

# **The Emerging power of services standards in the global political economy**

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# **The Emerging power of services standards in the global political economy**

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## Abstract:

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. The analysis relies on global political economy approaches, which try to identify constitutive patterns of authority mediating between the political and the economic spheres on a transnational space. It 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. It presents preliminary results of a major research project, which combines cross-institutional and sectoral analyses. It examines the most important international institutions involved in the power of service standards and provides an account of common patterns in initial developments affecting the diametrically opposed cases of call/contact centres and transport systems.

## ***Introduction***<sup>1</sup>

This paper explores the role of international standards in the rules governing the economy by analysing the political implications of the expected growing influence of international standards in the regulation of the service sector. 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

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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 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 two sections 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 section fleshes 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 and current developments affecting international standardisation in two distinct sectors of the service economy – call/contact centres and transport systems.

### ***Offshore services and standardisation - background***

The growing significance of service activities has become a prominent feature in the current structural change of the global political 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 high technology and innovation but also to the deep societal values they convey, as in education or health services, or the key structural issues they underpin, as in the domain of security, banking and insurance.

Whilst no commonly accepted definition of services exists, they are usually opposed to goods and therefore perceived as intangible, invisible, perishable and requiring simultaneous production and consumption. They include, among other things, power and water supply, construction, wholesale and retail trade, hotels and restaurant, transport, storage, information and telecommunication, finance, insurance, business services, household, social services (education, health or social protection), public administration and security.

In opposing services to goods, a basic assumption is that their attributes make them much less tradable than goods. Yet such a distinction cannot be as straightforward as usually assumed. While a number of services remain produced when and where they are consumed, be it a haircut or a complex legal advice, recent developments in information and communication technologies have massively increased the number of services which can be produced in one location and consumed elsewhere –often thousands of miles away. Offshore services refer to this dramatic shift in the tradability of services. Such developments differ in many ways from those related to offshore finance. They do not necessarily take place in exotic location or special legal environments marked by minimal regulation and taxation. They do not affect as conspicuously sovereignty issues such as tax avoidance, risk liability or money laundering. Yet, they reflect the broader concerns raised by the offshore economy. According to Palan, going offshore can be understood as ‘an inherent tendency in a transnational economy operating within the context of a particularistic political system’ (Palan, 2003: 188). The different vehicles chosen by the offshore economy are as many pragmatic legal responses to this contradiction.

While the offshoring of services is still in its infancy, it represents what a recent Unctad Report identifies as “the cutting edge of the global shift in production activity, giving rise to a new international division of labour in the production of services” (UNCTAD, 2004: xxv). The numerical revolution in information and communication technologies has dramatically changed the tradability of services. Provided the necessary infrastructure, huge quantities of digitalised information can instantaneously and cheaply be exchanged anywhere around the globe. As a result, a wide range of services is now crossing borders through a combination of foreign affiliates created within TNCs (in-house offshoring) and third-party service providers (outsourced offshoring). Such developments, although subject to massive inequalities in distributional effects, contribute to more open-ended trajectories in worldwide service provision and consumption. People in both old and newly industrialised countries are increasingly using electronic media to provide and acquire services of which they previously relied on direct contact. The trend can involve simple low-added value activities or more complex high-value-added activities and cuts across most sectors. It began in the 1980s with low-skill IT/software services such as data entry and call centres and now affects a much wider range of professional high-skill services such as legal services, accounting, medical or engineering services. For instance, in Bangalore, India, Teleradiology Solutions employs some 20 radiologists to analyse and report on a continuous flow of X-ray images sent over the Internet by night shift technicians from some 50 US hospitals<sup>2</sup>. Following Unctad projections, offshore outsourcing of business processes was expected to grow from \$ 1.3 billion in 2002 to \$ 24 billion in 2007 and the total market for all offshore service exports was estimated by a study from McKinsey at \$32 billion in 2001, most of which was supplied by Ireland, India, Canada and Israel (UNCTAD, 2004: 153).

