominates; in these nations, the status of the nation influences the features of the society. The society is heterogeneous in nations with several language groups, and language is a key tool for detecting the fundamental cultural variations among this society's constituents.

For example, Canadians with English origin prefer soaps that guarantee cleanliness, while French Canadians prefer soaps with a pleasant smell. Thus, advertising for Procter & Gamble's Irish Spring soap aimed at English-speaking Canadians highlighted the soap's deodorizing properties, while advertising for French-speaking Canadians emphasized its pleasant fragrance.

The opening of America's Spanish-language television channels made it easier for advertisers in the United States to tailor their advertising messages to the Spanish-speaking market, while avoiding the distribution of those ads to the larger English-speaking market (Trompenaars, 2012).

Trading between Australia, Canada, New Zealand, and the United Kingdom has its advantages because English is used in all of these countries. Turkey is becoming a launching pad for doing business in those regions of the former Soviet Union countries where Turkic languages prevail, such as Azerbaijan, Kazakhstan and Turkmenistan.

People that work in international company must be able to stay in touch with their partners. English has evolved into the "lingua franca" of global commerce in the modern world, dominating international communication. The reasons for the widespread use of the English language as a language of international communication are the economic and military dominance of the British Empire in the 19th century, as well as the influence of the United States, which grew after the Second World War. Most students of educational institutions in European countries and in Japan have been studying English for several years. In some countries in which there are several

language groups (for example, in India and Singapore), English is adopted as the official language, which aims to facilitate the process of interaction between representatives of different language groups (Hampden-Turner, 2012).

Companies in which managers from different countries of the world work can use English as the official corporate language. For example, at Philips, a Dutch multinational corporation producing electronic equipment, English has been used for internal corporate communication since 1983.

But in nations where English is not the national tongue, there is some opposition to this approach. In the summer of 2017, France proposed to abandon advertising in English. The relevant draft law was submitted to the National Assembly for consideration. The document says that the imposition of the English language adjusts the way of life of all Europeans to a common standard, and in connection with Britain leaving the EU, there is no longer any need to use English.

While doing translation from one language to another it should be noted that sometimes same words in different languages have different meanings. Translators must pay close attention to the semantic subtleties of word meanings and translate not the words themselves, but the concepts that are denoted by them. Incorrect translation very often leads to the complete failure of marketing activities. A classic example is the case with the motto of the KFC company "Finger Lickin' Good" which turned into the less appetizing offer "bite your fingers" in the original translation into Chinese (Annamoradnejad, 2019).

#### *2.3.4.3 Mental Distance (Cultural Distance)*

Differences in the mentality of different societies and communities, according to many scientists, are one of the important factors in their economic development and their ability to modernize. M. Weber also emphasized that the Western mentality is much better suited to the market economy than the Eastern one. Recognition of the importance of mentality as a factor of modernization makes it relevant to study the impact of national cultures on innovative development.



#### *2.3.4.3.1 Education*

One of the examples of mental distance may be an education. Historically, in Great Britain elite education can be obtained only by a relatively small number of students, which is due to the class structure of society that existed in the past. German has a well-organized system of apprenticeships that allows training new generations of skilled workers and operators for the manufacturing sector. The education system adopted in Japan and France is organized according to a completely different principle. In primary and secondary schools, the main focus is on mechanical memorization of the material, which allows preparing students for the entrance exams to higher educational institutions, which are held throughout the country. Pupils who get the highest number of points in these exams get the right to study at one of the most prestigious universities, such as the University of Tokyo or Kyoto University in Japan or the five higher education institutions in France. Such educational institutions actually guarantee their graduates a serious job in the most influential companies and state institutions (Beugelsdijk, 2011).

#### *2.3.4.3.2 Social Status*

Each culture is also characterized by its own specific ethical means of achieving one or another social status. In some societies, a person's social status is inherited together with his ancestors' money or position. In other cultures, a person gains social status through accomplishments in their personal or professional lives. People who have inherited fortune despise the so-called "nouveau riche" because, in several European nations, being a member of the aristocracy confers on a person a better social prestige than his or her professional accomplishments could.

American entrepreneurs who have attained a high social status via hard effort are widely appreciated, and their children are treated with contempt if they have not been able to match the achievements and merits of their parents. In Japan, a person's social status depends on the status of the group he is a member of. That is why Japanese businessmen introduce themselves by not only giving their name, but also indicating their group affiliation. Studying at elite universities, such as the University of Tokyo or Kyoto University, as well as working in elite companies and organizations, such as

Toyota Motors or the Ministry of Finance, indicate the high social status of a member of Japanese society (Beugelsdijk, 2010).

In India, a person's social status depends on which caste he belongs to. The caste system, which defines the hierarchical structure of Indian society, divides all members of society into different groups. Among such groups, the following castes can be named: Brahmins (priests and intelligentsia), Kshatriyas (military and political leaders), Vaishyas (business people), Shudras (farmers and workers), as well as pariahs (untouchables), who perform all the dirtiest and unprestigious work. According to Hinduism, the belonging of an individual to a particular caste reflects his virtues demonstrated in a past life. Especially in rural areas, the caste system affects every aspect of a person's life, from the shape of his mustache and the composition of the food his family eats to the position he can get (Bibler, 2020).

#### *2.3.4.3.3 Cultural Differences*

The contextual approach created by Edward and Mildred Hall is one of the best ways to explain cultural differences. In a low-context culture, information is transmitted between interlocutors explicitly, in an open form. A clear example of a low-context culture is English-speaking countries such as the United States of America, Canada, Great Britain and, as well as German-speaking countries. In a highly contextual culture, the context in which the communicative act takes place plays no less important role than the spoken words, and knowledge of the cultural context is of great importance for understanding the subject of the communicative act. Highly contextual culture is characteristic of Arab countries and Japan.

In many instances, business behaviour in high-context cultures differs from that in low-context cultures. For example, German advertising, as a rule, is focused on facts, while Japanese - on emotions. In high-contextual cultures, in the process of making decisions about the feasibility of maintaining business contacts, interpersonal relations are more highly valued (Harrison, 2000).

In cultures of the low-context type (eg, Canada, Great Britain, and the United States), business negotiations are often attended by lawyers whose task is to protect the interests of the client. In contrast, in high-contextual cultures such as Saudi Arabia,

Japan, and Egypt, the presence of a lawyer, especially at a pre-negotiation meeting, may be seen as a sign of mistrust of the partners.

#### *2.3.4.4 Negotiation*

Business meetings held in different countries differ even in their content. If the meeting is scheduled for 2:00 p.m., American, Canadian, and British businessmen arrive at the meeting place at 1:55 p.m. and expect the meeting to start at exactly 2:00 p.m. After the exchange of pleasantries, they proceed to discuss the issues specified in the agenda, which was drawn up and brought to the attention of the participants of the meeting. During the meeting, each participant presents his position; at the same time, quite often there is a discrepancy in thoughts. By contrast, in Japan or Saudi Arabia, the first meeting is primarily for the contracting parties to find out whether they can trust each other, rather than to discuss the details of the proposed agreement. However, it cannot be said that this time was wasted. Since personal relationships are so highly valued in Arab and Japanese culture, this time is used to achieve an important goal - to assess the personal qualities of potential business partners (Landes, 1998).

In communication with business partners from Australia, it is necessary to avoid both excessive activity and pedantry. Australians prefer to deal with calm and unhurried partners. They will show interest in you if, before starting a business conversation, you talk about how you prefer to relax in your homeland. Australians love sports, so get ready to support the conversation about horse racing, surfing, football. In Australia, business people do not attach much importance to clothing. The English are characterized by such character traits as restraint, tendency to understatement, few words, sometimes bordering on silence. The last character trait leads to closedness and incommunicability, which is considered to be a manifestation of the English's desire for independence (Fukuyama, 1995).

Communication with an English partner is better to start with completely human problems. Show that universal human values are no less important to you than commercial interests. Emphasize your attitude towards the British people and their ideas. It is better to avoid personal topics in the conversation, as it can be perceived as

an invasion of privacy. By placing a partner with you, you will create a basis for long-term business cooperation.

Germans are neat and meticulous. If you are not 100% sure that you will be able to comply with all the terms of the agreement with German partners, it is better to refuse your offers in advance. Before starting negotiations, clarify all titles of business partners. During the discussion, try to express yourself briefly and to the point. Germans do not spend a lot of time entering into a conversation; do not use empty, meaningless words. The conversation itself is purely concrete nature. Make all suggestions and comments only on the essence of the discussed issue. If you need to record something during the meeting, ask for permission.

Italian businessmen attach special importance to the fact that negotiations are conducted between people who occupy approximately equal positions in the business world or in society. Therefore, before the business meeting, they will learn the work biography of the participants, their age, and the position they hold. In Italy, they attach great importance to establishing informal, friendly relations with business partners in their spare time. Italians are very proud of their country's history and art, so to create a warm atmosphere you must show respect and knowledge in this field. In case of controversial proposals, Italians strive to reach a reasonable compromise (Старостіна, 2010).

The Chinese concept of the rules of good tone is very different from the European one. For example, in the course of communication, physical contact such as hugs, kisses and even touching is unacceptable. Entering into trade relations, Chinese businessmen pay special attention to gathering information about the subject of discussion and business partners, as well as forming friendly relations with representatives of another country. The spirit of friendship between business partners is of great importance to the Chinese, and they usually equate it with ordinary personal relationships between partners.

The French like to flash their words, silence is not appreciated here. The conversation of the French is usually very fast and casual. During business meetings, the discussion of cases is started only after coffee has been served. Until this moment,

the French traditionally talk about culture and art. During the conversation, it is quite permissible to touch on the problems of personal life. The transition to substantive conversation in France is gradual. In the upper echelons of society, much attention is paid to philosophy, art, French history and culture (Shane, 1992).

In Turkey, most business conversations begin with coffee. It is better not to come to a meeting with the Turks without having a reserve of free time. They like to be late. Any business conversation in Turkey is preceded by "small talk" - a conversation about something, tea or coffee. Important business issues are often resolved in such an informal setting.

It is almost impossible to establish contacts with Japanese companies by correspondence or telephone communication. Japanese businessmen are not like to enter into two relationships without knowing the partner, so you will need someone's recommendation. Japanese business people prefer to negotiate leisurely, starting with the discussion of topics that have not the slightest relation to the subject of negotiations, and only after a long enough time, when all the minors are restrained, the Japanese side proceeds to discuss the issue of essentially. When talking to a Japanese, your voice and gestures should be soft, excessive gesticulation is inadmissible. Do not look the interlocutor directly in the eyes. Modesty is a commendable quality from the Japanese point of view. Do not touch anyone or make jokes in a business environment. Smiling and laughing in Japan is a significant phenomenon. They can mean both a friendly attitude and a sign of discomfort due difficult situation (Краснікова, 2017).

The way that different cultures see aging is significantly different. Youth is viewed favourably in the United States of America. Finding outstanding young individuals who desire to pursue careers is something that many American businesses invest a lot of time and effort on. Young managers are given critical, significant responsibilities including negotiating joint venture openings with overseas partners. On the other hand, in Asian and Arab cultures, age is respected, so the leader's authority is correlated with his age. Such cultural differences can lead to certain problems. For example, many international companies make the mistake of sending young ambitious employees to negotiate with government officials in China. But the Chinese prefer to maintain contact with representatives who are older in age or who occupy a higher

position in the management hierarchy, so they can be affected by this approach (Kozak, 2020).

In Japan, corporate culture, age, and rank are closely related, but higher-ranking managers (and, by definition, older) do not approve a project until they reach a consensus with the managers of lower rank. Many foreign firms during negotiations mistakenly focus attention on the actions of senior Japanese managers, not knowing that it would be appropriate to bend to their point of view of junior managers. Managers occupying a higher position will approve the project only after than lower-ranking managers will do.

#### *2.3.4.5 Colours and Numbers*

Colours in different cultures show different meanings, people have different associations, and entering the international market, the company must take this nuance into account. Colour can affect advertising and marketing. In the foreign market, the choice of colours should be based on the aesthetic sense of the buyer's culture, not the seller's culture.

The symbolism in the designation of colours in individual cultures sometimes not only does not coincide, but even often has a completely different, opposite meaning. In European culture, for example, one of the meanings of black is associated with mourning, while white is associated with life and purity, honesty, joy, marriage, etc. In Eastern cultures, in contrast to European cultures, the colour of mourning and mourning is recognized as white, not black. Scientists explain this by the fact that by its nature it seems to absorb and neutralize all other colours and is associated with emptiness, disembodiedness, icy silence and even death (Stevens, 2007).

It is important to note the fact that in some areas of Mexico, the colour of mourning is yellow or red, and in European countries, in the United States of America, black symbolizes sophistication, formality, complexity and emergency, in Japan it is the colour of fun, in China it is associated with the concept of honesty (Lewis, 2001).

It should be noticed that there is a special attitude to numbers in different countries as well. The Chinese love even numbers. First of all, such preferences are

explained by the peculiarities of psychology and national traditions. While in European countries, an even number of flowers are brought to funerals. The Chinese try to avoid 4 in their life as much as possible. So, for example, in some houses in the elevators there is no button 4. Apartments on the 4th and 14th floors, license plates with 4 are always a little cheaper than others.

### ***2.3.5 The Importance of Culture on International Economic Integration***

Under the conditions of on-going changes at the present stage of development of the world economy system, international economic integration of countries with close socio-economic ties and common economic interests is becoming a necessary factor in the development of the national economy and improving the economic well-being of the country. The motives for countries' participation in international economic integration processes are different. Countries that are obsessed with the idea of economic, in many cases military-political, dominance over the whole world, in order to strengthen their positions in trade, economic and political relations with other countries, create international economic associations or join them. Countries with weak economic potential join international economic associations in anticipation of receiving economic support from partner countries, increasing foreign investment in the national economy, gaining access to external markets of partner countries for the sale of goods and services of national production, etc.

The free movement of products, services, labour, and capital is a result of the liberalization of trade relations that results from the political and socioeconomic interactions between nations. Economic systems converge, giving rise to international economic unions and partnerships of nations.

The process of formation of such unions and associations in world practice is called international economic integration. In modern economic literature, the concept of international economic integration is defined:

- as a process of convergence, mutual adaptation, intertwining, and "growth" of the national economic systems of different imprisoned countries into a single economic whole that is objectively conditioned but governed and directed (Smitienko, 2000);

- mutual adjustment of national economies and their incorporation in a single global reproduction process (Rudy, 2004);
- the process of convergence of the economies of several states, capable of reaching their complete merger and the formation of a single economic entity, in which economic relations between countries do not differ significantly from those that usually exist between regions of a separate country, and non-organizations begin to play a decisive role in economic policy management of individual states included in the integration group, and their common administrative bodies (Tsygankova, 2004).

Despite the diversity of these definitions, they are all similar in that international economic integration is an objective process of convergence, interweaving and inclusion of national economies into a single whole. In many cases, the process of economic convergence occurs within the same region, which is why the scientific literature contains the concept of regional economic integration - as a process of convergence and interweaving of national economies and the corresponding mechanisms for regulating the economy, social and political relations of the countries of a particular region (Богацька, 2019).

The emergence of intimate economic ties between nations is influenced by a number of factors. These factors are (Stanworth, 1975):

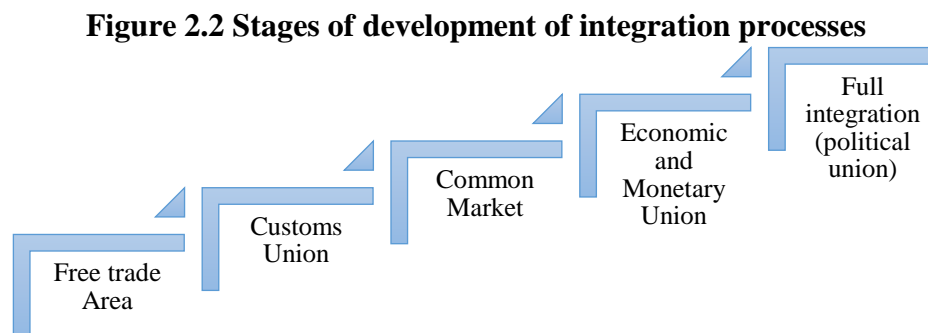
- geographic – territorial “neighbourhood” of countries, developed interstate transport infrastructure;
- general economic – common economic interests, joint management, scientific and technical cooperation, etc.;
- socio-political - common political goals, the desire of the vast majority of the population and the readiness of the country's government to carry out joint economic activities with another country;
- cultural and historical - similarities in national cultures, customs and traditions. Historical experience of conducting joint life activities (if in the past the population of countries lived in one state or interconnected states), etc. Under the influence of these



factors, countries realize that conducting a joint economy is the best option for achieving high economic performance.

The history of the development of economic integration processes begins with the emergence of commodity-money relations. At first, integration took place between the economic sectors of one region of the country. The next stage is the integration of individual regions of the country and the concept of a single national economy arises. Over time, an increasingly growing network of intercountry economic relations leads to the objective creation of a world economic system. In the modern world economy, economic integration takes on various forms of international and other economic groupings (regional economic integration, private-corporate integration, etc.) (Kozak, 2020).

The objective necessity to work together to combat the effects of externally-driven unfavorable aspects of the global economy justifies countries' desire to establish common economic organizations, whether at the regional or corporate level. In modern theory and practice of international economic relations, there are five successive stages in the development of integration processes (Fig. 2.2). Sometimes these stages are defined as independent types of integration associations.



1. The goal of a free trade area, which is the most basic institutional type of economic integration, is to reduce tariff and non-tariff trade barriers between member nations. When economic integration takes the form of a free trade zone, nations maintain their economic and political independence in their interactions with other nations that are not a part of the zone.

In practice, the creation of a free trade zone is accompanied by the conclusion of interstate agreements on preferential terms for mutual trade<sup>6</sup>. Free trade zones are NAFTA (North American Free Trade Area), Central European Free Trade Area, European Free Trade Association, Commonwealth of Independent States (CIS), Greater Arab Free Trade Area (GAFTA) and others.

2. The customs union is the next stage of economic integration, which involves the creation of a single customs territory, within which customs tariff and non-tariff restrictions are not applied. In trade with third countries that are not members of the Union, a single customs tariff and uniform trade regulation measures are applied. To regulate trade and economic relations between member countries and relations with third countries, a supranational system is being created to coordinate the functioning of the customs union.

3. The global market is a combination of elements that are characteristic of the local union (liberalization of domestic trade, unification of local tariffs and global economic policy for third countries). In times of consolidation in the form of a joint market at once with goods through the militia cordon of the country-members freely moving services, as well as manufacturing factories (robots and capital) (Kozak, 2020).

They are created for the sake of the heads of powers, for the sake of ministers, secretaries, who regulate the activity of the sleeping market. In addition, there are several markets that function successfully:

- Central American market - Guatemala, Honduras, Costa Rica, Nicaragua, El Salvador;
- South American joint market (MERCOSUR) - Argentina, Brazil, Mexico, Colombia, Paraguay, New Zealand and others;
- Caribbean Single Market Community - Bahamas, Barbados, Antigua and Barbuda, Belize, Grenada, Dominica, Haiti, Jamaica, Guyana, Montserrat, Saint Vincent and the Grenadines, and others;
- Andean Community - Bolivia, Colombia, Ecuador, Peru.

4. Economic and Monetary Union - the next stage of economic integration, the essence of which is manifested:

- in the harmonization of economic policy;
- development and unification of a common monetary policy;
- introduction of a common or single currency;
- creation of a supranational emission center;
- rigid fixation of exchange rates.

Considering economic integration, perhaps the most appropriate example of a successful economic and monetary union is the European Union (EU). More than half a century of cooperation between European countries and the unification of national economies led to its creation.

Another example of an economic and monetary union is the West African Economic and Monetary Union, which includes eight African countries - Mali, Niger, Senegal, Togo, Guinea-Bissau, Burkina Faso, Benin and Côte d'Ivoire. The Eurasian Economic Union of the Republics of Armenia, Belarus, Kazakhstan and the Russian Federation, which has passed the evolutionary path of economic integration from a free trade zone to an economic union, but has not yet reached the unity of currency relations, in the future seeks to achieve the level of a monetary union.

5. Full integration (political union) is the highest stage of economic integration. A political union is a form of international integration that goes beyond the framework of an economic union, covering all aspects of the macroeconomic and socio-legal policies of the member countries of this union<sup>8</sup>. An example of a political union is the formation of a new state - the United States of America - as a result of the integration of 13 disparate colonies acting in accordance with the Articles of Confederation (an agreement on the formation of a confederation of thirteen US states) (Филиппова, 2008). The European Union is striving for full political union. The Lisbon Treaty, signed in 2007 within the framework of the EU, raised the interstate relations of the member countries to a completely new political level (Kozak, 2020).

Striving for a full political union, the European Union continues to struggle with the negative sentiments of the member states that began in the 1990s regarding the deepening of integration processes. A series of institutional reforms - the Treaty of Amsterdam (1997), the Treaty of Nice (2000), the failure of the constitutional reform in 2004 - to a large extent contributed to the disintegration of the system and the strengthening of the economic and political sovereignty of the EU member states in many areas of foreign economic and political activity. The Lisbon Treaty, signed in December 2007, which was created on the basis of the EU Constitution, which was not adopted in 2004 with cardinal amendments, in order to avoid failure like the constitutional reform of 2004 (Kogut, 1988), became a kind of rollback in the integration processes. The theory of international economic integration is based on the fact that the existence of certain factors and economic conditions in the relations of countries with the same economic interests, goals and strategies for achieving these goals gradually leads to a complete interweaving of the political and socio-economic spheres of activity of these countries. Therefore, the formation of international economic associations can be characterized as a political and socio-economic process of gradual merging of the social life of the interacting countries. Based on the economic and social parameters of countries, it is possible to determine what degree of integration is suitable for them. It is the choice by countries of the right integration association that can lead to the effective implementation of universal economic goals and objectives.

