



# Culture and International Business: Case Study Ecuador vs. China, Period 2017-2021

Cultura y negocios internacionales:  
Estudio de caso Ecuador vs. China, período 2017-2021

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## Abstract

This study analyzes the cultural factors influencing international negotiations, taking as an example the trade relationship between Ecuador and China. China, a culturally diverse country, with strong economic and ideological influence, and is one of Ecuador's main trading partners. The objective is to identify the cultural elements that must be taken into account to achieve positive results in negotiations. The analysis is given through quantitative and qualitative approaches. The trade balance of recent years will be examined to understand the trade relationship between the two countries. In addition, a literature review of relevant sources on interculturality in the business context will be conducted to obtain strategies that can be applied during negotiations. Interviews were also conducted to provide valuable information for developing an effective action model. With this in mind, it is hoped to improve the performance of the negotiations by strengthening the commercial relationship between the two countries.

**Keywords:** Ecuador, China, trade relationship, international negotiations, trade partners

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## Resumen

Este estudio analiza los factores culturales influyentes en las negociaciones internacionales, tomando como ejemplo la relación comercial entre Ecuador y China. China, un país culturalmente diverso, con una fuerte influencia económica e ideológica, es uno de los principales socios comerciales de Ecuador. El objetivo es identificar los elementos culturales que deben tenerse en cuenta para lograr resultados positivos en las negociaciones. El análisis se llevó a cabo mediante enfoques cuantitativos y cualitativos. Se examinó la balanza comercial de los últimos años para comprender la relación comercial entre ambos países. Además, se realizó una revisión bibliográfica de fuentes relevantes sobre interculturalidad en el contexto de los negocios, para obtener estrategias que puedan aplicarse durante las negociaciones. Asimismo, se llevaron a cabo entrevistas que proporcionaron información valiosa para desarrollar un modelo de acción efectivo. Considerando esto, se espera mejorar el desempeño de las negociaciones fortaleciendo la relación comercial de los dos países.

**Palabras clave:** Ecuador, China, relación comercial, negociaciones internacionales, socios comerciales

## Introduction

The motivation of the research is given by the analysis in the context of international negotiation and how cultural factors are determinant at the time of negotiation. In search that the negotiation is conducted under equitable terms, in a fluid and respectful manner so that it has positive results. In the investigation, the two lines of the career will work, that is to say, business and international relations. By these means it has been analyzed if there is a problem in the cultural scopes at the time of closing a negotiation of international character. The question we have answered is: Are there factors that explain whether interculturality affects the closing of an international negotiation?

Ecuador has sought ought to have economic and diplomatic relations with the government of the People's Republic of China since 1968. The relationship with the Asian giant and Ecuador began with the export of raw materials that started with the production of bananas, coffee and shrimp. Twelve years later, in 1980, the diplomatic relationship between the countries had an important event in which, during the government of Jaime Roldós the embassy of the People's Republic of China arrived in the capital of Ecuador, while the Embassy of Ecuador was established in Beijing.<sup>3</sup>

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3 Vanessa Pulgar, "El período de gobierno de la Revolución Ciudadana presidido por Rafael Correa y su dependencia de la economía china, periodo 2007-2017" (bachelor's thesis, Pontificia Universidad Católica del Ecuador, 2020), <https://tinyurl.com/4ffaw2bt>.

Ecuador maintained a relationship that was not very close with China, as was needed for the country to stabilize. The controversial closeness of the Asian giant with Ecuador, was born during the government of former President Rafael Correa, called “Citizen Revolution”. Correa was in power for 10 years in the period 2007-2017.<sup>4</sup> The purpose of the rapprochement with China was the main objective of the party, the desire that the Citizen Revolution had was to create a change in terms of the poor living conditions in which the majority of the population was in. In order to meet this objective, Ecuador needed new strategic allies and commercial partners that were empathetic to the government’s ideology. Since 2007, the government has been looking for ways to resume official relations and rapprochement with China. Ecuador’s ideology is characterized by its neoliberal model that has been in place since the 1960s, which had its beginnings in the implementation of a development model that was focused on policies that encouraged industrialization by import substitution. Measures were taken to protect national industry, in addition to strengthening it. They did not have to wait long to take the first steps for a rapprochement, which happened in 2007, when the first visit of Chinese government authorities to Ecuador took place. In subsequent years, Vice Minister Hui Liangyu arrived in Ecuador to proceed with the review of credits granted by the Asian giant, especially for infrastructure projects.<sup>5</sup>

The credit amounted to a value of USD 4.3 billion, which was destined to construction and hydroelectric plants. In 2009, the current government sought a way to strengthen the diplomatic and commercial relationship with China. In order to achieve this, multiple visits and official meetings had to be held for several years. Seven years later in 2016, bilateral visits had reached a total of fifteen. The visits of the Chinese delegations were focused on reaching cooperation and investment agreements. The amount and type of project to be worked on was defined. An example of this is the construction of hydroelectric plants as the most important projects.<sup>6</sup> It was important to focus

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4 Eduardo Enríquez, “La derecha latinoamericana bajo el post-neoliberalismo: La derecha ecuatoriana durante la presidencia de Rafael Correa (2007-2017)”, *Revista Andina de Estudios Políticos* 7, n.º 2 (2017), <https://doi.org/10.35004/raep.v7i2.101>.

