



CRACOW  
UNIVERSITY  
OF ECONOMICS



INTERNATIONAL  
TRADE  
DEPARTMENT

**ENTRE 2018**

Conference Proceedings

12-14 September 2018

Kraków, Poland

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**Legal Notice:** This is a draft version of the paper presented during the 9th ENTRE Conference, which was also 5<sup>th</sup> AIB-CEE Chapter Annual Conference on September 12-14, 2018 (Kraków, Poland). This paper has the **conference proceedings** status, after modifications it will be published in a journal or as a chapter in a monograph.

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## **The Fair Trade movement and the countries of the Visegrad Group (V4)**

**Wojciech Zysk**

Cracow University of Economics, Poland, [zyskw@uek.krakow.pl](mailto:zyskw@uek.krakow.pl)

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### **Abstract**

The processes of globalization have divided the world into two parts: rich countries of the North and the poor South. One of the methods of measurement of social and economic development levels of countries is HDI, which was developed by the United Nations. The countries of the Visegrad Group include economically developed countries characterized by a high standard of living. The objectives of this study are: analysis of the Fair Trade phenomenon on a global scale, in the V4 countries, comparison with selected European Union countries and an attempt to develop recommendations for the Visegrad Group countries in the development of Fair Trade. We can distinguish three basic concepts of Fair Trade: an alternative movement, the liberalization of the access to the markets of rich countries and buying products from producers in poor countries on terms that are more favorable than free-market terms, and the marketing of those products in developed countries. A long-term sustainable development, building competitive advantage inscribed in the process of social dialogue are becoming the purpose of the twenty-first century business. The Fair Trade movement is one of the components of the discussed processes. The development of cooperation of the V4 countries in the mentioned area can result in finding a solution to problems connected with illegal labor migration which is taking place increasingly in the EU.

**Keywords:** Fair trade, international trade, Visegrad Group, exporting

JEL codes: F13

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## INTRODUCTION

The globalization processes of business activity and the liberalization of trade to the international scale lead to the division of the world population into two parts: countries of the rich North and the poor South. In the conditions of internationalization we can observe alarming socio-cultural, demographic and civilization phenomena, including the division of the world population due to the income obtained and the standard of living. Unequal economic, technological and developmental potentials of the aforementioned two parts of the world bring about the growth of inequality and disproportions to the global scale. In recent years we can observe the development of the migrant crisis in the Old Continent countries. According to the data of the Council of the European Union, in the years 2015-2017 there was an influx of over 1.6 million refugees into the EU countries, and from January to May 2018 of over 41 thousand<sup>1</sup>. In majority, those were refugees from the areas in warfare in the Near East, in Asia, or North Africa. However, a definitely higher level of migrant movements - especially illegal ones - may take place in the situation of the deterioration of the living conditions of millions of people living in the countries of so-called poor South. Those will not be migrations for touristic reasons, to avoid political persecution, related to religious conflicts, or escaping from the areas of military conflicts. It may be a wave of migrations connected with desperate attempts to search for a better and safer, in material terms, living in the countries of so-called rich North.

In the paper of the UN agency (UNDP - United Nations Development Programme) "Human Development Report 2016", the authors write that "Global institutional reforms and a fairer multilateral system would help attain human development for everyone", and among the actions described which may improve the functioning of societies we can find propositions of a change in the functioning of global markets and their regulation in the area of macroeconomic stability and the introduction of fair trade principles. The international agenda should be established to set rules to expand trade in goods, services and knowledge to favor human development and the United Nations Sustainable Development Goals<sup>2</sup>. In addition, the Report emphasizes the implementation of the just migration system, global tax coordination and sustainable global economy<sup>3</sup>. It is a challenge facing economically developed countries, and this group includes the Visegrad Group countries (V4), characterized by high standard of living of the population, high position in economic rankings (for example with regard to GDP), and Human Development Index (HDI).

## LITERATURE REVIEW

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<sup>1</sup> <http://www.consilium.europa.eu/pl/infographics/eastern-and-central-mediterranean-routes-09-2017/>. Accessed 1 June 2018.

<sup>2</sup> <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>. Accessed 1 June 2018.

<sup>3</sup> Human Development for Everyone 2016, p. 29 and the next, <http://hdr.undp.org/en/2016-report>. Accessed 1 June 2018.

The world literature presents numerous studies on Fair Trade. Table 1 shows examples of a synthetic summary of the selected studies results focused on this subject.

