

International Standards and the Service Economy

Work in progress – preliminary version

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Paper for the panel Joint Conference on
'The Social Embeddedness of Transnational Markets'
Bremen, 5-7 February 2009

Introduction¹

This paper explores the political implications of the growing influence of international standards on society, taking the case of the service sector as a distinct field of study. Standards are taken to be more specific than norms as generally understood in constructivist or poststructuralist studies emphasising a whole range of discourses, values or preferences of states and nonstate actors in the global arena. Standards refer here to voluntary technical specifications explicitly documented and published as tools used in the organisation of production and exchange of goods and services. Standards codify technical specifications regarding measurement, design, performances, or side effects of products, industrial processes, or services. Wedged in between domestic voluntary measures and global rules, standards affect virtually every aspect of our daily life. Steel or condom resistance is standardised and thousands of standards define the interoperability of computers, credit cards or mobile phones.

The few studies specifically focused on the role of international standards in the service sector share the assumption that, although almost non existent until very recently, they are expected to surge in parallel to the importance of services in the economy and society at large, greater reliance on standards in a context of regulatory reform and a more intense internationalisation of the sector (Blind, 2003; ISO Focus, 2006). This view strongly echoes positions upheld by high-ranking officials of standardisation bodies. When asked what fields of standardisation will be most active in the coming years, Alan Bryden, Secretary General of the International Organisation for Standardisation (ISO), is straightforward in considering that ‘one of our biggest challenge is precisely how to address the service sector’ (personal interview with the authors, Geneva, 8 June 2007). While standards supposedly seek greater rationality and coherence in distinct industries and services, all of them involve ongoing struggles in complex configurations of power involving such actors as multinational enterprises, organised interests, and state regulators.

Scholarly research on standards has so far mostly been confined to engineering, business, and economic studies. Yet, the subject matter is closely related to globalisation studies that emphasise the role of non-state actors in the closely integrated relationship between states and

¹ This paper draws on a project funded for a 4-year period (2006-10) by the Swiss National Science Foundation (SNF) (grant # PP001-110528). I am grateful to the SNF for its support and thank Eva Hartmann, Christophe Hauert, Marcel Heires and Nafy Niang for research assistance.

markets in such a context (Giesen and Pijl, 2006; Pijl, et al., 2004; Sassen, 2006). Although in its infancy, there is a burgeoning literature in the field of international relations and global political economy which analyses the connection between the freedom of private actors to set technical specifications and the institutional framework required to ensure some order to these practices on a transnational basis. Yes, as Mattli points out, “the literature on standards setting generally lacks a sustained theoretical argument to explain or assess *institutional* standards arrangements past or present” (Mattli, 2001: 331). Moreover, most studies lie on rational choice and game theories to formalise systematic explanations of cooperative games and conflicts of distribution in the institutional framework of standardisation. They usually fail to explain more structural patterns of authority mediating between the political and economic spheres on which standardisation may exercise its power across the transnational space.

By relying on global political economy approaches which try to uncover such structural power relations, the paper extends to the area of service standards the assumption that the process of globalisation is not opposing states and markets, but a joint expression of both of them including new patterns and agents of structural change through formal and informal power and regulatory practices. Understanding the rise of international standards in the global political economy calls for bringing more systematically together three distinct categories: the actors defining the standards, the objects concerned, and the space of their deployment. The paper argues that service standards reflect the significant development of a form of transnational hybrid authority, that blurs the distinction between private and public actors, whose scope spread all along from physical measures to societal values, and which reinforces the deterritorialisation of regulatory practices in contemporary capitalism.

The first section of the paper emphasise the relevance of the case of service standards and present an overview of recent research on the service sector, its standardisation and, more generally, international standardisation in goods and services. The following sections flesh out the theoretical framework along which analysing service standards as a form of transnational hybrid authority. Finally, the paper presents preliminary results on the institutional setting of the emerging power of service standards

Service, globalisation and standardisation - background

The growing significance of the service economy has become a prominent feature in the current structural change towards a knowledge-based global economy. Services now account

for more than 70% of GDP and employment in the advanced economies of the OECD and for more than 50% in developing as well as central and eastern European countries. The significance of services not only pertains to their growing share in the economy and their close connection to technology and knowledge. It is also related to their swift internationalisation and to an important regulatory reform. Many services which are now supplied on a commercial basis used to be predominantly provided by the state as public utilities and social services. Prominent examples are transport or telecommunications but also health services and education. Even though privatised, these services have remained highly regulated by state bureaucracies, corporate standards emanating from management decisions and industrial specialisation, or domestic standard-setting bodies. The internationalisation of services challenges these national regulatory arrangements. International voluntary standards come into play in this context.

