

# Chapter 15

## Nested Institutions

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### Abstract

Nested institutions comprise one particular dimension of inter-organizational relations, which examines how organizations interact when they are embedded in other broader and encompassing IOs. The core idea is that the behavior of units in any subsystem is inexorably affected by the structure of the system within which the subsystem operates. The analysis of nested relations is a necessary precondition to shed light to otherwise seemingly sub-optimal behavior, providing a more holistic and comprehensive account that highlights the interconnectedness of multiple policy and institutional arenas. Nested connections will thrive in issue-areas and cooperation schemes in regions that feature inherent spillovers and interactions. Our contribution discusses two issues: first, concerns about order and organizational hierarchy that take the form of a problematic unclear demarcation of competence zones and more importantly a blurry ordering of jurisdictions in ‘grey zones’ of overlap; second, the relations between encompassing and encompassed institutions.

### 1. INTRODUCTION

International organizations (IOs) operate within a relational context of environmental interconnectedness. Therefore, the performance of an IO depends often on the established linkages with other IOs. In that respect, the features and conditions of inter-organizationalism should have constituted one of the primary focal points of IR scholars. However, the focus in the 1980s on international institutions and regimes that excluded by and large the study of formal IOs meant that the stream of organizational studies in the 1960s and 1970s was largely neglected and its insights underutilized (Biermann 2009: 7-9), with some notable exceptions withstanding (Koops 2013, 2009a, Gehring and Oberthür 2009, Biermann 2008, Jönsson 1986).

Our contribution to this handbook focuses on one particular dimension of inter-organizational relations, namely the interactions that occur in ‘nested environments’. In other words, we are looking at how organizations interact when they are embedded in other broader and encompassing IOs. In the scholarly literature, the concept of ‘nesting’ is of course not only limited to inter-organizational relations. Nor is it an exclusive feature of IO-IO level of analysis and interactions. It may also capture relations and inter-dependencies between international institutions or -even more broadly- international regimes.

‘Nesting’ constitutes a conceptual loan from other research disciplines and fields especially biology, where it is used to describe both the spot in which a bird lays and incubates its eggs and raises its young and the process of doing so. In political science, the term can be first traced back to Michael Barkun’s work *Law without Sanctions* (1968). Barkun discusses international systems and primitive societies that lack centralized governments, highlighting the inadequacies of our treatment of law as a command of the sovereign state endowed with a monopoly of the legitimate use of force. Without too much of a theoretical elaboration or an explicit focus on the concept of political nesting *per se*, Barkun refers to ‘nested groups’, i.e. large units that encompass smaller units that in turn may encompass further sub-subsystems in dyads or triads of states or myriads of individuals (Barkun 1968: p.17, 31).

The term reappeared in the 1980s in the form of ‘nested systems’ and the related notion of ‘nested games’, which focused on the inter-relationship among systems at different levels (Aggarwal 1983, Shubik 1984, Heckathorn 1984, Tsebelis 1990). The core idea was that the behavior of units in any subsystem is inexorably affected by the structure of the system within which the subsystem is nested. Analysis at the subsystem level alone may fail to provide holistic and comprehensive accounts of an action and cast adequate light on it; any decision should be analyzed paying due consideration to the multiplicity of interconnected policy arenas. Only such an approach may restore rationality to otherwise seemingly irrational individual or state behavior by revealing a series of ongoing in parallel games with their own policy dynamics.

To our understanding, this is one of the key contributions of this approach to the study and better understanding of inter-organizational relations and interactions. It sets the analysis into a broader setting, helping us understand why actors do not

choose what to the outsider's perspective constitutes an optimizing strategy but rather opt for a sub-optimal – again to the outsider- solution. The substantive contribution of this examination of nested games in multiple arenas is that it offers a systematic way of contextualizing analysis by considering what is going on in other arenas and how these developments feed in the one arena that currently constitutes the focus of the analysis (Tsebelis 1990: 5-10).

In the following section we will provide an overview of the main features of a nested institutional environment as they emerge in the relevant literature; to do so we will make use of different examples that have been used to illustrate these main points trying to understand how and to what extent the nested approach can be applied to the study of IO-IO relation. We will conclude by focusing on future research agenda on nested organizations and possible research suggestions.

