

### Post-crisis economic policy coordination in the EU: The European Semester as trigger for the Europeanization of national policies? An analysis of the European Semester's impact on French environmental taxation and VAT policy between 2011 and 2015

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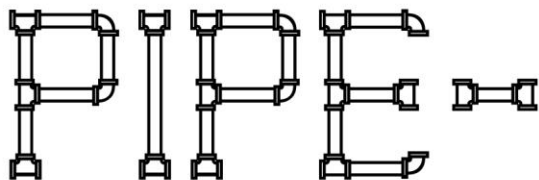
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Hrsg. von Prof. Dr. Susanne Lütz

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## Tim Schreiber

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An analysis of the European Semester's impact on French environmental  
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## Abstract

The economic and financial crisis 2007/08 revealed profound weaknesses of the economic and financial governance framework of the European Union (EU), amongst them the insufficient coordination of EU policies in the field of economic policy. In 2011, EU member states created the European Semester which aimed at better coordinating member states' economic and fiscal policies. Focussing on French value-added tax (VAT) and environmental taxation policy between June 2011 and February 2015, I analyse under which conditions the European Semester process leads to changes in national taxation policies. I develop a theoretical framework that draws on rationalist Europeanization theory to argue that usage of European Semester impulses by domestic pro-reform actors is the central mediating variable to explain whether European Semester impulses lead to changes in national policies. The analysis reveals that despite similar European Semester impulses the degree of subsequent changes in French taxation policies varied significantly. Whereas environmental taxation policy was transformed substantially, VAT policy was only slightly modified. The different strength of domestic usage by French pro-reform actors provides an explanation for this variance: While in environmental taxation policy, a group of pro-reform actors actively used the European Semester impulses to push for substantial reforms, pro-reform actors did not make use of the European Semester impulses in the field of VAT policy.

## Table of Contents

List of Abbreviations	v
List of Figures	vi
1. Introduction	1
2. An actor-based Europeanization approach	3
3. Methodology: case selection and operationalization	8
4. The dependent variable: change in French policies	12
4.1 Environmental taxation policy	12
4.2 Value-Added Tax policy	15
5. The European Semester impulse: starting point for causal pathways	17
5.1 The environmental taxation-related European Semester impulse	17
5.2 The Value-Added Tax policy-related European Semester impulse	19
6. Channels for European Commission interaction with French stakeholders	21
7. Case Studies	23
7.1 Case study I: French environmental taxation policy	23
7.1.1 European Commission agency	23
7.1.2 The Comité pour la fiscalité écologique: A reform-facilitating formal institution?	25
7.1.3 Domestic usage by pro-reform actors	27
7.2 Case study II: French Value-Added Tax policy	32
7.2.1 European Commission agency & reform-facilitating formal institution	32
7.2.2 Domestic usage by pro-reform actors	32
7.3 Case comparison and discussion	36
7.4 Alternative explanations	38
8. Conclusion	40
List of References	43
List of Interviews	53

## List of Abbreviations

AFP	Agence France Presse
Capeb	Confédération de l'artisanat et des petites entreprises du bâtiment
CFDT	Confédération française démocratique du travail
CFE	Comité pour la fiscalité écologique
CGT	Confédération générale du travail
CNAJEP	Comité pour les relations Nationales et internationales des Associations de Jeunesse et d'Education Populaire
CSR	Country-Specific Recommendation
DG ECFIN	Directorate-General for Economics and Finance
DG TAXUD	Directorate-General for Taxation and Customs Union
EC	European Commission
EDP	Excessive Deficit Procedure
EELV	Europe Ecologie Les Verts
ESO	European Semester Officer
ETS	Emission Trading System
EU	European Union
FFB	Fédération Française du Bâtiment
FNH	Fondation Nicolas Hulot pour la Nature et l'Homme
GDP	Gross Domestic Product
MEDEF	Mouvement des entreprises de France
MIP	Macroeconomic Imbalance Procedure
MP	Member of Parliament
NGO	Non-Governmental Organization
NRP	National Reform Programme
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Coordination
PRG	Parti Radical de Gauche
PS	Parti Socialiste
RAC	Réseau Action Climat France
SGP	Stability and Growth Pact
SWD	Commission Staff Working Document - Assessment of the national reform programme and stability programme
TICPE	Taxe Intérieure sur la Consommation de Produits Pétroliers
UMIH	Union des Métiers et des Industries de l'Hôtellerie

UMP	Union pour un mouvement populaire
UNAF	Union Nationale des Associations Familiales
VAT	Value-Added Tax
WWF	World Wide Fund For Nature

## List of Figures

Figure 1: The theoretical framework

8

## 1. Introduction

The economic and financial crisis 2007/08 revealed profound weaknesses of the economic and financial governance framework of the European Union (EU). The existing architecture, particularly the Stability and Growth Pact (SGP), had not been able to prevent the accumulation of significant fiscal and macroeconomic imbalances among Eurozone countries. As the crisis showed, these imbalances posed a large risk for the functioning of the currency union as a whole. Consequently, member states agreed to overhaul the regulatory framework of the EU, notably of the Eurozone. In subsequent years, reforms included the creation of a banking union, the strengthening of fiscal rules, and the set-up of economic and financial adjustment programmes for member states in payment difficulties. Member states considered the insufficient coordination of EU policies in the field of economic policy particularly alarming. In 2011, they drafted the “European Semester for strengthened coordination of economic and budgetary policies” (EU Regulation 1175/2011), which aimed at better coordinating member states’ economic policies across different policy areas. This master’s thesis aims to find out:

Under which conditions does the European Semester process lead to changes in national taxation policies?

The European Semester is an annual cycle, integrating different EU coordination mechanisms, namely the SGP, the Europe 2020 Strategy, the Macroeconomic Imbalance Procedure (MIP) and the Euro Plus Pact. It represents a hybrid mode of governance as it combines harder modes of governance, based upon the prospect of financial sanctions, with softer coordination relying on recommendations and monitoring (for an overview of EU modes of governance see for example Tömmel 2009; Börzel 2010). In most policy areas, the European Semester works as a “meta-OMC [Open Method of Coordination]” (Armstrong 2013: 14), which means that the European Commission (EC) formulates country-specific priorities, monitors their implementation, but cannot formally sanction member states in case of non-implementation (Büchs 2008; Börzel 2010). In these policy areas, the European Semester relies on relatively soft steering mechanisms. However, in the area of fiscal policy, the non-implementation of single SGP-related Country-Specific Recommendations (CSRs) can lead to the imposition of financial sanctions on the respective member state.

Throughout each cycle, the EC analyses the economic and fiscal policies of each member state and formulates CSRs. The EC then assesses the implementation of these measures during the following European Semester cycle. The purpose of this instrument is to have a more streamlined EC approach towards member states’ economic and fiscal policies. This exercise affects a broad range of policy areas. While fiscal policy and fiscal governance had already previously been under strengthened EU surveillance because of the SGP, other policy areas such as taxation, childcare and public administration had remained largely under the competence of member states (for an overview of all policy areas covered by the



European Semester see Deroose / Griesse 2014: 7). The main interest of this master's thesis is to analyse whether and, if so, under which conditions the European Semester leads to policy changes in taxation policy, one of the non-SGP related policy areas that experienced significantly enhanced EU surveillance due to the European Semester process. The empirical part of this analysis will look into two sub-fields of taxation policy, which are environmental taxation and value-added tax (VAT) policy. The theoretical framework is based upon Europeanization literature, which looks into how EU impulses change national politics, policies, and policies (Börzel / Risse 2000). Europeanization research is primarily interested in variables mediating between an EU impulse and change in national politics, policies, and policies. Both rationalist and constructivist Europeanization scholars argue that it depends on these national mediating variables whether EU impulses actually lead to changes on the national level (Börzel 2005b). I develop a theoretical framework that draws on rationalist Europeanization theory to argue that domestic usage of a European Semester impulse by national pro-reform actors is the central mediating variable to explain whether European Semester impulses lead to change in national policies. Specifically, I explain different outcomes of similar European Semester impulses looking at the extent to which national pro-reform actors used these impulses to push their domestic agenda. Methodologically, I use theory-testing process tracing in order to reveal the causal impact of this domestic usage by pro-reform actors on the implementation of European Semester impulses.

Research on the European Semester is still less developed than the literature on its predecessors, such as the European Employment Strategy (see for example Zeitlin et al. 2005; Heidenreich / Zeitlin 2009; Graziano et al. 2011) or the Lisbon Strategy (see for example Borrás / Radaelli 2011; Copeland / Papadimitrou 2012). So far, much of the work on the European Semester comes in the form of policy papers rather than of theory-based studies (Hallerberg et al. 2012; Gern et al. 2015; Gros / Alcidi 2015; Zuleeg 2015; Kreilinger 2016). Only a few EU scholars have been working more intensely on the European Semester (Armstrong 2013; Bauer / Becker 2014; Dunlop / Radaelli 2016; Saurugger / Terpan 2016), notably on its implications for social policies (Zeitlin / Vanhercke 2014; Bekker 2015). However, the existing literature has dealt neither with taxation nor with the role of domestic pro-reform actors in the European Semester process in more detail. My master's thesis contributes to filling this gap of theory-based scholarship on the causal mechanisms at work throughout the European Semester process.