**Table 1. Summary of some research results focused on FT**

Reference	Subject	Conclusions
Nicholls (2002)	Strategic options in fair trade retailing	Provides a definition of fair trade and goes on to set a context for the expansion of the UK market by examining the key drivers behind it, particularly noting the growth of ethical consumerism as a contributory factor. Develops the ethical strategy matrix, outlining the strategic options open to retailers to address this increase in ethical consumerism
Moore (2004)	The fair trade movement: parameters, issues and future research	The defining characteristics of fair trade are covered and adoption of Southern producer perspectives to review the issues of fair trade. An investigation into pricing within the fair trade movement, related research projects, mainstreaming, and impact of fair trade on the Southern producers.
Hira & Ferrie (2006)	Fair trade: three key challenges for reaching the mainstream	Fair trade activities increase awareness and availability of products. The challenges faced by fair trade to reach the mainstream.
Davies (2007)	An industry structure/stakeholder perspective on the growth of the fair trade industry	Investigation of the increased mass-marketing in the fair trade industry. The nature of participants in and industry structure in fair trade.
Reed (2008)	What do corporations have to do with fair trade? positive and normative analysis from a value chain perspective	Corporate participation has the potential to rapidly extend the market for fair trade goods, primary concern for the plight of small producers and goal of developing an alternative approach to trade and development.
Fridell (2009)	The Co-operative and the corporation: competing visions of the future of fair trade	An analysis of the fair trade network in the North through a comparative assessment of two distinctly different fair trade certified roasters: Planet Bean, a worker-owned co-operative in Guelph, Ontario; and Starbucks Coffee Company, the world's largest specialty roaster. The two organizations are assessed on the basis of their distinct visions of the fair trade mission and their understandings of "consumer sovereignty". It is concluded that the objectives of Planet Bean are more compatible with the moral mission of fair trade.
Audebrand & Pauchant (2009)	Can the fair trade movement enrich traditional business ethics? An historical study of its founders in Mexico	Historical study of fair trade movement focuses on the originalities and challenges of the FT movement and its contributions to the current theory and practice in business ethics.
Bezencon & Blili (2009)	Fair trade managerial practices: strategy, organization and engagement	The motivations of distributors of fair trade products and how they organize and communicate fair trade values. Strategies and managerial practices related to fair trade product distribution

Reference	Subject	Conclusions
Ja-strzewska (2012)	Connections between transnational corporations (TNC) and Fair Trade	Bringing TNC into the Fair Trade system is a controversial issue, not always perceived positively. Concept of Fair Trade is aimed against the policies of giant TNC.
Shahzad & Sillanpää (2013)	The role of fair trade in developing corporate social responsibility	Fair trade firms give equal importance to economic, social, and environmental responsibilities. Findings also reveal that suppliers are important stakeholders of the firms. Moreover, it depicts the importance of fair trade in developing CSR for diversified products
Forno & Graziano (2014)	Social movements in the current economic crisis	Description of analytical framework which will combine social movements and political consumerism theories by focusing on two basic dimensions: consumer culture and identity and organizational resources.
Bieler (2015)	The role of TNC in Free Trade and Fair Trade	In the long-term the way production itself is organized, needs to be transformed. This will require completely different trade arrangements, challenging more fundamentally the capitalist social relations of production.
Child (2015)	Comparison of Fair Trade and Socially Responsible Investments	Three hypotheses: the relation motivations hypothesis, the material interests hypothesis, and the organization of credibility hypothesis.
Zysk (2015)	Fair Trade, Corporate Social Responsibility, Socially Responsible Investments and responsible tourism in Visegrad Group (V4)	Developing Fair Trade, Corporate Social Responsibility, Socially Responsible Investments and responsible tourism in Poland, the Czech Republic, Hungary and Slovakia can start a new era in fairer trade on the international level.
Chatzidakis, Kastanakis & Stathopoulou (2016)	Socio-Cognitive Determinants of Consumers' Support for the Fair Trade Movement	The findings suggest that the psychological processes underlying fair-trade consumerism are inherently more complex than assumed in previous research. For example, subjective feelings of internal ethics seem to be more important than rational considerations encapsulated in measures of attitudes and subjective norms.
Mora-včíková & Gregová (2016)	Fair Trade as a tool of Corporate Social Responsibility	Fair Trade connects developed countries and social changes are needed most. This is a manifestation of humanity that helps producers to escape acute poverty and lead dignified lives. Fair trade is becoming a very "hot" topic, not only for businesses but also for consumers, who are trending towards buying Fair Trade products.
Zysk (2017)	Trends in the area of responsibility and justice in the activities of enterprises: implications for the V4 countries	Developing social responsibility, responsible investment and promoting the fair trade movement in V4 countries can contribute to the initiation of changes to the rules governing the world today and starting a new era in fairer trade on the international level.
Burnett (2017)	New Perspectives on the Fair Trade and Food Sovereignty Movement Strategies to Challenge International Trade Governance	Both movements' strategies are necessary to changing the international agricultural trade regime, and neither alone is sufficient. Problematicize a tendency to analyze movements that treat their strategies and activities in isolation of broader contributions to common problems. This is matters for academic analysis of these and other movements moving forward

Source: own study.

## MATERIAL AND METHODS

In the face of the processes, tensions and threats in the global economy mentioned in the Introduction, more and more often ideas of responsibility and justice occur, particularly in the international context. The aims of this paper are as follows: analysis of the Trade Fair phenomenon in the global scale, in the V4 countries, comparison with selected European Union countries and an attempt to develop recommendations for the Visegrad Group countries in terms of the development of Fair Trade. Also in the area of Fair Trade (with growing turnover year after year) a new idea should be proposed: foreign trade based on responsibility "towards others" and "for others" – Fair Trade 3.0 – it will be proposed in the part concerning recommendations. The research methods applied in the article are: studying the literature of the subject, analysis of source texts and the descriptive method. Available statistical data (annual reports) of organizations which deal with the above subjects were used. In addition, to acquire relevant data, the author of the paper established cooperation with entities operating in Fair Trade in the analyzed Visegrad Group countries - Fairtrade Česko a Slovensko, Hungarian Tudatos Vásárlók Egyesülete (Association of Conscious Consumers) and Fundacja „Koalicja Sprawiedliwego Handlu” – Fairtrade Polska (Foundation of the "Fair Trade Coalition" – Fairtrade Polska, KSH).

