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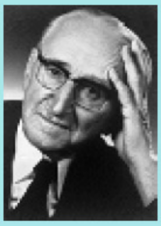



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Postponement and the Wealth of Nations

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Abstract

In this paper, 'Fair Value Chain Creation' (FVC²), as an approach that applies and extends principles of Fair Trade to exports from developed countries to the less developed countries, is being introduced. It awards a 'Fair Value' label to goods which undergo further value adding in the host market. FVC² attempts to utilize a label pointing at 'made for' rather than 'made in' by emblematizing the degree of 'Fair Value' involved.

Building on logistics and manufacturing postponement allows FVC² to balance value chains in such a way that both stakes (North – South; developed countries – developing countries; country of origin – host market) are going to profit. Developing countries can increase their share in value chains originating from Northern countries. In turn, this enables those developed countries and corresponding manufacturers to level their resources. While postponing none-core activities to the developing countries and the respective host markets, manufacturers can focus even more on core processes. In fact, FVC² mostly employs humans instead of machines. It makes labor a 'promoted' option.

Based on free-market mechanisms, like opportunity costs and the production possibilities frontier, the authors prove FVC² being an attempt 'in the market' and on the structure of global value chains. 'Fair Value Chain Creation' is driven by enhanced global logistics performance. Thus, and in contrast to Fair Trade, FVC² requires no price premium being paid by the consumer and therefore no stringent inspection of its application. Nonetheless, every labeling initiative requires an authority to prevent malpractice. The authors show, before such an initiative can be put into practice, that it is particularly evident to define the developing gap enabling to specify the potential and spectrum of FVC². This gap arises from globalization and enhanced logistics performance (foremost postponement).

KEYWORDS:

Fair Trade, Fair Value Chain, Fair Value Creation, Postponement, Wealth of Nations

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Postponement and the Wealth of Nations

> *L'esprit de commerce produit dans les hommes un certain sentiment de justice exacte, opposé d'un côté au brigandage, & de l'autre à ces vertus morales qui font qu'on ne discute pas toujours ses intérêts avec rigidité, & qu'on peut les négliger pour ceux des autres.*
>
> *Charles-Louis de Secondat,*
> *baron de La Brède et de Montesquieu*
> *De l'esprit des lois, Tome second (1777)*

Introduction

"Imagine, consuming goods as eating healthy by being informed about value chain facts printed on the package or being written into tables of public access providing, you, the opportunity to estimate the sustainable impact of buying decisions, giving, you, the chance to improve the drift of globalization on daily manner."

Hence this paper is going to come up with a new ethical and sustainable concept on 'Fair Value Chain Creation' (FVC²). It applies and extends Fair Trade principles to exports from developed countries to the less developed, awarding a 'Fair Value' label to goods which undergo further value adding in the host market (Rutsch and Schumann 2009). 'Fair Value' enables to 'humanize sustainability' in global value nets making human labor a 'promoted' option in not necessarily automating the finalization of goods. It utilizes opportunities resulting from postponement along global value chains and probably contributes to greater social justice moving the world closer to global sustainability. Conducting the presented idea through a FVC² labeling initiative could provoke an effective change through the interaction between societal pressure and market forces (cf. de Boer 2003).

By offering 'Fair Value' companies are using the possibilities of postponement within the value chain as a vehicle to facilitate sustainability concerning environmental besides social circumstances. Not to forget, creating local jobs at the point of sales strengthens the directed market of each value chain.

1. Fair Value Chain Creation

The concept of FVC² can be summarized as the marriage of social and environmental factors and systems thinking, especially while designing and carrying out goods, in value chain analysis to obtain a globally balanced 'Fair Value Creation', which responds to the social and economic ecosystem as a whole. The challenge is developing frameworks and market forces that allow and drive people to design value chains with the needs of 'Fair Value' in mind (see also White et al. 2008). As sustainability and responsibility require building the capacities to recognize those issues there is a need for an award, which could be realized in the first place via utilizing a market-specific FVC² label, like Fair Trade which is sometimes characterized as the 'Third Way' between Free Trade on the one hand and protectionism on the other (Moore 2004).

