

Analysis of the Impact of Sino-Australian Cultural Differences on International Negotiations between the Two Countries

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Abstract: The 2025 is the 10th anniversary of china-australia free trade agreement signed, Australia is a crucial supplier of energy and resources to China. After experiencing setbacks, the economic and trade relations between Australia and China are moving towards 'thawing' and 'recovery'. However, in international business negotiations, cultural differences between two countries are reflected. This paper uses Hofstede's cultural dimensions theory and Hall's model to systematically analyze the cultural differences between China and Australia in terms of individualism, power distance and uncertainty avoidance. It is concluded that Australia is a country with low power distance, individualism, short-termism, indulging and low context, which are significantly different from China in these five aspects. Based on this difference, the two countries should respect cultural differences and adhere to the principle of sincerity in business negotiations.

Keywords: China and Australia; Hofstede; Hall Model; International Business Negotiation

1. Introduction

China-Australia trade relations is one of the most important bilateral economic relations in the Asia-Pacific region, Since 2009, China has been Australia's largest trading partner, largest export market, and largest source of imports.

Australia's rich resources for China's vast manufacturing and infrastructure construction to provide raw materials; China exports cheap, high-quality manufactured and consumer goods to Australia. It has been ten years since China and Australia signed the China-Australia Free Trade Agreement (FTA) in June 2015 to expand the basis of economic and trade cooperation and reduce market uncertainties. The agreement has greatly promoted the liberalization and facilitation of trade and investment between the two countries and provided institutional guarantee for the rapid growth of bilateral trade. According to Chinese statistics, in 2015, China imported US \$73.51 billion of goods from Australia and exported US \$40.31 billion to Australia. In 2024, China's imports of goods from Australia reached\$140.573 billion, and exports to Australia increased to \$70.714 billion, representing increases of 91.2% and 75.4% respectively compared to when the agreement came into effect in 2015. It can be seen that China and Australia have a large number of trade exchanges, which will increase the opportunities for international business negotiations.

Although economic interests are dominant, deep-seated cultural differences, if not handled properly, can seriously hamper the efficiency and outcome of negotiations. Empirical studies show that there is a statistically significant relationship between culture and negotiation^[1]. Among them, Hofstede's cultural theory and Hall's high-low context model are the theories that study cultural differences. This paper will analyze the differences between China and Australia under these dimensions respectively.

On September 30, 2025, China National Mineral Resources Group (CMRG) suddenly announced that it would suspend the import of all iron ore from global mining giant BHP Billiton (BHP), which brought the China-Australia negotiations to an impasse. Therefore, resolving similar trade disputes is crucial. This article provides cultural insights and strategic support for ongoing and future China-Australia trade negotiations, aiming to make the negotiations smoother and the outcomes more secure.

2. An Analysis Of Cultural Differences Between China And Australia

2.1 Analysis Based On Hofstede's Cultural Dimension Theory

Hofstede's Cultural Dimensions Theory outlines six dimensions—power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term versus short-term orientation, and indulgence versus restraint—to characterize national cultures. Utilizing this framework, the cultural distinctions between China and Australia can be systematically identified. A comparative analysis of their respective scores is presented in Figure 1.

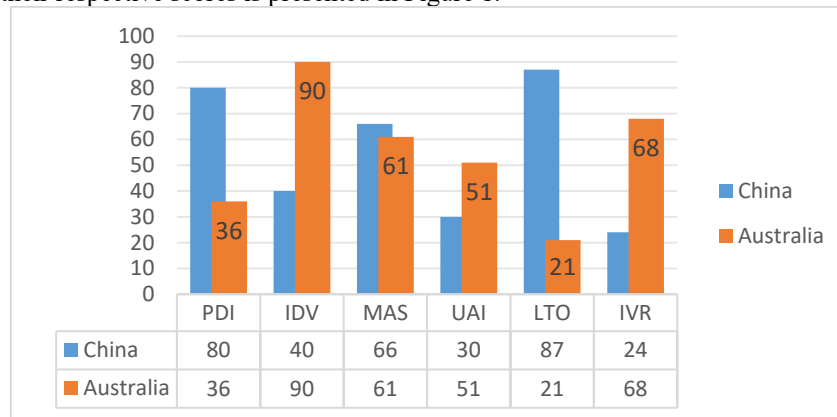


Figure 1 Comparison table of Hofstede cultural dimensions between China and Australia

Source of data: Hofstede Insights.

As illustrated by the data in Figure 1, China and Australia exhibit significant differences in scores across most dimensions, with notable commonality observed only in the dimensions of masculinity versus femininity and uncertainty avoidance. The following section analyzes the impact of these cultural dimensions on international business negotiations by examining their specific scores in detail.

2.1.1 Power Distance (PDI)

China's power distance index is 80, while Australia's power distance index is 36. It indicates that inequality between people is acceptable in China, whereas Australia does not value power as much and focuses more on individual ability. Social egalitarianism prevalent, emphasis on fair competition, not superstition authority. In organizations, the hierarchy is flat, and subordinates dare to question their superiors. Based on this difference, during negotiations, the Chinese team may expect the other team to have a clear and hierarchical decision-making structure, whereas the Australian team may be flatter and more empowered. The Chinese 'leader makes the decision' approach may clash with the Australian 'team consensus' approach. Therefore, the Chinese side should try to accommodate the Australian flexible approach during negotiations.

