

## 1 Introduction

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*With international trade in services now the driver of economic growth in developed and developing countries, come the dangers inherent in any dramatic market expansion – lack of controls, consumer exploitation, opacity, poor quality, inefficiency, questionable business practices and other obstacles to good service provision. In parallel with such growth, the services sector is in vital need of standards to establish good practice, encourage consistently high service quality, and build consumer confidence.*

Garry Lambert, 'Service with a Smile, Thanks to Standards',  
*ISOfocus*, #116, 2016:10

According to the quotation at the start of this chapter, taken from the flagship publication of the International Organization for Standards (ISO), there is an upfront rationale for standards supporting the service sector's contribution to growth and development. In the same way as manufacturing is inconceivable without standardised nuts and bolts, it is difficult to imagine providing services across borders without proper guarantees regarding the quality and security of the activity expected to be performed to the customer's satisfaction. From this viewpoint, standards appear to be promising tools against the backdrop of the growing share of services in globalisation. An airline's customer service centre located in the Philippines; legal process outsourcing in India in charge of drafting contracts for law firms in London; reliability of data on natural hazards in Japan, supposedly hedged by reinsurance companies in the United States and Europe; or, more prosaically, requirements for services provided by natural protected area authorities or multinational water utility firms – all these are expected to be specified in mutually intelligible and agreed terms.

A closer look at the importance ascribed to technical specifications in the globalisation of services shows that it reflects a non-conventional form of power in the organisation of contemporary capitalism. Most explanations of the rise of such non-conventional forms of power focus on two interrelated aspects of globalisation: governmental failures in addressing global issues in a world of territorial sovereignty and the

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ability of large private corporate actors to shape regulatory outcomes and market access in their favour. With a focus on the significance of voluntary international standards as privileged instruments of global governance, this book analyses a third aspect spanning the space between those two poles of public and private power in international relations. Standards set by bodies such as the ISO have long been perceived as narrow technical specifications for organising production, protecting consumers, and facilitating international trade in domains such as measurements, performance, and related effects of manufactured goods. Today, their scope has been extended to non-physical fields such as labour, environment, education, risk and security, or management systems and business models. The opening quotation only gives a glimpse of how great the expectations are for the future. At the same time, standards-setting organisations have mushroomed. While the ISO might not be the best-known organisation of global governance, it fiercely competes with other bodies in a jungle of labels, certifications, benchmarks, and business models.

What non-conventional forms of power do international standards epitomise in the organisation of contemporary capitalism? Why have they become such prominent tools in global governance? Could they be as prominent for the service sector as for manufactured goods? Looking for answers to these questions, a whole body of literature has risen to analyse how market organisation and innovation relies on standards, how standards themselves partake in the diffusion of authority towards private actors, and how this reflects a prevalence of neoliberal ideology in global governance, with all its normative implications for democracy. This book begins from a different perspective, proposing three arguments which can help explain the prominence of such non-conventional forms of power in the organisation of contemporary capitalism: the power of ambiguity, the ambiguity of standards, and the rise of services.

The first proposal is that ambiguity can be seen as a generic attribute of non-conventional forms of power in the regulation of contemporary capitalism. Ambiguity appears as a defining criterion in conferring authority to new actors on a number of new issues across sovereign space in the context of globalisation. We will see how the literature has discussed in great detail the ambiguous status of the private/public divide viewed as a strategic resource for non-state actors to gain power and recognition in global governance. The point here is to suggest that ambiguity not only defines the status of the actors involved in standardisation and regulation but also the scope of issues concerned and the space on which such authority is recognised in complying with standards. This shift in the articulation between the political and the economic

spheres across the globe reflects a new topology of global governance from a transnational perspective. This book provides a theoretical and empirical account of this alternative form of authority based on the juxtaposition of instances of power transforming the relation between transnational capitalism and territorial sovereignty – what is considered here as *transnational hybrid authority*.