5 Pulgar, “El periodo de gobierno”.

6 Rubén Gavilánez and Héctor Quilachamín, “La captura del Estado y los capitales chinos en América Latina y África: Un análisis comparado entre los casos de las hidroeléctricas Coca Codo Sinclair en Ecuador, Rositas en Bolivia y Busanga en la República Democrática del Congo” (bachelor’s thesis, Pontificia Universidad Católica del Ecuador, 2022), <https://tinyurl.com/mr2y97ds>.

on financial cooperation in infrastructure projects, but technical cooperation was also needed. The meetings and agreements reached by the two countries were fruitful. The presidents of both countries stated that the process of bilateral relations had obtained satisfactory results in their last meeting in 2015. For this year, the objective was to sign trade agreements for the tariff liberalization of approximately 200 items of primary products in order to strengthen and enhance cooperation in social projects in Ecuador.<sup>7</sup>

An important year was 2008, when China announced policy guidelines for the Latin American and Caribbean region, especially in order to create ties of friendship and cooperation with countries in the South. In order to create these ties, they were based on five basic principles: peaceful coexistence, the principles of cooperation and the promotion of an integral and stable development relationship. The high-level exchange, in addition to the exchange between the legislature and political parties. China is interested in Ecuador, since 1993 the giant created an interdependence due to globalization between nations, which was a determining factor for the growth and success of trade and international relations between countries, it sought to become the best and largest. Being a country with a large labor force and with high levels of technological development, which have caused a potential growth economically speaking. Deng Xiaoping created reforms to reinforce the productive capacities of his nation, in order to promote exports. In 2002, this same government implemented the policy of eliminating the payment of Value Added Tax to its producers. Another measure it took was the devaluation of its national currency in order to increase exports of its products and make them cheaper in the world market compared to the prices of its competitors. Thanks to these measures, in less than 20 years it became the world's main manufacturer and distributor of consumer goods.<sup>8</sup>

In Ecuador's cooperation agreements with China, it was determined that the giant could not sell Ecuadorian oil to the markets to which Ecuador was already exporting. This condition was omitted from the second round of negotiations. During the period from 2011 to 2014 the price of a barrel of oil exceeded 100 dollars, however, the price established in the negotiation contract with China was well below this value. A year later for 2015 the price of oil

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7 Pulgar, "El período de gobierno".

8 Ibid.

fell. Nevertheless, the value previously established in the contract with China was higher, this factor helped the country to cover the monthly installments with its commitments.<sup>9</sup>

According to the Ministry of Commerce of the People's Republic of China, during the period of analysis, Ecuador and China signed 7 agreements in total, which focused on cooperation, trade and security. The agreements were not partial trade agreements that promoted Ecuador's productive capacity. In terms of treaties or trade agreements between the two countries, none were officially signed. In fact, the trade relationship was maintained thanks to exports with China, which were within the WHO agreements in force, specifically with the Most Favored Nation clause. In February 2007, Ecuador, in the Ecuador-China Joint Commission for Economic and Commercial Cooperation, raised the possibility of creating an action plan to strengthen bilateral trade between the two countries. In 2009 the cooperation agreement was signed; it should be noted that this agreement did not include the relief of tariff items. The agreement signed was mainly focused on the opening of a line of credit for 50 million-yuan, equivalent to US\$722,958.80. The credit would be used only for the trade and production of agricultural products and the purchase of agricultural machinery.<sup>10</sup>

Ecuador is a country that obtains its greatest income from oil exports, however, thanks to its privileged geographical location it has several products and natural resources, which is why they can trade in exports of raw materials such as bananas, coffee, cocoa, shrimp, and flowers, in which the country is considered a specialist.<sup>11</sup> As China is Ecuador's second largest trading partner, representing 13.80% of the country's total trade in the period, it is worth the analysis. The Asian giant's interest in Ecuador is due to the fact that Ecuador has the capacity to provide raw materials for the giant's industry. In exchange, Ecuador receives credits and loans in order to be able to execute the country's economic and social plans.<sup>12</sup>

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9 Ibid.

10 Ibid.

11 Kenya Cabrera and María Paula Maldonado, "El rol de la cultura en los resultados de las negociaciones internacionales del sector camaronero entre Ecuador y China" (bachelor's thesis, Universidad Católica de Santiago de Guayaquil, Ecuador, 2022), <https://tinyurl.com/2hf97sdc>.

12 Edith Masaquiza and Nathaly Moreno, "Análisis y evaluación de la balanza comercial ecuatoriana durante el período 2017-2021" (bachelor's thesis, Universidad Central del Ecuador, 2022), <https://tinyurl.com/yc7d2jx5>.

Bilateral trade between Ecuador and China has a very important factor, which is the culture and history of the two countries. As seen above, there are already successful cases of negotiations.<sup>13</sup> However, it is important to mention how cultural factors have been part of this process. The West has a somewhat erroneous manner of thinking when it comes to negotiations with China. Like all countries in the world, China also needs to sell, and this is where cultural differences come into play, in this case in relation to Westerners' thinking. The Chinese have a prejudiced thinking regarding Western businessmen, within their beliefs that Western businessmen are aggressive and distrustful.<sup>14</sup>

International negotiations have been affected by the phenomenon of globalization. Countries have had repercussions in terms of economic and political development. Nation-states are directly involved in international competition, which is why they seek to protect national industry by imposing limits on imports or subsidizing exports Krugman and Obstfeld.<sup>15</sup> After analyzing the importance of the study of the basic concepts of international business around globalization, it is concluded that countries have benefited from the opening to international markets.<sup>16</sup>

The main activity of contemporary international diplomacy is international negotiation. Negotiation for mutual benefit focuses on solving common problems and international conflicts through formal multilateral negotiation or formal bilateral exchanges.<sup>17</sup> The contemporary perspective of international negotiations focuses on the fact that negotiation does not seek victory for one country or another, on the contrary, it seeks to be a means to solve problems or needs.<sup>18</sup> Ecuadorian foreign trade throughout history has been a creditor of experience in this activity, but it is considered that despite this, it has not been able to exploit its full potential compared to its neighboring countries.<sup>19</sup>

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13 Dagoberto Páramo, "Cultura y negocios internacionales", *Pensamiento & Gestión* 30 (2011), <https://tinyurl.com/5ey46bf7>.