## THE ESSENCE OF THE PHENOMENON AND STANDARDS OF FAIR TRADE

The evolution of the fair trade" phenomenon" has been observed for more than fifty years. We can distinguish three basic approaches to the Fair Trade problems, which are related to the sales models of products manufactured by farmers from the poor South (Table 1).

**Table 2. Fair Trade problems – characteristics**

Perspective	Description/features
alternative movement – opposition to globalization	<ul style="list-style-type: none"> <li>- alternative trade system, operating in parallel to the existing one</li> <li>- objective: improvement of living conditions of the poorest manufacturers from the underdeveloped South</li> <li>- the system of return of the largest possible part of the final price on the sales of goods to producers</li> <li>- establishing minimum criteria concerning social and environmental standards for international commodity trading</li> </ul>
departure from commodification	<ul style="list-style-type: none"> <li>- decommodification, that is an individual becoming independent from free market</li> <li>- creating bonds (relationships) between the commodity manufacturer and the buyer</li> <li>- departure from impersonal nature of the market and implementation of values related to the solidarity principles and actions in the community (co-operatives of manufacturers)</li> <li>- allocating so-called "social premiums" for community purposes (schools, drinking water intakes, hospitals)</li> </ul>
making markets of rich countries available for	<ul style="list-style-type: none"> <li>- model of benefits intended for a dedicated group of producers</li> <li>- access to international markets upon fulfilling adequate conditions</li> </ul>

certified products coming from maker communities in underdeveloped countries	(certificates) - institutionalization of maker communities and development of marketing competences in order to achieve an advantage on the market - numerous "fair trade" organizations
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Source: Moberg (2010: 7), Grącik-Zajaczkowski (2015: 9), Gille (2011: 463), Zysk (2016: 313).

The Fair Trade phenomenon observed today is a compilation of three approaches characterized above, based on the following fundamental principles<sup>4</sup>:

1. creating developmental opportunities for producers in unfavorable economic situation (strategy of sustainable development and combating poverty),
2. transparency and responsibility (honesty and respect in cooperation with trade partners),
3. building potential (enabling development and independence of producers),
4. promotion of Fair Trade (Fair Trade organizations raise the awareness of the phenomenon, provide information about themselves, products and conditions of production, apply honest advertising and marketing strategies, strive for the highest standards of the quality of products),
5. paying fair price (it is the price agreed via dialogue and co-participation, it covers not only manufacturing costs but also enables production which is socially fair and environmentally friendly; also assistance in the access to funds before harvest or production),
6. gender equality (women's work is adequately evaluated and remunerated),
7. labor conditions (safe and healthy work environment),
8. child labor (participation of children with negative impact on the health, safety, educational requirements and the need for playing, as well as meeting the requirements of the UN convention),
9. environment (proper protection and applying responsible manufacturing methods),
10. trade relationships (Fair Trade organizations conduct trade considering the good of marginalized small producers in the social, economic and environmental dimensions and do not aim at maximization of profits at their costs; long-term relationships based on solidarity, trust and mutual respect).

### MODELS OF SALES OF FAIR TRADE PRODUCTS

Fair Trade Products come from manufacturers observing the Fair Trade standards and rules, which are verified within two schemes<sup>5</sup>:

1. by traditional Fair Trade organizations and firms (certified WFTO members - World Fair Trade Organization)<sup>6</sup>, namely the association of small producers of handicraft and small farmers,
2. by maker organizations (small farmers and other small producers), as well as firms (plantations or production plants employing hired workforce), which obtained the

<sup>4</sup> Cf.: Standardy Sprawiedliwego Handlu, <http://www.sprawiedliwyhandel.pl>. Accessed 1 June 2018.

<sup>5</sup> Cf.: <http://www.sprawiedliwyhandel.pl/wp-content/uploads/2017/01/Fair-Trade-czyli-Sprawiedliwy-Handel-wyd.-1.pdf>. Accessed 1 June 2018.

<sup>6</sup> <http://www.wfto.com>. Accessed 1 June 2018.

confirmation of observing the standards in the manufacturing process of a given product, defined by an independent certifying body (such as EFTA - European Fair Trade Association<sup>7</sup>, FLO-I Fairtrade Labelling Organisations International<sup>8</sup>, FLOCERT<sup>9</sup>, Naturland Fair<sup>10</sup>, Ecocert Fair Trade<sup>11</sup>, Bio Equitable<sup>12</sup> or Fair Trade USA<sup>13</sup>).

Fair Trade products are sold and launched to the market by means of two complementary distribution channels. The first one is a traditional path through the integrated supply chain, in which Fair Trade products (handicraft, food, etc.) are made, imported and distributed by Fair Trade certified organizations which participate in the process (WFTO, EFTA members, organizations of domestic World Shops). They combine trade activity with information campaigns. The products find their way to specialized stores, as well as to conventional retailers, e.g. retail chains or healthy food stores. The other method uses the product certification system, in which products meeting international standards are marked for their better recognition by a retail customer. They can be distributed both by the aforementioned certified organizations and by conventional market participants - firms, transnational corporations (e.g. Kraft, Nestle, Procter& Gamble, Sara Lee, McDonald, Starbucks or Chiquita), supermarkets, distribution chains and even gas stations (e.g. Orlen in Poland<sup>14</sup> or ÖMV gas stations in Hungary<sup>15</sup>). The flow of raw materials in the supply chain, as well as the composition of raw materials and products are monitored. Organizations or firms themselves (intermediaries, processors, suppliers) are not obliged to observe the Fair Trade rules. In addition to these two models, there are also producers, processors, wholesalers and retailers functioning whose declaration on the functioning within the Fair Trade assumptions is not confirmed by any external organizations or the certification process.