The ability to develop offshore 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

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<sup>2</sup> *Le Nouvel Observateur*, 16-22 février 2006, p. 15

sequences of more simple work. Most conventional economic literature on services would assess supply and demand in separate terms so as to generate hypotheses on the emerging internationalisation of the market in services. Demand side studies would focus on how to create a market, measure and monitor customer satisfaction and alter preferences. Supply side analyses would examine the rationalisation of the production process by such means as wage competition (delocalisation of services) and capital/labour substitution (industrialisation of services). By mixing demand and supply side studies, we may get into the picture how the more fragmented nature of the labour and consumption processes requires a codification (i.e. standardisation of services). According to Blind, one of the few scholars 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 contrast to most life-cycle approaches focused on service technology in order to explain innovation and standardisation processes, Tether, Hipp and Miles (2001: 1116) emphasise how technical, organisational, and strategic features should be understood as closely entangled and reinforce the particularisation and diversity that prevails in services. Their study broadens a conventional micro economic point of view focused on strategic interactions within a market environment and provides empirical evidence of the existence of an already large proportion of standardised services. It backs up approaches that mix the nature of the technological underpinning the service activity and the nature of the market they serve (e.g. Djellal and Gallouj, 2002). It further lends support to their emphasis on the great diversity of services both between and within sectors. As their prime concern is to provide further insight on the causal factors behind service innovation, however, they shed little light on the broader political economy dimension in which such processes take place.

Institutionalist accounts closely or loosely related to French regulationist approaches provide further insights on the social and political embeddedness of service activities. Petit (1986) has stressed how the emerging service economy impacts upon growth and forms of competition in the post-Fordist era. Gadrey (2003) has thoroughly investigated the relationship between divergent types of commodified and non-commodified services, high- and low-skilled employment, and varieties of capitalism in terms of social and gendered inequalities. According to him, service rationalisation may well follow other courses than productivity, standardisation and economies of scale and delves into more reflexive practices, work routines, and a use of technology supporting labour equality in contrast to conventional labour substitution (Gadrey, 2003: 76ff). Du Tertre (1999; 2002) makes a similar assumption in analysing “productive configurations” between labour, technologies and a wide range of organizational mechanisms from a regulationsit-inspired perspective. While some types of services can be highly delocalised, industrialised, and standardised, others cannot. In other words, core attributes of services affect their environment. First, the relational intensity of the service relationship, in which the beneficiary makes his way into the service provider, is subject to vary a great deal according the service provided, the way it is implemented, its expected results and efficiency. For instance, computer assisted transport systems and higher education are clearly opposed in this regard. Relational intensity may include a rationalisation logic, but the provider’s and beneficiary’s subjectivity as well. Then, the use value of services is highly polymorphic. As services often transform largely intangible supports, such has the knowledge provided by education or the pleasure supposedly increased in leisure activities, much uncertainty remains on the demand-side; moreover, their effect is not only direct, but also indirect, such as health care years after the treatment; finally, beneficiaries are not only

private individual, but often mix private and public, as well as individual and collective actors with conflicting claims.

According to du Tertre (1999; 2002), intangible and interpersonal services, such as teaching, consulting, health and personal services, are among the most difficult to go offshore, industrialise and standardise. In order to explain what hampers such developments, he 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 collective bargaining and trade offs in working time hours, the former is more directly related to the understanding of the political implications of current and future standards developments across widely diverse forms of services. As du Tertre points out, “the analysis of the balance between supply and demand of intangible services brings out the key role of new institutions in the evaluation of the quality of the services and the organisation of competition within the sector under consideration” (Du Tertre, 1999: 27). Advocates of a neo-Taylorist standardisation of services and promoters of a progressive form of deontological professionalisation are identified as the two conflicting configurations of power in such a context. The objective of those in support of a neo-Taylorist standardisation of services is for the most part to reduce the time required for establishing a service relationship. A favoured avenue for such industrialisation methods applied to services is stereotyped behaviours and standardised information denying the specificity of the service relationship. Pre-selection by touchtone telephones and decision trees in offshore contact centres would be such examples. In contrast, advocates of a more progressive form of deontological professionalisation point towards greater involvement of service providers and beneficiaries alike in responding to increasing doubts around the misuse of a wide range of 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 in the light of two interrelated themes: on the one hand, the power devolution conferred to nonstate actors in the context of globalisation; on the other, how this impinges upon standardisation as a distinct regulatory practice of global capitalism.