In the following chapter, I first present Europeanization theory and then develop an actor-centred theoretical framework based upon rationalist Europeanization approaches. In chapter 3, I introduce the method of process tracing and elaborate on the case selection and operationalization of the variables. Chapter 4 focusses on the dependent variable, analysing how French environmental taxation and VAT policy changed between June 2011 and February 2015. Chapter 5 then presents the European Semester impulse with regard to these two policy areas. Chapter 6 serves as a bridge towards the central empirical part, summarizing channels of interaction between the EC and national stakeholders. Chapter 7 includes

the case studies on domestic usage in the two policy areas, followed by an analysis of the results as well as a discussion of alternative explanations.

## 2. An actor-based Europeanization approach

The theoretical framework developed in this chapter is based upon the rationalist strand of Europeanization theory. Europeanization is understood as a top-down process and is defined as:

An incremental process reorienting the direction and shape of politics to the degree that EC [European Community] political and economic dynamics become part of the organizational logic of national politics and policy-making (Ladrech 1994: 69).

Europeanization literature argues that EU impulses create “significant adaptational pressures” (Risse et al. 2001: 12) for member states. This argument is known as “misfit” (Börzel 1999; Duina 1999) or the “goodness of fit” (Knill / Lenschow 1998; Börzel / Risse 2003) thesis (for an overview see for example Beichelt 2009: 23-27). Policy or institutional misfit is widely considered a necessary condition for EU induced domestic change (Mastenbroek / Kaeding 2006). If such a policy or institutional misfit is given, Europeanization research focusses on the variables mediating between Europeanization pressure and the national reaction to it and thus determining whether this pressure leads to changes in domestic policies, politics and polities (Börzel 2005b). Theoretical approaches developed around these mediating factors can be categorized into a rationalist institutionalist and a sociological institutionalist strand (Börzel / Risse 2000). From a rationalist institutionalist point of view, Europeanization can be understood as a “process of redistributing resources” (Börzel 2005b). Sociological institutionalists consider Europeanization as a “process of socialization” (Börzel 2005b). Proponents of this school argue that by spreading new norms and beliefs, Europeanization leads to the internalization of these norms and thus finally to domestic change.

Europeanization scholars have increasingly been interested in how Europeanization works in policy areas where the EU lacks the competence to prescribe legally binding standards. This research has focused on the OMC, an umbrella term for legally non-binding EU impulses such as the Lisbon Strategy (for an overview see for example Kröger 2009; Radaelli / Borrás 2010). Europeanization scholars have identified a variety of mechanisms through which the OMC potentially affects national policies, thereby further elaborating the concepts categorized by Börzel & Risse (2000). The most prominent approaches based upon rationalist institutionalist Europeanization theory include financial incentives (Zeitlin 2009; Featherstone et al. 2012; Zartaloudis 2014), naming and shaming (Trubek / Trubek 2005; Kröger 2009; Moumoutzis / Zartaloudis 2016) and usage by domestic actors (Jacquot / Woll 2003; Zeitlin 2009). Explanations developed around the notions of policy learning (Kröger 2009; De la Porte / Pochet 2012;

Featherstone et al. 2012; Moumoutzis / Zartaloudis 2016) and socialization (Featherstone / Papadimitriou 2008; Zeitlin 2009; De la Porte / Pochet 2012) stand in the tradition of the sociological strand of Europeanization theory.

The theoretical framework developed in this analysis is situated within the rationalist strand of Europeanization theory (see for example Héritier 2001; Börzel 2003; Zartaloudis 2014). Rational choice approaches assume that actors are rational and goal-oriented (Héritier 2001: 46) with stable and prioritised interests (Risse et al. 2001: 10). According to this logic, Europeanization impulses serve rational actors to push forward their fixed interests (Dyson / Goetz 2003: 17), providing different actors with new opportunities and constraints. The major difference to sociological Europeanization theory lies in the fact that rational Europeanization approaches presume that EU impulses do not change an actor's view of the world (Risse et al. 2001: 10). Pursuing a logic of consequentialism, actors behave instrumentally in view of utility-maximization. The strategy to maximize their utilities, concretely which resources to exchange with which actors, depends on the disposability and value of their own resources, as well as the expected resources and behaviour of the other actors (Börzel 2003: 8). Actors take these factors into account when choosing between different strategies (Börzel / Risse 2000: 6).

An actor-centred, rationalist Europeanization analysis starts with the conceptualization of an EU impulse as an “emerging political opportunity structure” (Börzel 2003: 8). Opportunity structures are understood as the “distribution of power and resources between actor coalitions” (Knill / Lehmkuhl 2002: 268-269). In this context, (political) resources are defined as access to the public sphere and the decision-making process, financial power, information and legitimacy (Börzel 1999: 577). The EU impulse redistributes power and political resources in the domestic setting among actors and actor constellations (Zartaloudis 2014: 47). The stimulus therefore might change the domestic opportunity structure in such a way that it improves the relative position of some actors over others (Héritier / Knill 2001: 286).

In policy areas where the EU lacks competences to set legally binding impulses, EU initiatives cannot be expected to lead automatically to differential empowerment of certain actors (Zartaloudis 2014: 47). In order to better conceptualize the causal impact of Europeanization pressure in such cases, Europeanization scholars refer to the effect of EU impulses as opening “windows of opportunity” (see for example Héritier 2001; Vanhercke 2009; Zartaloudis 2014). This concept, which originates from Kingdon's (1984) theory of independent streams, helps us to understand EU impulses as political events which can create “agenda-setting opportunities” (Zartaloudis 2014: 48) for a group of pro-reform actors to advocate for their “pet solution” (Vanhercke 2009: 4). A misfit between Europeanization pressure and the national status quo is necessary in order to create adaptational pressure (Risse et al. 2001: 12). However, the concept of misfit is applicable rather to policy areas where the EU is legally empowered to prescribe specific models than to policy areas with softer EU competencies (Dyson / Goetz 2003: 17). In the latter case, other factors than the mere existence of policy or institutional misfit are necessary to lead

to substantial policy change (Graziano 2011: 600). Here, an EU impulse, which reveals policy misfit, constitutes only a starting point to explain substantial changes in national policies. In other words, although Europeanization effects can redistribute domestic resources and thereby empower some domestic actors over others, there is no “deterministic adaptational pressure for member states” (Zartaloudis 2014: 46). Hence, subsequent steps of a causal analysis need to take into account “mediating factors” (Risse et al. 2001: 9).

Classical institutionalist rational choice Europeanization theory identifies two crucial mediating variables to explain domestic change: the number and power of veto points in the decision-making process and the existence / absence of mediating formal institutions (Héritier 2001; Risse et al. 2001; Börzel / Risse 2003). My theoretical framework refers to these two institutionalist approaches, but develops a more actor-leaning explanation. It focuses on the domestic usage of Europeanization impulses by pro-reform actors. Two catalysing variables, the existence of reform-facilitating formal institutions and the EC’s agency, influence this usage. At the centre of this approach stands the assumption that “the domestic impact of Europe is highly dependent upon the specific policy practice and political constellation given at the national level” (Héritier / Knill 2001: 286). The more a certain policy area is characterized by different interest coalitions with a rather even distribution of power and resources, the higher the potential for EU induced change (Knill / Lehmkuhl 2002: 260-61). Such a distribution of preferences and bargaining power hinders reform-oriented actors to implement reforms at the status quo (Schimmelfennig / Sedelmeier 2005: 11), but allows Europeanization pressure to decisively change the opportunity structure in favour of pro-reform constellations (Knill / Lehmkuhl 2002: 260-61). The domestic constellation depends largely on the positioning of “de facto veto points” (Héritier 2001) regarding the EU impulse. In contrast to the institutionalist strand of Europeanization theory (see for example Haverland 2000), I consider these as actors whose veto power does not result from their formal position in the institutionalized political system, but from their political power throughout the decision-making process. Thus, certain interest groups, for instance trade unions (Héritier 2001) or employer organizations, can indeed act as factual veto players.

The impact of EU impulses depends on whether pro-reform actors are willing to actively grasp the opportunities offered by external impulses. This is true particularly in areas of non-binding EU impulses. With this line of argumentation, my analysis follows a school of thought within Europeanization scholarship which argues in favour of focussing Europeanization theory on the role of domestic pro-reform actors and their central position in making use of the new opportunity structure (Jacquot / Woll 2003; Mailand 2008; Zeitlin 2009; Woll / Jacquot 2010; Graziano 2011). Europeanization scholars labelled this causal pathway as “usage” (Jacquot / Woll 2003) or “creative appropriation by domestic actors” (Zeitlin 2009). They argue that new opportunities and constraints are mere context elements, which then need to be actively transformed by rational actors into domestic resources in view of reaching fixed objectives (Jacquot / Woll 2003). According to this approach, the impact of Europe crucially depends on

the usage by domestic actors (Zeitlin 2009: 231). It is therefore “up to domestic actors to exploit” (Zartaloudis 2014: 48) the window of opportunity provided by an EU impulse. This idea is closely linked to policy entrepreneurship literature (Vanhercke 2009; Saurugger / Terpan 2016). Entrepreneurship scholars argue that in order to bring about substantial change, pro-reform actors need to actively grasp the opportunities offered by policy windows (Saurugger / Terpan 2016: 41).