The Fair Trade movement deeply influenced the setup of especially the agro-food industry within the last decades and in many circumstances the economic wealth of previously poor people around the globe. Today, there are many Fair Trade labelling initiatives taking care of the standards through support and inspection of goods and processes. Therefore an umbrella organisation, the 'Fairtrade Labelling Organizations International', was founded to secure conformity of the standards obtained and moreover to verify the reliability of each label.

Regarding the relation between, e.g., Asia and Europe Fair Trade is about sourcing in the former and selling in the latter under previously-defined fair conditions, which in simple terms means that Fair Trade concerns the value chain from Asia to Europe – the Southern to the Northern–. Vice versa the definition of Fair Trade is not appropriate: As Fair Trade is about trading partnerships, it is based on dialogue, transparency and respect, seeking greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing their rights of, disadvantaged producers and workers (Pérez Sueiro et al. 2007). In this sense of definition producers from Europe, including local workforce, aiming to sell their goods in Asia are neither disadvantaged against competition or in achieving market access, nor missing the ability to earn a livelihood.

But what makes Fair Trade from a developed country, like Germany, to an emerging market in Asia worthwhile? Looking at it from this new point of view it is not about granting a sufficient income for activities at the source of the value chain. It will rather be about awarding reasonable revenues for as many local workers at the sink, the target market in the specific host, in this case Asian, country of the value chain as is sustainable for the company's or even more globally the value chain's mission. This could be referred to as a 'Fair Value Chain' or likewise 'Fair Value Creation' (FVC²) which includes the common paradigm shift toward the examination of social and environmental impacts while evaluating the benefit of a value chain.

Nonetheless also existing labels are widely combining environmental and social standards as Hartlieb and Jones (2009) show in listing a number of labeling initiatives. Main ethical categories are for instance: Organic and Fair Trade food and drinks, 'freedom foods', sustainable fish, ethical cleaning products, sustainable timber, ethical clothing, ethical cosmetics (Hartlieb and Jones 2009), and even 'terroir' attest (Guthman 2009). Orr (2009) declares that ethical consumption labeling schemes try to achieve distinct goals like child-free labor, less packaging waste, hormone free milk, or Fair Trade. Responsible organizations such as Max Havelaar, Oxfam, and Fair Trade are concerned with furthering social justice, peasant autonomy, and ecological equilibrium which has become known as 'sustainable development' (Topik 2009). Renowned and widely spread Fair Trade labels include the RugMark symbol, FAIRTRADE mark, FTF logo, Fair Trade Certified, and the FTO mark (Orr 2009).

After all, Fair Trade initiatives struggle with contradictions posed by the fact: If they are to make meaningful progress toward their goals, they can neither isolate themselves from mainstream markets nor abandon their alternative visions of the market (Taylor 2005). So if Fair Trade has been co-opted, we may need to look elsewhere for better models, and Fair Trade may itself need to attempt to rediscover its radical edge (Moore et al. 2006).

Hereinafter the paper examines –the benefit of postponement and correspondent tools and techniques in global value chains upon the economic surplus derived from humanizing sustainability the FVC² way in clearly describing the occurring gap resulting from globalization and enhanced logistics performance– 'Postponement and the Wealth of Nations' (Rutsch and Schumann 2009). This is due to the fact that especially technology choice contains ethical components. These are seen, in some cases, in questions of present-day fairness, as in North–South redistribution, and in the equity issues relating to future generations, as the opportunities afforded to them and to the dangers and burdens we have imposed (cf. O'Connor 2006).

1.2 Postponement

In the face of Adam Smith, it is partly owing to the easy transportation of gold and silver from the places where they abound to those where they are wanted, that the price of those metals does not fluctuate continually like that of the greater part of other commodities, which are hindered by their bulk from shifting their situation, when the market happens to be either over or under-stocked with them (Smith and Cannan 1994). Costs previously (e.g. in the times of Adam Smith) inhibiting trade, and preventing exchanges from taking place, are now lower than ever before. These impediments to trade include transportation costs, transactions costs, and government policies (Irwin 2009).

