

Abstract: Cultural distance is usually interpreted as an impediment to international services trade. In this paper, we invoke the logic of neoclassical trade theory to argue that the trade-impeding role of large differences in rules, priorities and taboos may be counteracted by the fact that these differences also create the scope for mutually beneficial trade. We present a simple model in which cultural traits are treated as factors of production. A like-mindedness distortion potentially tilts demand towards services which use a mix of traits that is close to the observed mix in the country's population, and individual services differ in the severity of this distortion. We show that this results in an ambiguous (and service-specific) influence of cultural distance on services trade.