*Domestic usage by pro-reform actors* consists of two elements: firstly, pro-reform actors need to be aware of the EU impulse (Tarrow 1998: 76-77). Secondly, they need to actively use the window of opportunity to foster their given political agenda (Zartaloudis 2014: 55-56) by using different strategies to transform the EU impulse into a political resource. Vanhercke (2009) presents a number of potential strategies. These include using the impulse as political legitimacy for pro-reform actors’ preferences, to criticize governmental positions, to justify increased participation in the decision-making process, and as an external justification for their own argumentation. Héri-tier & Knill (2001) highlight that pro-reform actors can use the EU impulse on the one hand to enter or exit the decision-making process and on the other hand as a cognitive resource to gain political legitimacy for their own position. Woll & Jacquot (2010) follow this approach, differentiating between different types of usage by domestic actors. They differentiate between “cognitive usage” which emphasizes the usage of an EU impulse as supportive argument for the position of pro-reform actors and “strategic usage” which serves to mobilize political resources to build a reform coalition. Based upon these approaches, cognitive usage and strategic usage are seen as the two major strategies to transform EU impulses into domestic resources.

Two catalysing variables can reinforce both the awareness and the active usage of EU impulses by pro-reform actors.

The extent to which the *EC acts as an agent of the Europeanization impulse* influences the usage by pro-reform actors in the case of relatively soft EU impulses. Some Europeanization scholars identified the EC as a reform-facilitating formal institution (Ladrech 2010: 189). In contrast to that, I argue that rather than institutionalized modes of interaction between the EC and domestic actors, it is foremost agency of the EC, which has an impact on whether and how pro-reform actors use EU impulses. In this context, agency means that the EC proactively reaches out to national stakeholders in order to present and explain the EU impulse to them. This agency can be exercised by the EC as a whole or by certain political or technical representatives of the EC. This reasoning refers to a strand of Europeanization literature that focusses on supranational agency and the way in which supranational actors serve as agents of a top-down Europeanization process (Panke 2007). One needs to strictly separate this catalysing variable from the independent variable, the EU impulse, which is provided at a certain moment on the EU level. The EC’s agency becomes relevant once the EU impulse is set and can vary in its strength completely independent from the EU impulse. Thus, one can imagine the same EU impulse that is followed for instance by either very strong or no agency from the EC’s side. With regard to pro-reform actors, the emergence of the EC

as a relevant actor in the domestic struggle in favour of a specific reform already strengthens the position of pro-reform actors. In terms of usage, one can argue that the more the EC reaches out to pro-reform actors, the higher the probability that they know about the EU impulse and that they make use of it afterwards.

*Existing reform-facilitating formal institutions* act as a catalysing variable in that they facilitate adaptation to EU impulses. Such a formal institution enables those pro-reform actors to make usage of an EU impulse that otherwise would lack the necessary manpower, money or expertise to do so (Börzel / Risse 2000: 1). Given the very broad term “institution”, it is important to identify which kind of institutions could serve as reform-facilitating formal institutions. This aspect remains imprecise in the literature. Following Caporaso & Jupille (2001), I understand a potential reform-facilitating formal institution as an existing public body that is specialized in a certain policy area. In order to act as a potential reform-facilitating formal institution, such a public body needs to include a variety of actors, including pro-reform actors. It is also important that the institution is autonomous from governmental influence and specific interest groups as to provide all participating actors with equal and impartial access to EU impulses. Consequently, all institutions that the government controls directly are not considered as potential reform-facilitating formal institutions. This approach is based on the above-mentioned case study by Caporaso & Jupille (2001) who examined the British Equal Opportunities Commission, which enabled women’s organizations to make use of EU directives to push for gender equality. Expert and stakeholder advisory councils or expert commissions in a certain policy area, comprised of the relevant stakeholders in the policy area concerned, are typical reform-facilitating formal institutions. Usually created by governments, they work independently and provide participating actors with material and immaterial resources. Material resources include permanent staff working for the institution, for example a secretariat with full-time staff that has the capacity to follow in detail EU policy-making and potential EU impulses. A small non-governmental organization (NGO) or very specific interest groups with only few full-time staff members would not be able to do so. In a second step, which is the main catalysing function of a reform-facilitating formal institution, it provides pro-reform actors with ideational resources in the sense that via such an institution these actors learn about the existence of an EU impulse and the rationale behind it. In this sense, the main function of reform-facilitating formal institutions is to raise awareness of a specific EU impulse among potential pro-reform actors.

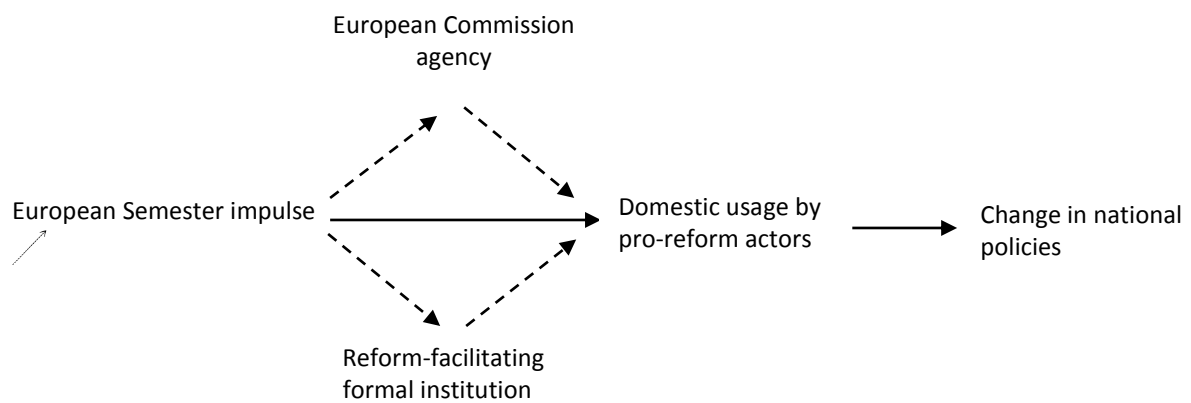
To sum up, domestic usage of an EU impulse by pro-reform actors constitutes the central variable mediating between the independent variable, the EU impulse, and the dependent variable, which is change in national policy. Two catalysing variables can increase the likelihood of this usage. If the EC deploys agency vis-à-vis pro-reform actors and creates awareness of the EU impulse and its rationale, it has a positive impact on pro-reform actors’ usage of EU pressure. If potential pro-reform actors lack the necessary material and ideational resources to use an EU impulse, reform-facilitating formal institutions can catalyse the EU impulse in such a way that it reaches these pro-reform actors. In case of usage of the

new opportunity structure, the EU impulse then has the potential to improve crucially the position of pro-reform actors in the domestic interest constellation, so that changes in national policies are likely to be implemented.

These considerations regarding the effect of an EU impulse on national policy lead to the following central hypothesis:

*The more national pro-reform actors make domestic usage of a European Semester impulse, the higher the likelihood for change in the national policy concerned. EC agency and the existence of a reform-facilitating formal institution increase the likelihood that pro-reform actors make domestic usage of a European Semester impulse.*

**Figure 1: The theoretical framework**



### 3. Methodology: case selection and operationalization

The empirical analysis is based upon the qualitative method of comparative process tracing (Beach / Pedersen 2013: 3). Process tracing puts an emphasis on the causal chain between cause (x) and effect (y) (Trampusch / Palier 2016: 438) and has been widely used in Europeanization theory (for an overview of the use of process tracing in Europeanization literature see Haverland 2007; Moumoutzis / Zartaloudis 2016). This study applies a variety of process tracing which is known as “theory testing” (Beach / Pedersen 2013) or “theory-oriented” (Hall 2006) process tracing. In chapter 2, I developed a theoretical framework, which established a causal chain between an EU impulse and change in national policies. In the course of the empirical analysis, process tracing seeks to re-trace this causal mechanism in order to find out whether it works as predicted in a specific empirical case (Beach / Pedersen 2013: 14). The theoretical framework used for process tracing needs to specify the intervening steps between the independent and dependent variable, so that a clear causal path from the cause to the effect can be retraced in the empirical analysis (Moumoutzis / Zartaloudis 2016: 338). However, the causal pathway

should be conceptualized as parsimonious as possible to be as generalizable as possible (Beach 2016: 466). The theoretical framework established in chapter 2 took these aspects into account. Process tracing requires a profound qualitative analysis of the empirical case based upon qualitative data, namely primary documents and interviews as well as secondary literature (Trampusch / Palier 2016: 439-442). In a first step, process tracing allows for within-case inferences through single case studies (Beach / Pedersen 2013: 4). Process tracing also serves to gain insights beyond single cases. This necessitates process tracing case studies to be part of a comparative design (Beach 2016: 470) as in this analysis. Thus, process tracing and comparative case studies can indeed benefit from one another (Schimmelfennig 2014: 108).

The phenomenon of equifinality, which refers to the possibility of different causes leading to the same outcome, requires considering alternative explanations in order to determine the relative causal importance of EU impulses (Haverland 2006: 137). In Europeanization literature, international influences other than EU impulses, for example globalization, and purely domestic politics explanations are considered as the two major alternative explanations (Radaelli 2004: 9). Hence, in chapter 7.4, I will first look at the influence of the Organisation for Economic Co-operation and Development's (OECD's) environmental taxation agenda as an alternative international explanation for why policy change in environmental taxation occurred. Second, I will take the shift in government in 2012 as an alternative explanation, given the fact that Europeanization scholars see changes in governments as a typical case of an alternative domestic politics explanation (Vink / Graziano 2007: 16).