### FAIR TRADE PRODUCT TRADING WORLDWIDE

According to the latest report "Creating Innovations, Scaling Up Impact Annual Report 2016-2017", prepared by the International Trade Fair organization, consumers in over 130 economically developed countries spent about EUR 7.9 billion on Fair Trade products (32.000 types of goods)<sup>16</sup>. It means an increase in comparison with 2015 by more than 8%, and calculating it differently, about five times more than a decade ago. In 2016, in 75 countries of the world there were already over 1.6 million of small producers and farmers operating in the Fair Trade model, and within so-called social premiums they obtained about 150 mln EUR. As many as 1,411 maker organizations already function worldwide, the majority of which operate in the Latin America countries, in the Caribbean, Africa, Near East

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<sup>7</sup> <http://www.eftafairtrade.org>. Accessed 1 June 2018.

<sup>8</sup> <http://www.fairtrade.net>. Accessed 1 June 2018.

<sup>9</sup> <http://www.flocert.net/>. Accessed 1 June 2018.

<sup>10</sup> <http://www.naturland.de/de/naturland/was-wir-tun/naturland-fair.html>. Accessed 1 June 2018.

<sup>11</sup> <http://www.ecocert.com/en/fair-trade-certification-program>. Accessed 1 June 2018.

<sup>12</sup> <http://www.biopartenaire.com/>. Accessed 1 June 2018.

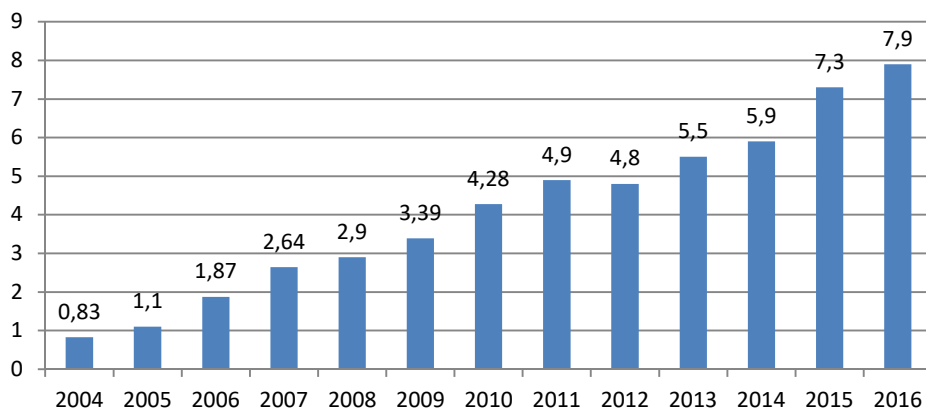
<sup>13</sup> <http://fairtradeusa.org/>. Accessed 1 June 2018.

<sup>14</sup> [http://www.orlen.pl/PL/Odpowiedzialny\\_Biznes/OtoczenieSpoleczne/Strony/FairTrade.aspx](http://www.orlen.pl/PL/Odpowiedzialny_Biznes/OtoczenieSpoleczne/Strony/FairTrade.aspx). Accessed 1 June 2018.

<sup>15</sup> Conscious Consumer Market Report Hungary 2014-2016, [http://tudatosvasarlo.hu/sites/tudatosvasarlo.hu/files/conscious\\_consumers\\_market\\_report\\_2017\\_0.pdf](http://tudatosvasarlo.hu/sites/tudatosvasarlo.hu/files/conscious_consumers_market_report_2017_0.pdf). Accessed 1 June 2018.

<sup>16</sup> <http://www.fairtrade.net/annual-reports.html>. Accessed 1 February 2018.

and Asian countries. Every year the sales of Fair Trade products go up. Chart 1 presents changes in the sales of Fair Trade products worldwide in the years 2004-2016.



**Figure 1. Sales of Fair Trade products worldwide, years 2004-2016, billions of EUR**

Source: own computations based on Fairtrade International Annual Reports, years 2003/2004-2016/2017, <http://www.fairtrade.net>. Accessed 1 June 2018.

The mentioned report shows that there was an increase in the sales (in 2016 compared to 2015) of the following main Fair Trade products: bananas – by 5 %, cocoa beans – by 34 %, coffee (green beans) – by 3 %, flowers – by 5 %, cane sugar – by 7 % and tea – by 5 %. It should be added that in 2016 the share of over 1,850 cities in 30 world countries friendly to the Fair Trade idea was marked. In Poland, Poznan is such a city (since 2012<sup>17</sup>). It should be added that the mitigation of poverty in the poorest countries requires to raise the level of local workers' income level, and the Fair Trade movement ensures that (Zysk, 2016: 313).