The ability to develop a global market of services is not just a matter of technology or economic logic. It also supposes an ability to define the gradual decomposition of complex work into sequences of more simple work. The more fragmented the nature of the labour and consumption processes is, the more requirements to codify them. This is why services are often described as intrinsically resisting relocation (Dossani, 2006:245). Intangible and interpersonal services, such as teaching, consulting, health and personal services, are conventionally seen as the most difficult to go offshore, industrialise and standardise. According to Blind, one of the few economists specifically researching on service standards, it is precisely “because of the intangible nature of services and the information asymmetries thus caused between management and service provider, [that] the need to introduce quality standards for each stage of the service production is especially high”(Blind, 2004: 167).

In order to explain what hampers such developments, du Tertre (1999; 2002) singles out two factors. On the one hand, intangible and interpersonal services lack synchronisation in service production and consumption time sequences. The time spent in providing the service is not available for making use of it. On the other, quality uncertainties affect both the production process and the competitive environment as it may raise suspicion on the nature and the use of the service provided. While the latter refers to domestic collective bargaining and trade offs in working time hours, the former is more directly related to the international plane of current and future standards developments across widely diverse forms of services. In this respect, du

Tertre points out to “the key role of new institutions in the evaluation of the quality of the services and the organisation of competition” (Du Tertre, 1999: 27).

International service standards represent important tools in this regard. Yet, to which extent do they reflect a distinct form of power in the reorganisation of the global economy towards services? Core attributes of services, such as their degree of intangibility and relational intensity, unquestionably explain to a certain extent why very few service standards have so far been produced by official international standardisation bodies except in areas such as ICT, finance and some service infrastructures. Traditional resistance from small and medium enterprises focused on direct and individualised customer interaction may well be viewed on such grounds. Actors involved remain wary of abstract standards defined in the distant circles of international standardisation bodies, and society in general shies away from standardising services identified with ingrained social preferences and legal systems. Yet, in order to clarify forces at work around current and future developments of international standards in the service economy, a global political economy perspective calls for exploring other dimensions than the nature of the industry and its institutional environment. Developments related to services standards reflect structural transformations in the regulation of contemporary capitalism with significant political implications. They prompt us to explore further the underlying structures, social forces and discursive practices supporting and resisting such change.

A complex institutional system frames negotiations for developing and implementing technical specifications required in the production and exchange of goods and services on a worldwide scale. Wedged in between domestic voluntary measures and global rules, standards affect virtually every aspect of our daily life. Thousands of standards define the interoperability of computers, credit cards or mobile phones, as well as the resistance of steel, plate glass, and high pressure pipes. Few people are familiar, however, with the struggles between consortia of multinational enterprises and state regulators for defining standards directed towards economies of scale and market access across borders. Even fewer are aware of current developments taking place towards service standardisation. The significance of service standardisation not only affects well defined sectors such as cleaning services or tourism. They also spread along so-called “transversal issues” with high societal impacts ranging from human rights, education, and elderly-oriented social services to brand valuation and financial rating assessments.

Against this background, standard is an object of enquiry closely related to globalisation studies highlighting new patterns and agents of change beyond state and market power. While the field of standards is dominated by business, economic, and applied science studies focused on industrial choices, market forces, and technological innovation (Blind, 2004; Cargill, 1989; Drèze, 1989; OECD, 1999; Swann, 2000; Toth, 1984; Vries, 1999), a more political science oriented perspective assumes that the drive for technical specification in international standardisation requires a distinct institutional framework to ensure some order at the transnational level. Neo-institutional approaches have tried to explain the nature of the relations between private actors involved in standardisation and the institutional environment in which their actions take place. Borrowing the concept of transaction costs from institutional economics, these studies consider how the practices of agents can be defined by their environments to a considerable extent. From this perspective, standardisation provides an institutional guarantee for improving trust in transactions and curbing free riding risks among actors not willing to pay the full cost of expected benefits. Rational choice and game theories formalise systematic explanations of cooperative games and conflicts of distribution in the institutional framework of standardisation (Abbott and Snidal, 2001; Mattli and Büthe, 2003; Mattli, 2001). In this view, the logic of action trumps its content and the understanding of the power relations involved in standardisation is confined to quantifiable and *a priori* defined criteria based on rationalist assumptions.