In order to analyse the impact of the European Semester on national policies, I will look at two policy areas, environmental taxation and VAT policy, in France between June 2011 and February 2015. France is considered as a least likely case among EU member states for the European Semester to have an impact on domestic policies. As France is economically and politically one of the most powerful EU member states, I expect the impact of a non-binding European Semester impulse to be smaller than in less powerful EU member states. France is therefore an intrinsically important case when it comes to the question as to whether the European Semester leads to change in national policies. The two policy areas selected for the analysis are both part of the policy area of taxation. In contrast to fiscal policy, member states sought to preserve national competences in taxation policy before the outbreak of the economic and financial crisis (Börzel 2005a: 225). Some member states were even “deeply opposed to the harmonization of taxation” (Moravcsik 2002: 619). Despite some secondary EU framework legislation for certain areas of taxation, taxation is therefore considered a least likely case in view of the European Semester to lead to change in national policies. Both France and taxation policy are thus seen as least likely cases. Focussing on two policy areas in one country allows controlling for some country-specific variables, such as the political system and institutional veto points that one needs to take into account in cross-country comparisons. Environmental taxation and VAT policy are both indirect taxes. In contrast to direct taxes, such as income taxes, the amount of indirect taxes does not depend on the income or the fortune of the purchaser of a certain good, but on the kind of product or service purchased (Genschel et



al. 2016: 691). Both policy areas were targeted by European Semester impulses of a similar strength between 2011 and 2014, as I will outline in chapter 5. Nonetheless, the two policy areas vary with respect to variables central to my theoretical framework, which makes a comparison interesting. Traditionally, clearly identifiable pro-reform (environmental NGOs) and counter-reform actors (industry and farmers) characterize environmental taxation politics (Interview #005). VAT politics are dominated by significant counter-reform vested interests, in particular when it comes to economic sectors that have benefited from reduced VAT rates for a long time (Interview #003). At the same time, there are few traditional pro-reform actors supporting increases in VAT. These findings do not only apply to France, but to EU member states in general. Moreover, the Committee for environmental taxation (Comité pour la fiscalité écologique) (CFE), a public advisory body in France created in 2012, could potentially serve as a reform-facilitating formal institution. No such institution existed in the field of VAT policy. I thus expect variance in terms of variables central to my explanatory model.

The dependent variable is defined as change in French environmental taxation policy, concretely energy taxation, and VAT policy, between June 2011 and February 2015. On 6 June 2011, CSRs and the related documents were published for the first time in the course of a European Semester cycle. Due to a reform of the European Semester process, which led to an earlier publication of the Staff Working Document, now called Country Reports (Bénassy-Quéré 2015: 7), the 2015 Country Report for France was published on 26 February 2015. This day marks the end of this analysis. A widespread conceptualization to assess national reactions to EU impulses developed by Europeanization scholars can give some orientation to assess the degree of change in national policies. The concept is based upon five degrees of change, ranging from change in the opposite direction of the EU impulse (retrenchment) over no change (inertia) to the full replacement of existing domestic arrangements by European requirements (transformation) (Börzel 2005b). Absorption is understood as the incorporation of European requirements without substantially changing the status quo. The level of policy change remains low. Accommodation, which includes some adaption without changing core elements of policies, constitutes a somewhat higher, but still moderate degree of change. In the case of transformation member states “replace existing policies, processes, and institutions by new, substantially different ones, or alter existing ones to the extent that their core features and/or the underlying collective understandings are fundamentally changed” (Börzel 2003: 16).

Two annually published EC documents, the “Commission Staff Working Document-Assessment of the national reform programme and stability programme” (SWD) and the “Recommendation for a Council Recommendation on the National Reform Programme of France and delivering a Council opinion on the updated Stability Programme of France” represent the European Semester impulse. This analysis will take the following aspects into account to identify the strength of the European Semester impulse: firstly, the impulse on a respective policy area is strong if it is part of a CSR. Secondly, if a paragraph refers to this policy area in the SWD, it also renders the impulse stronger. Thirdly, the more detailed the formulation of a European Semester impulse, the stronger it is. Finally, if the assessment of CSR implementation, which

is part of the SWD, is negative, it creates a stronger impulse for the member state than a positive assessment.

A wide range of actors is considered as potential pro-reform actors, including political parties and parliamentarians, the government, interest groups and political movements (Jacquot / Woll 2003: 8). In order to identify which of these were pro-reform actors, I refer to press coverage, public statements as well as information gained through my interviews. Having identified potential pro-reform actors, I scrutinize whether they were aware of the European Semester impulse. The interviews reveal whether my interview partners knew about it. For all other potential pro-reform actors, public statements or other publications can show whether they were aware of the European Semester impulse. In a second step, I identify domestic usage by those who were aware of the European Semester. This usage can be traced back through my interviews and through publications, be they press statements, speeches or other material in which pro-reform actors referred to the European Semester.

In view of reform-facilitating formal institutions, the empirical analysis needs to show first whether an institution existed in the respective policy area, which met the formal criteria to serve as a reform-facilitating formal institution. These criteria include autonomy from the government, a broad membership and specialization in the policy area. Having spotted such an institution, I will analyse whether it performed the tasks of a reform-facilitating formal institution, providing pro-reform actors with material and / or immaterial resources. Material resources are full-time staff or financial resources of the institution itself. If the institution publishes reports mentioning the European Semester impulse or invites guests to the committee that present the impulse, it provides actors with immaterial resources.

In order to determine the extent of EC agency, the analysis first identifies formal and informal channels of interaction between the EC and domestic actors. Afterwards, I will look at specific meetings between EC representatives and pro-reform actors to reveal whether the EC used these occasions to mention the European Semester, its impulse in terms of environmental taxation and VAT policy and its justification for the recommendations and the analyses. If this interaction was public, published minutes of these meetings provide valuable information. In other cases, information gained by the interviews helps to find out more about the interaction between the EC and pro-reform actors. Particularly with respect to high-level interactions, such as between the EC and members of the French government, it is extremely difficult to know what participants discussed throughout the meetings. In these cases, press statements and press coverage can give a hint to know whether the European Semester impulse was part of the discussion.

My analysis relies on a combination of document analysis and personal interviews that I conducted with EC representatives and French stakeholders in January and February 2017. During that period, I conducted 10 non-standardised semi-structured interviews on the impact of the European Semester on French environmental taxation and VAT policy. I agreed with my interviewees to use all information in an

anonymized way so that they will be cited herein by the general labels 'European Commission staff member' and 'French stakeholder'. For more information about my interview partners, see the list of interviews on page 53. In order to find out about the awareness and the use of the European Semester by pro-reform actors, I analyse primary documents, such as minutes from committee meetings of the two chambers of the French parliament, party programmes and press statements. Weekly agendas of all European Commissioners published on the EC website as well as speeches and statements by European Commissioners allow gaining additional insight into the EC's agency.

## 4. The dependent variable: change in French policies

### 4.1 Environmental taxation policy

In order to assess the degree of change in French environmental taxation policy, this chapter first briefly presents the status quo of environmental taxation in June 2011. In a second step, I will outline the changes made in this policy area between June 2011 and February 2015.

To begin with, it is important to provide some definitions. Following the European Communities (2001), an environmental tax is understood as a "tax whose tax base is a physical unit (or a proxy of it) of something that has a proven specific negative impact on the environment". This analysis focuses on energy taxes, which, together with transport taxes, are considered as the "most common forms of environmental taxes, and the ones that are the most fiscally important" (Kosonen 2012: 2). Energy taxes are defined as taxes on energy products, used for transport and stationary purposes, including CO<sub>2</sub> taxes. With regard to transport purposes, petrol and diesel are the most important energy products whereas fuel oils, natural gas, coal and electricity are most relevant for stationary purposes (EC 2013c: 278). Other environmental taxes are labelled as "transport taxes", which are "taxes related to the ownership and use of motor vehicles" (EC 2013c: 278) and "pollution / resource taxes". Environmental taxes generally serve two purposes: to generate fiscal revenues and to achieve environmental objectives (EC 2015a: 63-64). While some actors emphasize the importance of environmental taxation to increase public revenue (Interview #004), others claim that "the main objective of environmental taxation is to reduce environmental damage by changing behaviour; environmental taxation is therefore not a means of maximizing public revenue" (Interview #005).

By June 2011, energy taxation as well as taxation of motor fuels had been subject to EU secondary legislation, more specifically the 2003 EU Energy Directive (2003/96/EC). For the first time, this directive set minimum rates not only to mineral oils, but to all energy products, including motor fuels, heating fuels and electricity as of 1 January 2004. The directive notably allowed for a more favourable taxation of diesel fuel compared to petrol. In 2005, the EU introduced the Emission Trading System (ETS), "putting a limit on overall emissions from covered installations which is reduced each year" (EC

2016: 8). Sectors affected by the ETS are power and heat generation, energy-intensive industries, and civil aviation. In total, the ETS covers about 11,000 power stations and manufacturing plants in the EU as well as in Iceland, Liechtenstein and Norway. In April 2011, and thus shortly before the publication of the first European Semester documents, the EC published a proposal to reform the EU Energy Directive with the aim to create an EU-wide level of taxation depending on the CO<sub>2</sub> emissions and the energy content of energy products (Interview #005). However, this reform did not reach the necessary consensus in the Council and was later dropped by the EC (Interview #004).

In 2011 France ranked 25th among the EU27 in terms of revenue generated through environmental taxation as percentage of the Gross Domestic Product (GDP) (EC 2013c). A closer look at the figures for France reveals significant variation between the three sub-parts of environmental taxation: while France ranked 24th in terms of energy taxes, France's position compared with the other 26 member states was much better when it came to transport taxes (19th rank) and pollution / resources taxes (9th rank) (EC 2013c: 80). The fact that France still ranked so far below the EU average shows the importance of energy taxation as part of environmental taxation.