### **CHAPTER 3**

#### **CULTURAL INFLUENCES ON INTERNATIONAL TRADE: SOME COUNTRIES EXAMPLES**

Several very active factors have a big impact on contemporary international commerce, including: political, economic, social, informational, cultural, such that encourage a businessman to take certain circumstances into account when making a decision to take his activity beyond the national borders of the country. Among this number of factors, one of the leading places is occupied by the factor of culture, which is understood as the traditions, mentality, and spiritual values of peoples.

First of all, the cultural factor in international business manifests itself as a difference in the cultural orientations of subjects of international economic relations. Cultural differences are the result of a long historical development, they were formed in times when peoples were in a state of isolation from each other. To date, several regions on Earth can be singled out, which are defined by an established type of culture:

- North American culture
- European culture
- Culture of Arab countries
- East Asian culture

According to the specifics of business cultures, the nations of the world can be conventionally divided into three types:

1. Reactive - introverts focused on maintaining respect.
2. Monoactive - introverts, task-oriented and clear activity planning.
3. Polyactive - people-oriented extroverts.

Reactive types of people are silent, respectful; adhere to a flexible work schedule, know how to listen well, attentive, protect their reputation and that of others, punctual, plan and make decisions slowly, avoid confrontation in business communication. The brightest representatives of this group are the Chinese, Japanese, Koreans, Singaporeans, and Finns (Lewis, 2000).

Monoactive types have a balanced character, are punctual, willingly obey schedules, plan future actions, dedicated to their work, prefer information from official sources, and strictly adhere to facts. Germans, Swiss, Scandinavians, Americans, Canadians, Austrians, and Englishmen belong to this group.

Polyactive types of people are prone to informal communication, impatient, impulsive, easily and quickly move from one thing to another, do a lot of things at the same time, are not punctual, actively gesticulate during a conversation, look for

patronage. Representatives of this type are Italians, Spaniards, Greeks, Arabs, Indians, Latin Americans, Africans, and Pakistanis.

In the aspect of international economic relations, the most important "whales" of culture are material culture, the culture of production, and the culture of business communication (Lewis, 2000).

Unquestionably, culture affects a company's chances for success. Each nation has an entrenched understanding of proper behaviour.

While there are universal standards for misbehaviour, there are quite a few points where there are vast differences from appropriate behaviour. And the business sector is where this is most apparent. Sociologists just recently started to adopt a new perspective on the idea that the United States, Europe, China, and Southeast Asia are all essentially melting pots where many cultures are combined and melted, eliminating differences.

Business today penetrates with great speed, taking root in huge volumes in international areas of cooperation, ranging from drug research to computers. A small company from Bonn, Zurich, Michigan or Smolensk can position itself by expanding its operations in the markets of Mexico or Japan. Not only multinational corporations that have experience in communicating with their structural divisions in other countries, but also American, German, French, Danish companies are forced to take into account the cultural differences of their business partners with foreign residence in Thailand, Vietnam, China, the Emirates or other countries (Harrison et al., 2000).

In the course of the rest of the middle of the economy, the awareness of what cultural and historical officials are directly invested in the government activity, in the development of the national economy is expanding more and more. Representatives of the German historical school played a significant role in the economic life of ethno-cultural factors.

Max Weber put forth his theory regarding the impact of religious values on economic development at the start of the 20th century. He argued that the Protestant work ethic led to greater economic achievements in the Protestant part of Europe

compared to the Catholic part, and also significantly influenced the formation of capitalism. However, over time, a different approach took hold in the community of economists; cultural-historical, socio-psychological factors began to be considered in economic research as insignificant, as those that can be neglected when explaining economic processes. Attention was focused on the study of objective cause-and-effect relationships between various parameters of economic systems that are available for observation and quantitative mathematical description (Weber, 2002).

A kind of "return" of cultural concepts to the arsenal of economic thinking, to its "mainstream" took place in recent decades, and one of the factors of this was the impressive economic success of the countries of East Asia, which, according to most researchers, turned out to be possible, to a large extent precisely at the expense of cultural and mental characteristics of the peoples of these countries, first of all, Confucian values, which are key for East Asian societies (Landes; 1998).

As D. Landes points out, although "such concepts as "values" and "culture" are not popular among economists, who prefer to deal with quantitative (those that can be more accurately defined) factors, but life itself forces us to talk about these things" (Landes, 1998). All this was reflected in the development of institutionalism. This teaching, which arose at the beginning of the 20th century, refers to the historical and socio-cultural context of management, to socio-psychological factors as an important means of explaining economic processes, economic development.

At the same time, not only formal institutions are taken into account, but also informal ones, that is, expressed only mentally - institutions of social life. In his book "Wealth and Poverty of Nations", D. Landes, supporting the position of M. Weber, makes a rather radical conclusion that the success of national economies is largely due to cultural factors than any other. Thrift, diligence, perseverance, honesty, tolerance - these are the cultural factors that determine everything; social values and attitudes have a decisive influence on the economy - whether it will be successful or fail (Robinson, 2012). A similar position is followed by a number of other authors (Landes, 1998). So, after a long period of underestimation of the role of ethno-cultural factors in the economy, now it is increasingly recognized: "culture matters" (Harrison, 2000).

### **3.1 North American Business Culture**

Although North American business culture is still relatively young, many scholars and practitioners have already noted its characteristics, which are similar to national character traits, including an orientation to individualism in human relationships, a strong personality in practical activities, and thus the desire for individual decisions. (de Bettignies, 1970).

#### ***3.1.1 The United States of America***

The population of the country is about 286 million people who live on the territory of 9.3 million km<sup>2</sup>. Believers are mainly Protestants (56%) and Catholics (25%). The USA is a federation consisting of 50 states and the federal District of Columbia. The capital is Washington (0.6 million inhabitants). The head of state is the president, who is elected for a term of 4 years. Legislative body — Congress (House of Representatives and Senate).

American businessmen are distinguished by high business activity, great abilities in the struggle for profit, the desire to assert their superiority, exceptional self-confidence, stability, and a tendency to risk. Unquestionable subordination and strict discipline dominate business relations in production. Americans are jealous of the observance of human rights, in conflict situations they often turn to the law and the services of lawyers (Mathers, 2011).

Utilitarianism (everything should be profitable, avoid unnecessary expenses), disdain for stereotypes, diligence in the development and organization of any business, clear analysis, the division of functions, and scrupulous verification of execution, the goal of making today better than yesterday, great attention to detail, personnel and production specialization, constructivism, and brevity are characteristics of American business interactions.

##### ***3.1.1.1 Business Acquaintance***

It is vital to follow the accepted guidelines of business etiquette when making contacts. Having multiple copies of your curriculum vitae (CV) or resume, which



includes information about your schooling, academic accomplishments and titles, availability of printed materials, places of employment, and position, will never be unnecessary. Additionally useful are letters of recommendation and details about the operations of your business.

#### *3.1.1.2 Conducting of Business Negotiations*

A characteristic feature of Americans is the manifestation of personal initiative and relative independence from authorities, which allows flexible and quick resolution of problematic issues. Before starting business negotiations with American partners, you need to determine the desired result for yourself in advance. It is necessary to clearly plan the conversation so that it touches on your main tasks and advantages.

The need to address not just broad strategies but also specifics pertaining to the implementation of agreements is a manifestation of the American style of negotiation. Americans value openness, friendliness, and a less formal environment. However, they frequently exhibit self-centeredness since they think their business partners should be held to the same standards as them. As a result, American negotiators are frequently perceived by their counterparts as being too strong and confrontational.

In negotiations, the Americans, as a rule, take a tough position. The American way of negotiating is distinguished by an adequate level of professionalism. It is uncommon to find someone in the American delegation who lacks expertise in the topics under discussion (as a result, Americans are wary of their partner's incompetence). The delegation's representatives are largely autonomous in their decision-making. Americans prefer to bargain and work hard to achieve their aims in talks. Typically, they won't put up with lengthy discussions delays (Beugelsdijk, 2011).

#### *3.1.1.3 Informal Environment*

In casual interactions, Americans use straightforward language. They are friendly and approachable, have some familiarity with those who are older than them in age and status, freely follow social protocol, smile, and take good care of their health. In the US, business meetings are typically brief. At receptions, they discuss anything but politics and religion. This makes it possible to recognize partners more easily and to tell

one's own from another's right away. Americans dislike silence from their spouses as well as conversational pauses (Lipset, 2003).

#### *3.1.1.4 Business Clothes*

Americans are characterized by democracy in the way they dress. They tend to sometimes disregard some rules, are much freer than Europeans and Asians in adopting fashion, although everyone knows what and when to wear according to business protocol. Men, as a rule, wear a light-coloured suit during the day, in the evening it can be a dark blue jacket and grey trousers. Business clothes should always look neat. Business women stand out with bright, carefully applied makeup and a short haircut; they appreciate a good trouser suit (Harrison, 2000).

#### *3.1.1.5 Culture and Development of Business Corporation*

In American organizations, personnel - groups of different levels - are formed on a contractual basis. The members of the group are selected according to their professional competence, and not based on personal connections, and the unity of the groups is ensured through a system of relations of the "contract" type, in which each member of the group enters into a fixed-term contract that clearly defines his rights and obligations within the framework of this team.

Eligible status is not available to US companies. At IBM, the idea of a single status of all employees has been proclaimed as a principle of internal corporate culture. Everyone from the dishwasher to the director must eat at the same staff restaurant and speak to each other by name. IBM sales employees are required to go to work in neat dark suits and white shirts, discrimination against national minorities is prohibited. Physis-Control Corporation does not have special showers for managers; no one has a specially reserved place for parking cars, etc (Jennings, 2013).

The American system of motivating the creative activity of employees appeal to material factors, first of all, wages and various kinds of monetary rewards. The "profit sharing" system is one of the components of the motivational mechanism of American corporations. For example, at the "Walmart" enterprise, company shares are issued in the form of staff bonuses at the end of the year. From 1987 to 1994, the total value of

shares issued to employees increased from \$4.4 million. up to USD 158.3 million. On average, the amount of annual bonuses paid to employees in the form of shares is 8.4% of all payments to the employee for the year. At Kollmorgen company, Connecticut state, a fast-growing and highly diversified company, management rewards its employees for their individual or collective contribution to the creation of a product. In the event that the product was a commercial success, all employees who participated in its creation receive a bonus of up to 33% of the nominal net product value (Landes, 1998).

At the turn of the 80s, the phenomenon of organizational culture was in the center of attention of American specialists and entrepreneurs. According to a number of experts, the greatest success in the 90s was accompanied by corporations that can be called "learning" organizations. We are talking about enterprises that constantly adapt to the changing reality, whose employees get the freedom to think independently, identify problems and look for ways to solve them. Managers of such enterprises must organize work so that each employee has the ability to make operational decisions on current problems. Faced with difficulties, the manager will probably make a final decision only after preliminary consultation with thousands of employees of the enterprise and specialists outside it.

At the same time, the more authority is delegated, the more urgent the need for a strong corporate culture. The ability to maintain a unified culture for highly diversified companies is extremely difficult. However, companies resort to using a number of tools that help identify common values shared by all staff and that ensure the unity of corporate beliefs. Thus, in one of the largest American companies - IBM, the development and coexistence of many subcultures is encouraged, and the competition of groups and divisions with different cultural attitudes is consciously supported. Each group develops its own special rituals and beliefs, although overall corporate values remain intact, the unconditional priority of principles is recognized. that are shared by the IBM staff, such as, for example, the desire for perfection, expressed in the capacious slogan: "Think!". The top management of IBM believes that the competition of subcultures of the corporation contributes to the creative activity of divisions, the search

for new unconventional approaches to solving the problems of the organization, although there are possible conflicts between conservative and innovative subcultures.

Multibillion-dollar investments are directed to support and develop corporate values. So, in 1986, American corporations spent about 4 billion dollars. on programs of action regarding the thinking of the staff, using at the same time non-traditional forms of such action (hypnosis, meditation, etc.). Hundreds of consulting firms operate in this area. All business magazines have sections devoted to issues of organizational culture, courses on organizational culture have been introduced in almost all business schools (Lewis, 2001).

A significant role in the formation of corporate culture belongs to leaders. Many company managers stand at the origins of corporate culture, embodying the moral and ethical values of the corporation. For Jimmy Traybitt, the founder of Tandem Computer, it is the conviction that all people are good; workers, managers and the company are a single entity; everyone in the corporation must understand the essence of the events taking place in it; all employees of the firm should benefit from its success, and the task of managers, in his opinion, is to create an "atmosphere" in which these principles would work. Jack Welch, chairman of the board of directors of General Electric, attributes the success of his business to the daily observance of six rules. Among them: reality as it is, not as it was or as you want it to be; be honest and open with everyone; be a leader, not a manager; change before the circumstances require it; if there are no market factors of success, do not enter into the fight for the market; control your destiny - or someone else will do it for you.

In American companies, managers are required to have high self-discipline, increased work capacity, and willingness to take personal responsibility (Lewis, 2001).

Exemplary companies in the USA, paying attention to the training and effective use of senior managers, at the same time consider the rank-and-file personnel as the main source of success in the area of quality and productivity. Each worker is valued as a potential bearer of ideas, not just as a pair of working hands. A company with such attitudes is characterized by the intensity and comprehensiveness of care for its employees. The philosophical credo of these companies: "treat people as adults", "treat

them as partners", "respect their dignity", "give them the opportunity to express themselves", "look at them, not at capital investment and automation as the main thing source of productivity growth".

The American company "Hewlett-Packard" announced the goal of its corporate policy to focus on people. In practice, this presupposes the implementation of a full employment policy, including in the period of economic recession, a significant scope of professional training of personnel.

Back in the 1940s, the Hewlett-Packard company came to the conclusion that a corporation should not be an organization that hires and fires labour. This decision was made at a time when the electronics industry was almost entirely dependent on government orders. Later, in the conditions of the economic recession of the 70s and a sharp decrease in the company's activity, instead of laying off people, employees at "Hewlett-Packard" agreed to a 20% reduction in their wages and working hours of each employee. Currently, the number of employees at the corporation's enterprises reaches 95,000 people. Until the end of the 80s, the Hewlett-Packard company did not carry out large-scale programs to reduce employment, in order to solve the problems of structural restructuring, it sought to share the burden of difficulties among all employed employees (Гриценко, 2007).

Delta Air Lines Corporation has earned a reputation for "taking care of its people" through its policy of high employee benefits (above-average employee wages). During the economic downturn in 1982, the firm cut dividends, but did not lay off any employees. The company undertakes disability benefits for employees, taking into account the number of dependents, deducts regular contributions to the pension fund in the amount of 60% of wages, and pays doctors' bills. Employees of Delta Corporation have free tickets on the company's planes. In 1982, about 24,000 Delta Airlines employees collected \$1,000 each and bought a Boeing 767 worth \$30 million as a thank you to the company's management for taking care of the Boeing 767 personnel over many years.

Some companies use various opportunities to improve the standard of living of their employees. Yes, the Intel company has a special program of additional vacations.

Under this program, employees who have worked for the corporation for seven years are entitled to two months (in addition to the usual three weeks) and six months (for community service, teaching or further education) paid leave. At the Hewlett-Packard company, every employee traditionally receives a silver cup as a wedding gift from the company, and a blanket upon the birth of their first child (Мясоедов, 2020).

Recently, Western companies have been paying a lot of attention to public relations. The organization of Public Relations services is an integral part of the effective management of the company, a means of conveying its corporate values to wide circles of the public, potential buyers and the global community. There are many job titles for the head of Public Relations: Director of Public Relations, Head of the Information Service, Advisor on Public Relations, Director of Public Relations, Head of the Propaganda Department (Гриценко, 2007).

In the United States, the head of public relations is sometimes the vice president of the company or holds a position equivalent to it. Public relations advisors are usually present at all meetings of the board of directors and receive all available information about the firm's policies in order to be able to explain these policies to the public in a professional manner. In England, many industrial companies, business and professional associations have established public relations departments or departments within their organizations. These departments cover various areas of activity of the "Public Relations" service (contact with the press, publications, photo information, etc.). Sectors of the service deal with publications, including accounting and reporting; propaganda, in particular with the use of films and videos, exhibitions and showcases, internal company values; creating the image of the company, maintaining relations with the surrounding population, contacts and gathering information about public opinion. Public relations services not only inform the management, but also guide its activities for the benefit of the public, support it in a state of readiness for various changes based on early prediction of trends in public opinion (Мясоедов, 2020).

### ***3.1.2 Canada***

Canada is quite large (9,976,000 km<sup>2</sup>), although it is a sparsely populated country located in the north of the American continent. In the East, Canada is washed by the Atlantic Ocean, and in the West by the Pacific Ocean.

Canada is rich in forests, useful minerals, on its territory there are many rivers with significant reserves of water energy. The first colonists were the French, who settled in Canada at the end of the 16th century. The rich wealth of the country attracted the interest of the British in 1763 after the Seven Years' War, Canada became an English colony

In 1843, Canada became independent, and the 49th parallel became the border with the United States. The capital is Ottawa (more than 1 million inhabitants).

Canada is a constitutional monarchy in the Westminster tradition and a parliamentary liberal democracy. The prime minister, who represents the monarch of Canada, the ceremonial head of state, is "called upon" by the governor general to act as the country's head of government. The prime minister keeps office because of their capacity to command the confidence of the elected House of Commons. The federal government of this Commonwealth territory is multilingual in the official languages of English and French. In comparison to other countries, it ranks quite highly in terms of education, economic competitiveness, government transparency, and quality of life. It is one of the most ethnically and culturally diverse countries in the world and the result of extensive immigration. Canada's history, economics, and culture have all been profoundly impacted by its long-standing and intricate relationship with the United States.

The legislative body is a bicameral parliament (the House of Commons and the Senate); administrative division — 10 provinces, currency — Canadian dollar. The population of the country is about 32 million people, and most of it lives on a narrow strip along the border with the USA.

The main cultural layers of Canada are the Anglo-Canadian and French-Canadian groups. It is impossible not to take into account the influence of the indigenous population - Indians and Eskimos have not been inhabitants of reservations for a long time, and in many areas of business they are quite successful.

The Canadian government is making every effort to ensure that the country's multinational population coexisted within the accepted framework of the legislation. If there are no “misunderstandings” and understatements for business inside the country for a long time, then for a foreign businessman the situation can still cause certain difficulties.

It is very difficult to run your business if your potential partners include both English-speaking business partners and those who speak preferably French, or even representatives of New Canada who come from Hong Kong and Eastern European countries.

#### *3.1.2.1 Business Acquaintance*

Canada has two official languages: English and French. The customary way to make a business acquaintance is with a handshake. Canadians experience excruciating reactions when mistaken for Americans. They don't necessarily consider themselves Americans just because they can communicate in English.

#### *3.1.2.2 Conducting Business Negotiations*

Almost identical to American corporate communication is the way it is done in Canada. However, you can tell right away that you are not dealing with Americans since they are more tolerant and lack imperialistic aspirations. Conservatism is one of the most distinguishing traits of Canadians in negotiations. Canadians seem to value discretion in communication and specific ceremonies more. Canadians have learned to be patient in everything, including business, as a result of challenging natural circumstances. In contrast to Americans, Canadian businesspeople do not typically transition seamlessly into informal interactions. You can meet women in corporate circles in Canada, although they typically have the function of housewives (Clement, 1975).



### *3.1.2.3 Informal Environment*

Business meetings are typically held in restaurants by Canadian entrepreneurs. There are no limits on what is served at official events. Cider and wines from British Columbia are well-known worldwide. In general, business presents are inexpensive and are presented following the conclusion of talks. In Canada, women frequently assume important leadership positions and excel in business.

During informal conversations, Canadians like their interlocutors to understand a little about current events in their country, but without evaluative statements regarding different sides. Sports are a favourite topic of conversation, especially when it comes to hockey and baseball (Clement, 1975).

Canadians prefer to hold business meetings at lunch, representative events in restaurants, and if in the evening, then at home. Quality is highly valued in all aspects of life. In general, the customs of the country are very similar to European ones.

### *3.1.2.4 Business Clothes*

Business clothes of Canadians are similar to American ones, although in big cities, businessmen dress more in a European manner and closely follow fashion. A sign of a successful businessman in Canada is his clothes. During business meetings, a Canadian will prefer a dark suit, and at informal events, less strict but elegant clothes.

### *3.1.2.5 Running Business with Canadians*

Despite the fact that Canada is dominated by a European atmosphere and a business model with English as the main language of communication, there are some peculiarities that must be taken into account. If you are going to do business in French-speaking Quebec in Canada's east, be prepared to communicate exclusively in French and follow certain customs and etiquette.

Southern Canada almost completely copies the mentality and business features of the United States, and American culture and etiquette prevail here. Western Canada is the most multinational business centre known as British Columbia.

Canadian business is quite diverse; there are both large state-owned companies and private businesses. In the first case, decisions are made by the meeting of shareholders, in the second - by the head or director of the direction (Clement, 1975).

Canadian culture is characterized by a lack of clear status or class distinctions in society. Hierarchy in Canadian organizations is established more for convenience, superiors do not distance themselves from subordinates. For managers and employees, an acceptable style of behaviour is a constant process of consultation and free exchange of information.