Other studies adopt a more critical perspective on the socially and historically constructed framework of standardisation and its diversity across the globe. They provide accounts of the formation of the institutional architecture of standard-setting, beliefs underpinning standards, democratic controls of so-called independent regulatory authorities, conflicts of power in specific negotiations, or the broader scope of ISO-like standards (Brunsson, et al., 2000; Schmidt and Werle, 1998). Such analyses shed light, for instance, on the debate between the strongly institutionalised ISO and European systems, the more competitive pattern in the United States, and the oligopolistic nature of consortia agreements (Egan, 2001; Nicolaïdis and Egan, 2001). Yet, most of them fail to recognise the structural nature of power relationships affected by standardisation and the role it plays in the organisation of a capitalist world economy. The concept of structural power refers to material and discursive structures able to affect (intentionally and unintentionally) the practices of agents; hence those able to wield this power can modify the general environment for their own benefit (Gill and Law, 1989; Guzzini, 2000). The Schumpeter-inspired approach developed by Dudouet, Mercier and

Vion (2006) highlights an important point in this regard as it uncovers how standards may reinforce path-dependant oligopolistic innovation trajectories. Yet, it seems better suited to appraising innovation systems in technology than the increasing social scope and political implication of standards as exemplified in a number of service standards. In addition, they provide us only limited help in uncovering the broader and structural power relations taking place in standardisation. The distinct practices of standardization calls to mind the *nébuleuse* that Cox portrayed in the mixture of official and unofficial transnational and international networks, with representatives of business, the state and academia working towards the formulation of a consensual policy for global capitalism (Cox, 1992). The structural power of standardisation epitomises one among other new forms of non-state authority that have evolved over the past decade in the global political economy. The scope of international standards not only pertains to their potential worldwide reach, but also to the whole range of conflicts emanating from the capitalist system (Murphy, 1994) (Murphy and Yates, 2008 (forthcoming)). Assessments of the relationship between standard-setting agencies and society as a whole are therefore bound to be controversial. The rise of international standardisation as a privileged form of devising technical specification thus typically encroaches upon two core issues which cristalise social struggles in capitalism: the opposition between labour and capital on the one hand, and the separation of the economy from the state as a necessary precondition for the reproduction of capitalism on the other hand. Standards intervene into the struggle between capital and labour. Workers may look to standards to ensure a safer workplace (e.g., standards on machine safety or maximum noise pollution) or obtain quality guarantees on the wage goods they purchase. In contrast, entrepreneurs, merchants, and financiers will equate standards with risk reduction, technological progress, strategic competitive behaviour, and profit. Regarding the separation between the economy and the state, the voluntary market-oriented dimension of standards may reinforce free market claims to keep economic constraints and appropriation separated from politico-legal coercion. In the same time, however, the authority conferred to standard-setters by state agencies and intergovernmental agreements may narrow down the conventional Weberian view of state autonomy. This prompts us to elaborate further on how the rise of standards impinges upon bureaucratic practices.

Standardisation and bureaucracy

The larger scope of standards in contemporary global political economy substitutes to a certain extent for the role of bureaucracies in the foundations of authority and domination of modern states in capitalism. A central assumption of Weber's well-known analysis of modern state power is that any legal rational form of domination relies on functional differentiation for exercising its power and claiming legitimacy. To a large extent, such a functional differentiation rests upon the state bureaucracy. Civil servants provide a rational administration thanks to the stock of knowledge acquired at school, subsequent professional training, as well as the skills and expertise built up all the years along which they occupy their job. The supposed autonomy of the bureaucracy is identified as a guarantee against state capture from ruling elites as well as from all sorts of organised private and associative interests (Weber, 1995). A great number of studies have discussed over several decades how Weber may have overemphasised the efficiency of bureaucratic administration and its supposed monopoly of factual knowledge and technical expertise (Meyer, 1977; Meyer, et al., 1997). Moreover, Weber's disenchanted view on modern life which would bring about an ineluctable spread of bureaucracy leaving no more place for individual freedom and creativity is to a large extent contradictory to his analysis of a knowledge-based administration as bulwark of the collective good against the ability of private organised interests and government executives to capture the state (Weber, 2004). Finally, many problems may be related to the proliferation of autonomous administrative entities reinforced by functional differentiation, be it a concentration of power at the top of the hierarchy or the dominance of one rationality over all the others (Teubner, 2004).