2.1.2 Individualism and Collectivism (IDV)

Hofstede uses the 'individualism index' to measure a society's tendency toward individualism or collectivism. The higher the index is, the more obvious the individualistic tendency of social members is. Otherwise, the collectivist tendency of social members is more obvious. China's IDV index is 40, indicating that it is a collectivist society where collective interests are higher than individual interests. And Australia's IDV index for 90 that is extremely high individualism. The significant differences between individualism and collectivism affect business negotiations between two counties. For example, the Chinese side emphasizes collective interests and team harmony, and the negotiation decision-making process may be more internal and cautious. On the Australian side, individual performance is encouraged, negotiators are given greater autonomy, and the decision-making chain is shorter, with a more direct and decisive style. Therefore, when interacting with the Australian team, we should not overlook acknowledging and praising the individual abilities and contributions of their team members, which aligns with their individualistic culture.

2.1.3 Masculinity and Feminine (MAS)

Masculinity and feminism can be expressed by MAS, the higher the MAS, the more masculine the society is; On the contrary, the feminine characteristics of the society are more obvious. China's MAS index is 66, while Australia's is 61. Both countries have a masculine bias and competitive societies, but

Australia is unique in that it is competitive but humble, and celebrates "quality of life" rather than mere success. Masculinity can be summed up as "live to work" while feminism believes "work to live"^[2]. Thus, the Chinese competitiveness and strong drive for success may conflict with the Australian style, which focuses on fairness and abhors arrogance. The Australian side appreciates confidence but disdashes arrogance. China should recognize that the real opponent in the negotiations is not Australia, and both sides should aim to position the negotiations as a fair competition of strong alliances.

2.1.4 Uncertainty Avoidance (UAI)

The degree of uncertainty avoidance is expressed by the Uncertainty Avoidance Index (UAI). The higher the UAI is, the stronger the uncertainty avoidance tendency is. Otherwise, it is weaker. China UAI index of 30, has a low uncertainty avoidance index, that truth is relative, laws and rules are flexible. Australia, with a UAI index of 51, also has a high tolerance for ambiguity and flexibility. This similarity is beneficial to the negotiations between the two countries, because both sides can accept when the situation changes for flexible adjustment to the contract.

2.1.5 Long-Term vs. Short-Term Orientation (LTO)

Long-term guidance means to nurture and encourage the pursuit of the future returns oriented character -- especially perseverance and thrift. At the other end of the spectrum, a short-term orientation means cultivating and encouraging virtues about the past and the present -- in particular, respect for tradition, preservation of face, and fulfillment of social obligations."^[3] (P222) this is oriented by "long-term orientation index", The larger the value, the greater the long-term orientation of the society is illustrated; On the contrary, the smaller the value, the more obvious the short-term orientation of the society.

With an LTO index of 87, China is clearly long-term oriented to the world, focusing on long-term strategic relations and future markets. Australia, with an LTO of 21, is clearly short-term oriented, focusing on the success or failure of current deals and profits and performance in the short term. So in the negotiations, the Chinese tend to portray the beautiful blueprint of long-term cooperation, and Australia is more concerned about the specific terms of the deal, price and delivery conditions. Using short-term interests as the entry point will attract more attention from the Australian side.

2.1.6 Indulgence and Restraint (IVR)

This is the newly added dimension, defined as society allows or inhibit the extent of the fundamental and natural human enjoy life fun. It can be measured using the IVR index; the higher the index, the more the society tends to indulgence, meaning that society relatively allows people to freely satisfy their needs and desires related to enjoying life. A lower index indicates that the society is more inclined towards restraint. China's IVR index is 24, which means that China suppresses the gratification of desires through strict social norms and considers such restraint to be normal. In contrast, Australia's IVR index is 68, emphasizing leisure, consumerism, an optimistic attitude, and the freedom to have more personal choices. It is recommended that the negotiation agenda be designed with a balance of firmness and flexibility, including rigid clauses that require careful discussion, as well as segments with softer topics that allow for free exchange.

2.2 Analysis Based On Hall Model: Low-Context and High-Context Culture

High-context culture and low-context culture were proposed by Hall in his 1976 book *Beyond Culture*. The differences between high-context and low-context cultures affect the conduct of international negotiations. If most of the information exists in the context of material, information transmission depends on the social scene, called high context culture; If negotiations most information through explicit language, suggest that the information is less, it is called a low context culture^[4]. China is a typical high-context culture, where information is hidden in context and non-verbal cues during negotiation. Australia is a typical low context culture, communication is more direct. In this kind of conflict, the Chinese side's tactful refusal or reservation may be misunderstood by the Australian side as agreement or lack of sincerity. Australia's direct criticism or negative, may be China as rude and aggressive.