## **2. NESTED INSTITUTIONS: CONCEPTUAL CLARIFICATION AND BASIC FEATURES**

### **2.1 Nested Institutions: What Is It About?**

Nesting refers to a situation where regional or issue-specific international institutions are constituent parts of multilateral action frames that involve multiple states or issues. In that respect, in a nested environment, there is an encompassing overarching institution within the framework of which one or more regional or issue-specific institutions operate, like in the 'Russian dolls' metaphor that is often used to describe such a relationship (Alter and Meunier 2006: 363). An illustrative example of nested institutions in an issue-area is the relationship between the international trade regime for textile and apparel trade within the broader framework of the –then- General Agreement on Trade and Tariffs (GATT) (Aggarwal 1998). More broadly, we could refer to any sector-specific international trade regime that operates under the auspices of GATT and its successor, the World Trade Organization (WTO). Regional nesting can be seen in the efforts of regional integration schemes to acquire a collective political or economic identity and join as collective entities and actors in the works of international organizations, like for example the EU engagement in the WTO or the

*modus operandi* of the Asia-Pacific Economic Cooperation grouping (APEC) in the 1990s and its relations with GATT and WTO. More generally, in the UN system, Chapter VIII of the UN Charter recognizes the importance of Regional Organizations (ROs) and outlines the basic principles of the relationship between the UN and ROs (Fawcett 1995).

Nested inter-institutional connections should be distinguished from parallel connections and ‘horizontal institutions’. The latter captures inter-organizational relations between organizations that deal with related but separate activities. Such parallel connections may also have an issue-specific or regional focus. The two most important international organizations that regulate international trade (WTO) and international monetary issues (International Monetary Fund – IMF) can be seen as two fundamental pillars of global economic governance, but have a clearly distinct role in the system. On a regional basis, two parallel cooperation schemes emerged in Western Europe in the 1950s. The first one focused on narrow economic cooperation (European Coal and Steel Community, ECSC) only to broaden soon its scope and depth to wider economic cooperation in the form of the European Economic Communities. The second one, the Western European Union sought to develop a coordinated European defence effort.

It is clear that nested connections will thrive in issue-areas and cooperation schemes in regions that both feature inherent spillovers and interactions and whereby there exist clear hierarchical relations. For the governance regime of a narrow issue-area to be embedded in a broader nested scheme, the salience of this issue for the constituent actors should be relatively low. In contrast, if the importance and salience are high, parallel –and thus more insulated and independent- schemes and arrangements will be the preferred option (Aggarwal 1998).

The second important distinction that we need to make is between nested and overlapping institutions. Nested institutions entail the full imbrication of the encompassed to the encompassing institution; overlapping institutions refer to institutions with shared membership – i.e. the lists of membership of the two institutions overlap but are not identical. In overlapping institutions member states stand at the intersections of independent jurisdictions; in such an overlapping jurisdiction context, conflicts between rules of the different settings may be abundant without that suggesting that one rule is a violation of the other (Alter and Meunier 2006: 363). For example, European states are members of the EU and its autonomous

legal system, belong to the WTO and the International Labour Organization (ILO) and their respective legal orders, and are also members of the G-X (-8, -20) schemes and their informal governance rules. All these rule-based systems may function smoothly but they may also trigger tensions between the different legal requirements and constraints that emanate from them.

In a nested regime environment, the features of the broader regime will cast their impact on the encompassed institutions. In creating the textiles regime during the negotiations on the Multifiber Arrangement (MFA), states were constrained by the existing norms of GATT and the new sub-regime would have to reflect this reality. More generally, overall security considerations during the Cold War period imposed severe constraints on the otherwise aggressive behaviour on trade issues of Western countries vis-à-vis developing countries the allegiance of which was much sought for. In that respect, developed Western countries adopted a more accommodating stance on requests from developing countries on a number of issues related with the broader trade system and -narrowing down the focus- with the more specific textile-subsystem (Aggarwal 1983). In line with broader security and political concerns, countries would make their best to bring their subsystem behaviour in line with the objectives of the higher-level system. This was particularly true with the American concessionary attitude towards Japan because of these nested system considerations (Aggarwal 1985: 27, 46-47). Thus, the broader regime conditions will affect the attitude of the key stakeholders and the features, format and *modus operandi* of the emerging nested sub-regimes.