Whatever tricky the analysis of bureaucracy may be, standardisation challenges the conventional Weberian legal-rational view of organising state bureaucracies along distinct functional tasks related to technical issues. Support for industry-based and timely voluntary standards is indeed often made on claims such as the lack of knowledge and expertise supposedly embodied by regulatory practices prompted by state agencies. In this sense, standards undermine the functional differentiation at the foundation of such state power. They strengthen the authority of non-state actors founded on expertise but also market power to the detriment of the authority of expertise provided by professional civil servants. At the international level non-state actors take advantage from the absence of a supranational government. They pitch their standards as efficient rules for global coordination which renders the cumbersome process of establishing intergouvernemental regulatory agreements

unnecessary. This argument clearly engages the assumption made in most literature on the regulatory practices of non-elected bodies and private actors underestimating their ability to capture the state (Egan, 2001; Jordana and Levi-Faur, 2005; Majone, 2001). If political capture is identified not only in reference to outcomes, but more structurally to a control on resources and the capacity of actors to durably modify the environment of their practices in their own favour, standards definition, implementation and monitoring may well be privileged vehicles for exercising such power. Such institutional environment reflects the rise of non-state authority in the global political economy.

Non-state actors in the global political economy

Nonstate actors bring about new forms of power and authority in international relations. Approaches in terms of private international authority have pioneered groundbreaking conceptual tools for appraising the influence of a distinct type of non-state actors (Cutler, et al., 1999). They explain how inter-firm cooperation can confer a political role to actors traditionally associated with the private sphere of economic transactions. They prompted a shared understanding on the importance of implicit or explicit consent –instead of coercion or forceful compliance – in such configurations of power. According to Cutler and her co-authors, “those subject to the rules and decisions being made by private sector actors must accept them as legitimate, as the representations of experts and those ‘in authority’” (Cutler, et al., 1999: 19). In the same vein, Djelic and Sahlin-Andersson (2006: 23) consider that non-state authority enabling various forms of transnational governance hinges upon “powerful institutional forces that altogether constitute a transnational culture or meaning system”. The authority of non-state actors in international relations is thus a form of normative power.

Despite a proliferation of experimentations directed towards further privatisation and transnationalisation of authority, the rise of non-state actors and less conventional forms of sovereignty faces tough limits on conceptual, empirical and normative grounds. Studies on private authority in international affairs are mostly focused on the cooperation of firms across borders and therefore tend to narrow down who actually may have such authority. A better understanding of the range of private actors to be taken into consideration undoubtedly depends on how we define the private/public distinction and civil society. While accounts may vary in each society, the separation between the modern state and the economy have

shaped social relations along the distinction between the private and the public sphere. The two spheres should be analysed as closely related, reflecting two faces of the same coin. While the political public sphere confers inclusive and universalistic rights of citizenship, the private sphere brings into play exclusive and bounded contractual rights. Civil society which is more encompassing than the political public sphere provides a intermediary level between these two spheres. Civil society includes non-state actors such as trade unions, activist groups, women's organisations, professional associations, cadres and experts organised in ad-hoc bodies, advocacy or policy networks, elite clubs and religious groups. The range of private actors in civil society is thus larger than firms – what we refer to as the 'private sector' in narrow economic terms.

Private international authority studies have nevertheless underlined the continuous role of the state. The ability of non-state actors to cooperate across borders to establish rules and standards accepted as legitimate by agents non involved in their definition requires an explicit or implicit state recognition. A critical source of non-state authority in the global political economy is therefore what Sassen (2006; 2003) calls “denationalisation”, i.e. the process which contributes to the endogeneisation of private and transnational agendas within the political public sphere. Governments and intergovernmental institutions often support and fully recognise the power of non-state actors, who in turn may gain legitimate authority. The territorial basis of politics, of the state, and of the structural power of governments and markets still exists beyond various forms of transnational private governance highlighting serious obstacles on issues of substance and procedures (Grande and Pauly, 2005; Graz and Nölke, 2008; Hall and Biersteker, 2002). More than a decade after Susan Strange (1996) launched a path-breaking research agenda on the “diffusion of power in the world economy” that brought the topic to general attention, standards are likely to generate insights into the analytical foundations of such new forms of transnational authority. We turn now to the core dimensions along which analysing in more detail the hybrid authority of international standards.