For Canada, the management style is manifested in rational decision-making by the company's management, liberal management techniques are used. Access to the top management of organizations is facilitated. All this makes it possible to assess this factor as favourable for foreign partners. Canadians are more inclined towards individualism than the "collective mind". They care more about themselves and their neighbours (Beugelsdijk, 2011).

In a business environment, employees are expected to be independent and show initiative. Decisions are mostly individual, which creates certain threats when conducting negotiations for foreign companies where society is dominated by collectivism. Employee motivation is the basis of a successful Canadian business, and many leaders understand this very well. An employee always puts common goals above personal ones, and career growth is possible only with full dedication to his work (Clement, 1975).

Canada is more characterized as a "masculine" society. Canadians strive to achieve high performance at work, but not at any cost. They maintain a balance between work and personal life. However, this does not mean that Canadians are not hardworking. They strive to achieve high standards of performance in all areas of life. The Canadians will probably actively defend their own favourable conditions when concluding a contract and in further cooperation, which creates threats for foreigner entrepreneurs.

Canadians are optimistic about the future. They readily accept new ideas, innovative products, and are willing to try something new or different, whether it's technology, business practices, or consumer products. Canadians are also tolerant of other ideas or views, and accept freedom of expression (Beugelsdijk, 2011).

Canadians are less focused on the long-term perspective, so concluding a long-term contract with the foreign side is less likely, which is a certain risk for domestic business. A Canadian counterparty may be prone to periodic review of suppliers, which also poses threats to domestic companies.

Canadian culture is characterized as indulgent. Canadians demonstrate a willingness to pursue their impulses and desire to enjoy life. They have a positive attitude to life and a tendency to optimism, consider leisure an important part of life, spend money easily, and are not inclined to save on food. This creates opportunities in the promotion of domestic brands in the Canadian market.

In Canada, the closeness of the layer of top managers is increasing. A comparison of the data of J. Porter, who examined 611 Canadian-born top managers of large corporations in 1951, and V. Clement, who in 1972 studied 673 Canadian-born top managers of 113 dominant Canadian corporations, made it possible to state that in 1972, 59.4% of the examined representatives of the economic elite came from the upper class, while in 1951 - 50%; 34.8% came from the middle class in 1972, 32% in 1951; 5.8% came from the working class in 1972, and 18% in 1951 (Clement, 1975). And a comparative analysis of the origins of the heads of Canada's 100 largest corporations between 1951 and 1972 revealed that the share of people from the upper class remained practically unchanged: in 1951 – 67%, in 1972 – 65%. In 1951 and 1972, respectively, 28.8% and 18.2% of Canadian-born senior executives were middle-class Canadian CEOs. The share of those who came from the working class decreased: in 1951 – 14.8%, in 1972 – 6.2% (de Bettignies, 1970). Thus, over a period of twenty years, from 1951 to 1972, the proportion of middle-class people in the top management of Canadian corporations increased at the expense of working-class people.

An increase in the level of education among top managers of large Canadian corporations was also recorded. If in 1951, 63.7% of top management representatives of

large Canadian corporations had a higher (university) education, then in 1972 the share of top managers with a higher education increased to 84.5% (Clement, 1975). However, the presence of a bachelor's degree or a master's degree does not always help to increase the income of a top manager. Thus, modern studies show that the possession of a scientific degree plays an important role in achieving the position of general director in a company, but does not have a significant impact on the salary level (Jalbert, 2002).

## **3.2 European Business Culture**

The corporate culture in Europe is far more established than in America. It has some of the well-known traits of North American corporate culture, but it also has regional and national quirks and distinctions. Every European nation has unique business communication customs, traditions, and conventions.

### ***3.2.1 Culture and Development of Business Corporation in European Countries***

The organizational culture of Western European companies, despite active integration processes recently, has a number of features related to national traditions, religion, political system, and the like. They form a peculiar complex of thoughts shared by members, beliefs, standards of behaviour, moods, symbols, and ways of doing business and create a unique appearance of the company (Burck, 1976).

Although the Swedish model of labour relations belongs to the European cultural tradition, it is also based on the principle of maintaining stable employment. Thus, at the Swedish enterprises "Sandvik", "Volvo", "Skanza", "Alfa-Laval", proposals for new investments are approved only after an accurate assessment of the impact of the decisions made on the corporation's need for labour resources. The use of methods of modelling age and qualification pyramids, questionnaires, and the like, allows personnel services of Swedish enterprises to systematically adjust the need for labour resources by changing the number and profile of jobs and corresponding training and retraining of personnel. Prioritizing internal adjustments over layoffs is part of the cultural tradition of the "Swedish social consensus." (Jean-Francois, 1988).

A survey of 1,500 managers of European companies was implemented in 1988 showed that the ability to form an effective team (96%), listen to the opinions of

colleagues and subordinates (93%), make decisions (87%) and involve others in their implementation (86%) is among the most important leadership qualities. At the same time, more and more attention is paid to the ability of managers to actively apply cultural and ethical management tools.

In this regard, leading Western companies attach great importance to the involvement of future managers in the business culture of the corporation. According to corporate mentoring programs used in American companies, each applicant for a management position is assigned a mentor-manager of high rank and status (middle or upper management) to provide practical assistance in the development of professional knowledge and skills, as well as with the broom of attracting a newcomer to traditions corporate culture, cultural and ethical methods of management, the system of values and social norms operating in the company, up to the style of clothing. The mentor is obliged to meet regularly (once a week or more often) with the applicant, observe him in the working environment, consult on various issues. American corporations "AT&T", "Johnson & Johnson", "Merrill Ling", "Federal Express" have mentoring programs.

Thanks to a well-thought-out leadership policy in leading foreign corporations, a unique climate of trust in relations between management and ordinary employees is supported. For example, in the company "Donnelly", which produces component products for cars, they abandoned the hourly work schedule, which acted as an element of administrative control from above. A fixed remuneration was introduced for all workers and employees, which were received regardless of the number of man-hours spent at their workplace. All employees at the Donnelly company are grouped into several teams of 10 men each. They are entrusted with monitoring the state of affairs at workplaces, while each member of the team is fully responsible for the actions of all the latter. In case of illness of a member of the brigade, his work is performed by a colleague. Thanks to the existing trust in the relations between managers and staff, the sales volume of the company "Donnelly" grew from 3 million dollars in 1965 to 75 million dollars in the mid-80s. (de Bettignies, 1970).

The prevalence of a culture of trust combined with a high level of motivation is characteristic of the Swedish company Volvo. Here, there is one manager for 30 workers, the duration of the work cycle is 40 minutes, instead of conveyor assembly

stations, six independent teams, which include workers with related specialties, are in charge. Losses of working time are 20% lower than at other firms.

At the same time, it should be noted that unlike the Japanese management system, the success of which is largely related to the competence of middle managers, European companies lack numerous professional middle managers, although there are very competent people among senior managers.

With the transition from country to country, there are differences in the requirements for senior managers. In English firms, the main thing is the manager's ability to work with a large number of people.

Managers of British and French firms tend to see the narrow specialization of personnel as impoverishment of human individuality, mutilation of the individual.

The survey of German industrial enterprises showed that the improvement of organizational culture allows representatives of German business to instil management concepts, values and goals adopted by the company into the personnel. At the same time, in 9/10 cases, the main motivating motive for organizing work on improving organizational culture is the desire to promote self-affirmation of employees and to foster in them a sense of collectivism (a sense of "we"). In this regard, the brigade form of labour organization is widely used at such largest enterprises as Philips and Siemens.

An integral element of a strong corporate culture is ceremonies and rituals aimed at forming a system of common beliefs and beliefs in the firm's personnel. Here, each firm has its own unique appearance.

The work of English sociologists F. Stanworth and E. Giddens, who studied the social background and nature of the careers of 460 people who headed the boards of the largest British corporations and banks from 1900 to 1972, testifies to the tendency of the world of the heads of big business in Great Britain to be closed. , that 66% of corporate executives were from the upper class, 10% of board chairs were from the middle class, and only 1% of corporate executives were from the working class.

The highest percentage of upper-class people is recorded among the chairmen of railway companies, clearinghouses and merchant banks, while middle-class people dominate retail trade. At the same time, the top managers of banks had a more aristocratic origin than the top managers of industrial companies (Stanworth, 1974).

The phenomenon of the closeness of the economic elite manifested itself in France as well. A late 1960s study of the social origins and careers of 159 presidents and CEOs of the 500 largest French companies revealed that 76% of senior managers came from the most well-off strata - entrepreneurs, professionals, administrative and technical workers of higher education and middle-ranking (42.6% of monitored top managers came directly from the families of entrepreneurs); 13.2% of managers came from the families of merchants and officials, and only 10.9% came from the families of small employees, workers, artisans, and peasants. At the same time, in the group of managers heading the richest companies, the share of people from entrepreneurial families was 51.4%, while the share of people from the lowest strata was 5.7% (Weinstein, 1977).

In a study of the social origin of the "captains" of the West German economy, also conducted in the late 1960s, it was found that the vast majority of leading West German managers came from the "lower middle" or "upper middle" strata. At the same time, it was recorded that only 1/5 of managers came from families with higher education, but 46% of respondents admitted that they studied at universities at the expense of their parents, and 38% of respondents took money for education from several sources, including from parents.

A feature of the reproduction of the stratum of German businessmen was that even in the 20th century the Protestant nature of entrepreneurship was evident: if at that time 45% of the population of Germany were Catholics, only 25% were Catholics among leading managers. A high level of social mobility distinguished Germany from other industrialized countries: German managers had to make long careers independently. At the same time, almost three-quarters of the interviewed managers started their careers precisely in industry (Dogan, 2003). A further examination showed that, among the Western European countries, Germany turned out to be the country where the social origin of top managers is the most differentiated. In particular, a study

of the dynamics of the class origin of Germany's economic leaders – top managers of the 500 largest companies – determined that more than 40% of the top heads of corporations come from the upper or upper middle classes (Weinstein, 1977).

A comparative study of the social recruitment of top managers in Western European countries at the end of the 1960s also recorded the greater closeness of European societies. It turned out that in general in European countries (England, France, Germany, Italy, Belgium and Holland) 78% of senior managers belonged to the upper class, 16.2% to the middle class and less than 6% to the lower class. This made it possible to conclude that in large European firms, the top manager inherits his position from his father four times more often than in other foreign firms (Dogan, 2003).

In Great Britain, there is a sectorial differentiation of the educational level of the top managers of large businesses. It turned out that the share of graduates of prestigious "public schools" among bankers is higher than the industry average: these schools graduated 86% of top managers of clearing banks, 76% of commercial banks, 70% of metallurgical and railway firms, 62% of shipping firms, 58% are oil and only 21% top managers of retail companies (Stanworth et al, 1974). At the same time, nine of the most prestigious schools stand out from all the "public schools", which are included in the so-called Clarendon group (7 boarding schools – Eton, Charterhouse, Harrow, Rugby, Shrewsbury, Westminster, Winchester) and 2 day schools (St Paul's and Merchant Taylors'). The predominance of the founders of elite "public schools", which are part of the Clarendon group, is typical for representatives of the financial world (Stanworth et al, 1974).

Thus, 79% of top managers of commercial banks and 67% of senior managers of clearing banks graduated from these most prestigious institutions. It is worth noting that bankers preferred two institutions from this group - Eton and Harrow, where 66% of commercial and 55% of clearing bank managers studied, respectively. The highest shares of education at the most prestigious schools in the industrial sphere are recorded among top managers in such areas as beer production, railways and shipping. On the other hand, only 27% of senior managers of manufacturing companies studied at Clarendon Group institutions. In the future, this is reflected in obtaining a university education.



An important element of the characteristics of top managers of European countries is the peculiarities of their career. In general, the peculiarities of the career of heads of corporations bear a certain imprint of the country's specificity. The career of a top manager is primarily characterized by the number of organizations he has changed during his career.

Specifically, there are differences in each Western European country. So, in England, 46% of the heads of the largest corporations have work experience in only one company. On the other hand, the heads of German and Italian companies were the most mobile among Western European managers: in Germany, 41% of top managers changed companies more than three times, in Italy, 25% of top managers worked in three or more companies. For comparison, in the USA, in the period from 1962 to 1975, from 14% to 20% of senior managers worked in four or more companies, and in three or more - 36–37 (Lipset, 2003; de Bettignies, 1970). Changing jobs during a managerial career depends on the size of the company. It was noticed that the larger the company, the less often its managers moved from one company to another: almost half of the presidents and general directors of the largest corporations in France spent their careers in one place (Weinstein, 1977).

Usually, the transition of top managers from one firm to another during their career is related to the desire to continue moving up the hierarchical ladder. This is mostly due to promotion problems in this company, exhausting one's growth opportunities in one corporation, or the desire to get a more interesting job. In addition, managers are always attracted by the possibility of a similar position in an already larger corporation. It is the transition from a smaller company to a larger one that often becomes the main motive in European countries.

There are age differences in achieving the position of top manager of a large company among Western countries. The oldest are the heads of companies in France and Belgium. In particular, 26% of French company managers are over 65 years old, and almost half of them are over 60 years old; among Belgian top managers, 49% are over 60, 25% are over 65 and 13.5% are over 70. In Great Britain and the Netherlands, top managers are somewhat younger: in England, 45.9% of senior managers are aged between 50 and 60, in Holland, 38.3% of top managers are at this age (Clement, 1975).

Researchers also note the existence of a significant relationship between the age of the top manager and the size of the corporation. Older people are more often found among the heads of the largest companies. This is explained by the fact that in a large corporation, a manager needs more time to reach the top of the hierarchical pyramid. According to the research of F. Stanworth and E. Guidance, all the heads of the boards of English corporations worked for quite a long time as directors of firms, in which status they eventually reached the top management. Only 2% of senior managers of the largest corporations in England achieved their position within 10 years of starting their career. Moreover, all these persons worked in family firms. Instead, for the majority (60%), the process of career growth took at least 30 years (Филиппова, 2008). In general, in all Western European countries, the heads of corporations at the end of the 1960s held their posts for an average of 47 years. Top managers in Belgium and the Netherlands took the least amount of time to climb the corporate ladder (Weinstein, 1977).

If we take such an indicator as the length of stay at the position of the head of the company, then in Europe the top manager stays in his position longer. In France, the median length of time during which managers of large firms hold their position is 8 years. And for the heads of the largest companies, this term is longer: 40% of the top managers of the largest corporations hold their position for more than 10 years (Колосов, 2005). The average tenure of a top manager in Great Britain is 10 years. This term is growing in British steel companies, breweries and manufacturing companies. About 33% of the heads of the boards of these companies held their position for 15 years or more. Characteristic for English top managers is the tendency to increase the average length of stay at the post of the chairman of the board, and often even after reaching retirement age (Weinstein, 1977).

It is noteworthy that for the majority of top managers of Western European corporations, the main preparation for promotion was administrative work at the "top management" level, and it is this experience that is preferred when appointed to a managerial position.

Often, the experience of working in the state apparatus acquires a positive value for career advancement. In particular, among the top managers of French companies,

33% of those who came to business from the civil service appeared. Moreover, among presidents and CEOs of large French companies, this share is even slightly higher - 37.5% (Rakhmanov, 2013). In contrast, a survey of CEOs of large UK companies recorded a small percentage of former civil servants, politicians or the military. The career of the chairman of the board of a British corporation is structured in such a way that he must be a professional businessman throughout his entire working life (Stanworth, 1974).

### ***3.2.2 Germany***

With a contemporary economy, significant industrial potential, and non-manufacturing industries, the Federal Republic of Germany is one of the most developed nations in the world and Western Europe. There are 357,000 km<sup>2</sup> there. Berlin, which has 3.3 million residents, is the capital.

The 16 states each have their own structure, parliament, and administration under the federal republican system of governance. The federal president is elected to serve as the head of state for 5 years. Bicameral parliament (Bundestag and Bundesrat) serves as the legislative body.

#### ***3.2.2.1 Business Acquaintance***

Punctuality and prudence of Germans is also reflected in business acquaintance. Usually, the person with the higher social rank must be mentioned first. In accordance with social convention, broadcasting Auf Wiedersehen! (Goodbye!) Germans only say good morning, afternoon, or evening to those they will actually see soon, and they say good morning, afternoon, or evening to everyone else. The German handshake is one firm handshake.

Germans are very open and direct, they express things that are important to them directly. What is said in German society is more important than how something is said. If you want to say something, you must express it directly, clearly and honestly. There is no room for interpretation in speech, what was thought was said, that is, what is said is what is meant. It is useless to think about what the superfluous might mean. If you want something or need help, hints don't mean anything, you have to say it clearly. For

example, if you're trying to get your bearings on the street with an address paper in hand, don't expect someone to come up to you and help you, you should clearly ask for help (Trompenaars, 2011).

### *3.2.2.2 Conducting Business Negotiations*

Such traits as a desire for order, discipline, diligence, timeliness, and economy define German corporate culture. Germans are known for their high levels of efficiency, minutiae, and scepticism. These characteristics support enduring commercial relationships.

The degree of formality is the primary distinction between American and German corporate practices. Every appointment is set up in advance. Germans appear cold because they are very reserved and do their best to follow the rules. They don't really like suggestions that will "turn some business around quickly." Even vacation plans are determined, for example, six months in advance, or even earlier. Sudden proposals and changes are perceived rather disapprovingly. Professionalism is highly valued. At the same time, Germans are quite sociable, they like to have fun. (de Bettignies, 1970).

It is desirable to take into account the attachment of the Germans to titles. For this, it is necessary to clarify all titles of business partners even before the start of negotiations, if the title is unknown - then simply say: Hehr Doctor, or Frau Doctor, or Cnadige Frau. It is customary to address girls in Germany: Ghadiges Fraulein or simply Fraulein.

As a rule, Germans prepare very carefully for negotiations and start them only when they clearly see the possibility of finding a solution. Of course, Germans practice their position very diligently, in the process of negotiations they like to discuss issues one after the other. They like to give facts and examples, indifferent to numbers, schemes, and diagrams (Jalbert, 2002).

During negotiations with them, you need to be logical in your arguments and accurate in stating the facts.

Honesty and directness are valued. When concluding agreements, the Germans will insist on the strict fulfillment of the accepted obligations, as well as the payment of high fines in case of non-fulfillment. Germans are reliable, neat and straightforward. They do not deviate from their intended positions and do not respond to persuasion or pressure tactics (Старостіна, 2016).

The workday begins and ends early. If a German company has received an order, it will be completed precisely and carefully. Clearness, dependability, dignity, cleanliness, and stability are traits that German business has long been known for.

### *3.2.2.3 Informal Environment*

Germans tend to be quiet and reserved, and they value openness and organization. They are differentiated by their right to free thought and their place in society. They respect the government and their nation's history and are proud of their national customs. Germans are easily identified overseas thanks to their well-kept appearance, distinctive chuckle, and assurance in every gesture.

If you are invited to a restaurant, be prepared for the fact that you will have to pay for yourself. In a restaurant, you can not give a tip - it is already included in the price of the meal. But if you still want to do it, then you need to round up the amount of the tip to the full amount. It is not accepted to give large tips, usually they do not exceed 5 percent of the cost of services. At the table, Germans love to talk about the environmental safety of their country, the cleanliness and "shine" of the streets, the beauty of their native nature (Jean-Francois, 1988).

If you meet a German at a celebration or event and decided to be friends and meet again, the next day you saw the person you met at the stationery office where your job fell, and you realized that he works there and you are very happy, but you will only see a slight smile from the person in front of you. You see that person continues his job, if you think that he does not know you with this attitude, you will be wrong because that person is at work and needs to do his job. Likewise, Germans do not consider the people they work with as friends and they have almost no relationships outside of work. Business life and private life, that is, living spaces, are kept separate from each other.

#### *3.2.2.4 Business Clothes*

In clothes for official meetings, Germans are very conservative. They dress strictly. A business suit is usually double-breasted. Appearing in the office without a jacket will be considered a gross violation of etiquette. It is not customary to wear light shoes with a dark suit. Shoes should be well polished. Tailcoats and tuxedos for the evening banquet can be rented. Pants are not allowed in business women's clothing. Women prefer a neat classic suit, a calm range of colours, moderate use of cosmetics and jewellery, and modest hairstyles. For women, trousers are excluded from business clothes (Jalbert, 2002).

#### *3.2.2.5 Doing Business with Germans*

The Germans have such a thing as subject orientation.

While doing business, the Germans usually focus first on one issue and then move on to others, that is, several tasks are not performed at the same time. This feature can be illustrated with an example from the business world. The team working on the project goes step by step in the project, which she divided into parts, and the employees during this time (during working hours) concentrate only on this step, and no one opens another topic for conversation.

The Germans are very strict and love the rules, they usually follow them. In Germany, rules, laws and regulations cover all areas of life, but these rules are at a reasonable level. Any behaviour, word, etc. that violates these rules is punished immediately, the purpose of which is to minimize risks in all areas. In addition, these rules apply to everyone equally; privileges such as position and position are not taken into account. It could be explained with an example. If the driver, seeing a red light on an empty road, considers that there is no need to stop, he will be punished, even if he is the son of a police chief. Therefore, such things as nepotism and bribery are unacceptable in society.

While doing business with Germans, it is important to remember about punctuality. Punctuality is a worldwide known trait of Germans. Especially in the business world, punctuality is given great importance because, according to Germans,

punctuality is a sign of respect for the person in front of you, in other words, it is an expression of "you can't waste anyone's time". This is also common among young people, as it is common to arrive at least twenty minutes early even to meetings.

