

1 Introduction

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

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

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 depoliticisation 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

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,

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

abroad or the transfer of particular tasks to a foreign location that makes the most of the management mantra 'your mess for less'. Service offshoring as such remains a highly debated issue, especially concerning the balance between alleged economic benefits and political costs following significant job losses in rich countries. In fact, the internationalisation of services has often turned out to be less momentous than expected and limited to specific sectors and key emerging economies such as India.

Conventional explanations of the internationalisation of services focus on a number of drivers and barriers of trade in services, among which ICT and labour costs arbitrage come first (see for instance: Bryson and Daniels, 2007b; McIvor, 2010; Dicken, 2015). Other drivers of the internationalisation of services include the growing mobility of people, with more consumers buying services abroad (e.g. so-called old-style tourism plus the fast growing market of health tourism) and more service providers posting workers abroad (as provided for by the so-called mode 4 of the GATS on the movement of natural persons, the EU Directive on posted workers, the H-1B visa in the United States, and a number of other pieces of national legislation). Other determining factors of the internationalisation of services include language, cognitive, and cultural skills used across industries.

Many analyses, however, emphasise that the idiosyncratic nature of services can make them important obstacles to trade. The production and exchange of services do indeed differ from that of manufactured goods. The notorious difficulty of defining services will be dealt with later (see Chapter 3 for more detail); suffice it here to note that the trouble involved in having a shared representation of expected quality goes some way towards explaining the difficulty of internationalising the market of many sorts of services, let alone establishing a market in the first place. The economic literature on asymmetries of information and market uncertainties has looked at how this has far-reaching consequences for services and their internationalisation (Akerlof, 1970; Grönroos, 1990; Zeithaml et al., 1990). While seeking to identify measures likely to be trade restrictive or market destructive, it moreover recognises that the resulting pervasiveness of services regulation includes standards (Cope land and Mattoo, 2008; World Trade Organization, 2012). It gives little attention, however, to the role of standards in the internationalisation of services beyond market failures, market access, and intergovernmental cooperation in trade policies. As seen earlier, employment, trade, and investment in the domain of services are often less a matter of price mechanisms, tariffs, and investment than regulation and standards to be assessed against distinct quality performances, security guarantees,

and protection of consumers, likely to have strong and conflicting social and political implications.

The few studies specifically focused on the relation among the rise of services, their internationalisation, and standardisation usually consider that the ability to set services standards supporting internationalisation is a function of key sectorial and institutional specificities. Many microeconomic studies examine which services are likely to be standardised according to taxonomies determining firms' choices between standardisation and customisation (Boden and Miles, 2000b; Blind, 2004; Djellal and Gallouj, 2010). Scholarship inspired by the French *régulation* theory and economic sociology has a broader understanding of the social and political issues at stake in the standardisation and internationalisation of services (Callon et al., 2002; Du Tertre, 2002; Gadrey, 2003; Petit, 2007; Du Tertre, 2013). In considering that standardisation and internationalisation are closely defined by the attributes of labour relations, forms of competition, and domestic institutions affecting services, existing studies suggest a restrictive hypothesis that paradoxically tends to conceal a number of political economy power plays.

In contrast to analyses based on sectorial and institutional specificities, my approach emphasises an extensive hypothesis. By linking the global marketplace to distinct national economies, service standards can respond in various ways to quality and security uncertainties. The prospects of greater market integration for services then depend on such non-state arrangements. As mentioned previously, their power configuration can accommodate opposing political economy objectives. Standards may in many cases be stereotypes that deny cultural and labour issues involved in the service economy. Yet, they can also contribute to a more progressive understanding. For example, they can give guidance on occupational health and safety as in ISO 45001 or provide highly specific requirements on the construction of scaffolding and thus help avoid unnecessary hazards for workers on building sites (Bergström, 2004). The concept of transnational hybrid authority suggests that standards *per se* neither support nor hinder the internationalisation of services. It all depends on which actor exerts authority to set standards on what issue and across which jurisdictions they gain recognition. According to my three-dimensional analytical framework, this involves actors with opposing political economy interests and values, concerns issues which intrinsically blur the frontier between societal and physical worlds, and relies on a system of certification and accreditation that reinforces the deterritorialisation of sovereignty. Basically, the ambiguity underpinning the authority of standards lays the very basis for the study of their role in the internationalisation of services.