Ultimately the logistics revolution is an attempt to bridge the gap between supply and demand more effectively. Main aspects are changes in production and in logistics (Bonacich and Wilson 2008). Postponement in general is the delaying of operational activities in a logistics as well as manufacturing system until customer orders are received rather than completing activities in advance and then waiting for orders (Krishnamurthy and Yauch 2007). So why implement postponement? To improve delivery reliability, proximity to markets in the form of demand, inventory cycle times, and customization of goods, to lower total logistics costs, production costs, obsolescence costs, and import duties, and to speed up distribution (Harrison and Hoek 2005).

Consequently in a global value chain sustainability in conjunction with ‘Fair Value Creation’ means that local value creation in the host market is a general goal for the trade mission, if economical and ecological feasible. Therefore FVC² is deeply related to postponement in manufacturing and in logistics (see also Bonacich and Wilson 2008; Yang et al. 2004), and in addition to the definition of value-added services: As the supply chains become more efficient, there will be new opportunities to move processes upstream (Brockmann 1999) and downstream. Advances in technologies in logistics, and the decline of trade and investment barriers around the world have allowed production processes to be fragmented. The production process can now be divided into discrete tasks which can be conducted in either geographically concentrated locations or distant locations (OECD 2007), whereas FVC² could act as an auxiliary incentive scheme for this reasoning.

Therefore entrepreneurs need to know about possibilities or kinds of value-added services to postpone processes creating 'Fair Value' within global value chains to act socially and environmentally responsible. Thus a guideline and rules are needed to obtain and evaluate the status quo of FVC².

1.3 Labeling

As FVC² labeling is an attempt or progress in the framework of sustainability performance in social, economic, as well as environmental terms (cf. Harris 2007; cf. Hartlieb and Jones 2009), the paper also aims to outline the state-of-the-art and current development of labeling in those stated fields.

Generally the purpose of voluntary, sustainable labels is twofold, one is to make transparent how the transformation of resources and use of labor are different in the commodities they describe from that of common commodities and the other is to redistribute value along the supply chain to favor certain producers and land uses (cf. Guthman 2009). Labeling and other forms of alternative trade help to produce better-informed consumers and, more controversially, positively affect the workers and communities that are the intended beneficiaries (Bair 2009). How then do these labels produce transparency or offer redistribution? In the three key steps: Standard setting, verification, and establishment of barriers to entry, all designed to produce an economic incentive (a premium) to reward or compensate for those who do things differently (Guthman 2009).

While examining the role of labeling and certification schemes to make production and consumption processes more sustainable, de Boer (2003) distinguishes into environmental, social, and sustainability labeling. He notes that there is a need for more comprehensive labeling schemes that are still compatible with a free-market approach. In that respect de Boer (2003) outlines that the first strategy is to identify some relevant 'ideals' to approach whilst acknowledging that these 'ideals' only refer to limited aspects of a complete ideal model, hence the various issues of sustainability, which can also be identified as 'ideals' and/or 'ills' to escape (de Boer 2003). Hereby de Boer (2003) unwittingly shows that the contribution of FVC² toward global sustainability will be manifold (cf. Harris 2007). Even though social justice is the primary objective of FVC², representing the 'ideals' upon postponement, FVC² additionally gains momentum in environmental and ecological terms through 'humanizing sustainability'!

Proto et al. (2007) investigate the potential of eco-energy labeling as being a fundamental component in the transition process toward eco-sustainability and list the main national environmental labeling programs, to name a few: Blue Angel – Germany, 1978; Environmental Choice – Canada, 1988; Green Seal – USA, 1992. Proto et al. (2007) note three general types of energy labeling systems taking various factors such as information comparability, conformity of efficiency requisites, and environmental excellence into account: First, comparison energy labels informing on energy performance consumption and comparing with class; Second, endorsement energy labels indicating the product's most energy efficient conformity requisites; Third, type I environmental labeling conforming to EN ISO 14024. However Harris (2007) concludes only two types of independent environmental certification systems: The 'Blue Angel Group' – certification systems focused on definitions of product content with elements of product lifecycle assessment included to various degrees and the 'ISO 14001 Group' – a process-oriented system that certifies that an organization has a satisfactory environmental management system in place, not that it is achieving any particular independent environmental performance standard in its goods.