14 Ofelia Castro, "Elementos culturales en los procesos de negociación internacional: Caso China", *Suma de Negocios* 5, n.º 12 (2014), [https://doi.org/10.1016/s2215-910x\(14\)70036-9](https://doi.org/10.1016/s2215-910x(14)70036-9).

15 Humberto Sparano, "El arte de negociar en China", *Dimension Empresarial* 6, n.º 1 (2008), <https://tinyurl.com/2p9rses6>.

16 Mauricio Ortiz, Egna Avendaño and Harold Silva, *Introducción a los negocios internacionales: Conceptos y aplicaciones* (Barranquilla, CO: Universidad del Norte, 2019).

17 Hatem Alsaqqa, review of *Organizational Culture and Leadership: A Dynamic View*, by Edgar H. Schein, *Innovar* 30, n.º 77 (2020), <https://doi.org/10.15446/innovar.v30n77.87455>.

18 Terrence Hopmann, *Theory and Processes in International Negotiations* (Providence, US: Brown University, 1990).

19 Katia Ruiz and Holger Enderica, "Análisis de líneas de créditos existentes en el Ecuador para operaciones de comercio exterior" (master's thesis, Universidad de Guayaquil, 2016).

Two basic concepts are negotiation which in itself is a conflict of interests and is presumed to exist since man had to find a way to survive.<sup>20</sup> With the passage of time this conflict of interests has taken on greater importance in the global business environment; so multicultural factors become part of this process.<sup>21</sup> While culture according to Schein, “*is a pattern of basic and shared assumptions in a society according to national, organizational, regional, ethical, religious, linguistic and social characteristics*”.<sup>22</sup>

According to the Royal Spanish Academy, the term culture, from the Latin *Cultūra*, means the body of knowledge that allows someone to develop his critical judgment. In addition to being the set of ways of life and customs, knowledge and degree of artistic, scientific, industrial development, in an era, social group, etc.

For the UNESCO, “*the term culture is that which defines how people relate to nature and their physical environment. The earth and the cosmos, and what attitude they express towards other forms of life, both animal and plant*”.<sup>23</sup>

An interesting definition is that of Marvin Harris: “*the learned set of traditions and lifestyles, socially acquired, of the members of a society, including their patterned and repetitive ways of thinking, feeling and acting (i.e., their behavior)*”.<sup>24</sup>

Barbash and Taylor define “*culture as including religion, gender, language, class, ethnicity, and sexual orientation. From subcultures, cultures and super cultures, they merge and evolve, transforming the concept of culture, making it less limited and more varied.*”<sup>25</sup>

Now, culture has one of the main roles in international business for the literature, and this is why through cross-cultural studies that have been conducted as negotiations, the results have reflected the importance of language, thought patterns, feelings, and behavioral patterns in the style of negotiation.<sup>26</sup>

Cultural understanding in the negotiation is fundamental, this implies that the negotiating parties to be focused on their cultural values, should handle well

20 Ana Isabel Tamayo and Andrea Canal, “Análisis del impacto de la interculturalidad en las negociaciones internacionales”, *Visión Internacional* 4, n.º 1 (2020), <https://doi.org/10.22463/27111121.2366>.

21 Ruiz and Enderica, “Análisis de líneas de créditos”.

22 Edgar Schein, *Organizational Culture and Leadership* (London: Jossey-Bass Publishers, 1985).

23 UNESCO World Commission on Culture and Development, *Our Creative Diversity: Report of the World Commission on Culture and Development* (Paris: World Commission on Culture and Development, 1995), <https://tinyurl.com/2b9vcxap>.

24 Marvin Harris, *Cultural Materialism: The Struggle for a Science of Culture* (London: AltaMira Press, 2001).

25 Ilisa Barbash and Lucien Taylor, *Cross-Cultural Filmmaking: A Handbook for Making Documentary and Ethnographic Films and Videos* (Berkeley, US: University of California Press, 1997).

26 Ortiz, Avendaño and Silva, *Introducción a los negocios internacionales*.

the differences that may exist, for this should be sought in the negotiation cooperation between the parties. That's it each must understand and respect the reasoning and seek in the convenience of persuading the other and to accept the conditions that are put into the negotiation.<sup>27</sup> It is here where strategies come into play on the part of negotiators in which they will have to put cultural bases first, here is the obstacle of the language of business, referring not only to the language factor, but of expression, communication and body language. This is why maria Calle define that in the negotiation process the essence of the negotiation is found, because it is the presentation of the human relationship, so habits, language and psychology must be based on the specific culture of each negotiator.<sup>28</sup>

A negotiation usually starts by e-mail or through the companies' contact systems such as websites. Considering the time difference with the giant in addition to the language factor there are certain guidelines that will help to write emails in a better way. An example of this is to avoid using technicalities or paraphrasing. Commonly in the West it is thought that the more words and formality the better, because in this case it is not so because you have to reach the customer with the clearest and most direct message possible.<sup>29</sup>

We want to identify which may be the factors around the culture of the countries under study that can become determinants at the time of closing an international negotiation. In addition to analyzing whether or not these factors are important to know.