This book further examines the links between the power of standards and the rise of transnational private authority, competing models of regulation, and the worldwide expansion of services, with in-depth studies of two contrasted service sectors and activities. It thus also contributes to the existing literature on each case.

Insurance and the Financialisation of Contemporary Capitalism

The book considers insurance services as key market integrators closely related to the financialisation of contemporary capitalism. Insurance often appears to be tedious; in reality, it is an unwitting giant of global finance and a key institution of informal governance and alternative sovereignty. Together with pension funds, to which the life insurance industry is closely related, insurance companies account for more than half of total institutional assets under management in OECD countries. If we look at the total amount of money spent in insurance premiums in 2015, we come across the extraordinary figure of around 8 per cent of GDP in advanced markets, with some \$ 3,500 of premiums paid per capita – more than four times as much as worldwide defence spending as a percentage of GDP (International Institute for Strategic Studies, 2016: 490; Swiss Re, 2018b: 37). Beyond figures alone, insurance services are closely related to the post-crisis accumulation regime of financialised capitalism. With shrinking long-term lending by banks and austerity policies set to be around for some time, the insurance industry plays a key role in financing long-term investments such as in infrastructure, innovation, education, and health. Moreover, with pension schemes and pension funds using ever more complex financial products offered by life insurers and investment banks, insurance companies are slowly but surely gaining centre stage in the choices that our societies face with the challenge of an ageing population.

Against this backdrop, the extent to which the significance of this industry has been neglected outside the field of actuarial studies is quite remarkable. Studies in history and sociology have examined a number of concrete practices in various insurance lines. They apply the concept of governance to appraise discursive regimes and governmental rationalities of moral and societal risks either from a Foucauldian perspective or to investigate further Ulrich Beck's hypotheses on the emergence of the risk society (Beck, 1992). They typically focus on the domestic realm and more particularly on the United States, Canada, or the City of London (see in particular: Baker and Simon, 2002; Ericson et al., 2003; Aradau et al., 2008; Collier, 2008; Lengwiler, 2009; Clark et al., 2010; Doyle,

2011). Very few studies have investigated the pioneering hypotheses of the late Susan Strange and Virginia Haufler on the ambiguous authority of the public/private nexus of insurance services across domestic and global realms (Strange, 1996: 122–134; Haufler, 1997). The case of insurance in climate change policy (Paterson, 2001; Haufler, 2009; Grove, 2010) and post-structuralist studies on life insurance (Lehtonen, 2014; Lehtonen and Van Hoyweghen, 2014) remain exceptions which prove the rule. Also of note is Zhang's (2014) insider's account that provides a non-mathematical yet critical analysis of life insurance regulation, principally in the United States. Last but not least, Lobo-Guerrero's (2011, 2012, 2016) inspiring trilogy combining Foucauldian approaches, security studies, and international political economy provides a momentous contribution to our understanding of the various ways in which insurance can be a global and powerful technology of government to create an infinite space for market development, to promote and protect distinct lifestyles – that is, essentially to create an alternative form of sovereignty.

Those few accounts help us to understand the extent to which private insurance contracts rely on a flurry of institutional designs and norms of behaviour in their provision of security on a scale that transcends states' territorial sovereignty. The emphasis given in this book is, however, more specifically focused on the standards sought by the insurance industry in its ability to control, transfer, and distribute risks across borders, let alone to steer clear of state intervention as far as possible. With a distinct focus on standardisation processes, the book carries on its aim to probe the ambiguous authority of standards likely to support the expansion of the tertiary sector. Conventional accounts would identify the insurance industry as a most-likely case of services internationalisation and standardisation, as it includes financial activities that are far from the ideal type of highly relational and intangible services. In contrast with such accounts, my in-depth case studies show that setting standards for the insurance industry remains difficult and contentious, even as they have become key instruments of market regulation and creation. The book analyses in detail why standards are in a better position to serve as regulation in the post-crisis-era, in particular in the wake of the European Directive Solvency II, considered the most ambitious regulatory overhaul ever undertaken for insurance industries (Chapter 5). It also shows how the insurance industry relies on standards to create new markets by making new objects insurable to an ever-larger part of the world's population, with particular focus on the securitisation of life insurance, reinsurance of natural catastrophes, and formats of data exchange and non-financial reporting (Chapter 6).

