

Ethical Decision-Making in Global Trade: Cultural Complexity, Political Constraints and Corporate Responsibility in the European Context



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Student Name: Yaxuan Dai

Student Number: 2420047

Programme: International Business Management

Module: Global Ethics (BMBM6008)

Lecturer: Arpu Kumar

Submission Date: 12 December 2025

University of Wales Trinity Saint David Swansea Business School

Abstract

Global trade places companies in contact with a wide range of cultural expectations, political pressures and changing ethical standards. This essay explores how firms, particularly those operating in the United Kingdom and Europe, respond to these challenges while seeking to maintain consistent ethical values. It considers the influence of cultural and religious factors on ethical decision-making, the impact of political and social pressures on business behaviour, and the ongoing tension between profit-driven goals and broader responsibilities. The discussion uses recent examples such as European supply chain legislation, consumer activism and climate-related legal rulings to illustrate how ethical expectations are increasing. Drawing on recent scholarship, the essay argues that ethical behaviour and long-term financial performance can support one another. It concludes that compatibilist approaches built around stakeholder engagement, cultural awareness and transparent governance provide practical means for firms to stay competitive while behaving responsibly. Ethical decision-making is therefore presented not only as a moral requirement, but also as a crucial foundation for sustainable success in the context of modern global trade.

Contents

Abstract	2
Contents	3
1. Introduction	4
1.1 Background and Context	4
1.2 Aim and Structure of the Essay	5
2. Cultural and Religious Influences on Ethical Trade	6
2.1 Western and Eastern Ethical Traditions	6
2.2 Religious Values and Business Legitimacy	7
3. Political and Social Constraints	9
3.1 Regulatory Environments and Governance	9
3.2 Social Norms and Consumer Expectations	10
4. Profit and Ethical Responsibilities	11
4.1 The Limits of a Profit-First Approach	11
4.2 Stakeholder Models and Long-Term Value	12
5. Climate Change and Environmental Responsibility	13
5.1 Environmental Duties in Europe	13
5.2 Growth, Sustainability and Emerging Tensions	14
6. Navigating Ethical Tensions	15
6.1 Cross-Cultural Ethical Frameworks	15
6.2 Global Initiatives and Corporate Practice	16
7. Conclusion	17
References	19

1. Introduction

1.1 Background and Context

Companies engaged in global trade encounter contrasting cultural norms, political systems and ethical expectations (Crane and Matten, 2021; De Bruin, 2022). What constitutes responsible practice differs significantly depending on the society in which a business operates. European business environments tend to emphasise transparency, accountability and legal compliance (Transparency International, 2023), whereas in parts of Asia and Africa ethical decision-making often rests on community obligations, interpersonal trust and situational judgement (Vitolla et al., 2021). These differences influence how businesses negotiate agreements, manage staff and engage with local stakeholders (Wadman, 2023). When organisations operate across these diverse contexts, they must consider how to respect cultural values while remaining aligned with their own ethical commitments.

In Europe, expectations around global business ethics have become stronger over time. Recent regulations on supply chain transparency, modern slavery, environmental reporting and corporate due diligence (European Environmental Bureau, 2024; International Labour Organization, 2022) indicate a growing view that companies should take responsibility for the wider effects of their operations. At the same time, pressure from the public has increased. Consumers, civil society groups and investors are now more inclined to expect businesses to show social responsibility, limit environmental harm and act in a transparent way (Edelman,

2022). These changes have had a clear impact on the ethical conditions under which European companies operate.

Global instability, inequality and climate change add further difficulty to ethical decision-making in business. Many issues that companies face today cannot be dealt with purely through financial reasoning, but instead require consideration of moral responsibilities towards workers, communities and the environment. Being able to balance commercial aims with ethical duties is therefore an important part of operating responsibly in a global context (Jackson and Victor, 2020).

1.2 Aim and Structure of the Essay

This essay examines how companies participating in global trade can navigate cultural, political and environmental ethical challenges. The focus is on European and UK businesses that must reconcile differing expectations at home and abroad. The analysis is organised into six sections. Global business ethics has become an increasingly important area of scholarly analysis (Scherer and Neesham, 2022).

The second section explores cultural and religious influences on ethical behaviour, comparing Western and Eastern ethical perspectives and considering how religion shapes business legitimacy. The third section analyses political and social expectations, emphasising European regulatory developments and rising public concern about issues such as labour rights and public health. The fourth section evaluates the ongoing tension between profit motives and ethical responsibilities,

drawing on recent literature that challenges the belief that ethics undermine competitiveness. The fifth section examines climate change as a critical area in which businesses face expanding ethical duties. The fifth section looks at climate change, highlighting it as an area where businesses are facing growing ethical responsibilities. The sixth section then considers how companies attempt to deal with ethical tensions in a global setting, focusing on strategies such as cross-cultural frameworks, due diligence and cooperation within international initiatives.