### ***Globalisation and the devolution of power in standardisation***

International standardisation presumes a complex system of devolution of power, which frames negotiations and the implementation of technical specifications used as tools in the

organisation of production and exchange of goods and services on a worldwide scale. In constitutional law, the notion of power devolution refers to the transfer at a subordinated institutional level of autonomy and distinct rights in the overall structure of a legal hierarchy. It has been a central feature of British constitutional history keen on providing some degree of self-government to the various constituencies of the United Kingdom and its former Empire (Bogdanor, 2001). It is also a core principle of a Lockean liberal constitution allowing a considerable measure of self-regulation enshrined in civil law (Pijl, 2007 forthcoming). The devolution of power involved in standardisation is thus part of a more comprehensive reorganisation of capitalist societies, what Gill (1998) calls “global constitutionalism”, where privileged rights of citizenship and representation are conferred to capital and premised upon strong political and legal reforms. The move coincides with the rise of the “competition state”, whose role is not to compensate and substitute market dysfunctions, but to foster economic growth through measures directed toward macro-economic competitiveness, micro-supply side measures and further blurring the distinction between national and international policies (Cerny, 1990; Palan, et al., 1996). Legally, the shift coincides with the increasingly fuzzy distinction between “hard” and “soft” law. Binding and nonbinding rules overlap when international legal instruments have the flexibility to allow for practices codified elsewhere, involving multiple stakeholders, flexible procedures and a great deal of private and voluntary codes (Boisson de Chazournes and Mehdi, 2005; Cutler, 2003; Shelton, 1999).

A growing number of studies have explored the ability of nonstate actors to co-operate across borders in order to establish rules and standards of behaviour accepted as legitimate by agents not involved in their definition. Most of them acknowledge that the logic of action and, more structurally, the potential of change embodied by actors involved in this process are based on consent, implicit or explicit, instead of coercion and forceful compliance. A critical factor in the current devolution of power in the global political economy is therefore what Higgott et al. (1999: 6) call “sometimes conflicting but often symbiotic” relationships between states and nonstate actors. As Djelic and Sahlin-Andersson (2006: 23) underscore, the institutional dynamics of regulation in transnational governance hinges upon “powerful institutional forces that altogether constitute a transnational culture or meaning system”. A key question is: “has the state delegated authority, enabled authority, or simply allowed authority to slip away, and for what purpose?” (Hall and Biersteker, 2002: 8). As governments and intergovernmental institutions often support and fully recognise the power of nonstate actors, the latter have attained a state of legitimate authority. As Cutler et al. argue, “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). Sassen (2006; 2003) makes a similar point when she analyses how the current process of “denationalisation” contribute to the endogeneisation of private and transnational agendas within the public sphere. The analyses of Bayart (2004) and those included in Hibou (1999) can be considered as complementary to the preceding ones, with their particularly relevant focus on the periphery of global capitalism.

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, service standards are likely to generate insights into the analytical foundations of such new forms of transnational authority. It is time to review a process that is evolving extremely rapidly and by now offers sufficient empirical evidence to develop some theoretical propositions. Transnational private governance in the contemporary world faces tough limits involving the continuing existence of the territorial basis of politics, of the state, and of the structural power of governments and markets beyond various forms of governance (Graz and Nölke, 2008).

Cox has used the concept of *nébuleuse* to define the management of global capitalism as a 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). This notion seems particularly apt to the complex world of standardization.

Business and economic studies as well as applied science tend to dominate scholarly research on standards (Blind, 2004; Cargill, 1989; Drèze, 1989; OECD, 1999; Swann, 2000; Toth, 1984; Vries, 1999). As mentioned by de Vries (2002), “this literature is one-sided as it mostly concentrates on standards battles and examples are mainly taken from information and communication technology”. While standards slowly become an object of inquiry in the fields of history (Krislov, 1997; Zupko, 1990) and sociology (Cochoy, 2002a: 51-93, 2002b; Loya and Boli, 1999; Star, 1991), from a political science perspective, the question of standards is closely related to globalisation studies which bring to the fore new patterns and agents of change beyond states and firms. As a drive for technical specification, international standardisation requires an institutional framework to ensure some order in this area at the transnational level.