Business Services, Development Policies, and India

India's achievement as the top business services location in the world provides a vivid counter-intuitive case study of the role played by standards in the internationalisation of services. Many activities that have made India the world office are close to the ideal type of highly relational and intangible services, precisely those that conventional accounts take as less likely to be standardised and internationalised. While the industry has its roots in the repetitive tasks of software coding, basic back-office tasks such as data processing, and call centres for customer relations, it now includes cutting-edge business services with a highly skilled workforce in a wide range of activities such as legal, fiscal, banking, insurance, medical, architecture, and consulting services. These delocalised activities are generally called IT-enabled services (ITeS); when the specifics of the tasks outsourced are seen as particularly important, the terminology commonly used is business process outsourcing (BPO).

Studies painting a rosy picture of the success story of the Indian service industry worldwide have mushroomed over the last decade or so. On the positive side, Friedman's landmark account portrayed India as the exemplary case of the new 'flat world' of the globalised twenty-first century, in which entrepreneurial spirit matches proper use of information and communication technology and a skilled workforce to create 'the possibility of a new form of collaboration and horizontal value creation: outsourcing' (Friedman, 2006: 131). A darker side was shown by studies emphasising that the industry depends on deeply exploitative labour relations that look like assembly lines 'in the head' (Taylor and Bain, 1999) and are part of a broader neoliberal development regime (Upadhyaya, 2009). Moreover, most analyses remain stuck in a narrow state-market divide when discussing India's development policies supporting the IT sector and business services. While market-driven accounts consider the liberalisation policies adopted in the early 1990s as a turning point (Heeks, 1996; Nayyar, 2012: 48ff), opposing views focus on the role of the developmental state in technological innovation for late industrialised economies. In contrast to those narratives, the focus on standards lays emphasis on a wider range of market institutions that have helped India to become the world's office. A few studies use an evolutionary political economy perspective to emphasise the processual, sequential, and overlapping dimensions of the wide range of institutions that shape technological trajectories such as the development of the Indian service industry (Dossani and Kenney, 2007; Parthasarathy, 2013b). None, however, specifically focus on the significance of technical

standards as key instruments for either reinforcing or overcoming path-dependent advances of the industry.

The story told in Chapter 7 shows that standards have mattered from the very start of the journey to the latest prospects of the industry. It was the lack of standards in the nascent Indian IT hardware industry that prompted the unexpected emergence of IT services. Several decades later, the publication in 2016 of the ISO/IEC 30105 standard 'Information technology – IT Enabled Services/Business Process Outsourcing (ITESBPO) Lifecycle Processes' demonstrates the ability of Nasscom, the voice of the IT service industry in India, to initiate the adoption of a new standard specifically dedicated to the BPO industry and thus, for the first time, to overcome path-dependencies and make the Indian business service industry a standard maker rather than mere standard taker. For scholars who would see standardisation in such ideal-typical intangible and relational service industries unlikely, this is clearly counter-intuitive and supports my extensive hypothesis on the power of standards in the globalisation of services. Moreover, in contrast to the existing literature on business models and quality standards, my analytical framework shows that the power of those standards is more ambiguous than usually assumed in terms of public involvement, societal implications, and territorial recognition.

Methods

This book not only provides a framework for a critical analysis of the transnational hybrid authority of standards and their role in the rise of services in the globalisation of contemporary capitalism. It also offers a detailed empirical study of the institutional environment of standardisation and in-depth enquiries on two contrasted service sectors and activities. Considering the breadth and diversity of the service economy, a controlled contrast between cases is necessary to assess the extent to which the proposals and hypotheses made in this book are relevant. I applied a method of maximum variation purposeful case sampling with a view to combining cross-institutional and sectoral analyses (Patton, 2002: 230ff). In qualitative methods, purposeful sampling is a privileged means of identifying information-rich cases in order to single out common patterns of particular interest with regard to the hypotheses guiding the research.