It is considered that for a negotiation to be successful we must first take into account the good or service to be negotiated, since it is necessary to take into account the cultural factors of the destination country such as religion and customs.

If we talk about interculturality we have to take into account one of the largest and most important references in the world, which is China. It has the historical evolution of any other people on the planet.<sup>30</sup> The West vs. China negotiation is prolonged by the psychological and physical trickery used by the Chinese. Their way of negotiating is imposed by establishing their own rules of the game from the beginning, in order to place great value on harmony. This is

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27 Castro, "Elementos culturales".

28 María Alejandra Calle, "La negociación internacional y el obstáculo epistemológico subyacente en la incorporación del discurso cultural", *ADMinister* 13 (2008), <https://tinyurl.com/2t6dh2mb>.

29 Edison Zúñiga, María Fernanda Marchán and José López, "Modelo de negocio ecommerce en Ecuador", *Investigación Académica* 1, n.º 2 (2020), <https://tinyurl.com/mwctuwws>.

30 Karen Maldonado, "La interculturalidad de los negocios internacionales", *Universidad & Empresa* 6, n.º 12 (2007), <https://tinyurl.com/3utadaa8>.

why if a dispute arises over a contract, they will seek to resolve it through friendly conciliatory conversations.<sup>31</sup> As for personal relationships in business, they feel an affinity towards old friends; this is why the negotiating party seeks to maintain close relationships with their Chinese counterparts.<sup>32</sup>

Guanxi often involves moral obligations, as well as an exchange of favors.<sup>33</sup> This is why it is possible to establish an initial relationship prior to the development of the negotiations that generates trust between the parties and allows the negotiations to develop fruitfully. In addition, for them to be carried out satisfactorily, it will be necessary to know the protocol aspects that completely differentiate it from the negotiations to which we are accustomed, since, for the Chinese, the protocol aspect defines the polite way in which people should behave.<sup>34</sup> Therefore, success will depend on the ability of people to adapt to Chinese ways of acting. It comes to see that the literature also states that culture plays a major role in international business; cross-cultural studies on negotiations reflect the importance of language, thought patterns, sentiment, and behavioral patterns in negotiation styles.<sup>35</sup>

## Literature review

Understanding cultural negotiation is fundamental. This implies that the negotiating parties have their own defined cultural values, but they must manage the differences that may exist. When you want to be part of a new business or you are interested in exporting and importing, you should pursue cooperation in negotiation i.e. each one should understand and respect the reasoning of the other party and seek in the interaction the way to persuade the other and be able to accept the conditions that are put in the negotiation.<sup>36</sup>

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31 Darwin Sacaquirin and Milton Armijos, “Análisis de la cultura de negociación china y su influencia en el comercio bilateral con Ecuador entre el 2010-2017” (bachelor’s thesis, Universidad del Azuay, Ecuador, 2022), <https://tinyurl.com/s874bd5c>.

32 Sparano, “El arte de negociar”.

33 José Martín de Bernardo, “Los factores socioculturales: Clave de internacionalización de la empresa occidental en el mercado chino” (doctoral thesis, Universidad Católica San Antonio de Murcia, España, 2017), <https://tinyurl.com/3npp4f74>.

34 Javier Simón, “La inteligencia cultural: Una aproximación a la negociación en China” (bachelor’s thesis, University of Valladolid, España, 2019), <https://tinyurl.com/3hk7pafm>.

35 Castro, “Elementos culturales”.

36 Iliana Aguilar et al., “Dimensiones culturales de Hofstede en la sociedad ecuatoriana”, *Amauta* 31 (2018), <https://tinyurl.com/975ye85z>.

This is where the negotiators' strategies come into play in the face of the cultural variables they will have to deal with. There are obstacles that must be taken into account in the context of negotiation, such as the language of business, which does not refer only to the language factor, on the contrary, it refers to the form of expression, communication and body language.<sup>37</sup> Whether this is verbal or written, it occupies the largest percentage of the negotiating activity. The ability of an individual to be able to communicate what he/she wants in the process in the cultural context will determine the scope it will have. Among the cultural signs that have communicative relevance are physical appearance,<sup>12</sup> such as facial features, skin color, and the use of artifacts, for example: accessories, clothing, cosmetics. Finally, another factor is the environment, which refers to furniture, objectives, temperature and architecture.<sup>38</sup>

The cultural variables to which most attention should be paid are customs. Negotiators should be aware of the characteristic customs to have an idea about which parameters are acceptable, and which are not. The values that negotiators have will depend on morals and religious beliefs, which can have infinite variables. The essential thing in this case is to identify the values that are present in the culture, and also focus on the values that could undergo changes over time to be able to take it as a motivation.<sup>39</sup> Now the variable called time consciousness, this is one of the most controversial because there have been many misunderstandings because of this variable; for example, Chinese society is usually very punctual, they tend to arrive a little before the established time. The importance they give to time and how they manage it is due to the fact that time means money. They must comply with the chronograms both in schedules and dates. On the contrary, in Latin American cultures this structuralism of time is usually seen as an obsessive, aggressive and somewhat dehumanized behavior. The dress to go to a negotiation is important because all the culture is present in this variable. In Asian culture for example, it tends to be more conservative and formal. For them informality can be taken as a lack of respect and disinterest towards the negotiation.

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37 Simón, "La inteligencia cultural".

38 Gary Ferraro and Elizabeth Briody, *The Cultural Dimension of Global Business* (London: Routledge, 2023), <https://doi.org/10.4324/9781003214144>.