The second proposal is that the ambiguity of standards accounts for much of their prominence among the various tools of global governance. It allows for highly resilient, multiple, and contradictory policies. It lends itself to ready appropriation likely to support confused lines of accountability. While international standards are often seen as stereotypes that flatten out differences and impose disciplinary power, their role in market organisation and regulation is neither so isomorphic nor inevitably alienating. They can accommodate opposing political economy objectives and power configurations. In theory, nothing would prevent the use of standards by various industries, market actors, and civil society organisations to provide guarantees against opposing understandings of quality and security prospects. In practice, this may rarely be the case, but standards could not be as prominent as they are if they did not convey more ambiguous properties than mere technical specifications set by private firms worldwide. In short, the ambiguity of a transnational hybrid authority goes a long way towards explaining the power of standards and why they have thrived in the organisation of capitalism over the last decade.

The third proposal concerns the global expansion of services. In a context marked by a shift towards a so-called smarter, automated, and more sustainable knowledge-based global economy, services are often defined as the new frontier. They play a key role in supporting integrated production networks and platforms. They are deeply embedded in manufacturing processes depending on all sorts of financial, legal, organisational, marketing, design, or risk management constraints. Accordingly, market access in this domain is less a matter of tariff or investment than of regulation and standards of quality and security requirements likely to have strong social and political implications. Since standards lie at the heart of the service economy, I argue that they also shape the conditions and extent of the convergence likely to support market access. The internationalisation of many types of services has thus become highly controversial in both industrialised and developing countries. Unsurprisingly, regulatory convergence and so-called non-tariff measures lie at the core of negotiations for ambitious and comprehensive preferential trade agreements, such as the Canada–European Union Comprehensive Economic and Trade Agreement (CETA), the aborted Transatlantic Trade

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and Investment Partnership (TTIP) between the United States and the European Union, or the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) among Asia-Pacific countries. Those negotiations are only three among many examples of how the rise of services defies common expectations on standards and prompts non-conventional forms of power in the regulation of contemporary capitalism.

With a focus on the role of standards in the global expansion of services, this book examines a new form of power in contemporary global political economy. In making sense of the power of standards, its contribution to the existing literature spans five interrelated debates, often at the crossroads of several disciplinary fields.

### **Globalisation and Transnational Private Authority**

The literature on the rise of non-state actors, private authority, and less conventional forms of sovereignty and governance has mushroomed against the backdrop of globalisation. While some globalisation studies continue to oppose states and markets, the approach used here relates to the literature on transnational private authority that views globalisation as a joint process, with new patterns and agents of structural change through formal and informal power and regulatory practices (Cutler et al., 1999; Hall and Biersteker, 2002b; Grande and Pauly, 2005; Djelic and Sahlin-Andersson, 2006; Graz and Nölke, 2008; Krause Hansen and Salskov-Iversen, 2008; Büthe, 2010; Payne and Phillips, 2014; Abbott et al., 2015). Concepts such as power and authority are clearly among the most controversial notions in International Relations, International Political Economy, and cognate fields (Barnett and Duvall, 2005; Guzzini and Neumann, 2012). Moreover, as Lukes (2005) classically pointed out, power is an essentially contested concept, as empirical validation cannot avoid prior normative assumptions. While power and authority are closely related, I do not see them as synonymous. While power needs legitimate social purpose to be exercised by consent rather than coercion, authority conveys an institutionalised form of power that uses formal and informal rules to support such claims of legitimacy based, at least partially, on consent and recognition on the part of the regulated or governed. There is no reason that such mediation should be exclusively associated with government institutions (Hall and Biersteker, 2002a: 4–5). A critical source of non-state authority in globalisation is therefore what Sassen (2003a) calls ‘denationalization’, i.e. the process which contributes to bringing private and transnational agendas into the political public sphere. As the territorial basis of the state still exists beyond various forms of transnational private authority,

relationships between states and non-state actors have become, as Higgott et al. (1999: 6) suggest, ‘sometimes conflicting but often symbiotic’. Private authority in international affairs thus presumes at least some consent and state recognition.