Germany is a country with high individuality. Individuality is valued as high personal independence and freedom. Every member of German culture is seen as an individual independent of groups or organisations. Mostly the views of the Germans are as follows: everyone has their own unique plans and goals, as well as their own story and experience. Everyone has to make their own decisions about their own life and must bear the consequences for themselves. Therefore, while educating their children, Germans advise them to stand on their own feet as soon as possible, to be independent and free. This may sound selfish to some other cultures but where the line between egoism and individualism is where another person is damaged or restricted through individual behaviour. These boundaries are regulated by rules, laws, or contracts, thus ensuring fairness and consideration of the feelings of others (Jalbert, 2002).

Individuality, however, does not mean that Germans live their lives in isolation from society. People can join groups or associations whenever they want and can easily leave when they don't want to. Family ties cannot be abandoned only, but the family ties of Germans are not very tight. Germans generally see mother, father and siblings as family, and there is a distant relationship with relatives such as grandfather, uncle and aunt.

In the one study (Schieferle, 2021), it was stated that Germany and the USA fall into the category of "Linear active – one job after another". The characteristic features of this category are: when a project is planned, one goes step-by-step, the next step is not completed before the first step is completed, that is, several steps do not go together at the same time.

The typical features of Linear can be listed as follows (Schieferle, 2021):

- Plans are adhered to.
- Everyone is busy with their own business.
- People more: Introverted, patient, calm, task-oriented and objective.

- Stick to the facts.
- Bureaucracy is respected.
- Arguments are within reason.
- Body language is used very little.
- The speaker is rarely interrupted.
- Social life and work life are kept separate.

In addition to these listed, the following can be listed: for Germans, privacy and seriousness are important. They do not like entertainment at work, they have a perfectionist nature, they do not like to make mistakes and have to apologize. There is pressure in society for movements to be harmonious. Raising the voice while speaking is not welcome. Cleanliness, order, perseverance, accuracy and patience are among the other characteristics of Germans.

#### *3.2.2.6 German Culture According To Hofstede's Work*

In Germany, power distance is low. But finally, a 2002 GLOBE study found that power distance was relatively high in Germany. A participatory and direct style of communication and meeting is common in Germany, and leadership is evaluated according to expertise. Additionally (Schieferle, 2021):

- Germany shows individualistic culture characteristics like England, America and Denmark. But in group and family collectivism, Germany has an average value.
- in Germany, like in France, Japan, Greece, Spain, and Israel, uncertainty avoidance is high. Germans compensate for their high uncertainty through expertise and hard work.
- Germany, like America, has a masculine culture. Performance is very important in Germany; Managers are expected to be assertive and determined, people live to work.
- Germany is prone to long time: in Germany, which has a pragmatic nature, people believe that truth depends on time, situation and environment. Therefore, they have the ability to adapt their traditions to changing conditions. Emphasis is placed on investment, savings and persistence.



- The low level of tolerance indicates that German culture is under a lot of pressure, and it is common to think that it is wrong to indulge.

Based on the values and cultural factors related to life, it can be summarized some basic assumptions about the social structure and individuals in Germany as follows (Brodbeck et al., 2002):

- Moderate level of family and group collectivism, low level of institutional collectivism (Failure to adopt collectivist behaviours in corporate rewards and support may indicate that competition is an accepted value). In addition, the relative adoption of collectivism in the family and group context may support the existence of in-group and out-group perception.
- Uncertainty avoidance is at a high level (This trend can be explained by the set of rules regulating both industrial life and other living areas). It should also be stated again that Germans try to compensate for their high uncertainty by relying on expertise.
- Having a Long Term Tendency (This is an indication that the German Society is not fatalistic).

With a general view, it is known that the various achievements of some states such as Germany is related to some of their cultural characteristics such as duty, discipline, cooperation, social devotion, obedience, research, scientific education, planned action and hard work.

### ***3.2.3 Great Britain***

The United Kingdom of Great Britain and Northern Ireland is the name given to the country officially. It has a 245,000 km<sup>2</sup> area. London serves as the capital. The pound sterling (100 pence) serves as the currency.

Constitutional monarchy with the queen as head of state; parliament, which is made up of the House of Commons and the House of Lords. England (45 counties plus London), Wales (8 counties), Scotland (9 counties), and Northern Ireland (26 counties) are divided administratively and territorially.

Trade partners include the EU, Japan, the US, and Germany.

### *3.2.3.1 Business Acquaintance*

In England, it's polite to avoid addressing strangers until getting to know them. The English typically only extend verbal greetings for subsequent interactions, just shaking hands after the initial meeting. Acquaintance is most often accompanied by universal English greetings "Hi!" And "Hello!". A pat on the shoulder or other similar gestures are considered impolite in England.

When arriving in another country, it is needed to know exactly how long this or that period of the day lasts. In England, to greet a person with the phrase "Good morning!" you can in the interval between early morning and lunch (Beugelsdijk, 2011).

It is impolite to refer to Scots, Irish, or Welsh (Welsh) people as English. The inhabitants of the British Isles are referred to as British in official documents.

It is best to start a business conversation with the English by talking about anything entirely personal, like the weather, sports, collecting, kids, pets, or gardening. English people are always up-to-date on the news, know what to read, where to go, how to do this or that, and freely engage in conversation about popular subjects.

The businessmen of Great Britain are among the best educated in the Western business world. Casteism, which distinguishes English business and contributes to its high level of professionalism while also preventing the inflow of "fresh blood," is a major factor. English people are known for their commercial savvy, respect for private property, traditions, and civility. They are quite formal and pedantic in conversation, which can be interpreted as being reclusive. In talks, listening skills are prized, and punctuality is valued in professional relationships. The law is to "obey formality" in England. It is totally prohibited to refer to an Englishman as "you" or to address anyone by name without their express consent. The British are quite strict when it comes to dating. Only during the initial meeting is the handshake accepted. Even if you are out to dinner or drinks with your business partner, it is regarded dumb to discuss business with an English person after work (Beugelsdijk, 2011).

### *3.2.3.2 Conducting Business Negotiations*

During negotiations, it is important to recognize the inclinations and habits of your partner. Realize that by placing him with you, you can create a basis for long-term business relationships. In the course of a business conversation with an Englishman, you should not be afraid of silence. Prudence is a quality that the English show not only with money, but also with words and emotions.

The British give negotiation preparation issues less consideration than the Germans do. They approach the discussions with tremendous pragmatism, believing that the best resolution can be reached during the negotiations itself, depending on the partner's perspective. At the same time, they are extremely adaptable and readily accept the opposite party's initiative (Harrison, 2000). The English know how to patiently listen to the interlocutor, which, however, does not always mean agreement. Rude behaviour is considered when talking too much, that is, as the English believe, forcefully imposing oneself on others. By tradition, the Englishman is restrained in his judgments, avoids categorical statements, and carefully avoids any personal moments in the conversation, that is, everything that would be considered as interference in private life. They have a highly developed sense of justice, so they play fair when conducting business (Molle,2017).

The negotiating position of representatives of any English firm is, as a rule, flexible and firm. Negotiations are underway with the involvement of numerous factual, reference and statistical material. Each option is calculated, each detail, clause of the contract is clearly recorded. Not only what is related to the contract is discussed and determined, but also activities aimed at the further development of business cooperation, in particular the prospects of concluding other mutually beneficial agreements, the possibility of cooperation in the production and household spheres.

### *3.2.3.3 Informal Environment*

Attending casual business gatherings is crucial, including lunches and dinners, as well as symposiums, congresses, seminars, and exhibitions. It's also necessary to join famous clubs and regularly contribute to their activities. Equally important is the

attendance of such spectacular events as tennis tournaments, races and other sports competitions, which play a special role for the national elite. Since the English are very particular about scheduling appointments, you must send invitations to lunch or dinner well in advance to avoid the possibility that your English companion has already accepted. Unless of course your partner initiates a business chat, never bring up business at the table before the food has been served (Mathers, 2011).

#### *3.2.3.4 Business Clothes*

Clothing for a business meeting should definitely be classic. But the most important detail in clothes for the English is a tie. It is according to it that the social status and well-being of a person is determined. It should be remembered that English humor and jokes are quite wise. Most often, their content is just barely understandable to foreigners, since in England they adore irony and demand it from a foreigner as well.

Businesswomen preparing for negotiations with English businessmen are advised to wear as little jewellery as possible. Make-up should be applied with special care. In the clothes of a business woman, a combination of black with white or pink makes a pleasant impression. In honour of business ladies, medium-length hair, placed in a fashionable hairstyle, or combed back. Men, as a rule, wear a dark business suit, plain shirt and lace-up shoes. Preference is given to natural rather than synthetic fabrics. In Scotland, men can wear a kilt to a formal reception (Molle,2017).

#### *3.2.3.5 Business Etiquette in the UK*

Different groups of values can be divided into three blocks, within each of which the activity of a person as a certain subject can be traced: functioning as a subject of knowledge of the world; functioning as a subject of activity; functioning as a subject of interaction with others.

A person functions within the boundaries of culture, acts as a subject of knowledge of the world, that is, thanks to the understanding of this, it is possible to highlight features that need to be paid attention to in the future in the process of intercultural interaction. To the block of functioning as a subject of knowledge of the world, we attributed the attitude of a person to various aspects of the world: attitude to

time, attitude to space, attitude to the surrounding world / nature, attitude to uncertainty (Table 3.1).

Regarding the criterion of attitude to time, Great Britain is a monochronic culture (hall), where an important psychological attitude is consistency and simultaneous concentration on one thing. These cultures are characterized by a high pace of life, punctuality and time commitments are valued, and during meetings they immediately get down to business. Strict adherence to plans is a must.

In making decisions, every representative of a certain culture focuses on the past, present or future. This aspect is present in several scientists: Kluckhohn and Strodtbeck, Trompenaars and Hofstede. The British live for the future, and past glories and victories influence decision-making today (Hofstede, 2010).

**Table 3.1 The functioning of a person as a subject of knowledge in Great Britain**

<b>Criterion</b>	<b>Characteristic of Great Britain</b>
<b><i>1. Attitude to time</i></b>	
performing one task or many at the same time (monochrome/polychrome)	monochrome
orientation when making decisions on the future / present / past	future, past
orientation (long-term/short-term)	short-term
<b><i>2. Attitude towards the surrounding world / nature</i></b>	
internally/ externally controlled	self control
domination over nature, harmony with nature, obedience to nature	dominance
nature / essence of man	good
<b><i>3. Attitude towards space</i></b>	
distance culture/ contact culture regarding personal space	distant
observance of roles: specificity - diffuseness	specificity
<b><i>4. Attitude to uncertainty</i></b>	
high uncertainty avoidance/low uncertainty avoidance	low level of uncertainty avoidance

**Resource:** (Медведева, 2017).

The aspect of orientation is closely related to the previous one: whatever times a nation lives in, such is its orientation.

Great Britain has a long-term orientation. Representatives of this culture are characterized by the following features: important events in the life of the country will still take place in the future, traditions are adapted to the requirements of the time, perseverance is manifested in the slow achievement of results, a high share of savings is observed, available funds for investments, economical spending of resources. Great Britain is characterized by rapid economic growth (Hofstede et al., 2010; Hofstede, 2011).

The criterion of attitude to the surrounding world / nature is three-faceted. The UK is an internally driven culture that believes in controlling outcomes. Nature is completely controlled by them, and resources are used to satisfy their own needs. They focus on their own opinion. Everyone clearly knows their tasks and fulfils them. Their own interests come first (Trompenaars et al., 2004).

The degree to which people are willing to change the natural world to meet the needs of a group or an individual is characterized as dominance, harmony, or submission (Bhagat et al., 2009). Great Britain demonstrate dominance over nature. Belief in the need to control, set goals, achieves them, and in case of failure, punish.

Another criterion of the attitude towards nature is the perception of the human essence. Yes, British consider people to be bad and good at the same time, but they are always wary of strangers. Most often, an autocratic management style is used, which manifests itself in the imposition of one's will on subordinates, excessive centralization of power, intolerance of objections, etc. Great Britain considers people to be positive and trust them. In such cultures, a democratic management style prevails, which is characterized by fairness, listening to the opinions of subordinates, informing the team about the state of affairs and prospects for the development of the organization, etc.

Attitude to personal space is an important element in communication with people, because everyone must maintain a comfortable distance for successful communication. There are intimate (up to 0.5 m), personal (0.5-1.5 m), social / formal (1.5-3 m) and public (more than 3 m) communication zones (Мясоедов, 2020). Great Britain is a distant country, and therefore the acceptable distance for communication

between strangers or little-known people belongs to the social and public zones, and you should not get closer than 1.5 m.

In Great Britain, people have a large public space and a smaller personal one. They separate their private life from work, constantly protecting it (Медведева, 2017).

Great Britain, which is considered a country with a low level of uncertainty avoidance. The country is characterized by a low level of stress in an unfamiliar situation, everything new is perceived with interest, a change of job does not cause anxiety. Representatives of this culture do not tolerate formal rules and consider themselves capable of acting without them. In the learning process, students and teachers are equal, and accordingly, the teacher may not know something (Hofstede et al., 2010; Hofstede, 2011).

The next block of cultural universals includes the functioning of a person as a subject of activity (Table 3.2).

**Table 3.2 Human functioning as a subject of activity in Great Britain**

<b>Criterion</b>	<b>Characteristic of Great Britain</b>
<i>Attitude to rules / laws</i>	
universalism / particularism (the culture of universals truths/ private truths)	high universalism (culture of universal truths)
<i>Activity orientation</i>	
success / achievement - status	success / achievement
existence, formation / self-development, activity	self development
feeling of happiness: indulgence of whims / desires - restraint	connivance

**Source:** (Trompenaars et al., 2004)

Great Britain is a country of universal truths, where citizens are law-abiding and rules and laws are the same for all without exception (et al., 2004).

Great Britain is focused on success and achievement in its activities. A person is evaluated on the basis of his own deeds and achievements, his status in society is determined by his actions, and accordingly, the motivation and orientation of activities are focused on activities and self-development. People in this country take life into their own hands, see the results of their actions and therefore consider themselves happy.

An important element of intercultural communication is interaction between people, therefore it is possible to single out a group of criteria for the functioning of a person as a subject of interaction with others (Table 3.3).

**Table 3.3 Human functioning as a subject of interaction with others in Great Britain**

<b>Criterion</b>	<b>Characteristic of Great Britain</b>
<i>Attitude towards power and authority</i>	
power distance	low
hierarchy/ egalitarianism	egalitarianism
masculinity/ femininity	masculinity 2-3
<i>Peculiarities of the social system</i>	
collectivism individualism	individualism 2
level of integration into groups: inclusion / involvement - autonomy	autonomy
individualism – equality – hierarchy	individualism, but hierarchy within the British aristocracy
<i>Expression in the process of communication</i>	
neutrality (restraint)/ emotionality (expressiveness)	variable expressiveness
high context/ low context	low - contextuality 2

**Resource:** (Earley et al., 1998)

Great Britain is an egalitarian culture with low power distance, which is manifested in the horizontal structure of power relations, the relative equality of interlocutors due to the autonomy of the individual and the priority of individual freedoms. Children are equal individuals. Subordinates often participate in decision-making. Teachers do not dictate what to do, and students show their initiative. Active contradiction and open disagreement are the norm.

Great Britain is a representative of cultures with pronounced individualism, where a person concentrates only on taking care of himself and his family, initiative and independence are emphasized. Identity is based on a person's personal qualities. Everyone has the right to a private life and their own opinion. The individual expresses autonomy in decision-making, emphasizing his uniqueness.



In Great Britain, there is a division between an individualistic way of organizing society and a hierarchical way of organizing the British aristocracy (Earley & Gibson; 1998).

The process of communication for each culture is a special ritual that takes place differently. Great Britain is a culture with variable expressiveness, that is, representatives can sometimes both show their emotions and hide them.

Expression of emotions, display of immediate reaction verbally or non-verbally in the workplace and in everyday life are considered appropriate. Its absence is often regarded as callousness, indifference, can cause resentment and deterioration of relations. In the course of negotiations, satisfaction or dissatisfaction is expressed almost instantly and often rather violently, the voice is easily raised (ЮХИМЕНКО et al, 2011).

Great Britain is a low-context culture, where information is perceived regardless of context, evaluated clearly and clearly, partners express themselves explicitly, language is simple and direct, and the specific weight of non-verbal means of communication is low (Hall et al., 1990).

### **3.2.4 France**

The French Republic, with its extensive network of international business relationships, highly developed industry, cutting-edge agriculture, and first-rate transportation infrastructure, is one of the leading nations in Western Europe. There are 552,000 km<sup>2</sup> there. Paris, with a population of 2.2 million, is the capital.

The government is a republic; the president is chosen for a five-year term; the National Assembly and Senate make up the legislative body; and there are 95 departments in the administrative-territorial division.

With its long history and distinctive culture, France is one of Europe's oldest and most distinctive countries. In the past, France had a significant impact on the development of etiquette norms. French was used for diplomatic communications and communication for a very long period (Hall et al., 1990).

The characteristics of the national character, the French manner of formal business communication, could not help but be impacted by the aforementioned. The French endeavour to uphold decorum and are very gallant and sophisticated, but they also have a laid-back demeanour and are approachable to others. They place a great emphasis on intelligence, the capacity for explanation, and the ability to precisely establish contract and agreement terms. The French have a laid-back demeanour and speak relatively quickly, logically, and expressively. According to the French, command of the language and the logic of terms constitute command of management. The French's sense of satisfaction sparks interest in their way of life and language. Business interactions appreciate personal connections. Breakfast, lunch, and cocktail events for business are where a lot of important decisions are made (Earley & Gibson; 1998).

#### *3.2.4.1 Business Acquaintance*

Unless the other person specifically requests it, it is not typical for the French to address interlocutors by name. Regardless of their marital status, men and women alike typically address one another as monsieur and madame. To use traditional salutations like *bonjour* or *oh revoir* is considered disrespectful. Don't include *Monsieur* or *Madame*, along with their names.

Men typically shake hands lightly and start by shaking the hand of the person with the highest position. French people take maintaining social distance very seriously. It is improper to make physical contact with the other person with the exception of a handshake. Like everywhere else, you must provide your French-printed business card to everybody you meet for business. It is advised to put the name of the higher education institution you attended, especially if it has a solid reputation, as well as your academic title or degree, on it (Earley & Gibson; 1998).

#### *3.2.4.2 Conducting Business Negotiations*

French businessmen are carefully preparing for the upcoming negotiations. They like to thoroughly study all aspects and consequences of incoming proposals. The style of negotiation emphasizes adherence to principles, while at the same time distrusting compromises.

French people are not always punctual and exact. The rule at receptions is that the higher the prestige of the guest, the later he arrives. If you accept an invitation to eat dinner with the CEO of a French company, you face the danger of arriving at the table 30 minutes after the scheduled time (ЮХИМЕНКО et al, 2011).

When conducting negotiations, the French try to avoid official one-on-one discussions of issues, trying to preserve their independence. At the same time, their behaviour can change dramatically, depending on with whom they discuss the problem. The French are good at negotiation tactics and often demonstrate a wide variety of means and techniques. As a result, they pay a lot of attention to the preliminary agreement, considering it expedient to determine in advance the issues that may arise during the official meeting. They prefer to carefully consider each aspect and result of suggestions, thus conversations with them proceed considerably more slowly. Any effort to hasten the negotiations will only make things worse.

French arguments are typically founded on logical evidence when debating problems. They are very aggressive negotiators and typically don't have a "backup" stance. French couples are not inclined to bargain, but they may interrupt the other person to offer criticism or a counterargument. The agreements that have been made are quite specific and do not provide for other possibilities (Lewis, 2000). They skillfully defend this or that principle or their position, but are not inclined to bargain. French entrepreneurs do not like to face unexpected changes in positions during negotiations. Contracts signed jointly with French firms are extremely correct and precise in wording and do not allow discrepancies.

It is advisable to make your business cards before the trip. Most business people in France read English, so if it's in English, that's acceptable. But if you want to print them in French, then indicate, among other things, your position in French and your degree, if any (candidate of science, doctor of science). It is advisable not to use double-sided business cards, this is not accepted for the reason that sometimes notes are made on the back. When you accept a business card, put it in your business card holder or wallet, not in your pocket (Kozak, 2014).

The business card should be printed on thick white paper (“Bristol”), in a strict font (embossed printing is desirable), without “fantasy” drawings and extravagant layout. On a business card, it is customary to indicate a work (and not home) address, phone, fax and e-mail.

Compromises are frowned upon by the French, who also make French the preferred language of discussions. It is worth remembering that in the business life of France, business connections play a big role. Contacts are typically made through middlemen who have ties to the desired person through family, friends, or financial resources. There is just a small segment of the business elite present here; outsiders are categorically forbidden.

It should also be prepared for bureaucratic red tape, especially during negotiations with representatives of nationalized enterprises. If there is no direct access to their first managers and the negotiations are held at a lower level, it is worth waiting until your proposal reaches the appropriate management level and an appropriate decision is made there. Most of the time, a relatively small group of higher-ranking individuals make management decisions.

#### *3.2.4.3 Informal Environment*

Cocktail parties, breakfasts, lunches, and dinners are all acceptable formats for business receptions. Business discussions typically take place just after coffee. The topics that most fascinate the French are rarely discussed. It is best to approach them gradually, following chats on a range of neutral subjects, and almost casually, between a pear and a piece of cheese, that is, at the conclusion of supper.

The best discussion starters at the dinner table are performances, literature, exhibits, travel, and local, regional, and national landmarks. The interlocutor's knowledge of culture and art, and first of all French, is especially highly valued. The French will be flattered by the interest shown in their country and its cultural heritage. But in a conversation, you should not touch on matters of religion, personal problems, issues related to service, income and expenses, political passions, personal illnesses, family status (ЮХИМЕНКО et al, 2011).