### THE VISEGRAD GROUP – CHARACTERISTICS AND INTERNATIONAL POSITION

The Visegrad Group is a political initiative of four countries: Poland, the Czech Republic, Hungary and Slovakia, which in the early 1990s started the transformation process and found themselves in a new geopolitical situation. They broke the political and economic dependence on the Union of Soviet Socialist Republics (the USSR) and were intensely looking for a new identity and the place in the structures of the Western civilization. On 15 February 1991, in Hungarian Visegrad, the Declaration on cooperation in striving for European integration was signed. The document was initialed by Václav Havel, President of the Czech Republic, Lech Walesa, President of the Republic of Poland and Josef Antall, Prime Minister of the Republic of Hungary. After the collapse of Czechoslovakia on 1 January 1993, the Visegrad Triangle changed its name to the Visegrad Group. The idea behind the Group formation was the intensification of cooperation within building democratic state structures and a free market economy, and in the further perspective, the

<sup>17</sup> <http://www.spolecznosci.fairtrade.org.pl/o-nas/kampania-spdsz-w-polsce/>. Accessed 1 February 2018.



participation in the European Integration process. The success of the V4 is primarily the creation in 1992 of the Central European Free Trade Agreement – CEFTA within the Group. Moreover, strategic and geopolitical goals were achieved together, namely the accession of the member states to the Western European NATO and the European Union structures (1999 and 2004). Important elements of the V4 functioning include the cooperation of the V4 ambassadors in Brussels and the creation of the Visegrad Fund awarding grants and scholarships in 2000. The membership in the European Union has enabled to diminish the developmental distance from the Western European countries through the acceleration of economic growth and introducing structural changes in the real and financial sphere, building relatively stable economic and social foundations enabling to survive the latest economic crisis. Joint regional infrastructural and transportation projects are even planned. The implementation of those goals will favor the cohesion of the EU and harmonization of its development level. We can assess that after almost 30 years of the dynamic development, the V4 countries are economically developed, with the market economy functioning and a relatively high position both in economic (Gross Domestic Product) and social development (Human Development Index - HDI) rankings. Table 1 presents the position of the four analyzed countries in terms of the Gross Domestic Product generated in 2017.

**Table 1. Gross Domestic Product - position of Poland, Czech Republic, Slovakia and Hungary in the ranking, 2017, mln USD**

Ranking	Economy	GDP (millions of USD)
1	United States	19 390 604
2	China	12 237 700
3	Japan	4 872 137
4	Germany	3 677 439
5	United Kingdom	2 622 434
6	India	2 597 491
7	France	2 582 501
8	Brazil	2 055 506
9	Italy	1 934 798
10	Canada	1 653 043
14	Spain	1 311 320
<b>23</b>	<b>Poland</b>	<b>524 510</b>
24	Belgium	492 681
27	Austria	416 595
34	Irelandia	333 731
35	Denmark	324 871
46	Portugal	217 571
<b>47</b>	<b>Czech Republic</b>	<b>215 726</b>
<b>56</b>	<b>Hungary</b>	<b>139 135</b>
<b>64</b>	<b>Slovak Republic</b>	<b>95 769</b>

Source: <https://data.worldbank.org>. Accessed 1 June 2018.

As we can observe above, the United States open the top ten in the ranking (almost 19.4 trillion USD), then China (more than 12.2 trillion USD) and Japan (nearly 4.9 trillion USD). Poland had a high 23rd position with the result of almost 525 billion USD, the

Czech Republic is ranked 47th with the value of over 215 billion USD, Hungary on the 56th position with over 139 billion USD, and Slovakia with the value of over 95 billion USD is ranked 64th. For further comparative analyses concerning the sales of Fair Trade products, the table includes data on GDP of the following countries: Spain, Belgium, Austria, Ireland, Denmark and Portugal. The next table below presents the positions of the four analyzed countries by the Human Development Index (HDI) in 2017.

**Table 2. Human Development Index (HDI) - position of Poland, the Czech Republic, Slovakia and Hungary in the ranking, 2017**

HDI rank	Country	Human Development Index (HDI)	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross National Income (GNI) per capita, USD
1	Norway	0.949	81.7	17.7	12.7	67 614
2	Australia	0.939	82.5	20.4	13.2	42 822
2	Switzerland	0.939	83.1	16.0	13.4	56 364
4	Germany	0.926	81.1	17.1	13.2	45 000
5	Denmark	0.925	80.4	19.2	12.7	44 519
5	Singapore	0.925	83.2	15.4	11.6	78 162
7	Netherlands	0.924	81.7	18.1	11.9	46 326
8	Ireland	0.923	81.1	18.6	12.3	43 798
9	Iceland	0.921	82.7	19.0	12.2	37 065
10	Canada	0.920	82.2	16.3	13.1	42 582
10	United States	0.920	79.2	16.5	13.2	53 245
12	Hong Kong, China (SAR)	0.917	84.2	15.7	11.6	54 265
13	New Zealand	0.915	82.0	19.2	12.5	32 870
14	Sweden	0.913	82.3	16.1	12.3	46 251
15	Liechtenstein	0.912	80.2	14.6	12.4	75 065
16	United Kingdom	0.909	80.8	16.3	13.3	37 931
17	Japan	0.903	83.7	15.3	12.5	37 268
18	Korea (Republic of)	0.901	82.1	16.6	12.2	34 541
19	Israel	0.899	82.6	16.0	12.8	31 215
20	Luxembourg	0.898	81.9	13.9	12.0	62 471
<b>28</b>	<b>Czech Republic</b>	<b>0.878</b>	<b>78.8</b>	<b>16.8</b>	<b>12.3</b>	<b>28 144</b>
<b>36</b>	<b>Poland</b>	<b>0.855</b>	<b>77.6</b>	<b>16.4</b>	<b>11.9</b>	<b>24 117</b>
<b>40</b>	<b>Slovakia</b>	<b>0.845</b>	<b>76.4</b>	<b>15.0</b>	<b>12.2</b>	<b>26 764</b>
<b>43</b>	<b>Hungary</b>	<b>0.836</b>	<b>75.3</b>	<b>15.6</b>	<b>12.0</b>	<b>23 394</b>

Source: <http://hdr.undp.org/en/composite/HDI>. Accessed 1 June 2018.