Undoubtedly, standards are likely to generate insights into the analytical foundations of such new forms of transnational authority. Yet, with so much emphasis on the actors gaining authority in private regulatory tools, the literature tends to overlook the scope of regulatory practices involved and the reconfiguration of the spatial structure in which such practices are implemented. The nature and the implications of the rise of private actors setting the standards that shape market organisation, access, and regulation across borders calls for an examination not only of who has the authority to set standards but also of what is standardised and where and when standards are implemented, i.e. the actors, the objects, and the space of standardisation. Those three dimensions together shape new forms of power in our societies. They form the backbone of the analytical framework developed in support of my empirical study of standards; they also structure on a more conceptualised level my understanding of the power of standards.

A number of studies use the concept of hybridity to describe the ambiguity implied by such non-conventional forms of authority in contemporary capitalism. According to Hurt and Lipschutz (2016), hybrid rules reflect a new phase of state formation in which state power is enhanced by privatisation and the ensuing depolitisation of the public sphere. In the same volume, Hibou (2016) draws on Weber and Foucault to take the case of ISO standards as hybrid rules supported by neoliberal bureaucratisation. Hybridity takes many forms of attributes of actors and practices involved in – and prompted by – globalisation. Yet, only too often this tells us more about the lack of clearly defined attributes than any distinct features. Still, this is not pointless. Used as a default attribute, hybridity helps to accommodate multiple and contradictory understandings of global governance (Graz, 2008). As Chapter 2 will show, the notion of governance has itself been used in this respect, by enabling the exercise of authority without full control of sovereign rights. Moreover, I draw on insights from semiotics, sociology of science, technology and society, and post-colonial studies to argue that hybridity conveys *substantive attributes* which can help make sense of standards.

With its particular reference to the history of myths, semiotics not only calls to our mind the etymology of the notion; it shows that early representations of collective life used ambiguous meaning and ambivalent values in their power configurations. Ancestral figures of human imaginary were often hybrids; they pervade all sorts of myths’ narratives across

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time and space (Uranie, 1996). Studies in science, technology, and society (STS) put hybrids in the broader context of the crisis of modernity (Beck, 1992). The concept is the cornerstone of Latour's seminal analysis that modernity cannot make sense of what he calls 'quasi-objects' belonging neither to nature nor to society but to both (Latour, 1991). This helps us to understand that standards cannot be confined to the realm of technical specifications and always convey implicit or explicit social values. It is in this regard that STS studies have prompted the so-called practice turn in international relations theory (Best, 2014: 22–25). However, they often lack focus on the proper transnational nature, global reach, let alone the power mechanism of such practices. To some extent, post-colonial studies respond to such shortcomings, not least because debates on hybridity arguably instigated the field itself (Bhabha, 1994; Young, 1995). Their critique of binary relations of power and the emphasis put on subversion and resistance practices at a fluid transnational plane helps to shed light on how standards belong to what Acheraiou (2011: 19) describes as 'syncretic modes of governance'.

In brief, such genuine interdisciplinary thinking allows me to consider the nature and the implications of the rise of private authority across borders in a broader context. I appraise the non-conventional form of power and regulation embodied in standards as a form of authority based on the ambiguous juxtaposition of instances of power transforming the relation between transnational capitalism and territorial sovereignty. In contrast to conventional accounts primarily focused on the rise of new non-state actors in international affairs, the approach used here aggregates three dimensions: the agents defining authority, the issues concerned, and the space of their deployment.

### Standards and Regulation

Standards refer here to voluntary technical specifications explicitly documented and published as tools for the organisation of production and exchange of goods and services. Standards codify technical specifications regarding measurement, design, and performances, as well as side effects of products, industrial processes, and services. As seen in the opening paragraph of this book, this includes almost any type of product, process, or service. It can be as down-to-earth as metric and arithmetic definitions, for example the  $1/\sqrt{2}$  ratio defined in the ISO international standard used for paper sizes worldwide except in North America (ISO 216). But it also takes in intricate business models qualifying the ability of a firm to disaggregate and complete complex tasks, such as the Capability Maturity Model Integration in the field of services (CMMI for Services)

of the CMMI Institute, a technology commercialisation enterprise working as a subsidiary of Carnegie Mellon University and sponsored by the US Department of Defense (see Chapter 7 for more detail). The relatively broad definition of standards given previously acknowledges a difference between formal standards and other norms that arise from unintentional actions and habits (Brunsson et al., 2000; Ponte et al., 2011: 2; Brunsson et al., 2012). Formal standards are set by entities dedicated to such purpose – be they national standard bodies that are members of the ISO, industry-based standards-developing organisations such as those existing in the United States, research centres and management consultancy firms supporting business models, or consortia of firms and organisations working together to develop technical specifications such as the World Wide Web Consortium (W3C) that has designed many web formats and protocols (HTTP, HTML, XML, etc.). Whoever sets the formal standards, expected compliance mechanisms do exist in the form of various conformity assessment processes and certification procedures, with some sort of sanction for non-compliance.