#### *3.2.4.4 Business Clothes*

The requirements for the appearance of a business person in France are mostly the same as in other European countries, but there is one important rule: clothes must be of high quality, made of natural, not synthetic material. Men prefer business clothes, they often appear in light jackets, but always in an elegant shirt; it is customary for women to wear evening dresses. They like to enliven the suit with a light scarf with a well-chosen brooch.

The French pay attention to how people are dressed and draw conclusions from this about their social status and business success.

Generally, clothing tends to be formal in both men and women, regardless of their social status.

Men are advised to wear dark suits, especially during winter and when visiting the northern areas in winter or while visiting the northern areas.

Women are encouraged to dress simply and with elegance. Accessories are very common here and give the clothes a special chic.

If there is an invitation indicating the "informality" of clothing, you do not need to come in a T-shirt and sweatpants. For meetings, informality can be expressed in tasteful attire, sometimes including a jacket for men (Jennings, 2013).

The word "formal" on an invitation typically denotes formal evening attire.

On the street, jeans and sneakers may be acceptable as clothes for walking, other clothes are worn only on the beach and in the gym.

#### *3.2.4.5 Business Management in France*

The founder of the French management model and the outstanding scientist A. Fayol is called the father of modern management theory. He made a huge contribution to classical management theory and management science. In his book *General and Industrial Management*, he stated that a person performing managerial functions must

be able to apply his abilities not only in this industry, but also in other areas of activity. He also believes that management includes foresight, organization, command, coordination and control. At the same time, management is not a privilege, it is a function that is shared among all participants (Fayol, 1992). A. Fayol developed the theory of administrative management, which was that management is based not only on the personal qualities of employees, but also on institutions and orders (laws, discipline).

Manager in France is a prestigious profession with its own characteristics and requirements. The French manager is characterized not only by his business characteristics and skills, but also by his origin, education, age and character traits. Appointment to this position is seen as a career leap. In France, the civil service is the most prestigious, so there is a high level of competition in this area. The reason for this is wages, which are higher in the public sector than in the private sector (F. Airey et al., 2016). It is noteworthy that, in accordance with the Constitution, all French citizens have the right to enter the civil service, regardless of gender, race, religious and political beliefs. Respect for human rights in all manifestations is an important feature of the national mentality, the French strive to avoid discrimination.

In some French companies, the most capable newcomers are assigned a strategic review mission, which gives them the opportunity to reach their potential and launch their careers. Specialists who distinguished themselves during the performance of the task are then appointed to more prestigious positions. In French companies, prospective managers are subject to staff rotation (Faulkner, 2002).

In France, they rarely move to other organizations, it is usually practiced to move up the career ladder within their own company. That is, the French are characterized by a transfer from one position to another due to production needs. They strive to create a permanent team, so long-term orientation is one of the key criteria when hiring. The reason for this is the serious obligations imposed on leaders. So, for example, a manager practically cannot dismiss a subordinate on his own initiative, otherwise the company will have to pay the dismissed employee his average salary for the last year for the next 2 years or before he finds a new job. Thus, the former employee will be able to receive his salary without working, which is unprofitable for

any employer (Стыкало, 2005). Therefore, the selection of personnel in France is treated very carefully, not only employees are selected for the position, but vice versa. It is believed that if the employee is valuable, then the position for him can be selected.

The role of the manager in a French company has been increasing in recent years. Today, the manager does not just give orders without considering the opinion of subordinates. His task is to convince colleagues of the need to make this or that decision, as well as to choose the best one after listening to all the proposals. The manager takes responsibility, performing this or that action for the company, he is responsible for the results. It is for this reason that he needs to enlist the support of his team and make sure that his decisions reflect the opinion of the majority. The manager must also push the rest of the company's employees to help unlock their potential to achieve the best results. Thus, the manager is responsible for the work done, as well as for cohesion in the team (Ysnel, 2019).

In the French management model, informal connections are of great importance, but hiring relatives is condemned. Therefore, the personal characteristics of employees are more important than relationships. At the same time, in France, the role of communities of graduates of prestigious higher educational institutions is high, their importance remains even after graduation. Therefore, most of the country's top officials belong to this elite circle of people. Such personal connections can be a decisive aspect when applying for a job (d'Iribarne, 1989). The importance of this factor is confirmed by the fact that some French managers who have recently graduated from an elite French university refuse transfers to foreign affiliates only out of fear that they will not be properly appreciated abroad.

The French tend to look for new opportunities and ways. That is why French managers are always in search of unconventional solutions. This is primarily due to the specifics of the French themselves. They protect their identity and do not accept platitudes. This is expressed in the widespread use of the French language, in following their own path in culture, economy, social sphere, not succumbing to the influence of the British, Americans, Germans. Also in French society, intelligence and education are valued. It is not surprising that managers in such conditions need to conform to the demands of society and abandon the mediocrity. However, even without taking into

account the peculiarities of the French mentality, any good manager should make it a rule to look for new solutions, because, given the huge competition in this area, it is by offering original methods for solving a problem that an employee will be able to stand out and show his intellectual abilities (Tarique, 2015).

In France, there is a strong hierarchy in decision-making, as well as a high level of bureaucracy. Great importance is attached to connections and acquaintances. Any action of the French is determined by self-esteem, they put their needs first. When cooperating with them, you need to take into account their sense of self-respect. Accordingly, the actions of the French manager are explained by all these features.

### ***3.2.5 Italy***

The Italian Republic is a Big Seven member and a prosperous industrial and agricultural nation in the Mediterranean. It has a 301,000 km<sup>2</sup> area. Rome, with a population of 2.6 million, is the capital.

The processing sector, agricultural production, and international tourism form the foundation of the modern economy. Italy is a parliamentary republic with a bicameral parliament (Senate and Chamber of Deputies) and a presidential system of administration. At a joint session of both chambers of parliament, the president is chosen for a seven-year term with the help of regional delegates.

The Italian Republic is divided into 93 provinces and 20 regions, each of which has its distinct industrial and demographic characteristics. Partners from the northern regions of the nation will differ greatly from ambassadors from the southern or island parts of the nation. Their uniqueness can be found in their personality, business savvy, and even tiny pronunciation differences (Tarique, 2015).

#### ***3.2.5.1 Business Acquaintance***

The exchange of business cards is the first step in becoming acquainted with members of Italian business circles. If you are unable to send yours in response to the extended card, you must apologize, state the situation, and state that you will do so as soon as possible. Italian businessmen typically have their messages printed in Italian or English, less frequently in French, on their business cards.



The level of negotiations is very important to Italian partners. First and foremost, it is preferable for communication to take place between individuals who hold roughly equal positions in the corporate world. As a result, Italians research potential participants' age, position, and career path before business meetings. In Italy, greetings often involve a handshake, however hugs are also acceptable. When addressing the partner signor or signorin, the final name is typically omitted. A doctor is someone who has completed additional education (Ysnel, 2019).

#### *3.2.5.2 Conducting Business Negotiations*

The subtropical climate and the Catholic Church had an impact on Italian communication culture. They are more honest and open in their communication than people in northern countries. Easily make connections.

The existing practice of conducting business negotiations in the country is basically similar to most European countries. In negotiations with Italians, you should not immediately accept your partner's offers. It is better to debate, showing the talent of the improviser. A quick reaction to changes in the situation in negotiations pays off a hundredfold.

Italians try to reach a fair agreement when a topic is contentious, only using arbitration in extreme circumstances. In Italy, people work hard to uphold the fundamental principles of business ethics, and they also expect their partners to do the same. Assertiveness and punctuality are highly regarded (Rachel, 2008).

Despite their sociability, Italians do not like to bargain in negotiations, they try to avoid risky situations.

There are different national community in Italy. There are interesting and multifaceted, which can be conventionally divided into the different diasporas itself, represented by those who live and work in religious institutions and educational institutions of the Greek Catholic Church, as well as immigration from different countries.

#### *3.2.5.3 Informal Environment*

The development of amicable, informal relationships with international partners is highly valued in Italy. It is important to keep in mind that Italians are quite proud of their nation, which is the origin of many different kinds of arts and crafts. In essence, this is an outdoor museum. It is always feasible to make a positive impression and foster an environment of trust and goodwill by demonstrating respect and having relevant information of Italian culture and history.

In general, people who are acquainted ask about the health of the children first and then about his own health (Cho, 2001).

Italians tend to have informal conversations about a variety of topics, such in restaurants. They contend that doing so will allow them to more openly share their true opinions or criticisms of a partner without running the danger of offending him.

#### *3.2.5.4 Business Clothes*

Italians are very expressive and subtly feel the colour of clothes. Clothes for business receptions: for men - an elegant suit, for women - an evening dress. A business woman is recommended to dress for negotiations in such a way that her clothes combine no more than three colours, not counting halftones. Women's hairstyles can be very diverse.

### **3.3 Culture of Arab Countries**

Arab countries of the Middle East and North Africa, as well as those countries that are part of the League of Arab States and have Arabic as an official language, are generally called the Arab world. The Arab world consists of 22 countries with a total population of about 360 million people.

The League of Arab States (hereinafter - LAD) is a regional intergovernmental organization established in Cairo (Egypt) on March 22, 1945.

The LAD includes 22 states: Egypt, Sudan, Somalia, Djibouti, Comoros, Iraq, Jordan, Syria, Lebanon, Algeria, Libya, Tunisia, Morocco, Mauritania, Yemen, Kuwait, Saudi Arabia, Qatar, Bahrain, Oman, UAE , as well as the Palestinian Authority.

The headquarters of LAD is located in Cairo.

Secretary General – Ahmed Abul-Gayt (since July 2016, re-elected for the 2nd term in March 2021).

The official language of the organization is Arabic.

The activities of the League are based on its Charter (May 11, 1945).

In 1950, LAD received observer status at the UN.

The highest governing body of the organization is the LAD Council, which is convened twice a year (usually in March and September) at the level of the ministers of foreign affairs of the member states. The General Secretary of the LAD is elected by the Council for 5 years.

The League of Arab States participates in political, economic, cultural and social programs aimed at promoting the interests of its member states. It acts as a forum for member states to coordinate their political positions, to discuss issues of common interest, and to resolve interstate disputes and conflicts. Each member state has one vote in the League Council, and only the states that cast those votes are bound by the outcomes. In 1945, the league's goals were to resolve conflicts amongst its members or between them and outside parties, as well as to enhance and coordinate the political, cultural, economic, and social activities of its participants.

With Israel being the exception, where more than 75% of the population identifies as Jewish, the Middle East is dominated by Muslim countries. These nations have their own values and traditions, which may not be immediately evident to representatives of other nations, but understanding them makes collaboration and negotiation easier.

The Muslim cultural tradition is strongly related to the Arab method of bargaining. Islam has a significant impact on Arab political and corporate life.

Islamic morality has always considered trade a kind of art and placed it in a number of prestigious occupations. Becoming a merchant, the Arab becomes the embodiment of kindness and benevolence.

In business relations with Arabs, it is necessary to remember the obligatory observance of Islamic traditions. During the month of Ramadan, a Muslim cannot eat anything from sunrise to sunset. Receptions should not be held in the first month of the Muslim New Year. All business is stopped 5 times a day for prayer, Thursday or Friday for Muslims is a day of rest and service to God. Consumption of pork and alcohol is prohibited. It is not worth talking about politics with representatives of the Islamic world. It is necessary to appear at the appointed place on time, although your partner may be late. Arabs, most likely, will find it difficult to have business relations with representatives of the females.

### ***3.3.1 Business Acquaintance***

During a meeting, Arab men do not shake each other's hands, but hug each other, actively touching each other's cheeks, slapping each other on the back. But for Europeans, hugging Arabs is not mandatory. Don't be surprised if some of the Arab men will cover their hand with their clothes before saying hello. Greeting to the Arabs is a whole procedure. Even if you are in a hurry, you must listen to your Arab partner. His speech will be accompanied by endless wishes of happiness and appeals to Allah. As the main greeting formula, the generally accepted among Muslims — Salam aleikum (Peace be upon you!) is used.

It would be inappropriate for a European to converse with an Arab woman and would be against local customs. Asking your Arab companion about the health of his wife or other family members at the first encounter will also be a big mistake. In Tunisia, you must bend and place your right hand on your forehead, lips, and heart in order to welcome someone on the street. This customary gesture conveys the message, "I respect you, I think about you, and I talk about you." (Abramovitz, 2009)

### ***3.3.2 Conducting Business Negotiations***

Interlocutors virtually touch each other when speaking to one another in Arabic, which suggests trust between the parties involved. Arab guys prefer to have eye contact during business conversations. Looking aside frequently conveys disinterest.

During the negotiations, expressing friendship, sincerity, hospitality, and a positive attitude is given a lot of weight. They are amicable during discussions and easily come into contact with one another.

For the Arabs, one of the important elements in negotiations is the establishment of trust between partners. They prefer to work out in advance the details of the issues that will be discussed at the negotiations, as well as "bargaining" at the negotiating table. They always try to reserve the opportunity to continue contacts, if this time it was not possible to reach an agreement (at the same time, the refusal of the agreement is accompanied by praise to the partner and rejected agreement) (Annamoradnejad, 2019).

Arab etiquette does not allow you to be categorical, so you should not expect a yes or no answer from an Arab. Instead of direct answers, the Arabs answer with vague phrases: If it is the will of Allah. At the same time, the refusal is done veiledly, in the most gentle form, with the indication of certain advantages of the rejected offer.

Arabs dislike hurry and bustle and place a high value on the level of discussions.

In negotiations, the Arabs prefer the traditional long bargaining. The initial price may be inflated several times. At the same time, the seller will behave very kindly. He inventively and passionately praises his product and assures that the thing is actually worth much more than he asks. The buyer, who knows the Arab manner of trade, does not care about the apparent steadfastness of the seller. He calmly offers his price for the product. In the end, the product is sold at a price many times lower than the initial price, and both the seller and the buyer remain satisfied (Acemoglu, 2012).

### ***3.3.3. Informal Environment***

In the customs of Arabic discourse, it is customary to occasionally inquire about health and the condition of things during a casual contact. This does not imply that you

must go into great depth about your personal or professional life. It is improper to inquire about a person's family members if you don't know them well; instead, you should just discuss your friend's health.

Prohibited topics also include conversations about intimate married life, as well as topics related to material well-being (Acemoglu, 2012).

Arabs are skilled at complimenting; they enjoy highlighting beauty and wishing for health, but their praise is not necessarily true; instead, it highlights the Arabic language's adherence to tradition.

### ***3.3.4 Business Clothes***

In the clothes of Arabs, it is unacceptable to combine white with blue (the colour of the Israeli flag). Business women who want to negotiate with Arabs are advised to introduce elements of romance and mystery into their appearance. This can be achieved, in particular, with the help of spectacular jewellery.

### ***3.3.5 Corporate Management***

Cooperation between Arab countries and foreign firms, attracting foreign investments, the ability of companies to adopt positive international experience - all this is related to corporate governance. A significant number of Arab companies are already operating in the global market. In this regard, following generally accepted standards of corporate governance can be considered not only from the point of view of increasing the ratings of individual companies and improving the investment climate as a whole, but also as a contribution of the Arab world to the realization of a positive scenario of the country's involvement in globalization processes (Pawan et al., 2006).

The formation of the national mentality and corporate culture of the Arab countries was greatly influenced by Islamic traditions. In most Arab states, religion is not separated from the state, and therefore behaviour in society, politics and business are regulated by religious norms. In Arab countries, group ties are very strong: it is in a group that a person feels safe and confident. One's own actions are compared with the reaction of the group, with public opinion. As a result, there is a desire to "save face" at all costs, rare self-criticism, and acceptable lies for salvation.

One of the main national values is the family. For Arabs, it is mandatory to show respect for age, trust only in family members. In the Arab world, there is gender inequality, when a woman's social status is determined only by her higher family status, the number of sons born (Migdal, 1988).

The corporate culture of the countries of the Arab world has several fundamental features based on the peculiarities of the national mentality: the main argument in making business decisions is the "will of Allah"; the main object of attention of Arab partners is personality, i.e., first of all, a person is evaluated, and then his activities; the basis for promotion will be personal trust, respect for superiors; the main function of subordinates is to serve the manager as a buffer; initiative performances of subordinates are not approved; demonstration of power at all levels of management; each leader must have his own goals and ideas, different from others; exceptionally high centralization of management, powers are not delegated; the main evaluation criteria are focused on the values of the past, there are almost no evaluations of the present and the future, since the future is considered determined by fate and the creator.

Despite the fact that each of the Arab countries has a certain specificity of corporate culture, it makes sense to think about the Arab style of communication within the framework of business communications. One of the common features can be called the manifestation of national pride and awareness of the historical significance of one's country and nation, as well as developed bureaucratic traditions.

The transformation of corporate governance in Arab countries was uneven, but in general the following trends can be identified (Stevens et al., 2012):

- an increase in the number of publicly traded companies on stock exchanges. Some Arab countries, such as Saudi Arabia, the UAE, and Qatar, have taken steps to attract foreign investors and increase transparency in corporate governance. Publicly traded companies are subject to strict regulation, which contributes to higher levels of governance;
- development of corporate social responsibility. In some Arab countries, there is a growing interest in CSR issues. For example, the Emirates and Saudi Arabia have

created Social Responsibility Funds, which finance projects in the field of education, health care and social development;

- increasing the number of women in managerial positions. Some Arab countries, such as the UAE and Kuwait, are taking steps to increase the participation of women in corporate governance. This includes establishing quotas for women's participation in boards of directors and other key management positions;

- creation of regulatory bodies. Some Arab countries have created special regulatory bodies, such as the Securities and Exchange Commission in Saudi Arabia, to monitor the activities of companies and protect the interests of investors;

- increasing transparency. Some Arab companies have begun to publish reports on their activities, financial position and corporate governance. This helps to increase transparency and trust in companies;

- development of training institutes and training programs. In some Arab countries, specialized institutes have appeared, such as the International Institute of Corporate Governance.

However, despite these problems, some Arab countries are seeing improvements in corporate governance, for example, thanks to the creation of regulatory bodies, the adoption of new laws and improved transparency.

The results of the study by S. Pawan and K. Mellahi, devoted to the specifics of personnel management in Arab countries, showed that it is possible to trace cross-national variations of its models in some Middle Eastern countries. Further studies revealed that globalization gave impetus to the emergence and development of numerous paradoxes of culture: the development of global cultures erases the borders of states and halos of local cultures (Pawan et al., 2006).

A specific feature of all Arab countries without exception is the combination of Islamic (Sharia) and civil (European) law, which defines the conceptual framework of the model and the basic aspects of personnel management and personnel management strategies. However, in addition to Islamic values and norms, customs (adat), the roots



of which go back to pre-Islamic times, have a significant influence on the formation and development of national management systems. However, in some countries (Saudi Arabia, Libya, Morocco, Iraq) even today we can find norms and values that openly contradict the Islamic faith. Such norms are an example of identity and markers of belonging to certain ethnic or religious groups.

In order to assess the role of religion in the motivation of work, the behaviour of workers and the policy of personnel management, one should be guided by the fact that the factor of religion in many traditional societies, to which the Arab countries belong, determines the behaviour of people, including aspects of social interaction and public relations. The policy of human resources management is determined by the top managers of the companies, taking into account the regional and local characteristics of the countries in which the company operates. A number of researchers associate the psychological aspect of the work of multi-national companies in Arab countries with the phenomenon of "organizational vacuum", which often affects the process of forming corporate culture: representatives of different cultures enrich it with elements of their cultural heritage, including values and religious beliefs related to the labour process. An example of such labour process-related values and social statuses in Arab countries is group affiliation, position, official rank, tolerance towards representatives of one's clan (Pawan et al., 2006).

The corporate culture of Saudi Arabia is marked by the presence of a factor of traditional hierarchy and distance between top management and middle managers, gender discrimination, and the paternalistic nature of business management (this feature also characterizes the core of the country's political system).

During the last seven years, in some Muslim countries (UAE, Pakistan, Malaysia), there has been a rapid development of applied aspects of personnel management and management based on the original Islamic theories of human resource management. These theories mainly reveal the potential of Islamic principles (maqasid al-sharia) of management (al-idara), which include the protection of human life, religion, intellectual property, capital and resources, families of workers and supporting their needs, creating new jobs, ensuring equal access to education. But despite this, in most Arab countries, there is a great distance between how the models of personnel

management and personnel management are developing in them, and what exactly is needed to optimize and accelerate the evolution of these processes.

Middle Eastern cultural and ethnopsychological aspects of management go back to the works of Arab thinkers of the Middle Ages (Al Farabi, Al-Ghazali, Ibn Al-Haysam, Ibn Khaldun, Ibn Rushd). In the Middle East, psychology, as an independent discipline, began to stand out from the array of socio-philosophical (falsaf) and religious sciences (kalam) only at the beginning of the twentieth century. This fact aptly illustrates the statement of Hermann Ebbinghaus, who noted that "psychology has a long past but a short history" (Hergenhahn et al., 2013).

Before the events of the Arab Spring, Egypt occupied a prominent place among other Arab countries in the development of theoretical and applied psychology. The development of applied psychology in Egypt was facilitated by the functioning of numerous social and political movements that appeared there at the end of the nineteenth century. Today, there is a fairly significant output of Arab psychologists, but it remains little known due to the language barrier, and therefore unrecognized among the psychological community outside the Arab world. Arab psychological science has great potential aimed at the intensive development of regional and international cooperation, due to which it tries to combine universal research tools and methods with the development of original research methods and methodologies adapted to the realities of Arab countries (Stevens et al., 2012).