The research targets the most important institutions involved in the authority conferred on standards. Particular attention is given to

initiatives that take place in the ISO environment and its relations with the World Trade Organization, the European standardisation system, and the distinctive mechanisms that exist in the United States. Yet, as the range of organisations involved in setting and assessing conformity to standards is much wider, the research includes other standardisation bodies, research centres, and management consultancy firms supporting business models, as well as consortia of firms and organisations working together to develop technical specifications such as those mentioned earlier.

As far as the sectorial basis is concerned, I selected my cases so as to cover the extreme heterogeneity of activities identified as services. To identify what stands out in current and future standards developments across widely diverse forms of services, my sampling targeted either high or low values on the main characteristics differentiating the service economy. In order to reconcile conventional distinctions based on categories such as business/non-business services or services to households/companies with critical approaches focused on productive configurations between labour, technologies, and organisational mechanisms, I used the four following criteria:

1. Relational intensity: transactions in services, in contrast to goods, imply an effect of the recipient on the provider's behaviour; however, depending on the sector and the organisational structure chosen to provide the service, the intensity of the relation between the recipient and the provider may vary a great deal, ranging from professional counselling to transport logistics.
2. Immateriality: the types of 'support' targeted by the action of the service differ considerably; they can range from the very material (e.g. objects to be maintained or financial assets valorised) to largely immaterial (e.g. individuals to be counselled, coded information processed, or organisations managed).
3. 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.
4. Labour intensity: in a context of massive industrialisation in the service economy driven by information and communication technologies, services can involve large amounts of capital (e.g. transport) but still mostly rely on skilled or unskilled labour (as in consulting or call centres).

I built upon such criteria a maximum variation matrix of potential cases that I used to identify a homogeneous sector-wide basis on which to probe my hypotheses. Among numerous sectors and sub-sectors with varying scores from criteria to criteria, two stood out as displaying a relatively straight alignment of either high or low value scores on all four characteristics: call and customer centres exemplify areas with high relational intensity, immateriality, end-user-orientation, and labour intensity; in contrast, insurance epitomises activities with low relational intensity, greater materiality, a strong business-oriented implication, and capital intensity. While the choice to focus on those two industries results from a controlled contrast sampling strategy, early desk and field research on customer centres promptly led me to realise that the industry had come a long way since its early start as cheap call centres located in remote locations such as India or Morocco. As seen earlier, there are no bounds for outsourcing highly complex and disaggregated tasks. Just as early customer centres have made room for IT-enabled business process outsourcing, industry characteristics have become less oriented towards end-users and less labour intensive – thus loosening the strictness of the initial sampling scores. Yet, relational intensity and the immateriality of the support targeted by business process outsourcing (i.e. the capability and the maturity of an organisation to complete distinct tasks) are so great that they still differentiate in a well-contrasted way the sector as compared to the insurance industry.

The data collection relies on documentary sources, large data sets, field research, participatory observation, and interviews with industry experts and high-ranking officials over many years. While I have been studying standardisation since the early 2000s, extended field research on service standards was undertaken from 2006 to 2017 (either on my own, together with PhD students and post-doc researchers, or by them alone). More than 200 semi-directive interviews provided insights from key players in the standardisation bodies, companies implementing them, civil society organisations, regulatory agencies, and government ministries in relevant sectors in Switzerland, France, Germany, the United Kingdom, the Netherlands, Sweden, the European Union, the United States, Morocco, and India.¹ Moreover, an in-depth