The transnational hybrid authority of standards

The nature and the implications of the rise of non-state actors as standard-setting authority shaping the global political economy calls for aggregating three distinct categories: the actors defining the standards, the objects concerned, and the space of their deployment. These three

categories at best only capture some aspects of a complex and multifaceted process evolving extremely rapidly. Nonetheless, they try to point towards the significance of new forms of devolution of power in our societies. They draw upon previous attempts to conceptualise the rise of global hybrids as “a form of authority that blurs the subjects legitimately involved in it, pertains to objects undermining the distinction between science and society, and pursues a fragmentation of the space where the endogenous logic of territorial sovereignty gives way to an exogenous logic reinforcing the transnational underpinning of capitalism” (Graz, 2006b: 236). Accordingly, the transnational hybrid authority of standards entails numerous agents who play or claim to play a role not only as new subjects (private/public actors), but also on the nature of objects (natural/societal) and space (endogeneous/exogeneous) on which exerting their power (Graz, 2004, 2006a, b). The transnational hybrid authority of standards changes the properties of these categories and alter the hierarchy of their relation. These three generic categories should be considered in more details.

The first dimension along which framing international standardisation concerns the *actors* involved in defining standards. the distinction between the private and public spheres in which standardisation practices take place may be seen as located on an *institutional continuum* defining *who* can standardise. Market mechanisms and policy choices both affect the agents involved in the field, but they do so in various ways. Technical specifications belong to the private sphere of economic activities governed by market constraints, and affect social and technological change from that angle. They nonetheless remain related to the public sphere of political action directed to the general interest of society—for instance by determining a certain level of risk or by setting principles of liability. Hence, even in the circumscribed field of technical specification, norms relate as much to capital accumulation and technical progress as to social improvement or various instruments of the welfare state. When mandatory, enforceable and general, technical specifications are thus a matter of public law and enjoy the status of government regulation. While some environment, health and safety performances are defined under such procedures, they are often established on a voluntary basis and are more particular in scope. In such cases, technical specifications involve standards-setting bodies, whose private or public statutes vary considerably according to countries. The International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the International Telecommunication Union –Section Standardization (ITU-T) are the three official organisations which most clearly reflect the universal potential of standardisation. Yet, except for the ITU, their members are not states,

but each national body “most representative of standardisation in its country”. It is against this background that particular attention must be paid to the mixture of private and public actors in standardisation and to the reasons why these standards become effective.

Second, international standardisation affects distinct classes of objects. Technical specifications are situated on a *material continuum* delineating *what* can be standardised. This dimension aggregates the relation between human beings and nature, for so-called technical specifications range from natural and invariable physical measures to constructed and historically bound societal values. The increasingly large scale of capitalist industries and rapid technological innovations of the Second Industrial Revolution led to material product standards defining performance and interoperability. Health and safety concerns linked to the welfare state prompted the development of standards in domains more directly related to consumers than producers. More recently, outsourcing in the development of global value chains and increasing concerns about environmental regulations potentially used as non-tariff trade barriers have contributed in the shift towards quality and environmental management standards in the 1980s and 1990s. International standardisation is now bound to make headways into even broader societal concerns tackled by the implication of the intangible and relational feature of some aspects of the service sector.

The third dimension on which situating international standardisation is the extent of the *space* on which technical specifications can be defined and recognised among sovereign states. In very general terms this dimension sheds light on the specific selectivity of recognition processes. It refers to the spatial *competence* for conformity assessment procedures and the standards used for them. Standardisation occupies the cracks between the principle of exclusiveness of territorial sovereignty and the inclusiveness of rules governing the global economy. In order to understand this issue, we need to distinguish between *exogenous* and *endogenous* principles of standards recognition. The *endogenous* principle is strongly related to the country of reception principle, notably where explicit state recognition is needed. Foreign providers or goods have to meet the domestic standards of the importing country. Concretely, this can involve multiple replications of tests and certifications before gaining clearance for entering each domestic market. Conversely, the *exogenous* principle is related to the country of origin principle. As Nicolaïdis and Egan (2001: 455) observe, “domestic regulators accept unprecedented transfers of regulatory sovereignty by recognizing non-domestic standards as valid under their jurisdiction, whether they have taken part in their