39 María Teresa de la Garza, Elizabeth Guzmán and David Hernández, "Cultural and Personal Considerations in International Negotiations", *Journal of Globalization, Competitiveness & Governability* 3, n.º 3 (2009), <https://doi.org/10.3232/GCG.2009.V3.N3.03>.

The political and legal framework is the variable in which the political stability of the country should be analyzed because political stability can favor commercial activity; on the contrary, if there is a lack of stability, negotiations can be hindered, and investors will refuse to invest. The exchange rate, treaties, agreements that have been signed, taxes or import charges with the country. Here comes into play one of the most controversial variables, the technological environment. This is an appealing tool to do business, and that everyone should be at the same technological level. However, this is not always the case, the lack of resources can cause inefficiency in the negotiation or data processing. As for gender, the role of a man and a woman in some countries is not always the same. For example, in China and India there is a strong preference for the male gender, which is given by multiple internal factors such as governmental and economic restrictions that have been imposed on families. Religion is the one aspect that encompasses the beliefs within a society and is considered a transcendent cultural variable, it is a combination of morality with economic norms, religion can come to play an important role in the negotiation when its presence is deeply rooted in society, but there can also be scenarios in which religion is not so important.<sup>40</sup> But regardless of this, it is necessary to know about the religion with which we will interact, and to be familiarized with the main religions that exist in the world such as: Christianity, Judaism, Islam, Buddhism, Hinduism, animism, among others.<sup>41</sup>

The Latin American negotiator is characterized by being a haggler, i.e. he has the ability to discuss the price of a merchandise trying to get the price as low as possible.<sup>42</sup> He is also considered friendly so he can become somewhat informal. As for the negotiation they prefer to carry out are those between friends. One of the characteristic traits is distrust, as a consequence of this they do not like to sacrifice the short term, so they seek to see results in the short term. Punctuality in terms of negotiators on this side of the world is clearly not a virtue, which is why it is said that negotiations become somewhat unpredictable, this is because the origins are from a chronic poly culture.<sup>43</sup>

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40 Jannina Montalván, Washington Hidalgo and Oswaldo Martillo, "Análisis de las relaciones de comercio Ecuador-China 2011-2015", *Espirales. Revista Multidisciplinaria de Investigación* 1, n.º 1 (2017), <https://tinyurl.com/2fd4ywwr>.

41 Ofelia Castro and J. L. Abreu, "Cómo afecta el contexto cultural en la administración de los negocios internacionales", *Daena. International Journal of Good Conscience* 3, n.º 1 (2008), <https://tinyurl.com/2p9va663>.

42 Olegario Llamazares and Ana Nietos, *Negociación internacional: Estrategias y casos* (Madrid: Pirámide, 2015).

43 Aguilar et al., "Dimensiones culturales".

## Methods

The scope of this research is descriptive. The research was based on the analytical method, because elements and behaviors of Ecuador-China bilateral relations were studied in order to know and observe the causes of such behaviors and the repercussions they have on the country. A mixed approach was used, since qualitative and quantitative data were investigated, the objective of using this type of approach sought to reach a broader and deeper perspective on the subject under study.<sup>44</sup> Written documents, opinion articles, and books were studied and analyzed. Various platforms such as Trademap, Central Bank, and indexed journals such as Scielo, Scopus, etc. were also used.

An analysis will be presented based on a historical review that reflects interculturality as a function of negotiation. The reason why this is considered is because these study factors will allow making the right decisions at the time of negotiation.

The comparability between interculturality between Ecuador and China will respond to the construction of a model of action, immersed in a socio-cultural aspect. The pretension of contributing to foreign trade as a model that allows the identification and treatment of quantitative variables that influence the negotiation of international closing.

The present work is an explanatory comparative study. It exposes an analysis based on the indexed bibliographic review in order to reflect the cultural factors immersed in an international negotiation, this work is of a documentary nature. For this reason, the present study factors revolve around a cross-cultural analysis. The intention is to contribute to a better decision making in the closing of an international negotiation, which allows to identify factors that influence such negotiation, in a context of the Ecuadorian vs. Chinese reality that determines the future of a timely decision making.

Conduct interviews were conducted with people who know and have experience in bilateral negotiation, in order to determine the different strategies that could be applied based on their expertise, in order to reach the objectives and generate the model of action in terms of decision making in a closing negotiation.

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44 Roberto Hernández Sampieri, Carlos Fernández and Pilar Baptista, *Metodología de la investigación* (Ciudad de México: McGraw-Hill, 2014).

The methodological process to be applied considers developing and analyzing three sections:

- Examine the theoretical framework of the cultural process within international negotiation.
- Evaluate the relationship between Ecuador vs. China in terms of interculturality.
- Construct a business model and thus conclude and discuss the results found as a result of this research.