The conclusion explains how businesses aim to keep ethical values while competing in global markets and asks whether compatibilist approaches can actually lead to responsible and consistent decision-making.

2. Cultural and Religious Influences on Ethical Trade

2.1 Western and Eastern Ethical Traditions

Ethical expectations differ noticeably between Western and Eastern business environments. In Europe and the United Kingdom, ethical standards are usually maintained through legal systems, transparency measures and formal governance arrangements (Transparency International, 2023). According to Wadman (2023), European organisations often depend on written rules and established procedures to guide ethical behaviour. This tendency reflects a broader cultural preference for predictability, accountability and rule-based decision-making.

In such contexts, greater attention is given to individual responsibility, fairness in negotiations and a clear distinction between personal and professional relationships.

In contrast, ethical decision-making in many Asian contexts is mainly shaped by relationships, shared identity and long-term cooperation. Vitolla et al. (2021) note that ethical norms in East Asia often focus on trust, respect and maintaining harmony (Hofstede Insights, 2020). Practices such as gift-giving and hospitality are usually understood as normal social behaviour that helps maintain relationships, rather than as attempts to influence decisions or outcomes (Luo, 2020). Managers in these settings are expected to pay attention to context and show sensitivity to hierarchy, community expectations and interpersonal responsibilities.

These different ethical traditions can cause problems for multinational enterprises. A European company entering an Asian market may find that sticking too closely to home-country rules can damage local relationships (Taras, Kirkman and Steel, 2020). At the same time, adapting too much can weaken its own ethical standards. Companies therefore need to be clear about the difference between practices that are culturally acceptable and those that go against core ethical principles. Developing cultural competence helps firms respect local customs while avoiding behaviour that reduces transparency, fairness or respect for human rights (Rockstuhl and Van Dyne, 2020).

2.2 Religious Values and Business Legitimacy

Religion plays a strong role in shaping business ethics in many parts of the world (Fischer, 2020). Fischer (2020) notes that religious expectations can influence supply chain choices, product design and marketing activities. In Muslim-majority markets, companies need to make sure that food and consumer products meet halal requirements (Tieman, 2020). Similar expectations can be found in Jewish communities through kosher standards. When businesses fail to respect these values, trust may be reduced, while following them can help build legitimacy and acceptance in the market.

Religious traditions also affect wider views about ethical behaviour. For example, Islamic finance does not allow exploitative interest or speculation (El-Gamal, 2021), which means firms must use financial arrangements based on shared risk and fair returns. In Europe, Christian ethical traditions place emphasis on stewardship, care for vulnerable groups and respect for the dignity of labour (Rendtorff, 2021), which influences debates around living wages and corporate responsibility. In South and East Asia, Hindu and Buddhist values stress compassion and non-harm (Pandey and Gupta, 2021; Yeh and Xu, 2020), shaping consumer expectations for cruelty-free production.

For these reasons, companies need to be aware of religious expectations in the markets they operate in. Considering religion in business decision-making can support social acceptance and help reduce reputational risk (Ali and Gibbs, 2021). It also

allows firms to behave more responsibly by aligning their activities with the moral values of local communities.

3. Political and Social Constraints

3.1 Regulatory Environments and Governance

Political systems play an important role in shaping corporate ethics (Scherer and Neesham, 2022). Within the European Union, the regulatory framework has been strengthened to encourage companies to follow responsible practices across global value chains. The Corporate Sustainability Due Diligence Directive requires firms to identify and address risks related to human rights and environmental harm within their supply chains (European Environmental Bureau, 2024). This approach reflects the view that ethical responsibility does not stop at national borders but applies across a company's wider operations and business relationships (OECD, 2022).

Europe's regulatory approach is reinforced by strict legislation on issues such as data protection, labour rights and environmental stewardship (European Commission, 2021). Transparency International (2023) notes that Western Europe continues to rank among the highest regions worldwide on anti-corruption measures, reflecting strong governance systems. These policies shape corporate behaviour by establishing high standards that companies must follow when operating internationally.

Political events also influence ethical expectations. Ganesan and Mallapragada (2024) observe that companies withdrawing from Russia following the invasion of Ukraine were perceived more positively by consumers, illustrating how geopolitical crises can create moral pressures on firms. This indicates that ethical obligations in global trade increasingly extend to foreign policy considerations.