Some 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. 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.

Other studies adopt a more critical perspective on the socially and historically constructed institutional frameworks of standardisation and their diversity across the globe. They provide an account of beliefs underpinning standards, democratic controls of so-called independent regulatory authorities, or conflicts of power in specific negotiations (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, they fail to recognise the structural nature of power relationships 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 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 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 (especially telecommunication) than to the increasing social scope and political implication of standards as exemplified by the field of service standards.

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). Assessments of the relationship between standard-setting agencies and society as a whole are therefore bound to be controversial. Workers will 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; entrepreneurs on the other hand will equate standards with market access, technological progress, and strategic competitive behaviour.

### ***Theorising the hybrid authority of standards***

Hybrid governance, authority or power has become almost idiomatic utterances in recent attempts to understand complex scope of this new type of influence. Approaches in terms of private international authority provide useful conceptual tools to clarify the hybrid nature of actors involved in standardisation whereas conventional international relations have long denied them such a privilege (Cutler et al. 1999). They include in-depth analyses of firms and inter-firm cooperation leading to political roles for actors traditionally associated with the private sphere of economic transactions. Moreover, they highlight the troubling normative implications of such hybrid authority in terms of structural power. As Cutler (1999: 317) reminds us, private international authority ‘supports the private sphere of capital accumulation and neutralizes and renders invisible the instruments serving those ends’. Yet, as those studies are mostly focused on the cooperation of firms across borders, they remain primarily concerned with such actors involved in the process. Beyond the influence of other nonstate actors, two aspects playing a key role in the way hybrid authority shape the reconfiguration of global capitalism are subsequently left behind: the scope of regulatory practices involved and the reconfiguration of the spatial structure in which those practices are implemented.

The nature and the implications of the rise of international standards in the structural power 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, 2006a: 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 and the distinction between the private and public spheres in which they operate. Market mechanisms and policy choices both affect the agents involved in the field, but they do so in various ways, which may be seen as located on an *institutional continuum* defining *who* can standardise. Technical specifications belong to the private sphere of economic activities governed by market constraints, and affect social and technological change from that angle. Yet, they can also be 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 more voluntary and particular basis. 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.

The second dimension shaping international standardisation relates to the *objects* covered by technical specifications. Whereas the private/public nexus of the actors involved in defining standards can be located on an institutional continuum, this second dimension maps out a *material continuum* delineating *what* can be standardised. This category of analysis 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 French Revolution invented *ex nihilo* the decimal metric system. 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. It is only now that international standardisation is 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. It refers to the *territorial competence* on which validating conformity assessment procedures. 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. These opposing mechanisms of recognition have implications in terms of a transfer of authority and legitimacy in contemporary democratic states. 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 and initial developments affecting international standardisation in two distinct sectors of the service economy – call/contact centres and transport systems.

### ***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 WTO<sup>3</sup>, 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.

## 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”.<sup>4</sup> 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 services<sup>5</sup>. 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.

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<sup>3</sup> 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”.

<sup>4</sup> *ISO Bulletin*, January 1995.

<sup>5</sup> 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 setting<sup>6</sup>

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 standardisation<sup>7</sup>. 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 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

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<sup>6</sup> Developments of service standardisation in the North American context will be examined in another paper.

<sup>7</sup> 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.

(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, CHESSS 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 borders<sup>8</sup>.

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”.<sup>9</sup>

So far, 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

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<sup>8</sup> Quincy Lissaur, Senior Business Consultant, BSI-British Standards, personal interview with Jean-Christophe Graz, London, 23 January 2007. CHESSS Powerpoint Presentation, n.d.

<sup>9</sup> Pascal Gautier, ihead of unit Management and services, Afnor, personal interview with Jean-Christophe Graz and Marcel Heires, Paris, 18 April 2007.