Nesting is also useful in the process of issue linkages, arguably reducing transaction costs involved in making side-payments (Keohane 1984: 91). The underlying logic is that nested institutions entail ready-made clusters of issues that can be shifted through the negotiation agenda, facilitating bargaining progress and eventual success.

## **2.2 Issues of Order and Organizational Hierarchy**

When discussing nested institutions, it is always important to bear in mind issues of order and organizational hierarchy. The ‘Russian dolls’ metaphor mentioned above implies a situation of a clear organizational hierarchy, whereby rules of the encompassing and the encompassed institution are fully consistent and policy deviations from the subsumed organization constitute a violation of the order

established by the overarching institution (Alter and Meunier 2006: 363, Aggarwal 1998). However, nesting does not necessarily need to be complete and full conformity may not be the case. The problem that emerges frequently in the cases of nested institutions is the unclear demarcation of competence zones and more importantly an ordering of jurisdictions in these 'grey zones' of overlap. Incomplete nesting points to only a partial congruence between rules on particular issues with other rules of the nested organizations not being the same. The latter resembles overlapping schemes of interactions mentioned above, in which there exists this pyramidal hierarchical structure in certain issue areas but jurisdictional conflicts may occur outside these domains (cf. Alter and Meunier 2009).

Both in domestic and international political systems, such kind of rule discrepancy between nested institutions may generate frictions. In such an occurrence, separating the jurisdictions is the best way forward; but this may not always be easy to accomplish, in which case some form of hierarchical order is required among the constituents of this nested environment. At the domestic level, this role is taken over by the Constitution-based ordering of the different layers of local, state, and federal government, so that it is clear in a multi-level governance polity which policy actors have the final say over a given policy issue. However, at the international level, it is not always clear who has the final authority to resolve conflicts across levels or agreements. A clear hierarchical relationship between the encompassing and the encompassed organization(s) would do the trick. In the UN case, for example, the UN clearly constitutes the most important global forum of political governance and the nested relationship with the ROs is clearly articulated and founded in the Charter. However, this is not the case in other multi-layered international regimes, like in trade and the environment, whereby no such clear hierarchy exists.

The implication for such nested organizations with more blurry hierarchical ordering is clear: policy entrepreneurs will chose the political forum that is more willing to adopt their position on a conflicting issue; their opponents will obviously seek for other more convenient fora. As a result, an issue of conflict will be cycled between different nested institutions, creating opportunities for forum- and venue-shopping. As Alter and Meunier have agued, the single European banana regime which constituted the root of the EU-US banana dispute and brought the two transatlantic partners at the brink of a major trade war illustrates the legal and political complexities triggered by such nested inter-organizational relations without a clear

hierarchical ordering (Alter and Meunier 2006). By the end of the 1980s, there were three distinct European banana import regimes, the most popular of which offered extensive tariff protection to African-Caribbean-Pacific (ACP) producers that were former European colonies benefiting through special trade arrangements in the framework of the Lomé Convention. The launch of the Single Market entailed the unification of the regimes and the conciliation of different and contradictory obligations stemming from the different sub-regimes. EU member-states had at the same time to be consistent with the Single Market regime and their own national sub-regimes, respect and honour prior commitments made to protect the banana production of the ACP countries in the Lomé Convention, and last but not least be also compatible with their GATT obligations to provide preferential access to imports from all developing countries and not exclusively to those belong to the ACP grouping. It took four years to create the new EU banana regime only to run afoul WTO rules and be contested both from within and outside the EU, not only from Latin American producers but also from the US (Ravenhill 1998).

To cut a long story short, the banana dispute was an exemplary case of the new trade politics in the post-Cold War era, multi-layered, evolving in multiple venues, with provisions imbricated within and across multiple international arrangements (Alter and Meunier 2006). The absence of clear hierarchy among the layers involved pushed the issue from one level to the other according to the preferences of the principal stakeholders that would interchangeably seek protection to national courts, the European Court of Justice and the adjudication mechanisms of the GATT-WTO. Thus, discrepancies between regional and global orders in nested inter-organizationalism and lack of an undisputed hierarchical ordering create 'regime complexes'. Individual policy actors and countries recognise different sources of authority that lead to their preferred outcome and have many opportunities to do 'venue-shopping' on contested issues (Raustiala and Victor 2004). Thus, the nested context generates a moving framing of the issue depending which forum is selected.