¹ Interviews include high-ranking officials of all major bodies of the international, American, and European context of standardisation: the American National Standard Institute (ANSI); the American Society of Mechanical Engineers (ASME); the American Society for Testing and Materials (ASTM international); the National Institute of Standards and Technology (NIST); the Consumer Electronics Association (CEA); the Consumer Specialty Products Association (CPSA); the International Organization for Standardization (ISO); the Comité Européen de Normalisation (CEN); the Association

understanding of the intricate world of standardisation was considerably reinforced by the lessons drawn from a pilot project designed as action-research based on a platform pooling academic skills and civil society organisations to strengthen their participation in standards setting (INTERNORM, funded by the University of Lausanne, Switzerland, from 2010 to 2014). The project gave the research team direct access to 11 ISO expert groups in both nanotechnologies and tourism services; after more than a total of 45 days spent in ISO technical committees and more than 150 comments and drafting recommendations submitted in this context, INTERNORM gave me a unique understanding of how standard setting bodies work in concrete terms (Graz and Hauert, 2019).²

The Book in Brief

Following this overview, Chapter 2 engages with theories of global governance and private regulation to explain how and why standards support what I call a transnational hybrid authority. To explain this, I set out to respond to the following three questions. First, why is reference to the notion of hybridity ubiquitous in describing the power of standards as a distinct form of global governance? I argue that references to hybridity in contemporary debates on globalisation, regulation, and governance offer a handy *default attribute* likely to accommodate multiple political, ideological, and technical exigencies. A brief overview of recent scholarship on regulation and a more detailed genealogy of the concept of governance show the extent to which this reflects the importance of ambiguity in governance policies to exercise power without the plain attributes of sovereign rights. The second question is what, then, is the power of standards. I argue that, beyond a mere default attribute, the concept of hybridity gives credit to ambiguity that should be understood as a *substantive attribute* of the non-conventional forms of power and regulation embodied by standards in the context of globalisation. This non-conventional form of power and regulation is conceived as a *transnational hybrid authority* and defined as a form of authority based on the ambiguous juxtaposition of instances of power transforming the relation between transnational capitalism and territorial sovereignty. The argument is based on discussion and critique of literature in semiotics, sociology of

Française de Normalisation (AFNOR); the British Standards Institution (BSI); and the Deutsches Institut für Normung (DIN).

² For more information: www.unil.ch/vei/internorm.

science and technology (STS), and post-colonial studies. The third question is how all this plays out, i.e. how is this non conventional form of power exerted by setting and conforming to standards on multifarious old and new issues across different sovereign spaces? While most scholarship in international relations and international political economy is focused on the rise of private actors, I show that ambiguity confers authority not only on new actors but also new issues across sovereign spaces. The final section thus outlines the analytical framework including the three dimensions of actors setting standards, the scope of the standards, and the space on which such authority is recognised. This three-dimensional analytical framework will be used throughout the book to study the power of standards and its implications for broader issues shaping and transforming the relationship between transnational capitalism and territorial sovereignty.

Chapter 3 examines the relationship among globalisation, the expansion of the tertiary sector, and the growing authority conferred on standards in order to situate opposing arguments on the potential role of standards in supporting the globalisation of services. It first provides a contextual and conceptual background on services, the knowledge economy, and the service/manufacturing overlap in integrated production and market networks based on relevant literature in political economy. In discussing the so-called 75/25 puzzle, this chapter fleshes out why the overall share of services in the global economy has not considerably changed and continues to represent around 25 per cent of world trade, despite the fact that services account for 75 per cent of GDP and employment in rich countries. While restrictive hypotheses on the internationalisation of services in institutional economics and regulation theory focus on the informational, institutional, and sectorial factors hindering trade transactions in this domain, I contend that a perspective inspired by evolutionary and international political economy allows for a more extensive hypothesis that sheds light on the potentially greater importance of standards. As service offshoring is less a matter of tariffs than of regulation and standards, I next describe more precisely how international standards reflect a form of transnational hybrid authority that defines a wide range of quality and security requirements likely to have strong social and political implications.