Since 1992, France had made three attempts to introduce a carbon tax (Sénit 2012: 7). A carbon tax is an “economy-wide tax covering all sources of CO<sub>2</sub>, with the rate proportional to CO<sub>2</sub> emissions” (Withana et al. 2013: 5). President Sarkozy launched the latest of these three initiatives in autumn 2009. The law was approved by a large majority in the Assemblée Nationale and foresaw an initial amount of 17 € / ton of CO<sub>2</sub> emissions for sectors that were not part of the ETS scheme (Chiroleu-Assouline 2015: 147). However, a number of sectors that were thus eligible to pay the tax should be either partly (agriculture, fishery) or entirely (road transport, shipping) exempted from the tax (Withana et al. 2013: 55). Given these exemptions in addition to the exemption of certain companies under the ETS scheme, 93% of French CO<sub>2</sub> emissions would have been effectively excluded from the tax (Sénit 2012: 9). In the end, the French supreme court ruled the law unconstitutional mainly because it considered it to be “too complex and to include too many exemptions” (Eunomia Research & Consulting 2016: 269).

France had granted beneficial taxation for diesel fuel compared to petrol since the end of the Second World War when mostly trucks and tractors ran with diesel fuel (Voisin 2013). In 2013, the difference in taxation between a litre of diesel and a litre of petrol amounted to 20 cents in France compared to an EU average of 13 cents (Voisin 2013). As a result, France was the EU member state with the largest gap between taxation on diesel and on petrol (Interview #007).

France put in place two major reforms of environmental taxation in the area of energy taxation between June 2011 and February 2015: the introduction of a carbon tax and a reduction of the tax gap between diesel and petrol. There is wide consensus between both the EC and French stakeholders that these were the two most important reforms achieved in environmental taxation over this period (Interview #006;

Interview #008). The French government also presented these two reforms as part of its key measures implemented to strengthen environmental taxation (République Française – Le Premier Ministre 2015: 168).

On 21 October 2013, the Assemblée Nationale adopted the “contribution climat énergie”, which is another term used in France for the carbon tax. In contrast to the 2009 law, this carbon tax was no new tax, but was technically integrated in the existing consumption tax on energy products, the Taxe Intérieure sur la Consommation de Produits Pétroliers (TICPE) (Interview #008), which generated a total amount of 25 billion € in 2013 (Le Monde.fr 2013a). In fact, the carbon tax became part of the TICPE from 1 January 2014 onwards, increasing with the level of polluting emissions emanating from the respective energy source (Le Monde.fr 2013a). The products affected by the tax included coal, fuel and uranium (Ecologic Institute / eclareon 2014: 13). Again, a number of sectors were exempted from the TICPE, notably natural gas, air and maritime transport, route transport, all companies under the ETS scheme and parts of the agricultural sector (Chiroleu-Assouline 2015: 149). The TICPE affected almost none of the sectors whose exemption from the carbon tax in 2009 led to the rejection by the Supreme Court. Consequently, they were excluded from the new carbon tax as well (Le Monde.fr 2013a). As the carbon tax was integrated in an existing tax, the Supreme Court passed the law without difficulties (Interview #009). The law foresaw to progressively increase the amount of the carbon tax, starting from 7 € / ton of CO<sub>2</sub> emissions in 2014 and progressing towards 22 € / ton in 2016, thus expected to generate an additional revenue of 4 billion € in 2016 (Ecologic Institute / eclareon 2014: 14). The government decided to reduce the amount of the TICPE’s classical component for 2014, so that consumers “benefitted financially from a net-zero-effect” (Interview #005) in the first year after the introduction of the carbon tax.

The second key environmental taxation reform agreed upon between June 2011 and February 2015 was the reduction of the tax advantage of diesel over petrol starting as of 1 January 2015. In fact, diesel taxation was increased by two cents per litre in view of financing transport infrastructure (République Française – Le Premier Ministre 2015: 70). This measure, announced on 1 October 2014, was expected to generate additional revenues of 1.13 billion € per year (ICF Consulting Limited et al. 2015: 8).

To conclude, these two reforms symbolized a transformation of French environmental taxation policy. First, the carbon tax introduced an entirely new calculation basis for the TICPE and for the first time explicitly taxed CO<sub>2</sub> emissions. Second, the reduction of the difference between diesel and petrol taxation showed a fundamental change in one of the core features of French energy taxation policy, namely the beneficial treatment of diesel. Thus, there was substantial change in environmental taxation policy in France between June 2011 and February 2015.

## 4.2 Value-Added Tax policy

Following the same structure as in the previous sub-chapter, I will first present the French VAT regime as of June 2011 and then summarize the main reforms put in place between June 2011 and February 2015.

VAT policy has been increasingly harmonized by secondary EU law since 1967 (EC 2012c) in order to ensure the smooth functioning of the internal market (Interview #004). Since 2006, the VAT Directive (2006/112/EC), a very comprehensive document with 118 pages, has provided secondary legislation for VAT policy. The Directive prescribes that standard VAT rates need to be at no less than 15 % (2006/112/EC, Art. 97) and that reduced rates need to be at no less than 5 % (2006/112/EC, Art. 99). Reduced rates below 5% that were in place on 1 January 1991 were not affected by the Directive (2006/112/EC, Art. 110). Moreover, the Directive stipulated that member states might not apply more than two reduced VAT rates (2006/112/EC, Art. 98), while only a limited number of products and services as defined in Annexes III and IV of the Directive were allowed to benefit from a reduced rate. Restricting the range of products eligible to be taxed under a reduced rate was what the EC (2012c) considered “the main limit to Member States” (pp. 50) resulting from the EU VAT regime. EU VAT legislation would still leave “considerable leeway to define their [the Member States’ VAT] rates” (EC 2012c: 50). Remaining large differences among EU Member States in 2011 regarding VAT regimes (Institute for Fiscal Studies 2011: 41) showed that VAT systems of EU member states could indeed not be considered as largely harmonized at that time.

The French VAT regime, as of June 2011, consisted of three different VAT rates, except for the overseas territories and Corsica for which special VAT regimes applied (Cour des Comptes 2011: 196)<sup>1</sup>. In June 2011, French VAT rates stood at 2.1% / 5.5% / 19.6%. In France, the super-reduced rate of 2.1% applied to certain pharmaceutical products, refunded by Social Security, and to the press. Before summer 2011, French VAT rates had been changed for the last time in 2000 when the standard rate was reduced by one percentage point from 20.6% to 19.6% (Gautier / Lalliard 2013: 85). Between 2000 and 2011, shifting the restaurant sector from standard to reduced VAT rate in July 2009 constituted the only significant modification of the French VAT regime. This modification resulted from changes in EU legislation: originally, the restaurant sector was not eligible for reduced VAT rates with an exception of seven new EU member states that had been granted a special clause when entering the EU (Interview #001). While President Chirac had promised to reach a consensus in the Council for a reform of this clause during the presidential campaign of 2002, it was only President Sarkozy who reached such an agreement in 2009 (L’Express – l’Expansion.fr 2009). The Economic and Financial Affairs Council concluded in March 2009 that VAT rates could be permanently reduced for the restaurant sector in all member states (Council of the European Union 2009: 10-11).

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<sup>1</sup> In Corsica, four VAT rates were at 0.9 %, 2.1 %, 8 %, and 13 %, while in overseas territories only two VAT rates (2.1 % and 8.5 %) were applied.

Between June 2011 and February 2015 two reforms of the French VAT system were implemented (Interview #001). On 07 November 2011, then Prime Minister François Fillon announced to create a second reduced VAT rate at 7% (Le Nouvel Observateur.fr 2011), from now on referred to as “intermediary rate”. This VAT reform affected services and products previously taxed at 5.5%, except for alimentary products, gas and electricity subscriptions, energy supply networks as well as products and services for disabled people which remained being taxed at 5.5% (Les Echos.fr 2011). The products and services affected by the reform included mainly restaurant services, renovation of private dwellings, transportation and cultural services as well as non-reimbursable pharmaceutical products (Gautier / Lalliard 2013). In total, the reform that entered into force on 1 January 2012 affected approximately 15% of the products and services falling under the VAT regime in France (Gautier / Lalliard 2013).

On 6 November 2012, the Socialist Prime Minister Jean-Marc Ayrault announced another reform of the VAT system affecting both reduced, intermediary and standard rates: while the reduced rate should be reduced from 5.5% to 5%, the intermediary rate (7% to 10%) and the standard rate (19.6% to 20%) should be raised (Le Monde.fr 2012b). The reform was implemented on 1 January 2014. The original proposal to lower the reduced rate, which had been adopted in December 2012 by the Assemblée Nationale, was abandoned in October 2013 in order to put in place more favourable VAT rates for a number of products and services (Le Monde.fr 2013b). Social housing and renovation of social housing estate, which should have passed from 7% to 10% moved instead to 5.5%. The same went for cinema tickets and those building works aimed to improve the energy efficiency of houses. These included thermal insulation, the purchase of a performing boiler or of a heat pump, but also additional works related to these efficiency-enhancing measures, such as painting works. As a result, approximately 40% of renovation works would be taxed at 5.5% (Le Figaro 2013).