development (standardization) or not (recognition)". Indeed, recognition of standards may or may not involve domestic regulatory bodies. It depends on the domestic acceptance of certificates issued in foreign countries. Theoretically, if fully accepted on a worldwide basis, the various ways of assessing conformity to a given standard would ensure market access on a purely exogenous basis. In practice, a supplier would only need one certificate to satisfy the entire market and all governments—as in the motto of the advocates of the system, 'one market, one standard, one test, globally accepted'. On the other hand, if none of the various ways of assessing conformity to a given standard were recognised on an international basis, the technical specification for market access would come to rely on a strictly endogenous basis. Concretely, this would involve multiple replications of tests and certifications before gaining clearance for entering each domestic market. Moreover, international standardisation knows a deep transatlantic divide. Unlike the European system in line with the ISO framework, standardisation in the United States hinges upon a complex of hundreds of private sectoral bodies and, until recently, a large involvement of public agencies in the development of standards closely related to societal and military concerns. Beyond competing industrial policies, this reflects deep disagreements on the participatory and representative issues involved in developing and implementing standards. Finally, in a context of technological convergence, desegregation of productive processes, privatisation, and growing foreign competition triggered by offshoring of services, the territorial competence along which recognising standards reproduces the hierarchy of the North-South divide. While some degree of endogeneity could clearly remain in sight for core countries, a largely exogenous recognition of standards has dramatic implications for developing countries.

To sum up, drawing upon the assumption that globalisation involves new patterns and agents of change through formal and informal regulatory practices of a wide range of nonstate actors, service standards reflect the significant development of a form of transnational hybrid authority that blurs the distinction between private and public actors, whose scope spread all along from physical measures to societal values, and which reinforces the deterritorialisation of regulatory practices in contemporary capitalism. The following section further explore the institutional setting of the emerging power of service standards.

The emerging power of service standards

Any assessment on a preliminary basis of the extent of the emerging power of service standards must take into account the width and diversity of the service economy. To this end,

a method of maximum variation purposeful case sampling helps to identify common patterns of particular interest with regard to the overall argument of this study (Patton, 2002: 230ff). This involves both an institutional and a sectoral line of reasoning.

Regarding the cross-institutional analysis, the first step is to target the most important international institutions involved in the devolution of power of service standards. The entry into force of the World Trade Organisation (WTO) Technical Barriers to Trade (TBT) Agreement and the revision of the Sanitary and Phytosanitary Measures (SPS) Agreement in 1995 validated a formal devolution of power to international standards-setting organisations. Unlike the loose provisions regarding technical regulation of the old GATT, the TBT and SPS Agreements, like some provisions of the General Agreement on Trade and Services (GATS) give international standards a major role in harmonising the technical specifications of goods and services traded on the global market. State regulation in this domain must comply with “legitimate objectives”. With regard to goods, such concerns are related to health, safety and environmental issues. In contrast, competence, capacity to deliver and quality are the major objectives in the sphere of services. The goal of removing “unnecessary” barriers to trade should furthermore be pursued insofar as possible by substituting international standards for domestic standards. GATS article VI:4 assigns to the Council for Trade and Services (through its Working Party on Domestic Regulation) the largely market-inspired task to develop ‘any necessary discipline’ to ensure that domestic regulations ‘do not constitute unnecessary barriers to trade [and are] not more burdensome than necessary to ensure the quality of the services’. The agreement furthermore specifies that “account shall be taken of international standards of relevant international organizations” determining whether a Member is in conformity with such discipline (GATS article VI:5b). Since the launch of services negotiations in 2000 independently from the so-called Doha development agenda, no decision has been reached within the WTO on further defining discipline in the global market for services. Despite the careful wording of the WTO², a whole range of international bodies still have the capacity to define generic as well as detailed technical specifications affecting how swelling offshore services are expected to be traded on worldwide basis.

² In a footnote, the Agreement specifies that “the term “relevant international organizations” refers to international bodies whose membership is open to the relevant bodies of at least all Members of the WTO”.