While Chapter 2 sets the theoretical framework and Chapter 3 provides background and further analytical insights on the relation between globalisation, services, and standards, Chapter 4 is a journey around the various institutions providing authority to standards as *de jure* or *de facto* regulatory instruments governing the internationalisation of services. It

analyses how the regulatory framework of law has yielded ground to voluntary standards drafted by a raft of international or regional public and private sector bodies. The reader will start the trip in Geneva, with some background on the General Agreement on Trade in Services (GATS), other service-related WTO provisions, and the International Organization for Standardization (ISO). After those privileged arenas for the development of service standards, we will move to Brussels to present developments on service standards in the European context, from the so-called 1985 New Approach to the new EU Regulation on Standardisation entered into force in 2013 and the ensuing standardisation package announced in 2016. Next, we will cross the Atlantic to examine to what extent the United States is a special case of standardisation as it is usually understood. While the European system of standardisation tends to rely on territorially based legitimacy and state oversight, the American system gives preference to competing sources of standards and relies on market mechanisms. The analysis re-examines this conventional view of a transatlantic divide in standardisation: it shows that contrasting models of standardisation do exist, not only between but also across those systems, and that the variance between product and service standards is much greater in the European context and the ISO system than in the United States, where it is hardly debated. The chapter next crosses oceans again, with some forward-looking discussion of the crucial role played by standards in regulatory convergence and non-tariff measures in the new generation of preferential trade agreements. The chapter finally recaps the argument regarding the institutional ambivalences of service standards along the three core dimensions of the agents involved, the issues concerned, and the space in which such standardisation processes are likely to be recognised.

The three following chapters provide in-depth studies on two contrasted service sectors and activities. Chapter 5 is the first of two chapters focused on standards likely to support the internationalisation services in what conventional accounts identify as a most-likely case (the case of the insurance industry being far from the ideal type of relational, non-material services). In contrast to such accounts, both chapters show that setting standards for the insurance industry remains difficult and contentious, even if they have become key instruments of market creation and regulation. This first chapter is focused on the regulation side of the insurance industry in the post-crisis era. It first provides some background on insurance services, their close relation to the financialisation of contemporary capitalism, and why they have become a significant institution of informal governance and alternative sovereignty. It then

explains why standards are in a position to stand as regulation in the shift towards a risk-based regulation that has taken place over the last two decades and that has not been opposed in the post-crisis context. I then examine in more detail the astonishing power that the European Directive Solvency II reflects in this regard. This most ambitious regulatory overhaul ever undertaken for insurance industries has tremendous implications across the industry and way beyond the European Union. I show in particular that the change in the game made by Solvency II is as much about the power of the regulators as it is about conferring authority on standards and internal models. Subsequently, I show how Solvency II set the stage for developments at the global level under the aegis of the International Association of Insurance Supervision (IAIS) and regulatory policy reforms in the United States.

Chapter 6 continues by looking at insurance standards used in market creation rather than those associated with market regulation. It touches on the extent to which the insurance industry relies on standards to create new markets by making insurable new objects to an ever-larger part of the world's population. To this end, the chapter unveils a number of little-known standards that are nevertheless indispensable to the functioning of insurance markets. My enquiry focuses on how standards are instrumental in pushing the frontier of highly innovative and securitised insurance markets ever further, with a distinct focus on life insurance and its close connection to pension policy reforms in the post-crisis environment. I also examine how heavily existing insurance markets rely on standardised formats of data exchange and non-financial reporting, with special focus on the difficulties of reinsurers in establishing common standards to hedge the accumulation of risks associated with natural catastrophes.

Chapter 7 turns to an opposite case study of the internationalisation and standardisation of services by looking at a least-likely case of highly immaterial and deeply relational services. It provides an in-depth analysis of India's achievement as the top business service offshoring location in the world and of the significant role played by standards. It starts with some historical background on how India became the world's office, emphasising how standards played a crucial role in the emergence of a wider spectrum of market institutions than those usually accounted for by the state-market divide of the existing literature. It then examines in more detail the rise and range of international standards and certified management tools used in business process outsourcing in India. In contrast to conventional accounts that relational and intangible services are hard to standardise and, hence, internationalise, the analysis sheds light on the prominence of service standards in India and their

ambiguous authority. Finally, the chapter focuses on the particular role of Nasscom, the voice of the Indian IT service industry, from the time when service offshoring began scaling up, turning it from a mere standard taker to a world-class standard. A particular case in point is the successful sponsorship of a new ISO standard for business process outsourcing services.

The conclusion recalls the basic assumption that informs this book and its key arguments and findings, before drawing broader implications on the power of standards.