All named schemes are addressing two objectives individually: Product or process (see also de Boer 2003). FVC² is broadening this perception due to its inherent nature and definition by the need to design goods with 'Fair Value' in mind (creating the opportunity or gap) followed by the utilization of postponement (the implementation of 'Fair Value').

1.4 Spheres of Sustainability

As sustainability concerns three spheres –economic, social, and environmental– to achieve (Passet 1996), it would mean a process of co-evolution respecting the 'triple bottom line'. Therefore prospects of and policy norms for sustainability cannot be defined for those three spheres separately as O'Connor (2006) states. 'Four capitals' –economic, natural, social and human– need to be aligned to obtain sustainable results. However in every sustainability policy domain difficult questions of fairness in the re-/distribution of opportunities, benefits, costs, and risks within each community of interest arise (cf. O'Connor 2006).

As FVC² aims to introduce a new labeling initiative, reflecting some ‘ideals’ of sustainability, the question needs to be answered, whether it might make sense to utilize all three spheres for its definition. While an essential component of governance for sustainability must be the regulation of the economic sphere in relation to the two other spheres (O'Connor 2006), it could be concluded that the primary purpose of such a FVC² label is this kind of adjustment. As a result the economic sphere is non-sufficient to be applied or not functional to be captured in the label, as a globalized free-market adjusts itself concerning monetary facets without being subject to any morbid third party steering premise.

In conjunction and by way of the foregoing section it is worthwhile to differentiate into product- and process-based sustainable components which also need to be gained in the labeling framework (Table 1). Finally there are two dimensions being capable to describe the characteristics of FVC²: The first dimension distinguishing between product- and process-based and the second being comprised of the social and the environmental sphere.

Table 1 The framework of FVC²

<table>
<tr><th></th><th>Product-based</th><th>Process-based</th></tr>
<tr><td>Social sphere</td><td colspan="2" rowspan="2">F A I R V A L U E C H A I N C R E A T I O N
F A C T S L A B E L</td></tr>
<tr><td>Environmental sphere</td></tr>
</table>

As the authors of this paper are not being able to oversee the result of FVC² so far, there should be something similar the nutrition facts labels in this case pointing at the appearance of ‘Fair Value’, like a FVC² facts label. Thus the most essential accompanying question is: What should be visualized in the label reflecting its ‘ideals’? Something related to the host GDP, the carbon dioxide footprint, et cetera.

2. Valuable Aspects of the Political Economy

2. 1 Free Trade

As it is no pleading for sourcing, the FVC² approach furthermore encourages in capitalism, multinational corporations, freedom of cross-border trade and capital flows, supporting the idea of one global economic organization, because people around the world are generally much better off with trade than they would be without it (see Irwin 2009). While trade can promote development and contribute to the reinforcement of human rights, it is not a panacea. Trade liberalization can entail social costs. To be successful, the opening of markets requires solid social policies to redistribute wealth or provide safeguards to the peoples whose living conditions have been disrupted by evolving trade rules and trade patterns (Lamy 2010). This is what Lamy (2010) called the ‘Geneva consensus’, under which the opening of markets is necessary to the collective well-being, but does not suffice in itself.

Smith and Mahutga (2009) furthermore point at the structural polarization in the networks of the global economy during the final decades of the twentieth century by suggesting that the worldwide spread of industry has been very uneven, and that the consequences of industrialization in the places it occurs are much less likely to lead to sustainable economic growth and development than in decades past. Therefore the link between wealth and growth seems to disappear, as trade helps to raise per capita income and economic well-being more generally (Irwin 2009). Irwin (2009) highlights the economic well-being, which is not necessarily related to the individual. By way of total employment being not a function of international trade, but the number of people in the labor force (Irwin 2009), especially developing countries need assistance to build adequate productive and logistical capacity, to sharpen their ability to negotiate and to implement the commitments they make in the international trading system (Lamy 2006).