3.2 Social Norms and Consumer Expectations

Social expectations in Europe have become a powerful force shaping business ethics (Edelman, 2022). Rising concern about public health, environmental sustainability and fair supply chains has led consumers to reward companies that demonstrate responsibility and transparency (Campos, Delli Santi and Simões, 2021). The Department of Health and Social Care (2024) emphasises that public support for restrictions on unhealthy food advertising reflects broader expectations (Department of Health and Social Care, 2024) that businesses promote well-being rather than harm.

Consumer activism also influences corporate behaviour. For instance, investigations into forced labour within garment supply chains (Busse and Mollenkopf, 2020), for example, have motivated European brands to adopt stricter oversight and enhance transparency. Research shows that trust in business now depends heavily on whether companies align with societal values (Edelman, 2022) and address issues such as

inequality and climate change. Firms that fail to respond face reputational risk (European Corporate Governance Institute, 2023) and loss of consumer confidence.

Social norms therefore reinforce the need for ethical decision-making that goes beyond legal compliance. Companies operating in Europe must demonstrate awareness of social values and take proactive steps to ensure that their activities reflect public expectations.

4. Profit and Ethical Responsibilities

4.1 The Limits of a Profit-First Approach

The idea that businesses exist primarily to maximise profit has been increasingly questioned (Henderson, 2020). A single-minded focus on financial performance can encourage decisions that harm workers, damage communities or undermine environmental well-being. Bapuji et al. (2020) argue that approaches centred exclusively on shareholder value often overlook wider social consequences.

Numerous global incidents illustrate this risk. Poor working conditions in garment factories, misleading marketing of harmful products (International Labour Organization, 2022) and environmentally destructive extraction practices demonstrate how profit-driven strategies can create long-term costs for companies and society.

In Europe, public expectations have gradually shifted towards more responsible business behaviour (Edelman, 2022). Studies suggest that companies which do not address ethical concerns face increasing attention from stakeholders, including investors who now treat social and environmental indicators as an important part of managing risk (European Corporate Governance Institute, 2023). Ganesan and Mallapragada (2024) show that when firms responded to moral concerns during geopolitical crises, they were able to build trust even when this involved financial costs. Overall, these findings indicate that ignoring ethical responsibilities can weaken long-term stability, while responsible behaviour increasingly helps companies maintain public legitimacy.

4.2 Stakeholder Models and Long-Term Value

Recent scholarship highlights that ethical behaviour can strengthen long-term financial performance (Freeman, Sachs and Cornwell, 2020). Babcock et al. (2022) find that firms adopting stakeholder-oriented strategies experience improved resilience, stronger trust and more stable returns compared with companies focused solely on shareholder outcomes. Freeman et al. (2020) argue that organisations prioritising employee well-being, community engagement and environmental responsibility cultivate advantages that accumulate over time.

The European Corporate Governance Institute (2023) reports that organisations with strong environmental, social and governance policies often perform better than others over the long term. Studies also show that more diverse and inclusive workplaces, which are often linked to ethical leadership, tend to support better decision-making and higher profitability (McKinsey

& Company, 2020). These results challenge the idea that ethical responsibilities reduce competitiveness. Instead, they suggest that fair treatment of stakeholders and attention to environmental issues can help organisations remain resilient (George, Merrill and Schillebeeckx, 2021) and achieve sustainable performance.

5. Climate Change and Environmental Responsibility

5.1 Environmental Duties in Europe

Climate change has become one of the most significant ethical issues shaping corporate practice (Nyberg, Wright and Bowden, 2022). Scientific consensus demonstrates the urgent need for global emissions reductions (IPCC, 2021) and European regulators increasingly expect businesses to take proactive steps to mitigate harm. The 2021 ruling requiring Shell to reduce its carbon emissions by 45 per cent represented a turning point (*Milieudefensie et al. v. Royal Dutch Shell, 2021*) establishing that companies may be legally obligated to align their operations with climate goals, and that climate-related responsibilities must be considered essential to modern business ethics (Nyberg, Wright and Bowden, 2022).

European governments and institutions have introduced policies that hold businesses accountable for environmental impact (European Commission, 2020). The European Green Deal and associated climate legislation illustrate a shift towards treating environmental stewardship as a core component of responsible business conduct.

Firms are expected to demonstrate credible climate strategies, invest in renewable energy and adopt transparent reporting frameworks that allow stakeholders to assess environmental performance (European Corporate Reporting Framework, 2022).