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, Vice President of ISO call the 1-1-1- dream of “one market, one standard, one test, globally accepted”<sup>10</sup>, the latter are more inclined to restrict such motto to “one sector, one standard, one test, accepted wherever relevant”. Accordingly, future developments of service standards could well depend of trade-offs and compromises between promoters of further socialisation of international standards applied to distinct and well chosen service sectors (i.e. a transfer of the universal scope of law into a catalogue of sectoral service sectors developed by official standard-setting bodies backed by WTO/GATS provisions) and advocates of a commodification of technical standards (i.e. a universal recognition of minimal generic market-based standards, such as quality standards).

### **The cases of call centres and intelligent transport system**

To identify what stands out in current and future standards developments across widely diverse forms of services, a relevant sample of cases is expected to have either high or low values on the main characteristics differentiating the service economy. There is however a lack of commonly accepted typology of the service sector in official statistics (international data sets even vary for instance between the UN system and the one used by the IMF), as well as in scholarly literature (Blind, 2006; Gadrey, 2003). In order to blend traditional distinctions based on categories such as business/non-business services or services to households/companies with more critical approaches such as the above-mentioned analysis of du Tertre (1999; 2002), four key criteria may be distinguished:

- **Relational intensity:** transactions in services, in contrast to goods, imply an irruption of the recipient on the provider’s behaviour; yet, depending of the sector and the organizational structure chosen to provide the service, the intensity of the relation between the recipient and the provider may vary a great deal, such as in professional counselling as opposed to transport logistics.
- **Immateriality:** the types of “support” targeted by the action of the service differ a lot; it can be very material (e.g. objects to be maintained or financial assets valorised) or largely immaterial (e.g. individuals to be counselled, coded information processed, or organizations managed).
- **Consumers’ implication:** despite an ever-increasing complexity of productive configurations involving all sorts of intermediaries and outsourcing processes, services can still be distinguished between business services, whose transactions target the business community, and consumer services, directly implying the consumer as an end-user.
- **Labour intensity:** in a context of massive industrialisation in the service economy driven by information and communication technologies, services can involve a great amount of capital (such as in transportation), but they can still mostly rely on skilled or unskilled labour (like in consulting or call centres).

Among numerous sub-sectors with varying scores from criteria to criteria, call/ contact centres and transport system score high or low value scores on all four characteristics and therefore provide an appropriate starting point for developing a maximum variation sampling

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<sup>10</sup> Ziva Patir, VP ISO, interview with authors, Geneva, 8 June 2007.

strategy to further explore current development affecting service standardisation on a sector-wide basis. While call/contact centres exemplify areas with rather high relational intensity, immateriality, end-user-orientation and labour intensity, in contrast, transport systems epitomise industries with low relational intensity, a greater materiality, a strong business-oriented implication, and capital intensity. Moreover, as both sectors are either already, or on the verge of being open to foreign competition, the international dimension of standardisation is expected to be or become a key issue. Preliminary findings on shared patterns in standardisation across these two poles of the service economy are the following.

A growing literature has emerged in social sciences on call/contact centres in recent years. Some studies mainly explore various economic and technological aspects of this phenomenon (Lechat and Delauney, 2003), while others are more focused on its institutional and organisational dimensions (Azerbacher, et al., 2000). Call/contact centres are a distinct type of service able to handle large quantities of customer-related information through communication technologies, such as telephone, fax, email, worldwide web and specific software tools developed to process and structure the continuing flow of such information. Following Frenkel, they are close to what we could imagine of a private sector “mass customized bureaucracy” (Frenkel, et al., 1999). Perhaps more than anywhere else, cost reduction and quality enhancement are two contradictory logics at work in such a labour intensive environment (Frenkel, et al., 1999; Taylor and Bain, 2005, 2007). Whereas more coupling between telephones and computers was considered as an appropriate response to this contradiction in the second half of the 1990s, outsourcing and offshoring thrived in the early 2000s as the most appropriate strategy. Current developments explore how to more comprehensively integrate such a mix of technology coupling, management techniques and outsourcing and offshoring options. In a recent survey on 2700 call centres across 17 countries, Holtgrewe *et al.* (2007: 1) consider that the impetus for standardisation of the sector derives from its increasingly global reach: “call centres operate in a uniform way across countries – a call centre in the UK looks like one in South Africa, the Netherlands, or Brazil – which suggests that call centres in different countries are converging on a standard set of management and employment practices”. Yet, as other studies of the sector, their survey also underlines a number of features undermining such a picture of a largely outsourced, offshore and female industry in urgent need of global standards. Call centres serve first and foremost a local, domestic or regional market: only 14% are specifically oriented on the international market, including those crucial exceptions in the few countries specialised as global subcontractors such in India (with 73% of the market as export oriented), Ireland (37%) or Canada (35%). Those internationally oriented markets usually follow historical linguistic couplings, such as between France, Morocco, Tunisia and Senegal or between the USA, United Kingdom and former colonies such as Canada, South Africa and India. Moreover, call centres remain most often in-house of large companies, even though India is again an exception with around 80% of call centres operating as sub-contractors for large European and North American companies. There is finally a sectoral bias with an overrepresentation of ICT and financial companies.