As we can see in the above table, the ranking is opened by Norway (HDI 0.949), followed by *ex aequo* Australia and Switzerland (HDI 0.939). The high 28th position in this ranking was achieved by the Czech Republic (HDI 0.878), Poland is on the 36th position (HDI 0.855), Slovakia on the 40th (HDI 0.845), and Hungary is ranked 43th (HDI 0.836). To sum up, we can claim that the analyzed countries of the Visegrad Group are ranked relatively high on the list concerning the Human Development Index (HDI), and three studied countries except for Poland - occupy even higher positions than in the GDP list.

## FAIR TRADE PRODUCT TRADING IN THE V4 COUNTRIES

In the latest report "Creating Innovations, Scaling Up Impact Annual Report 2016-2017" prepared by the International Trade Fair there are no data for the four Visegrad Group countries. It may result from a relatively low level of the sales of Fair Trade products. The author contacted directly the entities which deal with the problems of Fair Trade in the analyzed Visegrad Group countries - Fairtrade Česko a Slovensko, Hungarian Tudatos Vásárlók Egyesülete<sup>18</sup> (Association of Conscious Consumers) and the foundation „Koalicja Sprawiedliwego Handlu” – Fairtrade Polska. Not all of these organizations have full data concerning the FT product trading, since not all are on the same stage of the development of the activity conducted. For example, the Hungarian organization has only total data for the years 2014 -2016, without a division into individual periods and types of products, and the Polish organization has very detailed information with the division into periods and share of specific products in total sales. In the Czech Republic and Slovakia, there is one organization which has fuller data from the Czech Republic. Table 3 presents the sales of the Fair Trade products in the years 2013-2016 in Poland, in the Czech Republic, in Slovakia and Hungary.

**Table 3. The sales of Fair Trade products in the years 2013-2016 in Poland, in the Czech Republic, in Slovakia and Hungary, mln USD**

country/year	2013	2014	2015	2016	Total
Poland	4.8	6.4	6.5	8.3	26
Czech Republic	6.6	7.7	7.4	no data	21.7
Slovakia	no data	1.1	1.3	no data	2.4
Hungary	no data	no data	no data	3.3*	3.3*

\*data jointly for the years 2014-2016

Source: own study based on information received from - Fairtrade Česko a Slovensko, Hungarian Tudatos Vásárlók Egyesülete (Association of Conscious Consumers) and Fundacja „Koalicja Sprawiedliwego Handlu” – Fairtrade Polska.

As it can be seen in the above Table, the leader in the analyzed period was Poland (26 mln USD), followed by the Czech Republic (21.7 mln USD). The sales of Fair Trade products in Hungary and Slovakia were lower in terms of value (3.3 and 2.4 mln USD), however, as it was already mentioned, the data are incomplete. In order to carry out a deeper comparative analysis, the results of the sales of Fair Trade products in the Visegrad Group countries were compared with a few countries in Europe, which are the European Union members (Table 4).

**Table 4. The sales of Fair Trade products in the years 2013-2016 in the V4 countries and selected EU countries, mln USD**

Country/FT sales	Sales of Fair Trade products 2016
Denmark	876
Ireland	272
Austria	270
Belgium	134
Spain and Portugal	31.5
Poland	8.3

<sup>18</sup> [www.tesztek.tudatosvasarlo.hu](http://www.tesztek.tudatosvasarlo.hu), [www.fairtrade-cesko-slovensko.cz](http://www.fairtrade-cesko-slovensko.cz) and [www.fairtrade.org.pl](http://www.fairtrade.org.pl). Accessed 1 June 2018.

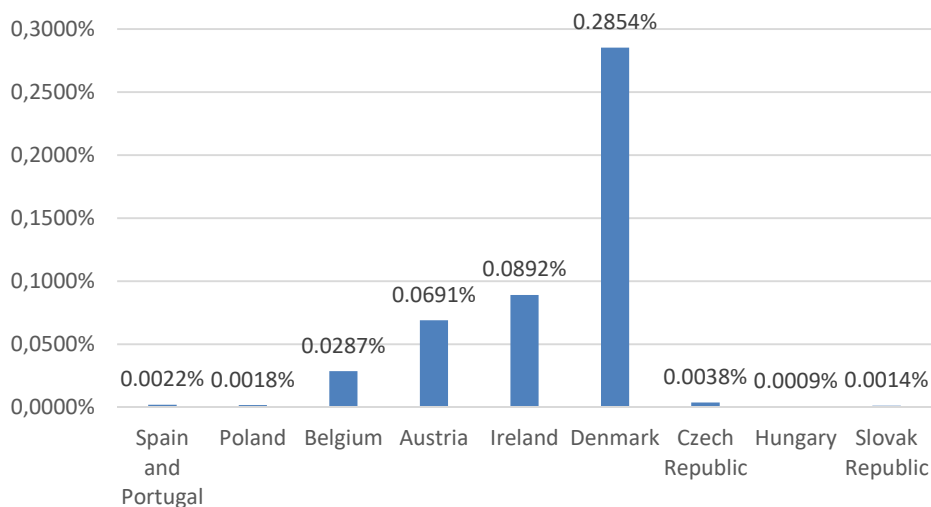
Czech Republic	7.4*
Hungary	1.1**
Slovakia	1.3*

\*data for 2015

\*\*averaged value from 3 years, namely 2014-2016, (3,3/3=1,1).