The ISO setting

As the world largest developer and publisher of international standards with a membership of 155 mixed private and public national standardisation bodies, the ISO represents a core arena for assessing current developments of service standardisations. The move into standardisation of services was kicked-off in 1995 by a COPOLCO workshop that took place in Beijing. Lawrence D. Eicher, then ISO Secretary General, emphasised that manufacturing industry was already changing with the move into generic management system standards and, from this on, “the emphasis could change even more to take into account the needs of the burgeoning service industries”.³ Six workshops took place in the following years with various foci, such as tourism, exhibition management, banking and insurance, engineering consultancy, as well as multisectoral methodological issues for developing service standards. In 2001, a new working group was established in order to draft a guide on the use and development of service standards from a consumers’ perspective, which should reach approval stage by the end of 2007. So far, 12 new technical or project committees have been set up to develop service standards at ISO, not to mention work carried out in the already existing Committee on Financial services⁴. Among this wide range of negotiations, the most notably standard outputs have been in requirements for professional providing personal financial planning such as in pensions per capitalisation (ISO 22222:2005), in the vocabulary and service requirements for market, opinion and social research (ISO 20252:2006), safety related minimum requirements for the training of recreational scuba diving services (ISO 24801-1:2007), as well as a first attempt to develop a common terminology for defining hotels and other types of tourism accommodation (ISO 18513:2003).

Two years after the 2005 ISO workshop ‘Global trade in services - new challenges for international standardization’ and more than a decade after the launch of this institutional process, what are the progresses accomplished within the ISO? Whereas some of these early developments may later have large impacts on the service sector, it is worth noting that so far maturity in service standardisation remains far ahead within the ISO environment.

³ *ISO Bulletin*, January 1995.

⁴ New ISO committees specifically focused on services standards are extremely diverse as the following list demonstrates : ISO/TC 222 Personal Financial Planning; ISO/TC 223 Societal Security; ISO/TC 224 Service activities relating to drinking water supply system and wastewater systems; ISO/TC 225 Market, opinion and social research; ISO/TC 228 Tourism and related services; ISO/TC 230 Project Committee: Psychological assessment; ISO/TC 231 Project Committee: Brand valuation; ISO/TC 232 Educational Services; ISO/TC 233 Project Committee: Cleaning services; ISO/TC 236 Project Committee: Project Management; ISO/TC 236 Project Committee: Rating services; ISO/TC 237 Project committee: Exhibition terminology.

The European setting⁵

Developments are clearly larger at regional levels. This is all the more the case in Europe as the European Union is in the forefront of international standardisation⁶. In 1985, Council Resolution 85/C 136/01 on a 'New Approach' to technical harmonisation and standardisation has instigated a completely new regulatory technique and strategy. The resolution was a response to the growing role of the European Court of Justice in solving conflicting regulatory policies in the internal European market. It was also an early move towards the completion of the Single Market by devising procedures to avoid turning technical specifications into a structural impediment to trade. Although member states were wary about seeing regulation in this domain transferred to the European authorities, they did perceive the threat of a race to the bottom in public purpose standards as integration progressed. The New Approach provides a framework for the harmonisation of EU public law only on the general and essential requirements of goods and services traded on the European market, in particular in the field of health, environment, safety, and consumer protection. Depending on the sectors affected, technical specifications, performance criteria and quality requirements are either based on mutual recognition of national standards, or delegated to European standard-setting bodies such as CEN (Comité européen de normalisation), Cenelec (Comité européen de normalisation électrotechnique), and Etsi (European Telecommunications Standards Institute). In most sectors, the procedure for monitoring standards is a matter of business self-regulation, since products put on the market are granted a presumption of conformity through the sole declaration of the manufacturer (CE marking). Thus, the European New Approach has not only strengthened the importance of voluntary standards in the Single Market. By avoiding costly third party testing and certification, and providing the procedural means for a simultaneous adoption of European standards as international ones (through the so-called Dresden and Vienna Agreements), the EU has also won over third countries to its standardisation system. The (largely unintended) outcome has been a powerful strategic positioning of European standards in the global market (Egan, 2001; Vogel, 1995).

The European Commission is well aware that the emergence of an increasingly dense and extensive European standardisation complex with global reach should also be able to support

⁵ Developments of service standardisation in the North American context will be examined in another paper.

⁶ There are regional standardisation bodies in the Americas (Pan American Standards Commission, COPANT) and in Asia-Pacific (Pacific Area Standards Congress, PASC). As compared to the European system, however, their influence is still weak.

the Lisbon Agenda agreed at the European Council meeting of March 2000 in order to define ‘a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world’. New emphasis on service standards occurred after the 2005 mid-term review of the Lisbon Agenda and developments leading to the adoption of the Directive 2006/123/EC on services in the Internal Market, the so-called Bolkestein Directive eventually agreed on second reading in December 2006 and to be fully implemented by the end of 2009. A horizontal approach to the harmonisation of different regulations on the European level lays at the centre of this directive aiming at minimizing limits to the free movement of services and service providers by discrimination based on nationality or local residence. The controversial “country of origin” principle has now been substituted for the formula “freedom to provide services”. The service must conform to regulations of his/her “place of establishment”. But in order to further unify the internal market for services, the Directive sees the promotion of quality as a key objective. To this end, it explicitly encourages the work of professional independent or community bodies of standard-development and certification (like CEN, CENELEC, or ETSI) in order to develop voluntary quality marks and labels (preamble 102 and article 26).