5.2 Growth, Sustainability and Emerging Tensions

Balancing economic growth with environmental sustainability remains a central challenge (Jackson and Victor, 2020). Some industries can reduce emissions while maintaining profitability (George, Merrill and Schillebeeckx, 2021) though others face significant structural changes. Many companies now invest in cleaner technologies, circular production systems and low-carbon innovation as part of long-term strategy, van Zanten and van Tulder (2021) highlight that firms aligning climate action with broader sustainable development goals are better positioned to manage transition risks (van Zanten and van Tulder, 2021).

Research by George, Merrill and Schillebeeckx (2021) also shows that companies which integrate environmental commitments can benefit from improved reputation and lower exposure to climate-related financial risks. Investors are increasingly rewarding organisations that are seen as credible on sustainability issues (European Corporate Governance Institute, 2023). This suggests that environmental responsibility is not only a moral issue, but is also closely linked to business resilience and competitive advantage.

6. Navigating Ethical Tensions

6.1 Cross-Cultural Ethical Frameworks

Companies operating globally must adopt approaches that support ethical consistency while respecting cultural differences. Many organisations develop universal ethical codes rooted in international standards, such as the UN Guiding Principles on Business and Human Rights (OECD, 2022; Scherer and Neesham, 2022). These codes establish minimum expectations regarding labour practices, fairness and environmental care.

Cultural competence is essential for implementing these frameworks effectively (Rockstuhl and Van Dyne, 2020). Wadman (2023) emphasises that sensitivity to local values helps prevent conflict and strengthens relationships. Training programmes that build awareness of cultural dynamics reduce misunderstandings and allow managers to apply ethical principles appropriately (Taras, Kirkman and Steel, 2020). For example, allowing small symbolic gifts while prohibiting improper influence maintains respect for local customs without compromising integrity (Luo, 2020).

Due diligence processes further strengthen ethical practice. Evidence from the Ethical Trading Initiative (2024) shows that collaborative approaches to improving supplier conditions deliver more meaningful progress than audit-only models, as confirmed by OECD (2022) guidance confirms that effective due diligence requires continuous

engagement, capacity-building and transparent communication with workers and communities.

6.2 Global Initiatives and Corporate Practice

Taking part in global initiatives can help companies deal with complex ethical expectations (Scherer and Neesham, 2022). Industry-wide frameworks, such as the Responsible Business Alliance and the International Accord on garment factory safety, set shared standards (Ethical Trading Initiative, 2024). These standards help reduce the risk that companies acting ethically are placed at a disadvantage compared to competitors that follow weaker practices. As a result, such initiatives support more consistent expectations around fair treatment and safe working conditions across different regions.

Climate-related initiatives are also important in this area. For example, the Science Based Targets initiative encourages companies to develop emissions reduction plans that are aligned with international climate goals (World Business Council for Sustainable Development, 2023). Research by the World Business Council for Sustainable Development (2023) suggests that firms with science-based targets tend to show stronger long-term planning and greater investor confidence. Working through broader frameworks such as the Sustainable Development Goals also allows

companies to identify ways in which their operations can contribute to global sustainability priorities (van Zanten and van Tulder, 2021).

In addition, transparency in reporting has become an important part of ethical governance (European Corporate Reporting Framework, 2022). The European Corporate Reporting Framework (2022) sets out requirements for sustainability reporting, which helps stakeholders judge whether companies are meeting their environmental and social responsibilities. This focus on transparency encourages firms to consider ethical issues across all areas of their operations.

7. Conclusion

Operating in global markets requires businesses to deal with ethical issues shaped by cultural, political and environmental factors. This essay shows that cultural values have a strong influence on ethical expectations (Vitolla et al., 2021; Wadman, 2023), meaning that companies need to respect local norms while avoiding practices that undermine fairness or transparency. Religious beliefs also affect expectations around product standards, financial behaviour and the treatment of workers, highlighting the importance of cultural awareness in business decision-making.

Political and social conditions in Europe place considerable responsibilities on firms through regulation, public scrutiny and demands for transparency (European Environmental Bureau, 2024; Edelman, 2022). These pressures push companies to

demonstrate ethical behaviour not only within their own operations, but also across their supply chains. The discussion further suggests that ethical responsibility and financial performance are not necessarily in conflict (Freeman, Sachs and Cornwell, 2020; Babcock et al., 2022). Recent research shows that companies which focus on stakeholders and sustainability often perform better than those that prioritise short-term profit alone.

Climate change has emerged as a major ethical challenge for businesses (Nyberg, Wright and Bowden, 2022; IPCC, 2021), and European firms are increasingly expected to take responsibility for reducing environmental harm. Companies that include climate considerations in governance and long-term planning tend to face lower risk and benefit from higher levels of trust among stakeholders.