Source: as in Table 3 and Fairtrade International Annual Report 2016/2017, <https://annualreport16-17.fairtrade.net/en/>. Accessed 1 June 2018.

What can be seen from the data presented in the Table above is that the sales volume of Fair Trade products in the four Visegrad Group countries considerably differs in the achieved value from the results in Denmark (876 mln USD), Ireland, Austria, Belgium, and to a lesser extent they differ from Spain and Portugal (Fair Trade International reports give data jointly from these two countries). To present the described situation more precisely, computations were made, consisting in calculating what percentage of GDP generated in the analyzed countries in 2016 was allocated to the purchase of Fair Trade products (Chart 1).



**Figure 1. Relation of the sales of FT products to GDP in selected European Union countries and the V4 countries, year 2016.**

Source: own calculations based on the data as in Tables 1 and 4.

As we can observe in the Table, by far the highest sales of Fair Trade products among the analyzed countries in comparison with GDP in 2016 was marked for Denmark (0.2854 %), then Ireland (0.0892 %), Austria (0.0691 %) and Belgium (0.0287 %). In total, the Visegrad Group countries achieved a much lower sales level than the above countries: the highest level was achieved by the Czech Republic (0.0038%), then Poland (0.0018 %), Slovakia (0.0014 %) and Hungary (0.0009 %). What is interesting, Spain with Portugal marked a lower result than the Czech Republic, only 0.0022 %. To sum up, we can assess that in spite of relatively high positions of the V4 countries in the GDP and Human Development Index (HDI) rankings, the level of these indicators does not have a significant influence on the

sales of Fair Trade products. It seems that initiatives raising the awareness of citizens as for the income problems of the Global North countries, activities of international and local non-governmental non-profit organizations or social enterprises, as well as educational actions on different education stages, promotions of products among consumers and activeness of local governments on the level of cities are necessary.

### RECOMMENDATIONS FOR THE V4 COUNTRIES WITH REGARD TO THE DEVELOPMENT OF FAIR TRADE

To increase the sales of Fair Trade products in the Visegrad Group countries, while planning activities in the economic policy the governments of these states should refer to threats which are generated by the growing problem of labor migration of millions of people living in poor countries of the South. The author of the article proposes to establish cooperation of large urban centers (capitals of individual countries with the largest urban centers in each country) in the V4 Group and the commencement of trading activity with regard to direct import of communal (urban) entities from these cities with local producers of FT goods. In the initial phase of such activity, the import of the most important Fair Trade product, namely popular coffee. If a local community, obviously with the organizational support of public institutions, will be ready to implement so-called Fair Trade 3.0., consumers of the rich North (and the V4 countries are included in this group) would most probably prefer to buy Fair Trade products than accept millions of refugees. Table 5 presents the assumptions of the Fair Trade 3.0 concept proposed by the author of the paper.

**Table 5. The evolution of the Fair Trade phenomenon and the 3.0 concept**

Fair Trade 1.0	Fair Trade 2.0	Fair Trade 3.0
consumer awareness support for sustainable development solidary social relationship between consumers and producers "Trade, not Aid" model	university project – then business development development of co-operatives international solidarity elimination of intermediaries – direct cooperation with suppliers "firsthand coffee" model higher incomes of small producers	the use of "power of big cities" direct cooperation with producers support of cities for local initiatives (consumer co-operatives) urban store chains elimination of intermediaries organizational, educational and information support higher incomes of small producers - potential prevention against labor migrations

Source: own study.

The operationally proposed model would be based on the use of their demand side by urban centers of the Visegrad Group countries with direct cooperation with FT goods producers. Specialized communal entities, which would cooperate directly with manufacturers and would import goods from economically underdeveloped countries (Zysk 2016: 233-245). Urban centers can also create conditions for local co-operatives established by conscious and socially active consumers, e.g. through tax reliefs or organizational assistance. Moreover, school curricula should stress the issues of social inequalities globally and the role of the Fair Trade movement during weekly form classes, entrepreneurship ethics or economics lessons.

A practical facilitation of the activities described above can be the most important trade agreement, concluded within the World Trade Organization since 1995 (the establishment of the WTO). This is TFA, Trade Facilitation Agreement, that is a trade agreement concerning the reduction of, among others, non-tariff barriers, which became effective as of February 2017<sup>19</sup>. The greatest possibility of the reduction of costs related to trade exchange exists for most underdeveloped countries and developing ones. Tedious and costly clearance of goods is particularly painful when dealing with customs formalities, which often doubles the costs of the trade of goods<sup>20</sup>. The Trade Facilitation Agreement will improve the world trade of goods, reduce bureaucracy, bring about closer cooperation of the customs administration, and in effect transactional costs will be reduced for the Global South countries. Therefore, it may be an opportunity for the development of export of Fair Trade products.