Thinkers of the Middle East do not deny the contribution of Western scientists to the development of social sciences, but they also do not blindly follow the West, subjecting its achievements to a critical reinterpretation within the framework of the Islamic perspective (Abu-Rabi, 1966). However, Middle Eastern intellectual discourse is based on Islamic epistemology (Ignatenko, 2009). The potential of Islam, as an autonomous civilizational force, due to the hegemony in the corporate culture of Arab countries of Western standards of "cultural" and "civilized" behaviour, which have become a kind of standard of universal values in the modern globalized world, has not yet fully realized itself in the field of formation original theories and models of personnel management and management of the company's cross-cultural capital (Briscole et al., 2012).

Personnel management in Arab countries has original models, the objective criteria of which are merit and clan affiliation, which are defeated in the struggle for highly qualified personnel. Exceptions to this sad rule are shown to us by the countries of the Persian Gulf. The rapid economic and innovative development of the countries of the region is a consequence of overcoming bureaucratization of the management process, corruption and clientelism in the field of conducting international business. However, the majority of Arab countries remain hostage to the traps of clientelism, neo-tribalism and stereotypes about foreigners that prevail in mass culture. A sociological study conducted by M. Fattah found respondents in most Arab countries who associate themselves with groups of traditionalists, modernists, autocrats, and pluralists, whose specific weight is a kind of indicator of the development (or collapse) of the process of global integration of traditional societies (Garnik, 2010).

As a result of the rapid development of innovative networks and means of communication and the expansion of the sphere of influence of multinational (global) corporations on the format of corporate culture and socio-cultural space, a combination of cross-cultural and strategic management took place in some of the most economically developed countries of the Persian Gulf (UAE, Qatar ). Cross-cultural management is based on the concept of dynamic capabilities borrowed from the West (see Figure 3). The idea of revolutionary changes is based on this concept, which consists in the fact that the company should be economically efficient and "unbridledly creative", i.e. innovative, at the same time. The practical application of the theory of modern personnel management is the philosophical understanding of reality and the search for optimal strategies for the company's sustainable development.

To optimize cross-cultural management in Lebanon, managers must adhere to a strict protocol of conduct dictated by Lebanese traditions and rituals. Considering the mosaic and interweaving of different cultures and traditions, usually multinational companies operating in Lebanon invite Lebanese specialists to work, who can more easily establish the necessary contacts with colleagues and regional business partners. The business environment in Lebanon is quite dynamic, which is why Western multinational companies often suffer losses when they try to adapt the unified corporate culture and customs to the Lebanese realities. Traditionally, in Lebanon, as in most

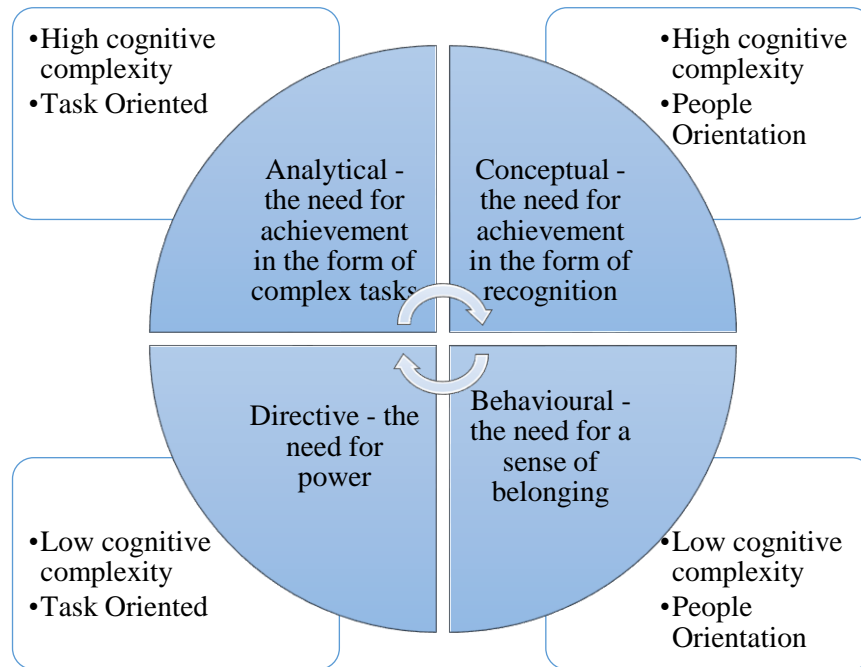
Arab countries, the reputation of an individual representative of the company is extrapolated to its entire workforce, which is why the ethno-psychological aspects of corporate culture and ethics should receive further development in the light of the theory of personnel management and management of the company's cross-cultural capital.

### **3.4 East Asian Culture**

Despite being in one geographical region and in one culture region there are similarities as well as differences between Chinese, Japanese and Korean management styles. Japanese and Korean management systems have common features, although not to the same extent. This includes consensus decision making, lifetime employment, and paternalistic leadership. In all three styles, collective harmony plays the role of a key element of management philosophy.

Cultural differences affect management methods, even though all three styles share elements of Confucianism and Buddhism that are common to the three cultures. Knowing which decision-making model a manager follows can predict his behaviour in various situations (Rowe et al., 1994). Decision making is influenced by factors such as values and cognitive perceptions. Hofstede (1983b) noted that people from different cultures show adherence to different values. Nagashima in 1993 found that the cognitive perception of the Japanese differs significantly from that of Westerners. A model has been developed that takes into account the influence of values and cognitive perceptions on decision making (Rowe et al., 1994) (Fig. 3.1).

**Figure 3.1 Decision styles model**



**Resource:** (Rowe et al., 1994).

### ***3.4.1 Differences in Business Management In East Asian Countries***

Chinese managers are usually prone to a directive decision-making style, which indicates a high index of distance from power and group collectivism. The decision-making process is often "centralized, as in China leaders try to establish social order through a clear hierarchical structure.

When making decisions, managers in Japan are more likely to exhibit a behavioural style that is linked to a high level of group decision-making at the low and medium levels of management.

Korea is dominated by a top-down management style that is more similar to the paternalistic Chinese style than to the rising Japanese style owever, Korean managers are more likely to delegate responsibility while making decisions. Because they think that a team's success is more important than any one person's, they are not overly complimentary. Therefore, for Koreans, belonging to a group is more important than

individual achievement. Thus, the Korean management style is somewhere between the directive and behavioural quadrants (Chinta, 2007).

**Table 3.4 Differences in business management**

	Chinese style	Japanese style	Korean style
Strategic planning	<ul style="list-style-type: none"> <li>• Implemented by top management, slow implementation of projects.</li> <li>• Formal bureaucratic structure.</li> <li>• Reflects a high need for power.</li> <li>• Both long-term and short-term goals.</li> <li>• Low level of uncertainty avoidance and high level of power distance.</li> <li>• Based on experimental/empirical data.</li> </ul>	<ul style="list-style-type: none"> <li>• Carried out with the participation of lower-level employees, collective decision-making.</li> <li>• Informal organizational structure / organizational culture.</li> <li>• Reflects a high need for belonging.</li> <li>• Fast implementation.</li> <li>• Long-term goals.</li> <li>• High level of uncertainty avoidance, conformism, above average level of distance from power.</li> <li>• Based on experimental/empirical data.</li> </ul>	<ul style="list-style-type: none"> <li>• Carried out by top management, collective responsibility of lower-level managers.</li> <li>• Reflects the need for power and belonging (between Chinese and Japanese styles).</li> <li>• Formal organizational structure.</li> <li>• Slow implementation, long-term goals.</li> <li>• High level of uncertainty avoidance, conformism, above average level of distance from power.</li> <li>• Based on experimental/empirical data.</li> </ul>
Organization	<ul style="list-style-type: none"> <li>• Formal bureaucratic structure.</li> <li>• Combination of collective and individual responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>• Formal bureaucratic structure.</li> <li>• Combination of collective and individual responsibility.</li> </ul>	
Human resources management	<ul style="list-style-type: none"> <li>• Some job security.</li> <li>• Slow promotion depending on seniority.</li> <li>• Some training and development of employees.</li> <li>• A little loyalty to the profession and to the firm.</li> </ul>	<ul style="list-style-type: none"> <li>• High job security.</li> <li>• Slow promotion depending on seniority.</li> <li>• Results-based management is more common than in Japan.</li> <li>• Active training and development of employees, usually in the central office.</li> <li>• High level of loyalty to the organization.</li> </ul>	
Leadership and control	<ul style="list-style-type: none"> <li>• Directive, top-down.</li> <li>• Collaboration and harmony.</li> <li>• The manager</li> </ul>	<ul style="list-style-type: none"> <li>• Management with the participation of subordinates, cooperation, ascending style.</li> <li>• Collective responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>• Directive, top-down.</li> <li>• Collective responsibility.</li> <li>• "Saving face" instead of accusations.</li> </ul>

	exercises formal control. Collective and individual responsibility. • "Saving face" instead of accusations.	• "Saving face" instead of accusations.	
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**Resource:** (Rowe et al., 1994).

### ***3.4.3 Japan***

Asia's most economically advanced nation is Japan (Nihon). It has a 378,000 km<sup>2</sup> area. There are roughly 6,800 of these islands, which are also found in the Seas of Japan, South China, and Okhotsk, all of which are washed by the Pacific Ocean.

Hokkaido, Honshu, Shikoku, and Kosyu make up nearly all of the nation's territory. There are 3,500 municipalities, 47 prefectures, and 8 districts in Japan.

English and Chinese are also spoken, while Japanese is the official language.

The emperor is the head of state; the House of Representatives and the House of Councilors make up the bicameral parliament; and the yen (10 cents) is the official unit of exchange (Kogut, 1988).

Japanese business culture is defined primarily by collectivism, which is based on traditional communal consciousness, identification of employees with the company. The collectivistic nature of work largely determines the "bottom-up" style of management decision-making. The expression of collectivism can be seen in how managers and regular employees dress for work and participate in shared leisure activities. Most businesses have moral codes, and while these are not officially recognized characteristics, they are diligently upheld. The Japanese seek for compromise and steer clear of paradoxes and confrontations. Negotiations are used to settle disputes and come to an agreement. Business ethics place a high importance on diligence and hard effort. Japanese people are on time and nearly never arrive late for meetings. The Japanese are known for their precision, duty, and sensitivity to public opinion (Chinta, 2007).

#### *3.4.2.1 Business Acquaintance*

Japanese entrepreneurs do not prefer letters or phone calls, but personal contacts established through third parties - intermediaries. It should be a Japanese businessman well known to both parties and a well-known domestic entrepreneur. In any case, the person who officially recommends you to a Japanese businessman should occupy a position no less high than the person with whom you want to enter into business relations. At the same time, the mediator must be rewarded materially or in return.

Business letters addressed to a Japanese partner should include the company's official annual reports, brochures, and other materials from which information on its activities can be obtained. The Japanese side wants to be sure that it is dealing with a reliable and solid partner (Kogut, 1988).

The exchange of business cards marks the beginning of a personal relationship with Japanese businessmen. This process must be followed. You must always hold a business card in both hands when giving or receiving one. You should respectfully read the business card your partner gave you while saying a few words at the same time. Give your entire name and last name when introducing oneself; do not use only one name. It is preferable to say Taranawa-san instead of Mr. Taranawa when addressing someone.

Shaking hands when getting acquainted is not accepted in Japan. The Japanese prefer bowing. A 15-degree bow is appropriate for co-workers of the same rank, a 30-degree bow for older, more seasoned individuals, and a 45-degree bow for managers and, especially, customers. Japanese people bow with a straight back rather than their necks. Men place their hands along the seams, whereas women cover their right hands in front of them with their left hand (Chinta, 2007).

#### *3.4.2.2 Conducting Business Negotiations*

When conducting negotiations, the Japanese pay great attention to the development of personal relationships with partners. During informal meetings, they try to discuss the problem in as much detail as possible. During the negotiations, they try to avoid a clash of positions. The Japanese often show attention by listening to the



interlocutor. Often such behaviour is interpreted as a manifestation of agreement with the stated point of view. In fact, they only encourage the interlocutor to continue.

A person who is unaware of it could be misled by the Japanese people's desire to avoid using the word "no" and to instead use the word "yes" in the sense that they are paying attention to you. A foreigner familiar with Japanese etiquette will see a refusal in the words "it's difficult", in a reference to bad health, etc., and an agreement in the words "I understand". The decision-making mechanism of the Japanese involves a fairly long process of agreement and approval of certain provisions. Patience is considered one of the main character traits in Japan, so the discussion of business issues often begins with minor details and proceeds very slowly. The Japanese do not like to take risks, and the desire not to lose may be stronger for them than the desire to win (Kogut, 1988).

They consider the risk as a threat to their honour, prestige, and reputation. When the Japanese are faced with a clear concession from their partners, they often respond in kind. The Japanese are extremely sensitive and quite responsible towards the accepted obligations.

#### *3.4.2.3 Informal Environment*

If your hosts have invited you to a traditional Japanese restaurant, pay attention to your shoes and socks since you will need to take them off. Many businessmen in Japan enjoy discussing difficult problems over a drink in exclusive clubs, bars, and geisha homes. Prepare yourself to perform a dance or vocal number if you were invited to a "karaoke bar" in advance (Choi, 2008).

#### *3.4.2.4 Business Clothes*

The Japanese got used to European clothes 200 years ago. But both before and after that in Japan, shoes are a kind of indicator of a person's social status and profession, so when going to a meeting with the Japanese, make sure that the shoes look good.

#### *3.4.2.5 Development of Business Corporation*

The chief advisor and founder of the Japanese company "Matsushita Denki" believes that the new organizational culture of a Japanese corporation is determined by two interrelated factors: the employee's objective self-assessment and the manager's trust in him. Healthy self-esteem and the ability to be objective are the qualities that corporate management cultivates in employees.

At the same time, Japanese management proceeds from the fact that it is impossible to teach an employee how to act correctly in any situation, but it is quite realistic to develop such a personnel training policy under which the employee will be able to objectively self-assess his capabilities, identify and eliminate his own shortcomings and at the same time will be adapted to a non-standard assessment of the situation and the choice of the correct line of behaviour. A firm uniting such individuals usually becomes strong and prosperous (Choi, 2008).

If the organization is considered as a set of two sets - a set of roles, the performance of which is necessary for the functioning of the organization, and a set of people - members of the organization, then the priority of a set of people is characteristic for Japanese corporations. In other words, when implementing personnel policy, Japanese managers first form the staff of the organization, and then determine the limits of the functions that these people can provide (Rachel, 2011).

It should be noted that in the Japanese group, the use of contractual relations is difficult, because in the "manager-subordinate" chain, the range of functions and responsibilities is not clearly defined, and the spheres of activity of different employees overlap. For this reason, in a Japanese organization, a manager can delegate authority to his subordinates to a much greater extent than, for example, in American organizations. At the same time, it would be a mistake to consider such a system of internal company communications as democratic in the European sense, for which the value traditions of civil equality of all before the law and social justice are valued. The delegation of significant authority to subordinates in a Japanese company in no way violates the system of vertical subordination and the so-called "rights of status", according to which each employee occupies a clearly marked place in the service hierarchy, and official

communication on equal terms with subordinates, according to traditional morality, leads to "to lose one's identity" (Lewis, 2000).

According to an American businessman who has worked in Japan for a long time, the president of a Japanese company may have human contact with a shoeshine boy near his office, but Korean expatriate foreigners in Japanese companies are excluded from the decision-making process and thus subject to the well-known discrimination. Women in the Japanese firm are also not usually considered as a permanent contingent of those who work in the company even potentially and do not participate in the decision-making process.

Considering the Japanese enterprise as a social group, it is possible to highlight the following specific feature. A great place among employees is given to the formation of an attitude towards the enterprise as a family. This attitude is cultivated through the increased integration of the private life of employees with the enterprise. The company not only uses the work of the staff, but also subordinates their personal life to the corporate goals, including the free time of their family members.

Therefore, the Japanese management system is implemented on the basis of the principle of consensus, which allows employees to participate in the management of the organization. At the same time, the main determinant of all management actions at Japanese enterprises is the psychology of stable groups (Landes, 1998).

Group orientation gives the Japanese a feeling of inclusion in the activities of the organization to which his group belongs. Since the group cannot function by itself, it gravitates towards a higher form of social community (corporation), accepting its goals and objectives.

Japanese ethics highly values the principle of harmonious integration of group members. At the same time, historically Japanese society as a whole and the Japanese organization in particular were built on the basis of a system of vertical relations of subordination. In view of this, the role of the leader in the group, his ability to support stable groups, unify their members and eliminate internal conflicts, are increasing dramatically. Such qualities as the ability to understand and position subordinates in

order to unite their joint efforts are valued in a manager. The relationships of group members, which are based on personal direct connections and assume social and emotional interdependence of its members, differ from the organization of groups in American or Western European enterprises, where preference is given to the professional qualities of the staff (Fukuyama, 1995).

The competitive advantages of Japanese companies are based not only on the socio-cultural tradition, that is, on passive factors, but also on the active formation of high work morale among employees and improvement of their qualifications. It is the latter, in the conditions of sufficiently long work at one firm that helps to strengthen the ethical standards of the staff. After all, their essence is not that the worker stays at the factory overtime or overloads himself a lot, but that he tries to create and apply more perfect and productive work methods to improve the quality of products. In turn, participation in the innovation process requires the employee to acquire new technical knowledge, abilities, and a thorough analysis of problems arising in production.

Industrial morale is most evident in large Japanese firms - the factors of psychological satisfaction arising from the stability of the employee's position are probably indicated. Within the company, production morale is usually highest among the so-called "white-collar workers" - skilled workers in the field of management, and the lowest - among young women and unskilled workers engaged in routine work.

Improving morale is a direct concern of the company's top management. It is she who creates in the staff a feeling of satisfaction and confidence in the future of the company, and therefore in the well-being of its employees.

It can be stated that the Japanese system of values is characterized by subjective, based on private characteristics, assessment of staff diligence. These evaluations are also more qualitative in the sense that they serve as motivation and are a model of the desired behaviour of the staff (Rachel, 2011).

The "muting" of the principle of equivalence is a distinctive feature of the relationship between labour and capital in Japan. Thus, the salary of a Japanese worker includes allowances for living, including housing, family, and transportation expenses.

Issuance of these allowances is not conditioned by any requirements of the management to the personnel regarding their labour performance and pursues exclusively the goal of developing a sense of commonality between the employee and the company, harmony of the intra-corporate environment (Harrison, 2000).

A special place in maintaining high work morale at Japanese enterprises belongs to the cultivated system of "lifetime employment". Unlike many Western firms, which regard the idea of lifelong employment as absurd and extravagant for the conditions of constant changes in market conditions, recessions and booms of the economy, Japanese corporations consider it as a special form of investment that generally pays off before many other investments. In the practical implementation of the idea of lifelong employment, Japanese companies use such forms of functional movement of the workforce as transferring personnel to subcontracted and dependent companies, granting temporary vacations, limiting the scope of re-hiring, reducing the length of working hours and the size of hiring new workforce, encouraging "voluntary" layoffs.

The atmosphere of trust distinguishes the branch of the Japanese company "Nissan" in Smyrna (Tennessee). Here it was possible to achieve a significant reduction of the controlling layer. So, for 3.5 thousand employees in the company "Nissan" there are only 14 Japanese managers. The basis of the system is a high level of trust in workers and interpersonal contacts. Significantly shortened intermediate management links (5 instead of 10-12 management levels). There is one controller for every 20 workers. At the same time, time losses make up only 0.7% of the staff's working time.

In Japan, it is an important skill to be a coordinator, rather than a pointer, in the decision-making process.

### ***3.4.3 China***

One of Asia's largest nations, the People's Republic of China has a total area of 9,561,000 km<sup>2</sup>. Beijing, with a population of 14 million, is the capital. The National People's Congress elects the president of the People's Republic of China for a term of five years. The National People's Congress serves as the legislative body. 23 provinces, 5 national autonomous districts, and 4 cities under centralized administration make up the administrative-territorial division (Crawford, 2000).

#### *3.4.3.1 Business Acquaintance*

You should provide your business card to anybody you meet for business. Additionally, it would be ideal if the information was written in Chinese. During the greeting, it's normal to shake hands with each other, but you should always shake the hand of the guest who has the most respect first. One should always put the surname before the first name when addressing a Chinese person. The last name used to address a little-known Chinese individual is his last name.

Regarding preparing meetings, it is frequently important to make arrangements in advance. With official officials, two weeks' notice is sufficient, while a few days' notice is sufficient with business associates and friends. You have to be on time for the meeting. To avoid wasting time, Chinese business partners occasionally like to arrive 15 minutes early and offer to conduct business even before the scheduled meeting begins (Kirkbride, 1991).

The establishment of friendly, informal relations with foreign partners is of great importance in China. You can be sincerely asked about your age, marital status, health, and children.

#### *3.4.3.2 Conducting Business Negotiations*

The Chinese usually clearly distinguish separate stages of the negotiation process: the initial clarification of positions, their discussion, and the final stage. At the initial stage, much attention is paid to the appearance of the partners, their manner of behaviour. On the basis of these data, attempts are made to determine the status of each of the participants. In the future, the focus is largely on people with a higher status, both official and unofficial. They show great attention and respect to the senior group. They are placed at the table according to the service hierarchy.

During the negotiations, they offer the foreign partner to be the first to speak on the issues under consideration and introduce their proposals. They themselves refrain from giving specific information; limit themselves to general information and provisions, trying to "not reveal their cards" as long as possible. The style of conducting negotiations with Chinese partners varies in duration — from several days to several months. This is explained by the fact that the Chinese never make a decision without

thoroughly studying all aspects and consequences of the agreements being made (Crawford, 2000).