## Results

### Summary Trade Balance 2017-2021

In summary, Ecuador's trade balance in the period 2017-2021 had a positive result, due to the fact that four of the five years it had had a positive result in the total trade balance. The deficit value identified is during 2018 which means that there were more imports than exports. The deficit is given thanks to the fact that the price of oil increased by 14.9 dollars. A year ago, in 2017 the price was at 45.7 dollars per barrel, but for 2018 the price of oil rises to 60.6 dollars per barrel. While the positive balance of 2020 is the highest this is due to the Covid-19 pandemic that was the cause of a significant reduction in imports.<sup>45</sup>

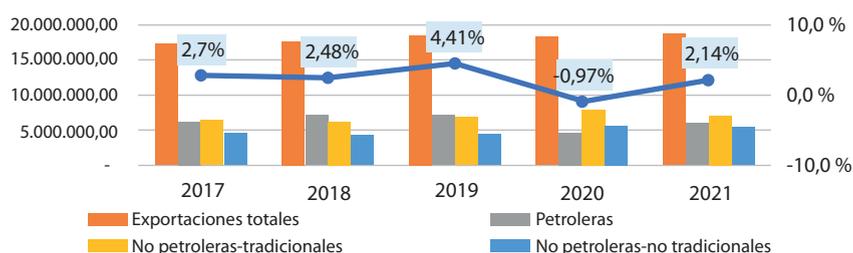
Table 1  
Ecuador-China Trade Balance, in thousands of USD,  
period 2017-2021. Source: Adapted by author, (2023)

Years	Exports	Imports	Trade
		Balance	
2017	17.245.968	17.058.799	187.168
2018	17,673.124	18.233.456	-500.332
2019	18.452.755	18.245.140	207.614
2020	18.274.268	15.992.123	2.282.092
2021	18.666.170	18.350.123	316.047

45 Sacaquirin and Armijos, "Análisis de la cultura de negociación china".

The next variable to analyze are the traditional non-oil exports, during the first period 2017-2019 these occupy a percentage of 24.8% of total exports. Traditional exports for the following years 2020-2021 presented an increase with a percentage of 30.2%, this is due to the fact that Ecuador increased the export of mining products by 250%. By 2020, exports of other products such as canned fish increased by 7%, flowers by 2% and metal products by 16%.

Figure 1  
Total exports from Ecuador, in thousands of US\$, period 2017-2021



Source: Based on Ecuador Banco Central, "La economía ecuatoriana decreció 12,4 % en el segundo trimestre de 2020", Banco Central del Ecuador, 30 de septiembre de 2020, <https://tinyurl.com/ybc5xjj7>.

Table 2  
Main export products of Ecuador, period 2017-2021  
expressed in percentages

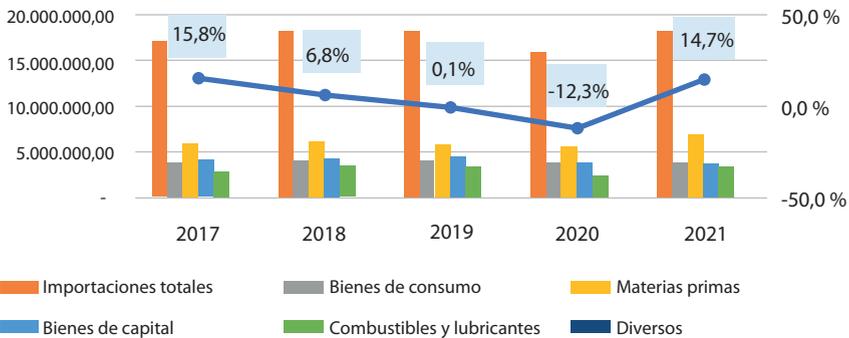
Productos	2018	2019	2020	2021
<b>Productos petroleros</b>				
Crudo 	16 %	▲ -1 %	▼ -34 %	▼ 21 % ▲
<b>Productos no petroleros tradicionales</b>				
Camarones 	-5 %	▼ 23 %	▲ 7 %	▲ 9 % ▲
Banano 	-4 %	▼ 4 %	▲ 21 %	▲ -25 % ▼
Cacao 	6 %	▲ -1 %	▼ 35 %	▲ -22 % ▼
Pescado 	9 %	▲ 18 %	▲ 16 %	▲ -9 % ▼
<b>Productos no petroleros no tradicionales</b>				
Enlatados de pescado 	-5 %	▼ -2 %	▼ 7 %	▲ -16 % ▼
Flores 	-7 %	▼ 6 %	▲ 2 %	▲ -13 % ▼
Otros productos mineros 	-6 %	▼ 17 %	▲ 250 %	▲ 55 % ▲
Manufactura de metal 	-1 %	▼ -12 %	▼ 3 %	▲ 16 % ▲

Source: Based on Ecuador Banco Central, "La economía ecuatoriana".

## Analysis of imports

Imports are the acquisition of raw materials, goods or products that are not produced internally. It allows the improvement of the quality of production, industrialization and commercialization processes. Through this activity, the country seeks to obtain benefits for consumers, farmers, industries, and other productive areas of the country.<sup>46</sup> This helps the country’s economic growth.

Figure 2  
**Total imports from Ecuador, in thousands of US\$,  
 period 2017-2021**



Source: Based on Ecuador Banco Central, “La economía ecuatoriana”.

Ecuador’s main import products in terms of raw materials are agricultural, industrial and construction materials, while consumer goods include durable and non-durable goods, international postal traffic and express couriers. Capital goods are agricultural, industrial and transportation equipment.

46 Sandra Rey et al., “Industria 4.0 y gestión de calidad empresarial”, *Revista Venezolana de Gerencia* 27, n.º 97 (2022), <https://tinyurl.com/mr3x4b6m>.