In the gamut of possibilities for governments to choose between the extremes of total protectionism and total openness of frontiers, Developmentalism pushed governments toward the protectionist option and globalization toward the openness option (Wallerstein 2009). As a result there is an agency in the two connected worlds. There is a resistance to, as well as accommodation of, global trends of commoditization (Topik 2009).

To describe the ills of protectionist policies distorting prices by wasting resources and therefore economic incentives the paper does not hesitate to borrow the words of Douglas Irwin who offers an impressive view on Free Trade. Irwin (2009) notes an important distinction between tariffs on final goods and tariffs on intermediate goods. Tariffs on final goods may harm consumers, but trade policies that increase the price of imported capital goods may be more damaging because they can affect the productivity of domestic firms (Irwin 2009). He further states that import barriers redistribute income from domestic consumers to domestic producers. The principal means of blocking trade include tariffs, quotas, and nontariff barriers of various sorts (Irwin 2009). In 1784 Adam Smith concluded on this topic by saying: No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain (Smith and Cannan 1994).

Therefore other complementary policies are required if trade liberalization is to succeed in improving welfare, as there is ample room for further reforms of trade policy in the developing world (Irwin 2009). Labels and standards for commodities that are produced with more attention to ecological or social values have become a key form of political action to mitigate neo-liberalism’s race to the bottom (Guthman 2009). To address global challenges we need more governance at the global level with equity and justice (Lamy 2006). Once the emergent global economic organization becomes a going concern, the viable options for the state’s economic policies become progressively narrowed. For state officials and entrepreneurs alike, when economic organization develops its own internal momentum, it is the proverbial tiger: Once you begin riding it, you cannot get off (Hamilton and Gereffi 2009).

2.2 Ethical Consumption

Ethical consumption, a form of politics, uses the dynamic of market competition in the realm of capitalist circulation to resist the social and ecological degradation that occurs in the realm of capitalist production. The logic for initiatives that are ‘in the market while not quite of it’ (Taylor 2005) is that consumers will vote with their money to support producers who bring goods to market while ensuring that certain standards are met. The goal is often to create an implicit alliance between workers (often in the global South) and consumers (usually in the global North) vis-à-vis employers, in pursuit of shared goals and objectives, such as better working conditions (Bair 2009).

Regarding ethical consumption, the powerful motivation of self-interest could be channeled toward socially beneficial activities that would serve the general interest rather than toward socially unproductive activities that might advance the interest of a select few but would come at the expense of society as a whole (Irwin 2009). Nonetheless by assuming ‘normal’ conditions of competition under capitalism, for a commodity to be protective of the environment, classes of people, or both, it must realize value for the targeted actors above and beyond what they would receive otherwise. This extra value is what provides the necessary cushion to preclude a competitive ‘race to the bottom’ (Guthman 2009). O'Connor (2006) provides support through the ‘Concept of a Monetization Frontier’ which functions as a demarcation line separating phenomena attributed to the economic sphere from phenomena attributed to, respectively, the environmental and social spheres, to estimate this resulting premium.

Although to-date the public appears to care about jobs destroyed because of imports, but does not care as much about jobs destroyed due to the invisible hand of technology change or a change in market prices (Irwin 2009) consumers’ constructed desires to be ethical can be met in producers’ intellectual property rights in the form of labels (Guthman 2009), like FVC².

3. Economic Principles

3. 1 Opportunity costs

In 1817 David Ricardo published: If capital freely flowed toward those countries where it could be most profitably employed, there could be no difference in the rate of profit, and no other difference in the real or labor price of commodities, than the additional quantity of labor required to convey them to the various markets where they were to be sold (Ricardo 2002). By denoting ‘convey’ David Ricardo unknowledgeable points at the issues and opportunities of postponement mentioned above.

The first economic principle of FVC² builds on Ricardo’s opportunity costs –because international trade is not driven by the absolute costs of production, but by the opportunity costs of production. Which means in the case of FVC², for instance, that a highly skilled machine operator could be used for producing more goods in Germany instead of running the packaging unit for Asian deliveries.