Despite these two reforms, change in VAT policy between 2011 and 2015 only equaled to what Europeanization literature calls “absorption”. Some modifications were made without substantially changing the existing policies. As shown, the intermediary rate created in 2012 affected only 15% of the products and services under the VAT regime. One of the main sectors affected, the restaurant sector, had just benefitted from a large reduction of its VAT rate from 19.6% to 5.5% two years before. The extent of the VAT reform implemented in 2014 was also very limited: while it slightly increased the standard rate by 0.4% and moderately increased the intermediary rate by 3%, it shifted a significant number of products and services which used to be under the intermediary rate to the reduced rate.

Compared to environmental taxation policy, changes in French VAT implemented between June 2011 and February 2015 were therefore much more limited.

## 5. The European Semester impulse: starting point for causal pathways

Having identified the degree of changes in French policies between June 2011 and February 2015, the analysis will now focus on the independent variable, which marks the starting point for the analysis of causal pathways. The initial European Semester impulse, as operationalized above, comprises two main country-specific EC products published during each European Semester cycle. Throughout the time span under analysis (2011-14) these documents were published simultaneously at the end of May or beginning of June. The SWD provided the analytical basis for the country-specific phase of the European Semester. It was closely linked to documents member states are required to submit annually to the EC: the fiscal policy-related Stability (Eurozone member states) or Convergence Programmes (non-Eurozone member states) are required by the SGP. The economic policy-related National Reform Programmes (NRPs) are submitted as part of the Europe 2020 Strategy. Taking these reports as a starting point, the EC document reviewed the economic and fiscal situation of each member state, identifying country-specific “challenges, risks and policy gaps” (Deroose / Griesse 2014: 2). As part of the SWD, the EC also assessed the implementation record of previous CSRs. The core of the EC’s impulse and at the same time a “central output” (Armstrong 2013: 23) of the European Semester are the CSRs and the respective recitals which are published in the same document. Technically providing a draft for the final Council document, this EC document, which is based on the economic analysis provided in the SWD, includes two elements. The recitals first give a short summary of the economic rationale behind the recommendations, thereby mainly summarizing the findings of the SWD. The second part of the document consists of the CSRs. These recommendations can be seen as the culmination of the European Semester. They refer to the main economic challenges identified by the EC (Gern et al. 2015: 8) and recommend measures to tackle these challenges. The EC formulates a limited number of CSRs for each member state. In 2012, for instance, the number of CSRs ranged from four CSRs (Germany, Sweden) to eight CSRs (Spain). Member states that are subject to an adjustment programme are not part of this exercise.

Having presented the character of the European Semester impulses in general, the following two sub-chapters will look at the impulses on French environmental taxation and VAT policy in more detail.

### 5.1 The environmental taxation-related European Semester impulse

The first European Semester cycle started in 2011. In this year, France’s CSR 4 called for a “move away from labour towards environmental (...) taxes” (EC 2011b) in order to create a more efficient tax system. As the European Semester was first implemented in 2011, both the recitals and the parts of the SWD on environmental taxation policy highlighted France’s challenges without assessing the implementation of any measures. In its recitals, the EC highlighted France’s room for manoeuvre in terms of environmental taxation, stating that French tax revenues stemming from environmental taxation were “well below” (EC 2011b: 5) the EU average. The EC argued that by shifting taxation from labour towards environmental and consumption taxation, France could reach fiscal, environmental and labour market targets. The SWD



supported this view by identifying “significant room” (EC 2011a: 14) for the reduction of environmentally harmful subsidies. Concretely, it mentioned two options to increase environmental taxation: either by broadening the tax base or by increasing tax rates.

In 2012, CSR 4 mentioned environmental taxation again in the context of shifting taxation from labour towards more supportive taxes for the economy. In recital 14, the EC recalled that France was among EU member states with the lowest share of environmental taxation of total tax revenues. This indicated “ample room“ (EC 2012b: 5) to increase environmental taxation. In its SWD, the EC concluded that the development of environmental taxation in France had not begun, assessing that the environmental taxation-related CSR had not been implemented (EC 2012a). When it came to France’s “considerable room for manoeuvre” (EC 2012a: 16) to increase environmental taxation, the analysis mentioned a range of policy measures, amongst them the favourable taxation of diesel compared to petrol. The EC highlighted that this subsidy entailed high fiscal costs and resulted in negative externalities, being paid for largely by society as a whole. The EC also recommended France to use the additional tax revenue to finance a reduction of taxation on labour.

In 2013, CSR 5 called again for further measures to shift taxation away from labour to environmental taxation. In recital 14, the EC outlined the need for additional action in terms of environmental taxation. The SWD made the same point, identifying “significant scope for increasing environmental taxation” (EC 2013a: 9) in France. The document listed policy areas requiring action, amongst them the different taxation of diesel and petrol, and the insufficient level of internalisation of external costs (EC 2013a: 18). The report acknowledged the willingness of the French government to increase environmental taxation, but considered overall progress in terms of environmental taxation as limited (EC 2013a: 18).

In 2014, CSR 5 recommended France to “phase out environmentally harmful subsidies” (EC 2014b: 10). In recital 14, the EC acknowledged “some progress” in view of environmental taxation, in particular due to the introduction of the carbon tax (EC 2014b: 7). At the same time, the overall share of environmental taxation in terms of French GDP was still considered low. The EC explicitly criticized the lack of indexation of excise duties with inflation as well as the favourable taxation of diesel compared to petrol. In its SWD, the EC welcomed the adoption or planning of various measures concerning environmental taxation, advocating for using the additional revenue to finance the shift away from labour taxation (EC 2014a: 16). The EC explicitly highlighted the role of the CFE in proposing these measures, mentioning carbon tax as one out of an array of measures (EC 2014a: 16). When it came to further room for fundamental improvement, the EC referred to a number of different policy areas, ranging from electricity and hydrofluorocarbons to indexation issues as well as sectors benefiting from exemptions to the carbon tax, such as agriculture and transport. The EC also criticized the maintained favouring of diesel taxation. Despite these proposals for further reform, the EC concluded that France had made “some progress” in terms of implementing the CSR part on environmental taxation (EC 2014a: 17).

Throughout the European Semester cycles 2011-14, the EC presented recommendations to increase environmental taxation as part of a broader shift of taxation away from labour. In 2014, the CSR was slightly concretized, referring to environmentally harmful subsidies. In its recitals and in particular in the SWDs, the EC specified its recommendations. This observation goes hand in hand with the fact that the EC intended to provide rather general CSRs (Interview #001). There was a difference regarding the depth of analysis between the SWD in 2011 and SWDs in subsequent cycles, the 2011 SWD being less detailed in its analysis than the following SWDs. One reform mentioned throughout all European Semester cycles as from 2012 was the different taxation of diesel and petrol, which was considered to leave major room for improvement. With regard to the assessment of CSR implementation in terms of environmental taxation, a clear positive trend was evident between 2012 and 2014: while the 2011 CSR was considered “not implemented” regarding environmental taxation, 2012 CSR recorded “limited progress” and 2013 CSR even “some progress”.

It became obvious that the implemented reforms reflected largely the EC recommendations: the EC had constantly demanded both a change in diesel taxation and the introduction of a carbon tax. The increasingly positive EC assessment of French reform efforts confirmed that reforms moved in the direction of the European Semester impulse.

## 5.2 The Value-Added Tax policy-related European Semester impulse

In 2011, CSR 4 called not only for a shift of taxation from labour towards environmental, but also towards consumption taxes. Both documents stressed France’s high tax level on labour on the one hand and its relatively weak taxation of consumption on the other hand. In total, all parts were relatively short and little detailed.

In 2012, the first part of the VAT-related CSR was almost identical, recommending a shift from labour taxation to different forms of taxation, “in particular (...) consumption taxes” (EC 2012b). In contrast to 2011, the CSR also called France to “review the effectiveness of the current reduced VAT rates in support of job creation” (EC 2012b). The recitals and the staff document were also more detailed than in 2011 when it came to VAT policy. In its version of recital 14, the EC welcomed the announced raise of the standard VAT rate to 21.2 %, which it considered an “appropriate measure” to shift the tax burden away from labour, highlighting the potentially positive effects of the reform. However, the EC underlined that this reform was not sufficient and criticized the lack of concrete assessments of the effectiveness of reduced VAT rates. The SWD also criticized reduced VAT rates, of which some were seen as “questionable” (EC 2012a: 5). The EC concluded that 2011 CSR 4 had been partly implemented, which was mainly due to other measures than increasing reduced VAT rates. It assessed that “no specific measures have been taken to raise VAT efficiency” (EC 2012a: 29). Despite an increase of the reduced VAT rate from 5.5% to 7% for some products and services, the EC deplored the lack of action to increase

VAT efficiency and concluded that the measures taken were not sufficiently ambitious. The EC specifically mentioned labour-intensive services like catering as an area which needed further assessment of effectiveness.