Each framing has important substantive, cognitive and political connotations. For statesmen and individual actors that engage in political action within a nested environment, this blurriness multiplies policy options and may even be desirable. Encompassed institutions in a nested environment constitute a captive audience for potential recalcitrant states who are engaged in a special kind of 'three-level' game and try to 'hijack' an encompassed institution to project their views and positions to

the broader system. In the UN setting, for example, ROs offer a more distinct and clearer voice for countries that feel marginalized from ‘the big beasts in the world jungle’ in the process of forging an international regime and in its management. More broadly, they provide an alternative and perhaps more effective way to have one country’s voice heard and its concerns accommodated (Viljoen 2011: 195). Lost in the huge numbers of UN universalism, member states may prefer active involvement in the formation of a regional order, envisaging the RO as a means to ‘go global’. From a different perspective, member states veil their political aspirations behind the nested status of an RO in the UN, taking the lead in promoting their inter-organizational cooperation. In that respect, for example, peacekeeping cooperation between the European Union (EU) and the UN in Africa depends largely on France’s military apparatus, with the country in question taking this step to defuse criticisms of neo-colonialism in its political involvement in the continent (Charbonneau 2009: 552). In sum, encompassed organizations may constitute ‘Trojan horses’ of member states to upload their own preferences to the broader regime under a collective legitimizing veil. In situations of unclear ranking order between the nested organizations, states will opt for the encompassed organization that better enables them to pursue their own interests leaving much space for political and diplomatic maneuverability.

However, for nested organizations, hierarchical blurriness may have negative repercussions, in two respects: first, it may lead to antagonism and competition between encompassed organisations in a nested environment, about which one will prevail in the formation of the hierarchical order, gain supremacy and an enhanced political status. Several examples can be drawn from the UN environment. Given the acknowledged UN’s primacy in the running of world affairs, the UN endorsement of one RO’s course of action over another solidifies an RO’s political role and reinforces its regional political authority. This is particularly relevant in cases of ROs with some degree of domain similarity or overlapping membership. Any indication that the UN privileges one RO or considers it more relevant and appropriate partner may lead to substantial resource drain and eventual marginalization of the other ROs. During the Arab Spring and the collapse of the Libyan regime, in 2011, the UNSC passed Resolution 1973 on a more active engagement in Libya only after the League of Arab States (LAS) had issued a supportive statement and endorsed enforcement action, in contrast to the African Union (AU) that had opted for abstaining from the decision-



making process. The LAS statement persuaded the African members serving at the time at the UNSC (Nigeria, Gabon, and South Africa) to support the Resolution rather than abstain, as the faithful reflection of the AU decision would require them to do; their support was critical in order to ensure the necessary nine affirmative votes in the Council. It also brought the US fully on board for military engagement and ultimately pushed the remaining sceptical members of the UNSC towards abstention rather than vetoing the Resolution. This decision granted to the LAS the gatekeeping role in the Northern Africa region (Bellamy and Williams 2011: 846), obviously raising doubts about the political clout of the AU in the same region. This can also work the other way round. After the completion of the NATO-led military intervention in Kosovo, in 1999, the UNSC designated ROs with the task of orchestrating the rebuilding of the state apparatus in Kosovo. The EU and the Organization for Security and Cooperation in Europe (OSCE) were named specifically, which for the OSCE meant one of the greatest vindications that it was still relevant and contributed to European security (Galbreath and Brosig 2013).