A number of initiatives are now taking place in response to the dramatic rise in tradability of services offered by new information and communication technologies (ICTs). Yet, current developments supporting the definition and adoption of international standards in the call centre industry remain segmented and follow two distinct routes.

On the one hand, we find initiatives inspired by early moves from national standardisation bodies, in particular the French NF 50-798 standard specifically developed for enhancing the

quality base of the industry. They imply numerous private and public actors involved in diverse aspects of the social underpinning of call centre productive configuration, including the link between offshore services, skills transfers, delocalisation and unemployment. Existing Austrian and Italian standards reflect such an orientation and exploratory works undertaken within the CEN environment seems to reproduce such a course. In the aftermath of a European-wide workshop agreement reached in 2000 (CEN CWA 14087-2000 European Call Centre Standards for training and Qualifications), CEN created a new Task Force and later the European Commission explicitly asked for the development of a European standard (EN) in relation to customer contact centres in its M378 mandate to develop service standards. The mandate specifies that “the mandated work shall include the consideration of whether the standard should include requirements for assessing customer satisfaction or requirements for training and/or qualification of call centre operatives”.

On the other hand, we would find advocates of market-oriented technical standards in support of further advancement of information and communication technologies and “neo-taylorian” division of labour to enhance the competitiveness of the sector in a context of increased transnationalisation. Here private actors, i.e. leading firms alone or organised in consortia, are in the driving seat, with concerns on technological performance and cost reduction on a world-wide-basis. The US-based COPC-2000 CSP family of standards is probably the most important deliverable in this regard. It has been developed by a group of users of call centre services, including representatives from American Express, Compaq, Dell, Intel, Microsoft, and Motorola, which later created Customer Operations Performance Center, a company incorporated in Williamsville (NY) which advertised itself as the world’s leading authority on operations management and performance improvement for buyers and providers of customer contact centre and business process outsourcing services. According to specialised business information, “the COPC-2000 CSP standards, first released in 1996, is the first and only global certification designed specially to guarantee contact centre excellence worldwide”.<sup>11</sup>

Both strategy rely on a configuration of forces which can be situated along the three dimensions of our analytical framework (private/public actors, technical/societal objects, exogeneous/endogeneous deterritorialisation). While promoters of quality rely on more socially responsible codes of conduct implying public authorities with labour, business, and consumer representatives on a bilateral or multilateral basis, advocates of market-oriented technical standards support further advancement of information and communication technologies and neo-taylorian division of labour to enhance the competitiveness of the sector in a context of increased transnationalisation.

Intelligent transportation systems (ITS) can be defined as technologically driven solutions to contemporary transportation problems. According to the *Journal of Intelligent Transportation Systems*, they cover the emerging area characterised by “information, dynamic feedback and automation that allow people and goods to move efficiently. They encompass the full scope of information technologies used in transportation, including control, computation and communication, as well as the algorithms, databases, models and human interfaces”.<sup>12</sup> The pressure on transport networks for business, commuters’ and personal use greatly increased since the 1980s. National, regional and local government transportation departments faced increasing vehicle capacity which, left unchecked, would have significant environmental and financial implications. Giving the constraint of existing infrastructures networks, boosting overall traffic capacity was unlikely to succeed without further technology innovation. As

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<sup>11</sup> The Middle East Company News Wire, September 21, 2006 ; retrieved from Lexis Nexis.