In 2013, CSR 5 recommended France to “bring reduced VAT rates closer to the standard rate and remove inefficient reduced rates. Take further measures shifting the tax burden from labour to (...) consumption” (EC 2013b). While the second part of the CSR related to the tax shift was almost the same as in 2011 and 2012, the first part was more concrete than in previous years. Instead of recommending assessing the effectiveness of certain reduced rates, the CSR called explicitly for a removal of insufficient reductions and recommended France to change the level of its reduced VAT rates. The same tendency was visible in the recitals and the SWD. Recital 15 qualified the decision to increase the intermediary VAT rate as “a move in the right direction” (EC 2013b), but emphasized the need for additional measures. It attacked some reduced VAT rates more directly, stating that their ineffectiveness had been “demonstrated” (EC 2013b) and deplored the lack of action from the side of the French government. The SWD used the same line of argumentation. On the one hand, the EC considered that “substantial progress” had been made regarding the implementation of 2012 CSR, which also included the part on VAT policy (EC 2013a: 31). The positive assessment was not due to substantial VAT reforms, but to other policy measures such as the tax credit for competitiveness. With respect to VAT policy, the assessment was more negative, concluding that “no major change” had been made to reduced VAT rates “despite the low efficiency of some of them pointed out in a number of reports” (EC 2013a: 31). The part on VAT policy was more detailed than in previous years, including a detailed description of the VAT reform by the centre-left government. The EC identified further room for improvement in view of some ineffective reduced VAT rates. It criticized France for not having “any sufficiently differentiated and relevant policy response” (EC 2013a: 17) to this issue, in particular regarding the renovation of private dwellings and restaurant services.

In 2014, CSR 5 recommended France to “broaden the tax base, notably on consumption” (EC 2014b). In contrast to 2012 and 2013, the CSR did not refer to reduced VAT rates. Recital 15 was also less detailed than in 2013, referring to VAT policy by concluding that “little progress has been made so far (...) in increasing VAT efficiency” (EC 2014b). The EC assessed in its SWD that France had made “no progress” in increasing VAT efficiency, adding that “instead, the 2014 budget introduced reduced VAT rates on energy- or social housing-related renovation works and on cinema tickets, with no review of their effectiveness” (EC 2014a: 36). The EC instead advocated for putting in place ex-post evaluations to review the effectiveness of these new reductions.

Throughout the four cycles of the European Semester under scrutiny, certain trends became obvious: First, the CSRs advocated for broadening the tax base towards consumption taxes, notably VAT. Second, in 2012 and 2013, CSRs mentioned explicitly two additional VAT-related issues: the effectiveness of certain reduced rates and the difference between reduced and standard rates’ levels. Third, as in the case of

environmental taxation, CSRs became increasingly more detailed and demanding between 2011 and 2013, while the VAT-related CSR in 2014 resembled very much the CSR from 2011. The same goes for recitals and SWDs. Fourth, the EC focused rather on the effectiveness of some reduced VAT rates than on the absolute level of rates, including the standard rate. Consequently, instead of advocating for raising the standard rate, the EC recommended to put more products and services under the standard rate. The EC explicitly mentioned sectors for which it considered the application of some form of reduced VAT rate problematic, namely the restaurant sector and parts of the construction sector. The assessment of the EC with regard to the implementation of CSRs between 2012 and 2014 was two-fold: the overall implementation record of 2011 and 2012 VAT-related CSRs was rather positive according to the EC, considering them “partly implemented” and recording “substantial progress”. These positive assessments mainly resulted from developments in policy areas other than VAT as VAT-related CSRs included more policy areas than only VAT policy. In the sub-parts on VAT policy, the EC came indeed to a more negative assessment. In 2014, the EC started to assess explicitly the implementation of CSR sub-parts. It concluded that there had been “no progress” in terms of implementing the VAT-part of 2013 CSR. A comparison of the European Semester impulse with the development of French VAT policy during this period reveals that no substantial change was made to shift French VAT policy towards the impulse. The analysis showed that the European Semester impulse focussed very much on exemptions from the standard rate. However, the French government did not abolish any of these exemptions.

To conclude, the analysis of the European Semester impulse in both policy areas revealed that the impulses were of similar strength. Both policy areas were part of the same CSR, aiming to shift taxation away from labour. They were both extensively mentioned in the SWDs. Moreover, European Semester impulses in both areas started to be rather vague in 2011 and were concretized in subsequent years. In terms of implementation record, the EC’s assessment was negative in 2012 and 2013 regarding environmental taxation policy and VAT policy. Only in 2014, reforms in environmental taxation policy were assessed very positively, whereas the EC considered VAT policy reforms not to progress.

## **6. Channels for European Commission interaction with French stakeholders**

Having presented both the change in French taxation policy and the European Semester impulse, I will now concentrate on the steps mediating between the setting of European Semester impulses and observed changes in French taxation policy. This analysis seeks to explain why the European Semester impulse was followed by substantial change in environmental taxation policy while it was not followed by substantial change in VAT policy. In chapter 6, I will present formal and informal channels of interaction between the EC and French stakeholders in order to analyse in chapter 7 whether the EC used them in the fields of environmental taxation and VAT policy.

The EC (2015b) mentioned different channels for its dialogue with member states, namely bilateral meetings, discussions in the Council as well as technical and political missions to the member states (pp. 14). Except for discussions in the different Council configurations, these channels are very little institutionalized in legal terms (Interview #006). The Two-Pack and the Six-Pack, two EU legislative packages aiming to enhance economic policy coordination in the EU, established a legal basis for some interaction between the EC and national stakeholders from 2011 onwards. The Six-Pack provided the legal framework for the EC to carry out different fact-finding missions in member states and explicitly demanded that “social partners and national stakeholders should, where appropriate, be involved in the dialogue” (EU Regulation 1176/2011, Art. 9 (3)). These missions are technical missions as EC technical staff carries them out. The Two-Pack provided a legal basis for political missions, also known as high-level visits. These missions are carried out by either European Commissioners or director generals (Interview #004). The Two-Pack entitled national parliaments of countries in Excessive Deficit Procedure (EDP) to invite a European Commissioner to present the EC’s opinion on national budgets in front of the parliament concerned (EU Regulation 473/2013, Art. 7, 11). Since France had been placed under an EDP throughout the whole period under analysis, EU legislation provided a legal basis for the French parliament to convoke a European Commissioner to discuss the national budget plan.

However, most of the interaction between the EC and national stakeholders was not based upon a formal basis. This informal interaction has gradually increased since the establishment of the European Semester (Interview #002). One can differentiate between two phases of interaction between the EC and national stakeholders: In 2011 and 2012, the European Semester “remained a very inter-institutional exercise in the sense of a dialogue between the European Commission and the countries”<sup>2</sup> (Interview #006). In France, it was mainly a dialogue between the EC’s DG ECFIN and DG Trésor, a department of the Ministry for the Economy and Finance (Interview #006). One EC official described the EC’s interaction with member states in that phase as following the rationale “we thought about it and good luck with it” (Interview #004).

Since 2013, this interaction has evolved (Interview #006), becoming more open to additional stakeholders and more pluri-disciplinary from the side of the EC, with more DGs involved (Interview #002). Throughout technical missions, EC staff meets its technical counterparts from ministries and central banks (Interview #001) as well as national stakeholders, including social partners, academia and representatives of local entities (Interview #002; Interview #004). Apart from the missions, the EC interacts with French stakeholders via its representation in Paris. The political role of the representations was reinforced, “a tendency which is rather constant, but which has started at the end of the Barroso Commission and which has even accelerated with the Juncker Commission”<sup>\*</sup> (Interview #006). Since

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<sup>2</sup> All quotations marked with a star (\*) were translated by the author from French into English.

mid-2013, European Semester Officers (ESOs), economic policy experts, joined the teams of the representations. In France, the first ESO started working at the beginning of 2014 (Interview #006). The ESOs contribute to a better understanding of the economic situation of the member state concerned, but also explain the EU economic governance system to stakeholders (Peña-Casas et al. 2015: 20). They also act as agents of the CSRs, explaining to national stakeholders why a certain CSR has been formulated and what is the rationale behind it (Interview #006).

Knowing about these different technical and political channels of interaction allows for analysing in chapters 7.1.1 and 7.2.1 whether the EC used them to act as an agent of its European Semester impulses.

## 7. Case Studies

In chapter 7, I will analyse whether the theoretical framework established in chapter 2 provides an explanation for the different impact of the European Semester on environmental taxation and VAT policy. First, the analysis seeks to reveal whether EC agency and reform-facilitating formal institutions played an active role in catalysing the European Semester impulses. Second, I will identify key pro-reform actors and scrutinise whether and, if so, how they made use of the impulses.

### 7.1 Case study I: French environmental taxation policy

#### 7.1.1 European Commission agency

The analysis first seeks to find out whether the EC acted as an agent of its European Semester impulse on environmental taxation. This sub-chapter intends to show whether the EC used its political and technical interaction with French stakeholders, identified in chapter 6, for that purpose.

Based upon the published agendas of European Commissioners<sup>3</sup>, one can identify four political missions to France during which European Commissioners interacted with French stakeholders and publicly mentioned the issue of environmental taxation between June 2011 and autumn 2014. Three out of four visits took place in 2013. This goes in line with the general observation that the political dialogue with national stakeholders had been intensified since 2013.

The European Affairs Committee, together with the Sustainable Development and Country Planning Committee of the Assemblée Nationale, auditioned European Commissioner for Environment Janez Potočnik in April 2013. His initial remarks remained very vague regarding environmental taxation issues, highlighting merely that “green growth, in the long run, is the way for Europe to overcome the crisis on

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<sup>3</sup> For an overview of the political missions, see EC (2017).

the continent”\* (Assemblée Nationale 2013b: 3). In this context, he also expressed his expectation to see results from the work of the CFE. Commissioner Potočník only explained the EC’s position on environmental taxation more concretely in a second intervention when explicitly answering to a Member of Parliament’s (MP’s) question about the EC’s stance on the matter. Then, he pointed out that “when it comes to environmental taxation, France has an important room of manoeuvre. It could transfer its taxation from labour to the environment and carbons”\* (Assemblée Nationale 2013b: 12). With regard to the taxation of diesel, the Commissioner said that “the decision to increase taxation on diesel is up to member states. Shifting taxation from labour to taxing pollution appears to be an excellent approach”\* (Assemblée Nationale 2013b: 19). Commissioner Potočník participated in a debate at the University of Sciences Po the same day. Enumerating the necessary steps for an economic transformation, he referred explicitly to the elimination of environmentally harmful subsidies, including environmentally harmful tax subsidies, and the need for a tax shift from labour to pollution and resource use (Potočník 2013).