The Chinese behave politely, know how to restrain their emotions, remain calm and balanced in stressful situations. When talking about their unhappiness, the Chinese smile so as not to "upset the interlocutor" (Crawford, 2000).

The Chinese rarely say "no", in difficult situations they only hint at it, saying it must be learned, or it will be awkward.

The spirit of collectivism prevails at the negotiations, no one says "I", only "we".

Looking ahead, beyond the boundaries of a specific case, the Chinese give priority to mutual trust in long-term relationships.

The Chinese are thrifty, diligent, thrifty, careful and tolerant. They combine flexibility with rigidity and hope that the partner also possesses these qualities.

The Chinese treat their language not only as a means of communication, but also as a repository of cultural values. Therefore, it is necessary to have in your organization, or at least during negotiations, persons who speak Chinese quite well.

The Chinese put their spiritual values and principles above money and immediate gain (Kirkbride, 1991).

The Chinese side typically makes final choices at home rather than at the bargaining table. It is essentially required that the agreements reached by the center be approved. The Chinese typically make concessions at the conclusion of talks after evaluating the strength of the opposing position. At the same time, the partner's errors made during talks are cleverly utilised. The Chinese side places a high value on the agreements reached being carried out.

#### *3.4.3.3 Informal Environment*

The majority of Chinese people are exceedingly amiable and adept at showing both Asians and "barbarians" and "barbarians" their natural hospitality and courtesy. In China, business celebrations are planned on a huge scale, resembling a "banquet" with

2-4 tables seating 8–10 people apiece. A lunch invitation to a guest house or restaurant, where at least 20 dishes will be served, will make guests delighted (Abramovitz, 2009).

While in China, it is not advisable to ignore local rituals and protocol measures, because joint receptions (photos for memory, etc.) contribute to the creation of the already mentioned spirit of friendship, which is very valuable to the Chinese.

#### *3.4.3.4 Business Clothes*

Dressing in China is very simple. Not so long ago, all Chinese wore uniforms. A suit with a tie is mandatory only at official receptions and during visits to high-ranking government officials. Appearance is given special attention only at the beginning of negotiations to determine guest status.

#### *3.4.3.5 Running Business in China*

Changes in the economic situation require changes in management style. In modern China, elements of Western and Eastern theories and cultures are usually combined. Along with modern approaches, there are still many traditional values that influence the thinking of young leaders. The Western style seems to be more impersonal, focused on processes and contracts, while Chinese leaders value long-term and social relationships more.

The owners of Chinese companies most often run them themselves and pass them on to their sons and daughters. The eldest son is the natural successor of parental work. As more young leaders study abroad and experience Western influence, they tend to combine Chinese and Western leadership styles (L. Zhang, T. Cao, Y. Wang; 2018). Many Chinese are open to new ideas, but they hold on to traditional values that they developed early in life (Fenby, 2019)

In the West, business exists under strict regulations and laws. Although for the Chinese a treaty is the norm, negotiations are still possible after its conclusion. In China, good interpersonal relationships are considered the key to a successful deal, while in the West, contracts are more trusted. For the Chinese, a treaty is the beginning of a long-term relationship, and business prospects make both parties flexible in signing it. But it



may seem suspicious to Western leaders that their Chinese counterparts want to amend the signed document.

China has adopted a paternalistic style of government. The owner plays the role of the patriarch, and the subordinates play the role of children. Traditional familial and patriarchal values often extend beyond the family to work relationships, thus creating a seniority-based power model in the organization (Aycan, 2006). The owner expects loyalty and obedience from subordinates. The paternalistic style of management significantly complicates the search for new employees, as modern specialists are more demanding and want a respectful attitude. Parentally reprimanding a subordinate is already unacceptable for young people. Business owners often overrule the decisions of professional managers based on hierarchical seniority or simply because they are the owners and pay the money. This inflated self-importance further worsens relationships and leads to high employee turnover. Another disadvantage of paternalism is that it encourages patronage. The boss promotes incompetent employees just because he likes them, and capable employees who disagree with the authorities in some way remain on the side-lines (Taylor, 2014).

In cultures with a high index of power distance, organizations exhibit sharply vertical hierarchies with large power gaps between individuals and groups. A significant difference in the status of superior and subordinate is accepted in society as a given (Pellegrini et al., 2007). The paternalistic style can be either benevolent or exploitative. A supportive leader cares for and supports subordinates. Employees, in turn, show loyalty and diligence. However, often paternalistic leadership is exploitative: the boss makes high demands, but he himself provides little support and resources for workers. This leads to dissatisfied subordinates, low productivity and high turnover.

Nepotism is closely related to paternalism. In many Chinese organizations, family relationships with owners play an important role in hiring for leadership positions. Relatives are appointed to such positions. This often leads to the papa's boy syndrome, where the children of low-achieving company owners are entrusted with leadership.

Many authors try to emphasize the difference between Chinese and Western management styles. However, there is no clear distinction between them, since many Chinese leaders use elements of Western style in everyday practice. At the same time, Western leaders also notice the benefits of Chinese practice, such as the importance of harmony and moral values. Instead of emphasizing differences, it is wiser to highlight the values and beliefs that East and West share in common, because the world economies are increasingly intertwined with each other.

The Lenovo Group had difficulty integrating the corporate culture of IBM when it acquired the American giant in 2011. Lenovo Chairman Liu Chuanzhi decided to leave all the sales staff in order to maintain customer relationships.

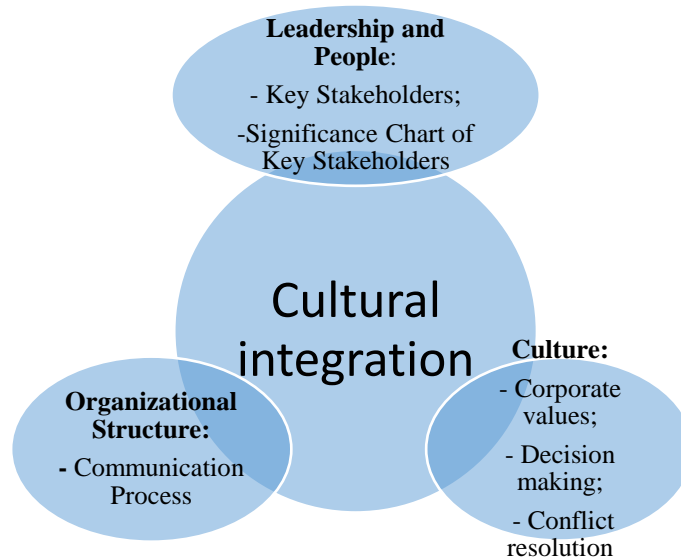
At the same time, he announced that he plans to bring together Chinese and American leaders. The company's top management team consists of four Chinese and four Americans who work together. When making important decisions, they take into account the macro- and micro-situation. To improve integration, all newcomers are taught Western-style teamwork and business methods. Two IBM senior executives Thomas Looney and Peter Hortensius join Lenovo 10 years after the acquisition. Thomas Looney is General Manager of Lenovo North America and Peter Hortensius is CTO (Kirkbride, 1991).

In 2014, Lenovo acquired Motorola for \$2.9 billion and IBM's low-end server business for \$2.3 billion, significantly improving its position in the mobile phone and server markets.

By focusing on stakeholder needs, Lenovo has been able to successfully blend the IBM culture with its own culture (Fig. 3.5).

The company has chosen a low-cost production center business model in China. Using the resources she received, she invested in research and development to improve design capabilities.

**Figure 3.2 Cultural Integration Scheme**



**Resource:** (Chinta et al., 2007).

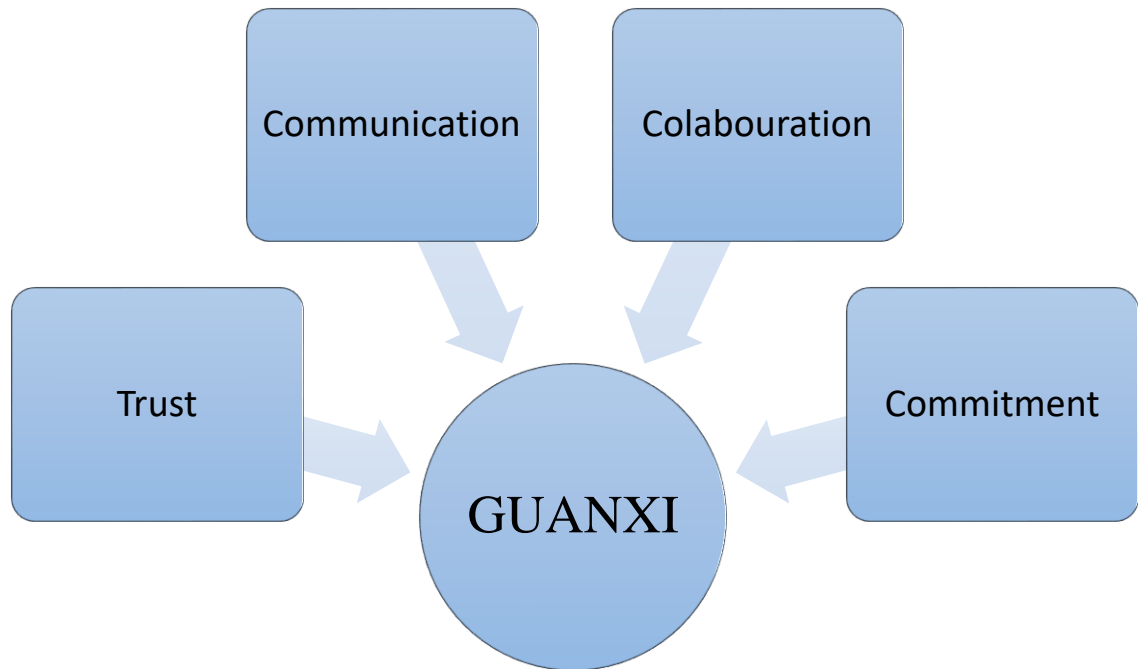
According to Hofstede's model of cultural dimensions, China has a high index of power distance, uncertainty avoidance, and long-term/short-term future orientation (G.Hofstede; 1998), but a low index of individualism/collectivism and few typically female characteristics (Chinta et al., 2007).

A high index of distance from power indicates a top-down management model, in which subordinates look at the leadership from the bottom up and recognize the authority of the boss. Since doing business in China means working closely with government agencies, managers have to spend a lot of time establishing guanxi (relationships) with officials. Despite the fact that bribery is illegal in China, it is still one of the most popular ways of settling problems.

Guanxi means trust, commitment, communication and cooperation (Naude et al., 2000). Trust implies confidentiality (Garbarino et al., 1999) and non-exploitation. This is the key to successful business cooperation. Communication is necessary to minimize the conflicts that arise between the parties. Long-term relationships need to be

established and maintained: Chinese managers value them because their culture has a long-term focus on the future. On figure 3.6 shows what is needed to establish and develop guanxi.

**Figure 3.6 Establishment of Guanxi**



**Resource:** (Garbarino et al., 1999)

Chinese managers try not to avoid taking risky decisions. They need to remember that decisions are aimed at improving group cooperation and maintaining harmony. Close cooperation between entrepreneurs and government officials is more common in China than in the West.

The teachings of Confucius still have a great influence on the country, but they are gradually weakening because the Chinese economy is growing and China is becoming more open. After China's accession to the World Trade Organization, more and more foreign companies began to invest in its economy. At the same time, local companies are actively entering foreign markets and organizing joint ventures with international companies. Such commercial moves to develop strategic relationships with other countries have greatly contributed to the spread of China's economic influence.

Chinese leaders frequently use the Western style of management. A hybrid human resource management (HRM) system for China was suggested by M. Warner in 2010. "Confucian HRM" is the name of this framework. Keeping a harmonious social order is an ancient Chinese virtue, according to Warner. However, the performance-based pay system and competency-based hiring practices are becoming more and more well-liked (Crawford, 2000).

Many Chinese leaders follow Confucius' teachings of social order and harmony, but they also apply the principle of "divide and conquer" to strengthen their power and position in the organization. Such a policy leads to the disintegration of groups and does not allow blocs to form. At the same time, the leader sets the groups against each other and provokes disagreements between them.

Managers with a high need to dominate want power. To achieve and maintain a high position, they may resort to manipulation and deceit. If they feel threatened, they may try to socially isolate a talented subordinate. This is consistent with an earlier study showing that some managers tend to isolate capable employees.

#### ***3.4.4 South Korea***

The Republic of Korea has a population of 45 million people and a land area of 99,000 km<sup>2</sup>. Seoul serves as its capital.

Businessmen from other nations view Koreans as among the most challenging business partners in the world because the country's code of behaviour differs markedly from Western norms. Korean society is exceedingly hierarchical and dictatorial. The position and age a person holds have an impact on their personal esteem. It can be quite disrespectful to show a Korean the correct deference due to his hard-earned rank. The existence of informal relationships is crucial for addressing any issue in commercial dealings in Korea. Regional, clan, and friendly contacts are quite strong here, just like in China. The presence of family members or close associates in positions of authority is also quite significant. When evaluating the chances of any enterprise, it is essential to ascertain the level of a partner's actual capabilities because frequently simply informal support can make the difference (Taylor, 2014).

#### *3.4.4.1 Business Acquaintance*

It is impossible to establish contacts with Korean businessmen simply by contacting them with a written offer. It is necessary to arrange a meeting through intermediaries. It is desirable that he recommends you to a Korean company, and this should be a person who knows well both the employees of this company and the essence of the proposals.

If Korean businessmen show interest in a partner, they will seek a personal meeting - they will not accept any other way of negotiation, even in cases where a telephone conversation is usually enough. If you do not give a specific answer to the request for a meeting, it is possible that Koreans will appear in your office without prior agreement to clarify misunderstandings.

In Korea, businesses frequently utilize business cards to learn more about a possible partner's company and status. As a result, it will be seen with surprise rather than contempt if a Korean does not receive his partner's business card in response to an extended business card.

It is traditional to refer to spouses by their titles or last names in South Korea. Remember that the first syllable of a Korean person's name is often their surname (Kim, Park, Choi, Han, Jeong, Son), and the following two are their given names. However, as a result of American influence in Korea, they started to write names first, followed by surnames. It is preferable to make sure the other person understands your last name in order to avoid misunderstandings. Additionally, Koreans must properly declare their last name because it is difficult for them to guess it from three printed words (Crawford, 2000).

#### *3.4.4.2 Conducting Business Negotiations*

The biggest difficulties are related to the language barrier - it is difficult for Koreans to speak English, which can be used for negotiations. And if one of them nods his head, it does not mean agreement at all; in many cases, pride and fear of "losing face" simply do not allow them to reach mutual understanding. Quite often, the parties

may be sincerely convinced of reaching an agreement, but everyone will understand it in their own way.

Negotiating with Koreans is complicated by the fact that they avoid abstract constructions and strive for simple and concrete categories, logical sequence, and clear mutual calculations. At the same time, it should be taken into account that it is difficult for a Korean to show his incomprehension, to refuse the interlocutor.

Unlike the Japanese, during negotiations, Koreans are not inclined to discuss secondary points for a long time in an effort to create a smooth transition to the main one. They "take the bull by the horns" immediately after establishing mutual understanding. They do not tolerate general conversations and are ready to discuss the possibility of partnership if there is a specific, detailed program. Koreans always try to clearly and clearly state problems and offer ways to solve them, they do not like people who are not authorized to make decisions and take responsibility (Crawford, 2000).

#### *3.4.4.3 Informal Environment*

The people of Korea are very kind and open, and they make an effort to welcome visitors with open arms. However, such a reception is merely an act of courtesy and respect, and in no way indicates that they are particularly interested in a partnership.

#### *3.4.4.4 Business Clothes*

Koreans are meticulous when it comes to clothing — a strict business suit is mandatory for men, most often with a white shirt and a dull tie, for women — a strict dress, women are not allowed to wear trousers at work.

#### *3.4.4.5 Business Management in Korea*

Given that both countries were heavily inspired by Confucianism, the Korean and Japanese political systems are very similar. Japan colonized Korea from 1910 until 1945. Confucianism and Buddhism are shared cultural traditions between the two nations. The teachings of Confucius encourage Korea's hierarchical, authoritarian, and paternalistic culture by highlighting the value of politeness, humility, obedience, and submission (Crawford, 2000).

Power is concentrated at the highest levels of management due to the organizational structure's high degree of centralization (Chen et al., 2004; Cho et al., 2001). The company is portrayed as “a big friendly family, where the director or president plays the role of patriarch or father. Korea has adopted a hierarchical and paternalistic approach to governance.

South Korea was categorized by Hofstede as having a rather high level of power distance (60). As a result, people are treated differently in Korea depending on their seniority and social position. The team's manager is responsible for making sure that everyone on the team gets along well and that the team functions well. Inva is the name given to this idea of harmony amongst representatives of various levels. Managers must exhibit devotion and obedience to their staff members as well as a thorough interest in them. Employee loyalty is thought to be higher among Korean employees than among Japanese employees (Choi et al., 2008).

In Korea, leaders seek consensus when it comes to making decisions. Through consensus, responsibility is shared among all those who influence the adoption of a particular decision. According to Confucianism, the needs of the group take precedence over the needs of the individual. This philosophy is widespread in Korean business. This collectivist approach also applies to informal communication and networking.

The corporate culture is reflected in the company's sahun, which lists the overarching goals, mission, core values and beliefs. The sahun serves as a guide that both managers and subordinates must follow.

The process of establishing relationships resembles the Chinese principle of guanxi. First, there is inmek, that is, the system of social ties as a whole. Secondly, there are yongo - relationships based on family, university, school and local ties. Finally, yeongjul is a relationship that is established for personal gain and advantage. If people went to the same school or college, they have a special relationship. However, Koreans are more open to Western influences. Perhaps this is the result of the internationalization of chaebols or conglomerates.



The new generation of Koreans are increasingly adopting Western culture and demanding a balance between work and personal life, as well as striving to fulfil themselves at work. Korean employees tend to be more compromising than their Western counterparts (Kirkbride et al., 1991).

Korean enterprises must revamp their business procedures in order to compete in a market that is changing quickly. The hierarchical structure has to be flattened among other things to promote more open communication. Additionally, the evaluation of personnel should be done on their merits rather than their level of seniority.

Korean managers should maintain an open dialogue with unions as employees become more vocal. To minimize problems with unions, subordinates need to be provided with up-to-date information on work issues.

Chaebols learn from the success of Japanese multinational companies overseas. In international markets, they face the same competitive pressures as their Japanese counterparts and learn to copy good Japanese practices. Thus, they create management styles that are somewhat similar to Japanese. However, Koreans are better able to maintain a family atmosphere in communication between managers and subordinates.

Korean employees usually attend family gatherings at least once a month to discuss work issues.

Korea has developed its own HR methods and practices (Bae et al., 2013). As the country's population becomes more educated and open to international influence, traditional workforce management practices are also changing significantly. In Korea, traditional workforce management is characterized by practices based on the principle of seniority and lifetime employment. The Koreans are ready to adopt the performance-based management system that is widely used in the West. Thus, two models coexist: traditional and modern (Jeong, 2000).

In Korea, there is a strong relationship between the HR system and company performance due to unique social and cultural factors (Chinta et al., 2007). It combines elements of both traditional and modern control systems. In addition, Korean companies have changed their employment strategy from hiring graduates en masse to recruiting

based on demand. Potential employees are treated more critically and prefer those who have special skills, rather than yesterday's graduates. This has led to high unemployment among Korean youth.

According to official figures, 500,000 young people enter the labour market every year, 60% of whom have university degrees. However, employers are willing to offer only 200,000 jobs. Currently, the youth unemployment rate in Korea is about 9.5%. Vigorous competition for chaebol jobs became apparent when 100,000 candidates applied for an exam organized by Hyundai Corporation in 2015, while the company offered only 4,000 new places (Kirkbride et al., 1991).

Chaebols are multinational conglomerates of businesses. They are governed by wealthy families and given financial assistance by the government. Chaebols have significantly shaped the Korean economy since the 1960s. Among the most famous chaebols are Samsung, Hyundai, SK, LG, Lotte and Hanjin. Listed entities owned by the top 10 Korean chaebols account for over 50% of the Korean equity market capitalization. In total, these top ten conglomerates own 181 registered companies, and their total market capitalization at the end of July 2016 was 778.5 trillion Korean won.

Family inheritance is a significant part of Korean business culture. The oldest son is typically seen as the heir apparent and cares for his siblings just like a father would care for his children. The family must continue to run the company (Peggy, 1995).

## CONCLUSION AND RECOMMENDATIONS

In this work differences in business culture was observed. Under the effect of competition and processes of globalization, business is dynamically developing and changing on a worldwide scale. The global stage of economic system integration is closely related to the complex process of widening and strengthening worldwide economic links as a result of greater mobility of production factors and outputs (macro level) and business involvement in global operations (micro level). Because there are knowledge and technology gaps between the topics of various levels, international business trends depend on socioeconomic changes that take place in the national and worldwide settings.

Conducting business internationally differs significantly from doing business at home. There are some factors that an organization need not even consider in order to succeed. In this regard, it is necessary to research the key traits, components, and procedures of doing international business and supervising its operations.

International business refers to collaborations between two or more international economic entities in the fields of science, technology, production, trade, and services. It has to do with the global movement and usage of production materials, as well as the global commerce of commodities and services.

However, in recent years, the size of foreign trade has greatly increased. International trade in industries include banking, warehousing, advertising, communications, tourism, and international transit. The expansion of international investment and foreign production of products and services are other but no less significant developments. In order to be closer to international clients and provide them with better services at lower rates, businesses started to spend more and more abroad and start producing goods and services elsewhere. International business is described as including all of these activities. In conclusion, the phrase "international business" encompasses a wider range of activities, such as the production and cross-border exchange of products and services.