Table 3  
Main import products of Ecuador, period 2017-2021  
expressed in percentage

Productos	2018		2019		2020		2021	
<b>Materias primas</b>								
Agrícolas 	11,0%	▲	-1%	▼	10,0%	▲	14,0%	▲
Industriales 	0%	▲	-6%	▼	-6%	▼	28%	▲
Materiales de construcción 	16%	▲	5%	▲	-27%	▼	8%	▲
<b>Bienes de consumo</b>								
Duraderos 	12%	▲	-8%	▼	-27%	▼	18%	▲
No duraderos 	0%	▲	8%	▲	5%	▲	-7%	▼
Tráfico postal internacional y correos rápidos 	-3%	▼	1%	▲	33%	▲	20%	▲
<b>Bienes de Capital</b>								
Agrícolas 	6%	▲	-26%	▼	19%	▲	3%	▲
Industriales 	-1%	▼	4%	▲	-8%	▼	-5%	▼
Equipos de transporte 	11%	▲	16%	▲	-30%	▼	2%	▲
<b>Combustibles y lubricantes</b>								
Combustibles 	25%	▲	-1%	▼	-30%	▼	46%	▲
<b>Diversos</b>								
Diversos	38%	▲	47%	▲	-13%	▼	15%	▲

Source: Based on Ecuador Banco Central, "La economía ecuatoriana".

## Analysis of exports and imports, Ecuador - China Trade Balance by years

### Year 2017

In 2017, during the January-December period, China ranks in Ecuador's oil and non-oil trade balance by country, with oil exports of 1,011,830 metric tons, equivalent to USD 342.0 in FOB value. Non-oil exports are 420,751 metric tons equivalent to USD 429.9 in FOB value. On the other hand, imports with the Asian giant are lower, oil imports are 5,533 metric tons equivalent to USD 6.4 in FOB value. Non-oil imports in metric tons are 1,613,015 equivalents to USD 2,867.5 in FOB value.

Table 4  
Ecuador's oil and non-oil trade balance by country in 2017

ECUADOR'S OIL AND NON-OIL TRADE BALANCE BY COUNTRY										
MT and FOB values in millions of USD										
January-December 2017										
	Exports				Imports				Balance of trade	
	Oil exports		Non-oil		oil imports		Non-oil		Oil	No Petrolera
	TM	FOB	TM	FOB	TM	FOB	TM	FOB	FOB Values	
Totals	21,315,685	6,913.6	10,214,536	12,208.9	6,247,397	3,199.7	9,460,570	15,833.4	3,713.9	-3,622.5
China	1,011,830	342.0	420,751	429.9	5,533	6.4	1,613,015	2,867.5	335.5	-2,437.6

Source: Adapted by authors.

## Year 2018

In 2018, during the January-December period, China is in Ecuador's oil and non-oil trade balance, with oil exports of 1,123,976 metric tons equivalent to USD 482.2 in FOB value. Non-oil exports account for 650,996 metric tons equivalent to USD 1,012.1 in FOB value. Oil imports registered 45,343 metric tons equivalent to USD 32.5 in FOB value, while non-oil imports registered 1,702,872 metric tons equivalent to USD 3,357.9 in FOB value.

Table 5  
Ecuador's oil and non-oil trade balance by country year 2018

ECUADOR'S OIL AND NON-OIL TRADE BALANCE BY COUNTRY										
MT and FOB values in millions of USD										
January-December 2018										
	Exports				Imports				Balance of trade	
	Oil exports		Non-oil		oil imports		Non-oil		Oil	Non-oil
	TM	FOB	TM	FOB	TM	FOB	TM	FOB	FOB Values	
Totals	20,504.666	8,801.7	10,503,783	12,804.4	6,730,263	4,357.7	10,275,191	17,761.2	4,444.0	-4,956.7
China	1,123,976	482.2	650,996	1,012.1	45,343	32.5	7,702,872	3,357.9	335.5	-2,345.8

Source: Adapted by authors.

## Year 2019

In 2019, during the January-December period, China is in Ecuador's oil and non-oil trade balance with oil exports of 672,576 metric tons equivalent to USD 261.6 in FOB values, while non-oil exports are 1,106,946 metric tons equivalent to USD 2,635.2 in FOB values. While oil imports registered 276,702 metric tons equivalent to USD 170.9 in FOB value, non-oil imports registered values of 1,710,691 metric tons equivalent to USD 3,341.1 in FOB value.

Table 6  
Ecuador's oil and non-oil trade balance by country year 2019

ECUADOR'S OIL AND NON-OIL TRADE BALANCE BY COUNTRY										
MT and FOB values in millions of USD										
January-December 2019										
January-December 2019										
	Exports				Imports				Balance of trade	
	Oil exports		Non-oil		oil imports		Non-oil		Oil	Non-oil
	TM	FOB	TM	FOB	TM	FOB	TM	FOB	FOB Values	
Totals	22,212,112	8,679.6	10,887,862	13,649.8	1,3053656	4,159.0,	10,063,995	17,312.2	4,520.6	-3,665.4
China	672,257	261.6	1,106,946	2,635.2	276,702	170.9	1,710,691	3,341.1	90.7	-705.9

Source: Adapted by authors.

## Year 2020

Total exports from Ecuador to China this year had an equivalent of 7.87% of total exports. The products that during this year increased exports despite the sanitary emergency due to Covid-19 were bananas and plantains that represented 14.4% of exports. Furthermore, cocoa and processed cocoa represented 23.3% of exports.<sup>47</sup>

Imports with respect to 2019 fell with 7.9%, within this percentage the products that had more demand were products focused on agriculture that despite the situation had a growth of 5.1%, crude and refined oils with 5.3%.<sup>48</sup>

47 Ecuador Banco Central, "La economía ecuatoriana".

48 Embajada del Ecuador en China, "Acción bilateral: Perspectivas para el Ecuador luego de la firma del RCEP bajo el liderazgo de China", *Embajada del Ecuador en China. Revista Semestral* (2020), <https://tinyurl.com/ybztptj6m>.