Similarly, the definition used earlier acknowledges a distinction between specifications used in regulations set by public authorities and those that are voluntary and thus formally outside of the authority of the sovereign state. There is, however, considerable overlap between mandatory standards embedded in public regulations and voluntary specifications set by standard-setting bodies. Public authorities have actively encouraged the use of private standards and supported their adoption in mature and emerging technologies (EXPRESS, 2010; National Science and Technology Council, 2011; JISC, 2013; European Commission, 2016e). Moreover, several agreements of the WTO and other trade agreements grant international standards an official status in policies driven towards the harmonisation or mutual recognition of technical specifications used for goods and services (see Chapter 4 for more detail).

Against this backdrop, standards and regulation touch on far-reaching issues beyond mere industrial choices, market failures, technological innovation, and competition, however privileged these are by scholarship in business, economic, and applied-science studies (David, 1985; Vries, 1999; Swann, 2000; Blind, 2004; Swann, 2010; Viardot et al., 2016; Hawkins et al., 2017; Blind et al., 2017). An emerging field of standardisation studies with interdisciplinary backgrounds in history, sociology, organisation studies, law, and political science looks beyond the environment of the firm in order to understand how standards themselves constitute a significant social institution (Krislov, 1997; Brunsson et al., 2000; Tamm Hallström, 2004; Schepel, 2005; Murphy and Yates,



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2009; Timmermans and Epstein, 2010; Busch, 2011; Ponte et al., 2011; Yates and Murphy, 2019).

Unsurprisingly, studies in political science put the regulatory power of standards at centre stage. Most of them rely on neo-institutional and comparative political economy approaches analysing the supply and demand of standards and their potential as alternative forms of private and voluntary regulation responding to the transformation of states' traditional role in the economy (Schmidt and Werle, 1998; Mattli and Büthe, 2003, 2011). They have, for instance, provided strong input in the debate opposing the strongly institutionalised ISO and European systems, the more competitive pattern used in the United States, and the oligopolistic nature of so-called consortia standards mostly used in the IT industry (Egan, 2001; Nicolaïdis and Egan, 2001; Tate, 2001). From a political economy perspective, the question is basically that of the relationship between the drive for technical specifications and the institutional framework required to ensure some order in this area at the transnational level. Borrowing concepts such as externalities and transaction costs from public choice and institutional economics, these studies consider to what extent the practices of various agents can be defined by their environments. It follows, so the argument goes, that standardisation provides an institutional guarantee for improving trust in transactions and curbing free-riding risks. For example, Prakash and Potoski have examined the ISO 14000 standards in environmental management systems from a club theory perspective (Potoski and Prakash, 2009; Prakash and Potoski, 2010). ISO standards are thus viewed as excludable, as those not affiliated to the standard cannot benefit from them, but non-rival, as applying the standard does not necessarily diminish the value others gain from applying the same standard. Designing such standards would then always face a trade-off between leniency – increasing their acceptability and ultimately the number of firms in the club – and stringency – insuring the credibility of the club to produce externalities on its own. Such accounts indisputably help to formalise determining factors of cooperation and conflict underpinning the institutional framework of standards used to differentiate markets. Their limitation, however, rests on a managerial approach focused on firms' and broader stakeholders' utility maximisation functions. In other words, I agree that standards are resources to differentiate markets, but this differentiation is not only the result of a utilitarian rationality calculus implemented by firms and stakeholders. By implying that the logic of action trumps its content, the understanding of the power relations involved in standardisation is thus confined to quantifiable and *a priori* defined criteria based on utilitarian assumptions.