## CONCLUSIONS

On 28-29 June 2018, the European Council Summit took place. The most important subject discussed during that meeting was the problem of migration relocation<sup>21</sup>. The leaders agreed that it is a challenge not only for individual member states, but also for the whole Europe. Among conclusions from the summit it was recorded that "a precondition for a functioning EU policy relies on a comprehensive approach to migration which combines more effective control of the EU's external borders, increased external action and the internal aspects. Planned activities are to include, among others, the creation of disembarkation platforms for people rescued during sea operations and returned to North Africa countries, a new model of resettlement of asyants in Europe or financial support for the creation of so-called controlled centers for migrants in willing EU member states. A little earlier, on 3 January 2018, another World Economic Forum in Davos was held<sup>22</sup>. The official mission is "to improve the state of the world". A lot of important topics were tackled during discussions and panel presentations. However, the subjects of economic inequalities, as well as refugees and migration in the divided world - divided into the countries of the rich North and poor South - prevailed. Yet, during those two events there was no in-depth reflection or asking an important question: what is the source of labor migrations and crises related to refugees? One of the reasons are the deepening economic inequalities and so-called income-scissors, that is the phenomenon of already wealthy societies becoming richer and simultaneous impoverishment of already poor populations, living in underdeveloped countries. Oxfam, an international humanitarian organization, presented a report<sup>23</sup> entitled "Reward Work, not Wealth", which stressed the phenomenon of the dynamics of the rich becoming wealthy and the deepening poverty of those already poor. It also claimed that people who are poorly paid, working in bad conditions often support

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<sup>19</sup> On 22 February 2017 the Agreement was ratified by Chad, Jordan, Oman and Rwanda. Therefore, the established upper limit of WTO members, required for its immediate effect, was achieved. Cf.: [http://europa.eu/rapid/press-release\\_IP-17-188\\_pl.pdf](http://europa.eu/rapid/press-release_IP-17-188_pl.pdf). Accessed 20 June 2018.

<sup>20</sup> [https://www.oecd.org/trade/WTO-TF-Implementation-Policy-Brief\\_EN\\_2015\\_06.pdf](https://www.oecd.org/trade/WTO-TF-Implementation-Policy-Brief_EN_2015_06.pdf). Accessed 20 June 2018.

<sup>21</sup> <http://www.consilium.europa.eu/pl/meetings/european-council/2018/06/28-29/-6-27-euco-preview/>. Accessed 20 June 2018.

<sup>22</sup> <https://www.weforum.org/events/world-economic-forum-annual-meeting-2018>. Accessed 20 June 2018.

<sup>23</sup> <https://www.oxfam.org/en/research/reward-work-not-wealth>. Accessed 21 June 2018.

super rich corporations, their owners and investors with their effort. The unfair division of the world wealth leads to the increasing phenomena of labor migrations, when people deprived of life chances decide to look for a place for a better living.

Having studied the trade of Fair Trade products in the Visegrad Group countries in this article, in spite of relatively high positions of the V4 countries in the GDP and Human Development Index (HDI) rankings, the results were obtained which indicate that the value of those indices had no significant influence on the sales of Fair Trade products, and the sales level in the analyzed countries considerably differs from other developed European Union countries.

The actions proposed in this paper, consisting in establishing communal entities in the Visegrad Group countries, and then establishing direct trade cooperation with the manufacturers of products imported from the Global South countries anyway (with high margins of transnational corporations) may be a method of achieving higher sales of Fair Trade products in those countries - at least at the level of the European countries presented in the above analyses. The economic history of the world knows four methods of eliminating such differences: military actions - wars, revolutions, epidemics of dangerous diseases to a great scale or a serious disaster. In the current economic situation, serious and growing socio-economic tensions to the scale of the whole population are a justified reason to consider the interest in new possibilities of the functioning of societies of large cities worldwide and base satisfying demand on direct contacts with producers and farmers from countries of the poor South. If we assume that in the predictable future desperate and deprived of civilization perspectives labor migrants will start moving to countries of the rich North in the search for a better future, the problem should be presented in the following way: do citizens of wealthy countries of the rich North prefer to buy Fair Trade products or rather accept millions of labor refugees? The logic of the capitalist economy model is that if no specific actions are taken, we will face further migration conflicts and social tensions. It should be remembered that international trade is the crucial factor of sustainable development, and "sharing" wealth by importing countries may cause the collapse of the phenomenon of illegal labor migration.

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**Suggested citation:**

**Zysk, W.** (2018). *The Fair Trade movement and the countries of the Visegrad Group (V4)*. In: **K. Wach & M. Maciejewski** (Eds.), *International Entrepreneurship as the Bridge between International Economics and International Business: Conference Proceedings of the 9th ENTRE Conference – 5<sup>th</sup> AIB-CEE Chapter Annual Conference*. Kraków: Cracow University of Economics (ISBN: 978-83-65262-19-6). Published within the series “Przedsiębiorczość Międzynarodowa | International Entrepreneurship”, vol. 4, no. 3 (ISSN 2543-537X).

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**Acknowledgements and Financial Disclosure:**

This paper is financed from the funds allocated to the Faculty of Economics and International Relations of the Cracow University of Economics in the framework of grants for maintaining research potential.

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