3. Case Studies On The Impact Of Cultural Differences Between China And Australia On International Business Negotiations

3.1 Case Background: Deadlock in China-Australia Iron Ore Trade Negotiations

This case selection on September 30, 2025 China mineral resources group (CMRG) suspension of BHP billiton (BHP) iron ore imports this event as the analysis object. This incident is a typical, high-level commercial negotiation impasse during the "unfreezing" period of China-Australia economic and trade relations. The two sides are deadlocked over the price and settlement currency for a long-term iron ore deal through 2025. BHP reportedly wanted to raise the long-term deal price significantly to about \$109.5 a tonne, well above the spot price of about \$80 a tonne at the time; At the same time, CMRG is pushing for the RMB to be used as the settlement currency, while BHP is sticking with the industry's customary dollar settlement. After failing to reach an agreement in a negotiation, CMRG adopted "on hold" this tough measures, imports into the open deadlock marks. This case perfectly integrates commercial interests and strategic considerations, providing an excellent sample for analyzing the communication, decision-making and conflict resolution mode behind it from the cultural dimension.

3.2 Case Study: Cultural Dimensions in Negotiations

3.2.1 Low-Context vs High-Context Conflicts

Australia is a low-context country. As a business giant, BHP's stance is direct and transparent—pursuing higher dollar pricing to safeguard short-term shareholder interests. This direct expression of interests is a typical characteristic of low-context cultures. China is a high-context country, CMRG's actions contain multiple high-context messages. First of all, pressure "on hold" is not only a commercial imports, but also to a strategic signals BHP and the Australian mining: China in pursuit of pricing power and adamant in their use of RMB internationalization. Secondly, If CMRG's easy concession under BHP's tough stance will be seen as undermining national dignity and negotiation authority. Therefore, China's action is not just about the price, but about maintenance status and dignity.

3.2.2 Differences Between Short-Term Orientation And Long-Term Orientation

The Australian side is short-term oriented, and BHP focuses on the short-term financial benefits of this long-term association. The pressure on its shareholders and market analysts to focus more on quarterly results and annual profits has made negotiations highly focused on short-term gains. While the Chinese side is long-term oriented, CMRG's strategic goals are more long-term. Its core demands include at least two points: one is to establish a long-term and stable raw material cost system to support the sustainable development of China's manufacturing industry; The second is to promote the internationalization of the RMB, a strategic goal that will affect the global financial landscape and the pricing power of energy and resources in the coming decades. China is willing to trade disruption in the short term in exchange for long-term strategic interests. This mindset of "looking to the future" and "focusing on the present" is one of the fundamental reasons why it is difficult for the two sides to find a baseline for joint negotiations.

3.2.3 Uncertainty Avoidance

Both China and Australia are low uncertainty avoidance countries with high tolerance for ambiguity. This is reflected in the fact that both sides are willing to adopt the unconventional means of "suspending imports" to push the negotiation to an uncertain and stressful state as a game strategy. This shows that both sides are capable of flexibility and strategic risk-taking outside the rules.

4. Negotiation Strategies For Properly Dealing With Chinese-Australian Cultural Differences

4.1 Respect Cultural Differences

China and Australia show significant differences in four aspects of Hofstede's cultural theory: power distance, individualism vs collectivism, long-term vs short-term orientation, and indulgence vs restraint. In the face of these cultural differences, on the one hand, China should respect cultural differences in the negotiation process. One should not measure others' viewpoints using their own way of thinking, as this can easily lead to misunderstandings.

On the other hand, China should try its best to help Australia understand China's way of thinking and

agree with China's viewpoint^[5]. Only by recognizing the differences in beliefs, motivations, and needs among business communicators from different cultural backgrounds can one learn to understand, accept, and ultimately respect foreign cultures.

4.2 Adhere to the Principles of Sincerity and Integrity

International business negotiation of transnational different from domestic negotiations, often affected by the political and cultural differences. In international business negotiations, both parties often engage in a game of strategy and lack trust. This also increases the difficulty and complexity of international business negotiations. The strategy of international business negotiation is important, but integrity and sincerity run throughout international business negotiation. Deadlock in negotiations is a normal phenomenon, and both sides should communicate in an honest and transparent manner. If the principle of good faith is not observed, it may cause tension in economic and trade relations, which will have a negative impact on the economic development and social livelihood of the two countries^[6]. Therefore, when the iron ore trade negotiations between China and Australia are in deadlock, China should not only adopt reasonable negotiation strategies to break the deadlock, but also adhere to the principle of sincerity and good faith, so as to resolve the impasse.

5. Conclusion

Based on Hofstede's cultural dimension theory and Hall's model, this paper systematically analyzes the cultural differences between China and Australia and their impact on international business negotiations.

The research shows that the differences in communication mode, decision-making mode and negotiation focus between China and Australia are easy to lead to misunderstanding and lack of trust. Based on this, this paper puts forward two core suggestions: first, both sides must establish a sense of cultural respect; Second, adhere to the principle of sincere and honest communication. Against the backdrop of the continuous development of China-Australia economic and trade relations, effectively identifying and managing cultural differences has become key to improving negotiation effectiveness. Cultivating cross-cultural negotiation skills is of significant practical importance for promoting the healthy and stable development of bilateral economic and trade relations.

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