It is against such background that DG Enterprise and Industry of the European Commission addressed in October 2003 a first Programming mandate (M 340) to CEN, CENELEC and ETSI in the field of services in order to identify priority sectors where intra-community trade in services is already occurring or likely to surge. Issues could include both horizontal cross-sectoral generic standards and vertical sector-specific standards, as well as service providers or end-users. After several events organised in 2004 in response to this mandate, a second programming mandate (M 371) was addressed to CEN in the field of services in July 2005 following the transfer of responsibility for business related services to DG Internal Market and Services. In 2007, eleven projects have been developed across half a dozen of European standardisation bodies in response to this second mandate.

The CEN Horizontal European Service Standardization Strategy (CHESSS) is the largest of the eleven projects formed in response to EU Mandate M/371. This initiative is organised as a consortium of national standards bodies led by the British Standards Institute (BSI), in association with those from Spain (AENOR), Germany (DIN), Denmark (DS), Estonia (EVS) and the Netherlands (NEN). The initiative will examine the feasibility of taking a generic approach to European service standardization, in focussing on the extent to which

standardization could apply across multiple service sectors and the benefits of doing so as opposed to following a sector-specific approach. By taking a generic approach, CHESSESS seeks to establish the underlying principles for an ongoing programme of European service standardization capable of facilitating the delivery of services across the European Union, unimpeded by national borders⁷.

In contrast, the other ten projects reflect much more caution on the ability of horizontal generic standards to address the specificity of distinct markets of services. As a pioneer in national standards developed and supported by private and public service providers in well defined service sectors, Afnor, the French national standardisation body, initiated those projects after early consultation with its members and some European standardisation bodies, such as those from the Netherlands and Denmark. According to Pascal Gautier, in charge of the unit Management and services at Afnor, generic standards in services would soon become burdensome and unrealistic as “they require phenomenal efforts which would eventually generate opposition”; in his view, “it is much better to privilege a niche approach in service standards so as to keep a sector-specific proximity, to privilege in other words a so-called Swiss army knife effect where each blade has its distinct use”.⁸

Conclusions

The picture emerging from ongoing institutional developments at the European and worldwide ISO level suggests that international standards in the service sector will have a growing influence on the regulatory environment of the economy and society at large, but such developments remain more difficult than commonly expected and supported by two sets of competing profiles. Those in favour of horizontal standards endorse the development of generic specifications cutting across distinct sectors and therefore reinforcing such underpinnings of market mechanisms as transparency and quality on a horizontal basis. In contrast, supporters of vertical standards claim that in order to avoid being too far away from concrete market practices and society at large, services can only be standardised according to the specificity of the production configuration in which they are provided and the context of their usage. Whereas the motto of the former is what Ziva Patir, ex-Vice President of ISO,

⁷ Quincy Lissaur, Senior Business Consultant, BSI-British Standards, personal interview with Jean-Christophe Graz, London, 23 January 2007. CHESSESS Powerpoint Presentation, n.d.

⁸ Pascal Gautier, head of unit Management and services, Afnor, personal interview with Jean-Christophe Graz and Marcel Heires, Paris, 18 April 2007.

calls the 1-1-1- dream of “one market, one standard, one test, globally accepted”⁹, the latter are more inclined to restrict such motto to “one sector, one standard, one test, accepted wherever relevant”. Accordingly, institutional developments of service standards are likely to face trade-offs and compromises between promoters of further socialisation of international standards applied to distinct and well chosen service sectors and advocates of a commodification of technical standards. The former will be content with a transfer of the universal scope of law into a catalogue of sectoral service standards developed by official standard-setting bodies backed by WTO/GATS provisions. By contrast, the latter will struggle for a worldwide recognition of minimal generic market-based standards, such as quality management and security standards provided by consultancy firms and consortia fiercely competing on the lucrative market of management methodologies and certification of business processes.

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⁹ Ziva Patir, VP ISO, interview with authors, Geneva, 8 June 2007.

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