The second negative repercussion of this lack of hierarchy in nested organizations and the simultaneous coexistence and engagement of many institutions and organizations in a given policy area is the impact on the smooth and effective functioning of the broader regime *per se*. When the hierarchy of nested institutions is clear, explicit and all involved actors adhere to it, regime stability is fostered because actors envisage the negative consequences of their behaviour to the broader regime and constrain themselves. In the 1992-3 crisis of the European Monetary System (EMS), the deep nesting of the EMS within the European Communities and the European integration process, exemplified by the substantive linkage with the Maastricht Treaty and the pursuit of the Economic and Monetary Union (EMU), prevented the EMS from total collapse (Weber 1998). Again, actors operated in a nested environment and could channel crisis management decision making into the forum that best served their parochial preferences, opting for a free float of EC currencies, a bilateral fast track EMU or something else. However, according to Weber, France and Germany opted for cooperation to save the EMS exactly because of their vested interest in not jeopardising the future of the Maastricht Treaty and how the EMS game was nested within the further evolution of the European integration process. In other words, although there existed plausible alternatives –which might even have a higher short-term benefit for the countries in question- they refrained

from such action that would set in danger the whole nested regime. Nestedness with a clear hierarchy and order fostered regime stability.

In contrast to this case of clear hierarchy that induces regime stability, the collapse of the ex-Yugoslavia gives an example of what competition and competence blurring may do in a nested system in lack of such a clear order. The patchwork of the security regime that emerged among European security institutions after the end of the Cold War prevented these institutions from coping with the break-up of Yugoslavia and the war and atrocities in Bosnia (Crawford 1998). EU members sought in the beginning to use their infant Common Foreign and Security Policy (CFSP) to tackle the issue. When the 'hour of Europe' did not come, other security institutional actors became increasingly involved, leading to an institutional division of labour that could not cope adequately with the crisis. Because of the lack of a cognitive consensus on what constituted the problem and the lack of an appropriate institutional hierarchy, an empty institutional nest was constructed with competing actors that undermined the broader European security regime.

Another more far-reaching dimension of this impact on the structure and functioning of the nested system is related to issues of institutional isomorphism in regional integration schemes. In lack of a clear hierarchy between ROs, they find themselves in an antagonistic relationship as regards the predominant institutional orthodoxy that should constitute a blueprint for regionalism. Due to historical and geopolitical reasons, each RO entails a different pathway of regional cooperation, with core norms and beliefs enshrined in the institutional set up of the organization. For the EU, sharing sovereignty and creating supranational institutional arrangements has been chosen to overcome long existing rivalries. The EU is self-portrayed as the model and institutional blueprint for other regional integration schemes. In contrast, ASEAN is constructed in very different normative principles, stressing state sovereignty, non-intervention and consensus-based decision-making. Thus, ASEAN constitutes clearly an alternative model of regional integration (Wunderlich 2012). Both ROs, however, seek continuing relevance and political recognition in international affairs. Although there is currently no single prevailing model of regionalism, a UN endorsement of one pathway may alter the dynamics of this highly endogenous process. In the short run, this competition may lead to antagonism and mutual undermining; however, in the long run, should such a blueprint emerge, it would solidify the structural underpinnings of the nested order.

### **2.3 Encompassing and Encompassed Institutions in a Nested Environment**

In the previous sub-section, we discussed how issues of order and hierarchy may strengthen or undermine the nested system. In this one, we will elaborate on how nested organizationalism can increase our understanding of the relations between encompassing and encompassed institutions.

A nested institutional environment may have a two-fold impact on the encompassed organizations: first, it may contribute to the evolution and even specialization of encompassed organizations. Within the fluid nested environment the encompassing organization can stimulate and even orchestrate functional or operational differentiation. Taking into consideration the available resources, the different internal policy dynamics, and the cultural and normative underpinnings of each encompassed organization, the overarching organization issues appropriate mandates that help ROs establish and solidify their policy niches. In that respect, it may contribute to the specialization and rationalization of regional organizations, even diffusing potential frictions between ROs. There is a growing acquiescence of the need to develop niche capabilities in international organizations to avoid damaging competition (Brosig 2010: 48-52). In the field of peacekeeping operations, for example, whereas the UN is cautious and deploys troops only in situations of stable peace agreements, the AU is willing to intervene at a very early stage after or even prior to conflict settlement. Such were the cases in Burundi, Darfur, and Somalia, where the AU got to the grounds in advance of UN support in the hope the UN would eventually endorse and take over the operations. At the same time, the EU has never taken up a mission independently and has engaged in peacekeeping operations in Africa on a short-term basis and in geographically limited area (Brosig 2011b). Thus, depending on the various idiosyncratic underpinnings of each conflict, the UN can call on the recourse of alternative ROs to address the situation in hand, contributing to their further differentiation and specialization.