Also for developing countries, the theory of comparative advantage is good news in terms of their ability to make business profitably with advanced countries. Even if a developing country lacks an absolute productive advantage in any field, it will always have a comparative advantage in the production of some goods, since average wages reflect average productivity, the cost advantage of low wages is generally but not always offset by the cost disadvantage of low productivity (Irwin 2009). This strong argumentation should not only relate, as is, to goods and services exported from developing countries, but similarly to the importation of foreign works as being worthwhile to consider holding a larger stake in this opposite direction if it is economically feasible. Or as Adam Smith mentions: If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage (Smith and Cannan 1994).

For developing countries the overall cause-effect relationship is outright simple as Irwin (2009) states the key economic lesson: Low wages reflect low labor productivity and the higher is an economy's productivity level, the higher is that country's standard of living. As developing countries improve the productivity of their workers, through the acquisition of better technology or other mechanisms, like FVC², competitive pressures bid up average wages. As a result, the growth in domestic wages tracks the growth in domestic productivity (Irwin 2009). Thus you cannot fight economic improvement neither as a developed country, a multinational, a domestic producer, nor an NGO.

3.2 The Production Possibilities Frontier

The second and core economic principal of FVC² could be explained through the Haberler-Viner-Lerner-Leontief product transformation curve otherwise known as the production possibility curve or production possibilities frontier (Gandolfo 1994).

Gandolfo (1994) therefore assumes technical progress which could be neutral, at unchanged capital-labor ratio or has a factor-saving bias if it increases the marginal productivity of the other factor more than proportionally to the increase in the marginal productivity of the saved factor. As an equivalent proportional increase in the marginal productivities seems Barmecidal in real world, an entrepreneur has two options for, in this case technical, progress. Labor-saving technical progress which normally means in the FVC² concept a higher level of automation for the respective normally finishing process in the developed country. But Gandolfo's capital-saving technical progress might be evident when producing goods targeting developing countries, too. Even though not considering a technical progress here, moreover a capital-saving progress, the product transformation curve enables to envision the market potential, or the occurring economic gap, of FVC².

FVC² advises, if cost-effectively practicable, capital-savings through logistics as well as manufacturing postponement instead of upgrading production technology when finalizing goods for overseas shipment. The conception of FVC² explicitly does not use the word 'sourcing' as it does not correspond with its particular description and application!

As Figure 1 shows encouraging into something else than labor-saving technical progress could potentially result into similar cost savings. As we start with *QQ* being a typical isoquant before any progress; Given the factor-price ratio represented by the slope of the isocost *CC*; The optimum input combination is to be found at *E* consisting of the two primary factors of production: Capital *K* and Labor *L (see Gandolfo 1994)*. Once the entrepreneur decides that productivity increasing progress needs to take place, e.g. for a value chain directing an emergent market, he could choose between the two options: Labor-saving technical progress, which results in our assumed case into the isocost *C′C′*, and capital-saving progress and its optimum E_1' being found on the same isocost. Here the only occurring differences are in the capital-labor ratio and the place where the creation of value takes place, while the allied trade-offs of manufacturing and logistics postponement are not visualized in the diagram.