At this stage of the economy's development, a variety of elements from both the domestic and international environments have an impact on global business. You may concentrate on your issues and determine what techniques and strategies to employ to successfully solve them when you are aware of the elements influencing the growth of global business. Additionally, when conducting business internationally, it is crucial to take into account a number of factors that may have an impact on the company's operations and impede the expansion of foreign business.

It could be useful to think of the elements affecting international business in a methodical way in order to examine them most efficiently. In this work these factors were separated into three sizable groups with varying levels, namely the macro level, the micro level, and the internal level. It was analysed that on *macro economical level* factors were divided into three groups which are: *economical* (structure of national economies; economic development of national economies; business conditions; socio-economic system of countries), *political and legal* (internalization and globalization of the world's economy; reducing barriers to the migration of production factors (labour resources, capital, technologies); emergence of a single informational economic space) and state control (strengthening the influence of international institutions on the implementation of international business; impact on the international business of the IMF and the World Bank Group). When we analysed *micro economical level* it was separated two groups which are: *social and cultural* (goodwill of the country; intercultural differences), and territorial (geographical location; development of transport infrastructure; reduction of logistics chains; optimisation of logistics cost). And last but not least important *internal level* which includes the following factors: *investment* (attractive investment climate), *marketing* (reduction of the life cycle of goods; trends towards equalization of demand conditions and consumption style in different countries), *structural* (training of a highly qualified employees), *communication* (reduction of delivery and production costs; strengthening communication with customer) and *commercial factors* (agreements on protection of capital investments; agreements on cooperation in the field of informational exchange).

After studying all these factors, international firm, which wants to go global, should specify the reason for doing business on the global market. We examined these

reasons as well. It should be noted that the advantages of conducting business internationally specifically relate to making more money when taking into account the following aspects: access to other labor markets (costs, qualifications); access to raw material and mineral deposits; search for new business opportunities; increasing production volume and lowering product costs (economy of scale and experience curve); limitation of current risks. Of course, these reasons may be specified by the form of business. Export, licensing, franchising, management contracts, turnkey projects, foreign direct investments are the most common types of international business.

This work is researched the tools of regulating. As a result, we can see that international trade is regulated by state rule and regulation by way of international agreements and the partnership of countries in the invention and activities of international institutions. The types of government regulation of international trade were divided into two groups: tariff and non-tariff. Furthermore, a significant role in the regulation of international trade is played by multilateral agreements concluding within the framework of following agreements: GATT (General Agreement on Tariffs and Trade); WTO (World Trade Organization); GATS (General Agreement on Trade in Services); TRIPS (Agreement on Trade Aspects of Intellectual Property Rights).

While looking at the importance of international business on an international trade it was noticed that the world's nations use international commerce as a tool to advance and deepen the specialization of their economies, boost labour productivity, and make the most effective use of their resources. It was underlined that from the end of the 18th century to the beginning of the 19th century, international trade expanded to include the entire globe market, and its aim was for all nations to participate. The dynamics of the growth of international trade have changed on a regular basis from this time till the present. Analysis of patterns in the growth of international commerce after 2019 indicates that there will be only a little increase between 2019 and 2020, a fall between 2020 and 2021, and then a significant increase between 2021 and 2022. Following a protracted period of unpredictability, global trade increased by around 10% in 2017 and 2018 to surpass \$25 trillion. USA. To sum up, globalization of the world economy has led to a significant improvement in the international trade. Due to this reason, we can identify that more and more companies go global while doing their

business. As a result, it was necessary to clarify that globalization also plays a significant role in the international trade. That is why in this work the role of the globalization was analysed as well.

There are different explanations of the globalization in the economic literature. One of them is: globalization is the process by which certain social and cultural influences, goods and services, progressively become corresponding in all parts of the world. So it was decided to study the influence of globalization on the abovementioned processes. Global trade, which involves the interchange of goods and services, serves as both the material foundation for international economic interactions and an outward indicator of the presence of the world market, ensuring the integration of the world economy. International trade has grown into a crucial tool for the efficient distribution of resources and assuring the economic development of many countries in the region in the latter part of the 20th century. Any nation's level of evolution, the sectorial and reproductive structure of the economy, and the state's international economic policy are all influenced by the ways in which it participates in this department. However, the external sector, each country's relationships with them, and the globalization-related conditions have grown in significance and significance, respectively.

The study of global trade challenges was being conducted by numerous prominent economists. The mercantilist theory of international trade was historically the first. Mercantilism - a system of views of economists of the XV-XVII centuries, speaks of the need for state intervention in economic activity. Thomas Man, Antoine de Montchrestien, William Stafford are the representatives of this direction. The definition was proposed by Adam Smith. The mercantilist theory of international trade arose in the period of the initial accumulation of capital and great geographical discoveries; its basis was the idea that behind the prosperity of a nation lies the country's gold reserves. According to their beliefs, foreign trade should be focused on the acquisition of gold (gold coins), because unlike simple commodity exchange, gold does not cease to exist, unlike ordinary goods, after their use, and can be reused for international trade.

Adam Smith developed his notion of absolute advantages while the free-market system was coming into being. Adam Smith developed the idea that nations are interested in the free development of international trade because they can profit from it,

regardless of whether they act as exporters or importers, in his book "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776), which critiqued the theories of the mercantilists. Then John Stuart Mill, in his Principles of Political Economy (1848), explains the price at which exchange takes place. In Mill's interpretation, the exchange rate is set by the laws of supply and demand at such a level that the sum of each country's exports equals the sum of its imports - an international law of value.

Due to the fact that these economists rejected the labor theory of value and believed that capital and land could only be productive through work, the Heckscher-Ohlin theory, which first appeared in the 1930s, relates to the neoclassical ideas of international commerce. They attribute the origin of global commerce to the disparate availability of each nation's production inputs as a participant in trade. According to the theory of the product life cycle which was developed and identified by Raymond Vernon and Charles Kindleberger.. According to this theory, each product consists of five stages from the moment of its appearance on the market and until its exit goes through a cycle: product development, bringing the product to the market quick conquest of the market leads to rising in profit, decline. Accordingly, each of the stages of the product's life cycle has its own intensity of foreign trade development.

The idea of a country's competitiveness is strongly tied to M. Porter's theory. According to Porter, interstate competitiveness determines whether a nation will succeed or fail in the global market in particular industries and explains the position that the nation holds in the global division of labour and in the global economic system. The Heckscher-Ohlin theory was improved by American economists P. Samuelson and V. Stolper in 1948, who thought that international trade would equalize input prices between nations if production factors were homogeneous, technologies were the same, there was perfect competition, and goods were fully mobile. All these theories show us that international trade was developed not only by doing business but by developing different theories during different times.

Next step of this work was examining the cross-cultural features and their impact on the global trend. Conflicts between various national cultures often arise during the formation of interpersonal relationships in multicultural teams or management organizations of different countries. In economic relationships between

representatives of several countries, misunderstandings frequently occur. It was understood that modern managers must therefore possess "cross-cultural" understanding to prevent this issue. After researching different culture elements, it was decided to divide it into three groups: 1) language, religion, state system and mentality; 2) ethnicity, customs and traditions; 3) modern instruments of the behavioural characteristics of humans.

It was impossible not to take into account research of Dutch scientist Gerard Hendrik (Geert) Hofstede. G.Hofstede believes that culture is "mental human programming", which consists of models: how we think, how we feel and how we act. At the same time, the researcher divides the concept of "culture" into two parts: narrow and broad. In the narrow sense, it is civilization or education and its results, such as upbringing, art and literature. According to Hofstede, the defined narrow concept is "culture - 1". As for the broad concept, it consists of fairly simple elements, such as food, expressions of feelings, physical distance or care for hygiene, which is defined by Gerard Hendrik (Geert) Hofstede as "culture - 2". So, according to the theory of cultural dimensions of Geert Hofstede, the following indicators can serve as the main dimensions of national cultures: power distance index; the degree of integration of people into the system of social relations based on the ratio of individualism and collectivism; a dimension that assumes the social role of opposite sexes in society - masculinity versus femininity; uncertainty avoidance; long-term versus short term orientation; indulgence versus self-restraint.

As a summary, after analysing Hofstede's theory, it was understood that the value of Hofstede's theory lies in the fact that it laid the research foundations in the field of intercultural psychology, which are referred to by scholars and practitioners in the field of international business and communications, international management and intercultural communication. Researchers consider Hofstede's theory to be the most famous and popular, which is explained by the successfully found set of universal parameters suitable for the analysis of cultures, regardless of which country they refer to or in which cultural context they operate.

Seeing that culture has a huge impact on the trade it was decided to see these differences on the examples. Researchers that study how people act in various national



cultures have discovered a number of criteria that make it simpler to identify both cultural differences and similarities. The most important are: religion; language; mental distance (cultural distance); traditions, customs; negotiation; attitude to colours, numbers; attitude to formalities; social and personal space; attitude to nature; attitude to the use of time; relations between people. It was noted that business relationships, staff morale, appearance, consumer behaviour, and work schedules are all significantly impacted by religion.

It's crucial to take into account all of the religious quirks when cooperating with other nations. Religion determines the attitude of believers to consumption, personal responsibility, work, and planning for the future. Sociologist Max Weber explains the development of capitalism in Western Europe with the influence of Protestant morality, which especially underlines hard work, frugality and success as a means of glorifying God. Language is the most important means of communication between societies. Therefore, the primary factor in establishing a cultural group's boundaries is language. Those who work for multinational corporations must be able to communicate with their partners. In the contemporary world, English has developed into the "lingua franca" of worldwide communication. Every culture has unique ethical techniques of achieving a certain social status. It was underlined as one more cultural differences. In some societies, a person's social status is inherited together with his ancestors' money or position. In other cultures, a person gains social status through accomplishments in their personal or professional lives.

It was analysed the contextual approach created by Edward and Mildred Hall is one of the best ways to explain cultural differences. According to him, in a low-context culture, information is transmitted between interlocutors explicitly, in an open form. In a highly contextual culture, the context in which the communicative act takes place plays no less important role than the spoken words, and knowledge of the cultural context is of great importance for understanding the subject of the communicative act. The secret to succeeding at work, overcoming disagreements, and adding value to contracts is negotiation. So in the work it was also described how businessmen from different countries conducting business negotiationsCommunication with an English

partner is better to start with completely human problems. Germans are neat and meticulous.

In order to look more detailed into these diverse it was divided cultures by geographical parts: North American culture; European culture; Culture of Arab countries; East Asian culture.

It was divided North American culture into the USA and Canada. As a result it was noticed that North American business culture is still young, many scholars and practitioners have already identified its traits, which are similar to those of the nation as a whole, including an emphasis on individualism in interpersonal interactions, a robust personality in practical pursuits, and consequently the desire for independent judgment. American businessmen stand out for their high levels of business activity, excellent competitive qualities, drive to establish their dominance, extraordinary self-confidence, stability, and propensity for risk. Business relationships in manufacturing are characterized by unquestionable subordination and severe discipline. Because they are envious of other countries' respect for human rights, Americans frequently use the legal system and attorneys to resolve disputes. What about characteristics of American business interactions the following ones were highlighted: everything should be profitable, they like to avoid unnecessary expenses, disdain for stereotypes, the strength of his word, diligence in the development and organization of any business, clear analysis, the division of functions, and scrupulous verification of execution, the goal of making today better than yesterday, great attention to detail, personnel and production specialization, constructivism, and brevity. In negotiations, for Americans it is important to set up the clear result in advance. The American way of negotiating is distinguished by an adequate level of professionalism. In informal environment Americans are straightforward, they are friendly and approachable. Everyone knows what and when to wear according to business protocol. The group members are chosen on the basis of their professional ability rather than on the basis of personal relationships, and the group unity is guaranteed by a system of relationships of the "contract" type, in which each group member signs a fixed-term contract outlining his or her rights and responsibilities within the context of this team. US enterprises are not eligible for eligibility. The American method of encouraging employees' creative

activity appeals to tangible concerns, first and foremost, salaries and various forms of financial rewards. Leaders have a critical role in establishing American business culture. Many business leaders serve as the foundation of corporate culture by exemplifying the moral and ethical principles of the organization. In order to effectively manage the business and communicate its corporate values to large audiences of the public, potential customers, and the global community, public relations services must be organized in American business culture. In Canada, language plays very important role. Canada has two official languages: English and French.

Canada's corporate communication practices are remarkably similar to those in the United States. However, because they are more accepting and lack imperialistic aspirations, you can tell immediately away that you are not dealing with Americans. One of the most distinctive characteristics of Canadians in negotiations is their conservatism. There are both sizable state-owned corporations and private firms in Canada, which has a broad economic sector. Decisions are made by the meeting of shareholders in the first instance, and by the head or director of the direction in the second. In Canadian organizations, the hierarchy is largely for practical reasons; superiors do not put themselves above subordinates. An appropriate manner of conduct for managers and staff is an on-going process of dialogue and unrestricted exchange of information. Employee independence and initiative are expectations in a professional setting. Canadians readily accept new ideas, innovative products, and are willing to try something new or different, whether it's technology, business practices, or consumer products. They tend to be optimistic and have a positive outlook on life. They also readily spend money and do not prefer to cut back on their food budget. This opens up possibilities for domestic brand promotion in the Canadian market.

Compared to America, Europe has a much more developed corporate culture. It possesses some of the well-known characteristics of North American corporate culture in addition to regional and societal peculiarities and differences. Each European country has its own particular business communication traditions, norms, and conventions. Despite recent active integration activities, the organizational cultures of Western European corporations have a number of characteristics relating to national traditions, religion, political systems, and other factors. They combine to produce a remarkable

complex of shared ideas, moral standards, and commercial practices that give the corporation its own distinctive identity.

Leading Western organizations place tremendous weight on future managers participating in the corporate culture. Leading overseas firms maintain a special climate of trust in relations between management and regular employees thanks to well-thought-out leadership policies. The idiosyncrasies of European careers are a significant component of the traits of top managers in European nations. In general, the unique characteristics of corporate executives' careers leave some trace of the nation's uniqueness. A top manager's career is essentially defined by how many organizations he has worked for throughout the course of his career. Top managers typically move from one company to another during their careers in order to continue climbing the corporate ladder. This is primarily a result of issues with promotions inside this organization, running out of room for advancement within one company, or the desire to move on to something more fascinating at work. So as a result, it was noticed that despite being very similar to American business culture, European one still differs.

In the European business culture it was decided to highlight three countries: Germany, the UK, Italy and France in order to show that even being in one geographical region, they differ from each other. For example, Germans are extremely disciplined, they never be late, they like everything to be done correct. Germans set up appointments in advance. Germans typically focus initially on one topic before moving on to another when conducting business, meaning that multiple tasks are not carried out concurrently. Being on time is crucial when conducting business with Germans.

Germans are well regarded for being punctual. Germany is a country with high individuality. Individuality is valued as high personal independence and freedom. Every member of German culture is seen as an individual independent of groups or organisations. If talking about Great Britain, British businesspeople have some of the best educations in the Western business world. The British give negotiation preparation issues less consideration than the Germans do. At the same time, they are extremely adaptable and readily accept the opposite party's initiative. Business etiquette is a great of importance in the UK. Great Britain is a country of universal truths, where citizens are law-abiding and rules and laws are the same for all without exception. After

analysing the French business culture, it was noted that French also have their own rules. The impending negotiations are being meticulously prepared for the French businessmen. They enjoy carefully examining all of the implications and elements of incoming suggestions. The negotiation approach places a strong emphasis on adhering to ideals while simultaneously disdaining compromises. Not all French people are punctual and precise. When conducting negotiations, the French try to avoid official one-on-one discussions of issues, trying to preserve their independence. The French are good at negotiation tactics and often demonstrate a wide variety of means and techniques.

The French, who also favour French as the language of discussion, dislike compromises. It is important to keep in mind that networking is very important in French business. The most talented recruits are given the opportunity to launch their careers by being given a strategic review assignment in several French organizations. Hiring family is frowned upon under the French management philosophy, however informal relationships are quite important. As a result, an employee's personality traits are more significant than their interpersonal connections. Italian communication culture was influenced by the Catholic Church and the subtropical environment.

Compared to people in northern countries, they communicate with greater honesty and openness. Make contacts with ease. The way that commercial talks are currently conducted in the nation is essentially the same as in most European nations. When negotiating with Italians, you shouldn't accept your partner's proposals right away. It is preferable to debate while displaying improvising talent. In negotiations, being able to respond quickly to changes in the situation pays off immensely. To sum up, it was clearly seen that European countries are very differ from each other.

While analysing business culture of Arab word it was noted that this area has a big influence of religion. Islamic morality has traditionally viewed trade as a form of art and assigned it to a number of high-profile professions. The Arab becomes the epitome of generosity and friendliness after becoming a merchant. In business dealings with Arabs, it's important to keep in mind that Islamic traditions must be strictly followed. Corporate governance is related to cooperation between Arab nations and global businesses, luring foreign investment, and a company's capacity to learn from beneficial

international experience. In most Arab states, religion is not separated from the state, and therefore behaviour in society, politics and business are regulated by religious norms. It makes logical to consider the Arab style of communication within the context of business communications, despite the fact that each Arab country has a unique corporate culture. The expression of national pride, understanding of the historical importance of one's country and nation, as well as established bureaucratic traditions, can be categorized as one of the shared characteristics. However, despite these problems, some Arab countries are seeing improvements in corporate governance, for example, thanks to the creation of regulatory bodies, the adoption of new laws and improved transparency. In the past seven years, there has been a rapid development of applied personnel management aspects and management based on the original Islamic ideas of human resource management in various Muslim nations (UAE, Pakistan, Malaysia).

Despite belonging to the same geographical area and sharing the same culture, Chinese, Japanese, and Korean management methods have parallels and contrasts. Although not to the same a degree, the Japanese and Korean management systems have several characteristics. Consensus decision-making, lifetime employment, and paternalistic leadership are examples of this. Collective harmony is a crucial component of management philosophies in all three types. Even while all three systems have components of Confucianism and Buddhism that are shared by the three civilizations, cultural variances have an impact on management techniques. Japanese management starts from the premise that it is impossible to teach a worker how to behave appropriately in any circumstance, but it is doable to create a personnel training program that will enable the worker to honestly evaluate his abilities, recognize and correct his own flaws, and simultaneously adapt to a non-standard assessment of the circumstance and the decision of the appropriate course of action. Such folks frequently come together to form a powerful and successful company. Japanese ethics place a strong priority on the idea of harmonious group integration. In the past, a system of vertical relations of subordination served as the foundation for both Japanese society as a whole and the Japanese organization in particular.

As a result, the function of the group leader and his capacity to foster cohesive groups, bring their members together, and resolve internal issues are expanding rapidly. In comparison, in China management style modifications are necessary in response to changes in the economy. Western and Eastern beliefs and traditions are frequently blended in modern China. Young leaders are still influenced by many old beliefs in addition to contemporary methods. Chinese leaders place a greater priority on long-term social interactions than Western leaders do, who appear to be more impersonal and more concerned with processes and contracts. China has adopted a paternalistic style of government. The owner plays the role of the patriarch, and the subordinates play the role of children. The political systems of Korea and Japan are remarkably similar since Confucianism served as a major source of inspiration for both nations. Korea was a colony of Japan from 1910 to 1945. The two countries have common cultural traditions in Confucianism and Buddhism. By emphasizing the importance of politeness, humility, obedience, and submission, Confucius' teachings support Korea's hierarchical, authoritarian, and paternalistic culture. Leaders in Korea look for agreement before making decisions. The younger generation of Koreans is assimilating more Western culture and seeking personal and professional fulfillment at work, as well as expecting a balance between the two. Compared to their Western colleagues, Korean employees are more commonly more compromising. Traditional workforce management techniques are altering substantially as the populace of the nation becomes more educated and receptive to outside influence. In Korea, seniority-based and lifetime employment-based methods are what define traditional personnel management. The performance-based management approach that is popular in the West is ready to be adopted by the Koreans. Consequently, classic and modern models coexist.

Summarizing, it can be said that despite the fact that geographic borders have been opened, doing business at the international level is quite difficult. When entering a new market, businessmen need to do a lot of work even before opening a business. It is necessary not only to study all the laws, regulations, and international agreements that regulate international trade, but also to study in detail the culture of the country in which it is planned to do business. After all, not knowing the cultural laws of this or that country can damage your business and reputation.

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ÖZGEÇMİŞ			
<b>Adı-Soyadı</b>	Iryna		Ustinova
<b>Doğum Yeri ve Yılı</b>			
<b>Bildiği Yabancı</b>	Türkçe, İngilizce		Rusça, Ukraynaca
<b>Eğitim Durumu</b>	<b>Başlama - Bitirme</b>		<b>Kurum Adı</b>
<b>Lisans</b>	2009	2013	Kyiv National Economic University
<b>Yüksek Lisans</b>	2020	2023	Bursa Uludağ Üniversitesi
<b>Çalıştığı Kurum</b>	<b>Başlama - Ayrılma</b>		<b>Çalışılan Kurumun Adı</b>
1.			
2.			
3.			
<b>Üye Olduğu Bilimsel ve Meslekî Kuruluşlar</b>			
<b>Katıldığı Proje ve Toplantılar</b>			
<b>Yayımlar:</b>			
<b>Diğer:</b>			
<b>İletişim (e-posta):</b>			
	<b>Tarih:</b>		
	<b>İmza:</b>		
	<b>Adı-Soyadı:</b>		