Overall, the essay suggests that compatibilist approaches based on stakeholder engagement, cultural awareness and transparent governance (OECD, 2022; Rockstuhl and Van Dyne, 2020) offer practical ways for businesses to behave ethically while remaining competitive. Ethical trade is therefore achievable and can be strategically valuable when companies apply clear principles and engage seriously with global challenges.

References

- Babcock, A., Henisz, W., Doh, J. and King, B. (2022) 'Walking the talk: Valuing a multi-stakeholder strategy', *Wharton ESG Analytics Lab Report*, pp. 1–20.
- Bapuji, H., de Bakker, F., Brown, J. and Higgins, C. (2020) 'Business and society research in times of crisis', *Business & Society*, 59(6), pp. 1067–1078.
- Busse, C. and Mollenkopf, D. (2020) 'Supply chain transparency and ethics', *Journal of Supply Chain Management*, 56(3), pp. 20–35.
- Campos, J., Delli Santi, G. and Simões, C. (2021) 'Consumers and sustainable brand engagement in Europe', *European Journal of Marketing*, 55(4), pp. 1020–1042.
- Crane, A. and Matten, D. (2021) 'Business ethics in a changing world', *Academy of Management Review*, 46(3), pp. 413–420.
- De Bruin, B. (2022) 'Ethics at the centre of global and local challenges', *Journal of Business Ethics*, 180(3), pp. 835–861.
- Department of Health and Social Care (2024) *Healthy food promotion reforms in the UK*.
- Edelman (2022). *Edelman Trust Barometer 2022*. Edelman.
- Ethical Trading Initiative (2024) *Our Impact 2023–24*.

European Corporate Governance Institute (2023) *Long-term value creation and ESG performance in Europe*.

European Environmental Bureau (2024) *A New Paradigm for Ethical EU Trade*.

Fischer, J. (2020) 'Religion, culture and business legitimacy', in Rendtorff, J. (ed.) *Handbook of Business Legitimacy*. Cham: Springer, pp. 243–259.

Freeman, R., Sachs, S. and Cornwell, J. (2020) 'Stakeholder capitalism and business purpose', *Business & Society*, 59(2), pp. 243–253.

Ganesan, S. and Mallapragada, G. (2024) 'Corporate responses to geopolitical conflict', *Journal of Public Policy & Marketing*, 43(2), pp. 240–256.

George, G., Merrill, R. and Schillebeeckx, S. (2021) 'Digital sustainability and climate innovation', *Journal of Business Venturing*, 36(3), pp. 1–15.

Hagendorff, T. (2020) 'The ethics of AI ethics', *Minds and Machines*, 30(1), pp. 99–120.

Henderson, R. (2020) *Reimagining Capitalism in a World on Fire*. New York: PublicAffairs.

International Labour Organization (2022) *Global Estimates of Modern Slavery*. Geneva: ILO.

Jackson, T. and Victor, P. (2020) 'Ecological macroeconomics in the age of climate emergency', *Ecological Economics*, 169, pp. 106–121.

McKinsey & Company (2020) *Diversity Wins: How Inclusion Matters*.

Milieudefensie et al. v. Royal Dutch Shell (2021) District Court of The Hague, Case C/09/571932.

Nyberg, D., Wright, C. and Bowden, V. (2022) *Organising Responses to Climate Change*. Cambridge: Cambridge University Press.

OECD (2022) *OECD Guidelines for Responsible Business Conduct: Due Diligence Guidance*. Paris: OECD Publishing.

Scherer, A. and Neesham, C. (2022) 'Global governance and corporate responsibility', *Journal of Management Studies*, 59(6), pp. 1529–1548.

Sendlhofer, T. (2020) 'Ethical leadership and psychological safety', *Journal of Business Ethics*, 170(1), pp. 1–15.

Transparency International (2023) *Corruption Perceptions Index 2023*. Berlin: TI Secretariat.

van Zanten, J. and van Tulder, R. (2021) 'Improving companies' impacts on sustainable development', *Business Strategy and the Environment*, 30(8), pp. 3703–3720.

Vitolla, F., Raimo, N., Rubino, M. and Garzoni, A. (2021) 'National culture and the quality of codes of ethics', *Journal of International Management*, 27(1), pp. 100823–100836.

Wadman, W. (2023) 'International business ethics: A comparative analysis', *Journal of Research in International Business and Management*, 10(4), pp. 27–35.

World Business Council for Sustainable Development (2023) *Net-zero Pathways and Corporate Transitions*.