In contrast to a narrow focus on institutional environments and the logic of collective action, I opt for an analytical strategy that stresses the ambiguous content of power relations in the regulatory authority of standards, their evolving variety across borders, and the ongoing struggles to set and conform to them. The non-conventional form of power and regulation established by standardisation brings to mind what Cox called the internationalisation of the state appropriated to the internationalised process of economic policy harmonisation and, more specifically, the *nébuleuse* of official and unofficial networks, with representatives of business, the state, and academia working towards the formulation of a consensual policy for global capitalism (Cox, 1987: 262, 2002: 33). From the broadest sociological point of view, as we saw earlier, standards are a social institution supporting a distinct form of domination. As shown by scholars from the French regulation school, they also call up the institutional economics of John Commons: in contrast to price signals or intrinsic attributes of goods or services, standards result from power relations and are here to qualify objects in such a way as to eventually control the individual action of agents involved in economic transactions (Commons, 1934; Chanteau, 2011; Allaire and Lemeilleur, 2014). Likewise, Timmermans and Epstein (2010: 83) observe that, ‘somewhere between glorified globalization and dark dehumanization, each standard achieves some small or large transformation of an existing social order’. For his part, Busch (2011: 2) emphasises that ‘standards shape not only the physical world around us but our social lives and even our very selves. [...] They] are recipes by which we create realities’. From a legal perspective, Schepel (2005: 4) reminds us that the public or private nature of standards and the space of their deployment overcome conventional oppositions: ‘Standards hover between state and the market; standards largely collapse the distinction between legal and social norms; standards are very rarely either wholly public or wholly private, and can be both intensely local and irreducibly global. ... standards can be seen as links between these spheres and institutions’. In the same vein, a great deal of scholarship on the rise of private authority in political science and global political economy no longer sees standards as outright privatisation and deregulation. Instead, the phenomenon is perceived as part of the broader organisation of the capitalist system (Murphy and Yates, 2009), or a ‘re-articulation of governance’, in which public regulation has ‘retreated in some areas of the economy, but at the same time other forms of governmental and inter-governmental regulation are actually being strengthened’ (Ponte et al., 2011: 7). As Hauert (2014: 2 – my translation) emphasises, ‘the influence of those private arrangements in various institutional

environments, their relationship with public authorities and the characteristics of actors supporting it remain largely ambivalent'. This is even truer with regard to services, for which profound cultural tenets, societal values, and labour issues are hard to pin down (Allen and du Gay, 1994). Moreover, with the advancement of deregulation, liberalisation, and privatisation, new service standards are likely to compete with previous rules governing public utilities, and more generally the social foundations of state power.

My analysis of transnational hybrid authority draws from such insights to set out a three-dimensional framework for a critical and comprehensive picture of the range of actors involved in setting standards, the breadth of the issues concerned, and the extent of deterritorialisation of standards recognition. Together, these overcome conventional understanding that opposes mandatory regulation and voluntary standards, technical specification, and social values and institutions, as well as the territorial space of the sovereign state and the borderless world of global markets. Moreover, in contrast to studies which oppose the profoundly institutionalised European and ISO environment to the weaker and highly privatised US system, I argue that competing models of standardisation do not reproduce such territorial and institutional determination. Instead, they reflect contrasting types of relationships between standards and society at large. International standards – as hybrids – are ambiguous and double-edged. They can be used either as driving forces to broaden the domain of market self-regulation, or as alternative instruments for embedding markets within society. Accordingly, the institutional developments of service standards are likely to require trade-offs between advocates of the commodification of technical standards across borders and promoters of further socialisation of international standards as applied to distinct and well-chosen service sectors.

### **Globalisation and the Rise of Services**

In addition to furthering understanding of the peculiar power of standards in the rise of transnational private regulation, this book provides an innovative account of the relationship between globalisation and the rise of services, with a focus on the neglected role that standards play in this regard. An economy based on information and knowledge not only increases the share of services, but also the tradability of activities previously viewed as requiring a face-to-face environment. Besides the globalisation of traditional service activities such as tourism, transport, banking, and insurance, global production and market networks become increasingly reliant on service offshoring – i.e. the purchase of services