Table 7  
Ecuador's oil and non-oil trade balance by country year 2020

ECUADOR'S OIL AND NON-OIL TRADE BALANCE BY COUNTRY					
MT and FOB values in millions of USD					
January-December 2020					
January-December 2020					
	Exports		Imports		Balance of trade
	TM	FOB	TM	FOB	FOB Values
Totals	32,502,224	20,226.6	15,339,600	16,986.8	3,239.8
China	2,559,317	3,193.7	1,606,105	2,947.6	246.1

Source: Adapted by authors.

## Year 2021

In 2021, during the January-December period, China is in Ecuador's oil and non-oil trade balance with oil exports of 981,545 metric tons equivalent to USD 451.5 in FOB values, while non-oil exports are 1,292,888 metric tons equivalent to USD 3,623.4 in FOB values. While oil imports registered 43,600 metric tons equivalent to USD 28.8 in FOB value, non-oil imports registered values of 2,014,280 metric tons equivalent to USD 4,373.8 in FOB value.

Table 8  
Ecuador's oil and non-oil trade balance by country, year 2021

ECUADOR'S OIL AND NON-OIL TRADE BALANCE BY COUNTRY										
MT and FOB values in millions of USD										
January-December 2021										
January-December 2021										
	Exports				Imports				Balance of trade	
	Oil exports		Non-oil		oil imports		Non-oil		Oil	Non-oil
	TM	FOB	TM	FOB	TM	FOB	TM	FOB	FOB Values	
Totals	19,732,427	8,607.3	12,719,039	18,091.9	7,213,032	4,656.2	11,166,721	19,172.3	3,951.0	-1,080.4
China	981,545	451.5	1,292,888	3,623.4	43,600	28.8	2,014,280	4,373.8	422.7	-750.4

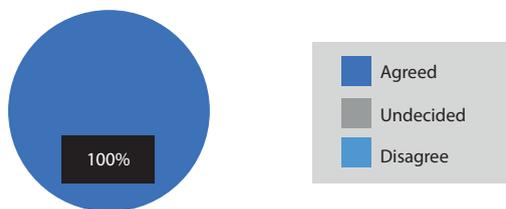
Source: Adapted by authors.

## Interview results

The interviews were conducted with people who have knowledge about the negotiation and international relations with China. A total of 6 questions were asked for each interview, of which two questions were considered as the most important ones.

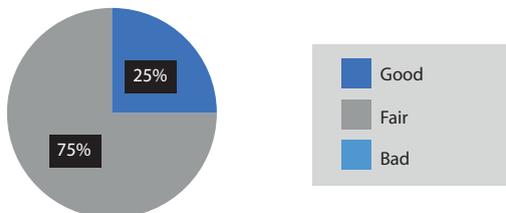
Of the total number of interviewees, 100% agree that having knowledge about the business culture in the international market is important to be able to be part of a successful negotiation round.

Figure 3  
Do you think it is important to know the business culture in the international market? Source: Adapted by author, (2023)



Of the total number of interviewees, 75% claim that Ecuador's negotiation culture with China is average, this is due to the fact that most of them lack knowledge about how to conduct a negotiation. On the other hand, only 25% of those interviewed said that the negotiation culture between the two countries is good, due to the fact that they are very experienced negotiators in the market.

Figure 4  
How do you consider Ecuador's negotiation culture with China to be?



Source: Adapted by authors.

## Discussion and conclusion

The interpretation of literature research by various authors leads to the conclusion that the cultural factor plays a vital role at the international level due to the globalized nature of our world. Culture significantly impacts international business, and it is essential to acknowledge its relevance. In the context of China, as one of the oldest civilizations, understanding its cultural history is crucial. Culture encompasses various factors that influence a system's functioning, and despite globalization, each country retains its unique culture and approach to business.

In international business, culture plays a crucial role in fostering empathy between negotiators. It entails seeking mutual benefits while considering and respecting each country's cultural values, reasoning, and negotiation logistics. The Chinese approach to international negotiations is deeply rooted in their closed, familiar, and ritualistic business practices. Language is an essential aspect to consider in negotiations. While Mandarin and Spanish might be challenging for each party to learn, English serves as a common language traditionally used in negotiations between them.

Cultural expressions, communication styles, and body language are also significant aspects that can make a substantial difference in the success of a negotiation. Demonstrating interest in the customs of others from the outset can create a comfortable and confident atmosphere, setting the stage for a positive negotiation experience.

Religious beliefs are an integral part of culture and should be respected without falling into stereotypes. When exporting to China, understanding and aligning with their customs, traditions, and gastronomy can lead to a more successful market entry. Offering products tailored to their preferences, packaging, and marketing can foster cultural acceptance and appreciation for Ecuadorian brands.

Studying the international panorama with a focus on culture is of utmost importance and should continue to be explored. Lack of cultural knowledge has hindered the growth of many countries, highlighting the necessity for educational institutions to teach not just business strategies but also how to understand Chinese buyers and sellers. Furthermore, considering geopolitics within the bilateral relationship can offer Ecuador strategic advantages, given its geographic location and size.

Taking advantage of cultural differences and international tools, such as the FTA signed with China, can boost trade and benefit both countries. The trade balance data show positive trends in Ecuador's exports, particularly in the agricultural and agribusiness sectors.

In conclusion, understanding and leveraging cultural factors are key to successful international negotiations. A model for action is presented, emphasizing preparation, empathy, respect, and adaptation to the Chinese way of doing business. By following these guidelines, Ecuador can improve its decision-making abilities and strengthen its position in the intercultural business landscape with China.

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