In the same vein but through a different mechanism, actions of the encompassing organization may cause intra-RO turbulence in the form of internal inter-institutional conflict and bring about the evolution of the encompassed organization. For example, the adoption of UNSC Resolution 1373 in 2001 on combatting terrorist funding is considered a cornerstone in the UN's counterterrorism effort. At the EU level, whereas the European Commission and the Council of

Ministers pushed forward the swift implementation of the Resolution (Kaunert and Della Giovanna 2010), the European Court of Justice (ECJ) adopted a more critical stance. In a number of cases, the ECJ highlighted the autonomy of the Community's legal order vis-à-vis the international order, prioritizing its quasi-constitutional rights over the dictates of the Security Council (Nollkaemper 2009: 863). The Commission and the Council of Ministers have accepted the UN's high degree of influence over the EU's financial sanctions regime on political grounds associated with the 'effective multilateralism' rhetoric of the EU. In contrast, the ECJ has sought to curtail this influence reaffirming the autonomous character of the EU legal order (Léonard and Kaunert 2012: 123-26). Thus, there emerge again political frictions stemming from the fact that the EU legal order is nested within the broader legal and political order of the UN.

The second impact refers to the empowerment of the encompassed organization by political recognition and bestowment of legitimacy as a result of its participation in a nested environment. From the point of view of the nested organizations, the ROs in the UN pursue some form and kind of recognition as autonomous political actors. The UN is the sole agent of collective legitimation in the international arena and the ROs seek the UN endorsement to their actions to convey an image of acting with a degree of moral authority and sanctioned purpose (Hurd 1999, Franck 1990, Claude 1966). In that respect, the ROs take on some UN tasks in exchange for legitimacy and an international status of actorness conferred to them by the UN. The EU, for example, has persistently sought an enhanced status of embeddedness in the UN structure to upgrade its international identity and exhibit its multilateral credentials (Laatikainen 2010, Laatikainen and Smith 2006).

The relationship between encompassing and encompassed organizations in a nested environment is not a one-way road. Encompassed organizations also cast their effect on the encompassing ones and even on the nested system *per se*. For example, the other side of the legitimacy coin suggests that the ROs are not only passive takers and *demandeurs* of legitimacy but they may also bestow it to the UN. By endorsing UN decisions and participating in the handling of disputes and conflicts, the ROs validate UN actions and increase their likelihood of success by maximising compliance with the UN mandate. In contrast, actions decided and enforced with minimal or no support from the relevant regional entities face severe legitimacy problems, as the experience of UN peacekeeping forces in Lebanon and Iraq has

demonstrated (Kingah and Van Langenhove 2012: 210). This approach clearly takes into account the ‘new regionalism’ literature that distinguishes between the UN-centred orthodox multilateralism at global scale and the emergence of regional multilateral arrangements that do not get their mandate and legitimacy from above but rather ‘from below and within’, i.e. from the constituent members and regional civil societies (Hettne and Söderbaum 2006). Facing an increasing gap between legality and legitimacy, the UN cannot deliver a legitimate world order on its own and such regional integration schemes may counter local perceptions of external imposition by a distant global hegemon (Thakur and Van Langenhove 2006)

Actions of the ROs can not only add but also subtract legitimacy from the UN in two ways: first, the delegation of tasks to an RO may lead to the veiled hegemony of a powerful regional leader conveying the picture of a biased IO that is taking sides in regional power games; second, the RO handling of a conflict may have catastrophic outcomes, directing criticism to the UN for the delegation of its tasks to inappropriate partners (Barnett 1995: 429). A typical example is the engagement of Nigeria and the Economic Community of West African States (ECOWAS) in Liberia in the early 1990s. Supportive UNSC Resolutions granted legitimacy to the activities of the force in place, only to find out at a later stage that the established monitoring group became so involved in the conflict that any claim to neutrality was eventually lost. Both ways bring about the de-legitimization of the UN and its loss of reputation (Smith and Weiss 1997: 598).