<sup>12</sup> *Journal of Intelligent Transportation Systems*, <http://www.tandf.co.uk/journals/titles/15472450.asp>

little was known about how the technology would perform in real-time, uncertainties marked early developments in intelligent transport systems. However, growing political, security, social and environmental pressures as well as increasing investment in some core technologies triggered rapid progresses of ITS among rich industrialised countries (see for instance the following reports: Transport Canada, 1999; ERTICO, 2006; ITS Japan, 2003).

Notwithstanding the wide range of services provided by intelligent transport systems, they rely on massive infrastructures expenses which for the most part fall back on public budgets. The ITS market is therefore strongly intertwined with major transport policy choices and underpinning structures defining and constraining the strive for mobility in our societies. With growing concerns over ecological problems and saturation of motorways, a major issue for ITS could be intermodal transportation solutions and the development of related standards addressing interoperability between different modes of transportation, such as road, rail, river, sea and air, for freight and passengers alike on short, medium and long distance. Such developments would be strong incentives for collective or public transport instead of individual or private vehicles such as trucks and cars. Yet, so far, ITS remains mostly focused on traffic management – previously called intelligent vehicle-highway systems. While traffic management is highly associated with other ITS subcategories in academic research, market-oriented R&D tends to be even narrower and deals with issues such as vehicle monitoring and control or electronic payment services (Fan, et al., 2007: 102). According to André-Gilles Dumont, Head of the Traffic Facilities Laboratory at the Ecole Polytechnique Fédérale de Lausanne, standardisation policy in ITS therefore invariably entails three core issues: security, fluidity, and sustainability<sup>13</sup>. Security relates to various systems embarked in vehicles, such as automatic alarms to traffic management and rescue centres as well as other surrounding cars as soon as a car is involved in an accident. Fluidity is chiefly associated with the harmonisation requirements for dissemination of road information on the widest territorial basis likely to involve transborder, language and infrastructure issues. Sustainability ties in with the claim that a technologically-driven rationalisation of road traffic could greatly contribute to alleviate environmental and social problems, such as pollution, accidents, empty vehicles, traffic jams, empty new roads and the like related to greater mobility; it targets the conventional definition of sustainable development as a way “to meet the needs of the present without compromising the ability of the future generations to meet their own needs” (World Commission on the Environment and Development, 1987: 40).

Here again, the divergent alternatives faced by ITS can tentatively be situated along the three-dimensional axes characterising the transnational hybrid authority of standards. With regard to the institutional and material continuums, there is a clear divide between concerns involving public actors and societal choices and those reflecting lucrative technological innovations targeted by private firms. Without doubt, standardising the interoperability among the mix of public and private transports required for addressing large societal concerns raised by the increasing mobility of our societies differs from working almost exclusively on technical specifications – most of which patented – supposedly solving traffic security and fluidity problems in dense urban areas of rich industrialised countries. There is moreover a territorial implication in the two terms of the alternative. The only truly global standards in ITS are de facto proprietary standards, such as those involved in digital mapping used in GPS navigation systems mutually developed by Navtech and TeleAtlas – the worldwide duopoly of digital mapping providers. Others are at best continental, or even fragmented among

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<sup>13</sup> Interview with Alexandre Sutlian and Jean-Christophe Graz, Lausanne, 3 July 2007.

national territories. Plans for increasing crossborder standardisation in ITS heavily involve public authority. Unsurprisingly, the European Commission is here again in the driving seat.

## **Conclusions**

This paper presents preliminary results of a larger project on service standards and international relations. Its empirical findings are still tentative and require further investigation to be more closely related to the broader problematic of the rising transnational hybrid authority to which international standardisation is only a single link of a larger and complex power chain. Such conceptual and theoretical assumption, however, reflects the political, economic and legal salience of what were for long considered as merely technical specifications. As science, technology and society (STS) studies have recognised for some decades, international standards are becoming a matter of public debate by virtue of the scope of their influence, as well as by the lack a clear understanding of their position in regard to the globalisation of markets and the role of the state in the economy. In highlighting the underestimated importance of service standards in international relations, this study attempts to critically question the structural power of standardisation within the broader context of the rules governing the global economy.

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