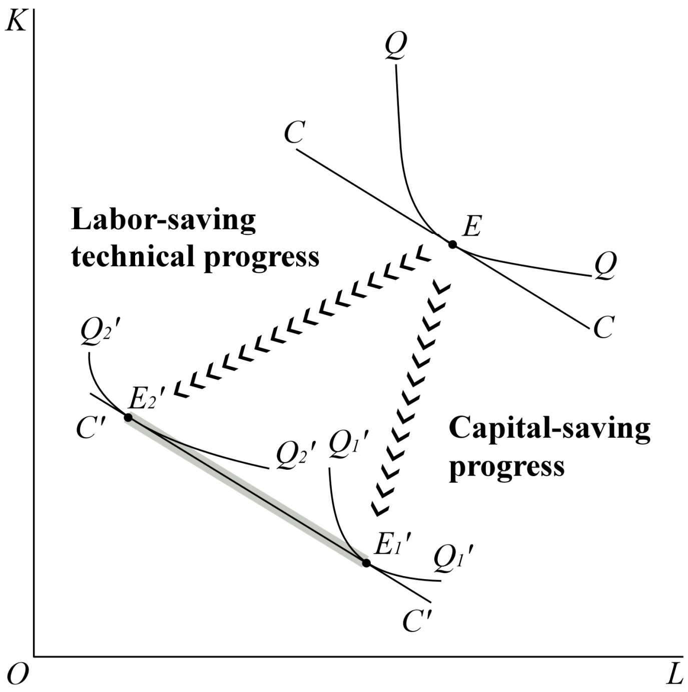

Figure 1 Raison d'être of FVC²

That simply means by addressing global value chains entrepreneurs are oftentimes getting the chance to employ humans instead of machines. This proposition needs to be stressed again, as the purpose of FVC² is not to substitute labor against labor! Nonetheless it is acknowledged that there is also labor involved in the technical progress of labor-saving as well as in the concluding processes, but the concept disputes with its necessity.

To some extent people are ignoring the possibilities to enhance the well-being of the global society through 'utilizing' humans. Beyond the fact that there is nothing more sustainable than in providing everybody around the world the opportunity to earn a livelihood and space to develop, the future potential involved in such a 'FVC² progress' is much higher than in the development of more productive packaging machines.

4. Summary and Conclusions

Today more and more people call for 'humanizing' globalization (Lamy 2006). Hence multinationals are being almost the key stakeholders of globalization, while Lee (2008) concludes in asking, how can society make institutional changes to promote their, the multinationals', corporate social responsibility? At the same time it is widely acknowledged that import substitutions have failed in comparison to export-promoting policies; While export promotion may mean something more than Free Trade (Irwin 2009). The concept of FVC² offers the opportunity to promote the development of the Southern, also through deliberate export promotion, and attempts to answer the foregoing question.

To create 'Fair Value' the paper dealt with the 'problem of social choice' which O'Connor (2006) portrays as follows. Feasibility, composed of the interdependent environmental and economic spheres. This is the realm of systems science and integrated economy-environment modeling. Desirability, consisting of the interference of the social sphere and politics. This signifies the governance problem of institutional arrangements for coordination of the actors in society with their disparate interests and preoccupations (O'Connor 2006). By contrast FVC² does not rely on politics. It builds on a label, as a distinctive feature embodying its emphasis and 'ideals'. Notwithstanding politics could boost the FVC² effort, but it captures enough momentum without outside interference.

Lamy's (2010) call for trade to act as a positive vector for the reinforcement of human rights can be seen in conjunction with the concept. He further asks for a coherent approach, which integrates trade and human rights policy goals. Progress can no longer be achieved by acting in an isolated manner. Coherence should become the guiding principle in fostering development and human rights: Coherence between the local and the global, between the world of trade and the world of human rights, between the WTO as an institution and the various organizations active in the field of human rights (Lamy 2010). The 'core' labor standards are related to fundamental human rights and can be global in their application, such as a prohibition on forced labor. 'Economic' labor standards, by contrast, are tied more closely to a country's level of economic development and include minimum wages and working conditions (Irwin 2009). As a result human rights and trade rules are based on the same values: Individual freedom and responsibility, non-discrimination, rule of law, and welfare through peaceful cooperation among individuals, and common concerns (Lamy 2010). The concept of FVC² addresses both aspects of the 'double performance criterion' declared by O'Connor (2006): The economic welfare through production of economic goods and services as emphasized in traditional economics, and the permanence of an ecological welfare base through assuring maintenance of environmental functions.

The presented perception of FVC² can have a profound impact on promoting sustainable regional production all over the world. Via studying and benchmarking value chains: What ‘Fair Value’ could or should mean on a global scale and by establishing a label representing those ideals and outcomes, this concept could serve as a baseline for the future development of ‘Ethical Trade’ worldwide. The carried out labeling authority will function as an effective economic instrument that enhances sustainable production as well as, in the case of ‘Fair Value’, consumption by way of informing customers choosing a product of ‘Fair Value Creation’, potentially leading to economic growth and wealth in the host country. This is due to, upon equal, or nearly equal profits every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country (Smith and Cannan 1994), something well known as the ‘invisible hand’.

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