Besides legitimacy, what the ROs offer in terms of resources is primarily a greater pool of human and financial resources that increase the capacity of the UN to perform its role especially in the current period of significant UN over-stretching. However, again this is a two-side story: the ascendance of ROs and the development of autonomous structures to be employed in operations under the UN aegis can also drag resources previously available directly to the UN structures. In that respect, for example, the UN faces problems to animate its member states to increase their troop contributions and secure long-term commitments, not least because ROs, like the EU and the African Union (AU), have been developing their own peacekeeping structures. Since the EU has begun deploying autonomously its own forces from 2003 onwards, it has practically stopped contributing troops directly to UN missions (Brosig 2011a: 155). Following the expansion of the EU foreign policy scope and instruments for action, member states have diverted their limited resources and

political attention, bringing about at the UN level the demise of the Standby High Readiness Brigade for United Nations Operations (SHIRBRIG). Instead, EU member-states have directed their contributions to the EU's own crisis management tools, namely the EU battlegroups that constitute the backbone of the European Rapid Reaction Force (Koops 2009b). This 'crowding out' effect substantially undermines the independence of the UN in terms of peacekeeping operations (Koops 2013:76). Thus, encompassed organizations in a nested environment may have significant 'crowding out' effects vis-à-vis resource availability to the encompassing organization, curtailing its political and operational autonomy.

One final point vis-à-vis the effect of encompassing institutions on the broader nested system. Often in practice, ROs take the general UN normative frame further, clarifying issues and adding specificity to the global regime. In the field of human rights, for example, the African Union (AU) has elaborated on and adjusted the existing UN-agreed framework of protection to better reflect African conceptualization and understanding of human rights and address particular issues pertinent to the continent. It has done so by adopting standards that constitute a restatement of the universal consensus but also deviate in order to meet the idiosyncratic cultural features and concerns of its members. So far, the regional embodiment and specialization of universality in the African case shows normative compatibility and complementarity. However, even for analytical reasons, it is important to distinguish between supplements or deviations that differ from the global norms but are still consistent with them and the development of contradictory norms that are in conflict with the universal ones (Viljoen 2011). In the latter, the regional-specific fragmentation undermines the normative base of the IO and may become problematic for the IO functioning (*International Law Commission* 2006). In this case, nestedness may lead either to the expulsion of the encompassed organization or to the gradual transformation of the IOs normative base.

### **3. NESTED INSTITUTIONS: SUMMARY AND FURTHER RESEARCH**

Nested institutions constrain policy options of the constituent actors of the nested system. The embeddedness of an organization in a broader setting suggests that decisions and outcomes at the one level spillover and have repercussions on the other ones. In the vein of the broader academic tradition of institutional interdependence and issue linkages, nested institutions foster stability by tightly positioning issue-and

region-specific nesting within broader systemic structures, borrowing from them features and reflecting their power (a)symmetries. This complicates analysis but also contextualizes it by directing students and researchers of inter-organizational relations to look not only at the narrow interactions between two institutions but also at the broader systemic interactions. In that respect, this approach has a considerable analytical value, helping account for seemingly sub-optimal and even irrational options that should be put in broader perspective in order to make proper sense.

What strikes us as an extremely important feature of any nested institutional environment is the issue of order and hierarchy between the encompassed institutions. This issue is critical because it determines how frictions and discord between the different institutional levels are accommodated. This absence of hierarchy may occur by default but can also be an intentional strategy of states, which is reflected in a drive for international institutions that enshrine different perspectives on contested issues. This intended blurriness offers opportunities for seeking same goals in different institutional arenas but also complicates world politics and makes it more difficult and time consuming to resolve any occurring conflicts because there are always other fall back institutions to appeal.

Although the potential for conflict in such a nested system of institutions with no clear hierarchical ordering rises, we do not yet know under which conditions conflict does occur. In other words, are there specific features of anarchical nested systems that generate tension and friction or defuse them? In a different research vein, how many levels of nested institutions should be analysed to understand the underlying dynamics of a political process? How are interactions between nested institutions affected by the proliferation of non-state actors that converge with or diverge from state actors? Finally, nested institutions have been studied primarily either at a domestic or an international level; what is missing from this research stream is the analysis of a nested regime that combines institutions from both levels, creating a four- or even-five level matrix of nested institutional interactions: sub-national, state, federal, EU or regional, international or global. This would constitute a major analytical but also empirical challenge for any researcher.

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