European Commissioner for Interinstitutional Relations and Administration Maroš Šefčovič took part in an audition organized by the European Affairs Committee and the Finance Committee of the Assemblée Nationale in June 2013. In his opening statement, he did not refer to environmental taxation. However, in response to an MP’s remarks, he later outlined the EC’s position, explaining that:

Environmental taxes are for us the most acceptable taxes since they do not put employment in danger and deliver a benefit to the environmental field. That is why they are proposed to almost all member states in view of budgetary consolidation. But without doubt you are right when inviting us to be a bit more prescriptive\* (Assemblée Nationale 2013e: 13).

In October 2013, the French European Commissioner for Internal Market and Services Michel Barnier took part in a round table with the Finance Committee, the Foreign Affairs Committee and the European Affairs Committee of the Assemblée Nationale to discuss the French budget plan for 2014. In reaction to an MP’s question, he highlighted that the EC was in favour of shifting taxes from labour to other areas, including green taxes (Assemblée Nationale 2013f: 12). In June 2014, Barnier participated in a debate organized by the main French employer organization Mouvement des entreprises de France (MEDEF) and called again for a tax shift from labour to other sources of taxation “more favourable to sustainable growth such as environmental taxes”\* (Barnier 2014).

These missions demonstrate that the EC indeed intensified its dialogue with French stakeholders in the first half of 2013 before the decisions were made to put in place the carbon tax in October 2013 and to reduce the difference in taxation between diesel and petrol in October 2014. Thus, the EC became more visible as a relevant actor in the field of environmental taxation in France. The EC primarily advocated its respective CSRs in the sense that it called for a tax shift from labour towards environmental taxation, but Commissioners were explaining the European Semester impulse only in more detail when explicitly asked for by MPs. Only Commissioner Potočník’s speech in front of the Sciences Po audience was different as

he proactively called for a tax shift towards pollution and resource use, which one can understand as a call for a carbon tax. While being auditioned by MPs, Potočnik did not take a clear position on diesel taxation whereas the EC's analysis was very clear on that point. With regard to the degree of agency throughout technical missions, it is difficult to get a full-fledged picture as there are no published agendas of these meetings. In spite of that, the interviews revealed that key non-governmental pro-reform actors in the field of environmental taxation and representatives of the CFE were not invited to take part in either technical or political meetings (Interview #007; Interview #008; Interview #009). Given the EC's commitment to meeting with key national stakeholders, it is noticeable that the EC did not contact these potential allies. Even more so, as both the country-specific analyses and even Commissioner Potočnik in his speech identified the CFE as a key actor to increase environmental taxation.

Thus, this analysis detected EC agency in the field of environmental taxation regarding parliamentarians, academia and the main employer organization. However, the EC did reach out neither to key non-governmental pro-reform actors nor to the CFE.

#### 7.1.2 The Comité pour la fiscalité écologique: A reform-facilitating formal institution?

In December 2012, the French government created a public body with the aim to establish a permanent consultation and evaluation body in the field of environmental taxation (Chiroleu-Assouline 2015: 132). This CFE reunited a wide range of stakeholders, including Senators and MPs, Members of the European Parliament, representatives of employer organizations and trade unions, environmental NGOs, French local entities, as well as other social interest groups such as the National Union of Family Associations (UNAF) or the Committee for national and international relations of youth associations and popular education associations (CNAJEP). Its membership shows that the CFE was created as a body to allow for discussions among actors with different points of view. As the name of the CFE suggests, it exclusively dealt with environmental taxation. It was subdivided in three working groups, amongst them a working group on energy taxation (Interview #009). At the end of the working period, the CFE published opinions on the introduction of a carbon tax (28 March 2013) and on the difference in taxation between diesel and petrol (18 April 2013) (CFE 2013a). Hence, the CFE was highly specialized in the policies targeted by the European Semester impulse. The decision to put in place such a committee was made in the course of the Environmental Conference in September 2012 with the involvement of both the government and the stakeholders that would later become members of the CFE (Le Point.fr 2012b). The CFE was officially affiliated with the Ministries of the Environment and the Ministry for the Economy and Finance, which also explains why the two respective ministers appointed the president of the CFE (Interview #009). It is notable that the president of the CFE, Christian de Perthuis, was no politician, but a professor for climate economics and a renowned expert in the field of environmental taxation in France (La Tribune 2012). The fact that an academic and no politician or bureaucrat was chosen to chair the CFE



demonstrates that the committee was supposed to work relatively autonomously from the government. The committee did not only comment on proposals made by the government, but published its own ones, so that it enjoyed a certain degree of autonomy. Taken together, the CFE fulfilled the necessary formal criteria to act as a reform-facilitating formal institution regarding the European Semester impulse.

De facto the CFE did however not act as a significant reform-facilitating formal institution. First, it was not endowed with an independent secretariat that could have provided material resources to the members of the CFE. Instead, the two ministries involved were supposed to act as secretariats, ensuring primarily the coordination with other government bodies (CFE 2013a: 57). Such a secretariat, run by government officials, is not compatible with the idea of providing autonomous material resources to all participating stakeholders. When it comes to the provision of immaterial resources, the documents available as well as the interviews suggest that the CFE did not serve as a significant reform-facilitating formal institution either. The list of experts invited to present their analyses to the CFE reveals that among the 18 experts audited by the CFE on environmental taxation in general and on carbon tax as well as on diesel taxation in particular, there was only one EC representative. Ralf Diemer, the Head of DG TAXUD's unit "Environmental taxation and other indirect taxes", gave a presentation to the Committee on 13 June 2013 (CFE 2013b: 329-343). However, he was not invited to present the EC's recommendations on France's environmental taxation policies, but to present the EC's proposal to put in place EU wide legislation. He only referred to the European Semester in his last content-related slide, asking which role the issue of environmental taxation should play in the context of the European Semester (CFE 2013b: 343). Since the slides of all 18 presentations are publicly available, one can conclude with certainty that none of the speakers, including academics, ministerial staff, representatives of two trade unions, a representative of an environmental NGO, and a representative of the OECD referred explicitly to the European Semester impulse for France in their slides. Moreover, contrary to the Portuguese Green Tax Committee, a public body with the same purpose as the CFE which met twice with EC officials in order to learn about the EC's stance on environmental taxation reform in Portugal (Interview #005), the CFE organized no such exchange (Interview #009).

While members of the CFE mentioned the European Semester impulse in the context of some CFE meetings (Interview #007), it is a matter of fact that certain members of the CFE, including the President himself, were not aware of the existence of the impulse (Interview #008; Interview #009). The fact that the key representative of the institution did not know about the European Semester impulse provides an explanation for the absence of immaterial resources provided to the participating stakeholders. To conclude, the CFE fulfilled all formal preconditions to serve as a reform-facilitating formal institution given its mandate and the composition of its membership. Nonetheless, it provided participating stakeholders with neither relevant material nor immaterial resources in view of using the European Semester impulse.

### 7.1.3 Domestic usage by pro-reform actors

The previous two sub-chapters have shown that EC agency was limited and that the CFE did not act as a reform-facilitating formal institution. The theoretical framework still provides the possibility of direct domestic usage of a European Semester impulse by pro-reform actors. That is what this sub-chapter focusses on.

Support for an increase in environmental taxation, particularly for the introduction of a carbon tax and for the reduction of the beneficial taxation of diesel, to a varying extent, was to be found in large parts of the political spectrum. However, the political camps were somehow internally divided about the issue. The centre-right “was not really against [the carbon tax] because they had at least tried”\* (Interview #007) to put it in place in 2009. On the part of the major centre-right party, the Union pour un mouvement populaire (UMP), parliamentarians such as Senator Fabienne Keller highlighted the health-risk of diesel emissions (Sénat 2013) whereas others, such as MP Martial Saddier, attacked demands to increase taxation on diesel, emphasizing the importance of big French car producers for employment in France (Assemblée Nationale 2013a: 15). At the same time, the centre-left majority in the Assemblée Nationale was not entirely supportive of increasing environmental taxation from the beginning of the legislature (Interview #007). A number of parliamentarians from the Parti Socialiste (PS) were defending the introduction of a carbon tax. MP Philippe Plisson saw it as a “necessary step to raise awareness”\* (Assemblée Nationale 2013a: 11), while MP Geneviève Gaillard deplored the lack of progress made in terms of environmental taxation (Assemblée Nationale 2013a). At the same time, Jacques Krabal from the Parti Radical de Gauche (PRG), which was part of the centre-left government at that time, warned about “constantly adding taxes to taxes”\* (Assemblée Nationale 2013a: 10). Among political parties and parliamentarians, the Green Party, Europe Ecologie Les Verts (EELV), also part of the government then, was the strongest pro-reform actor. In its 2012 electoral manifesto, the party demanded explicitly the introduction of a carbon tax (EELV 2012: 78-79). In the following debates EELV MPs, such as Laurence Abeille, took the most active stance in favour of increasing environmental taxation, emphasizing that “environmental taxation is a central element for the ecologic conversion of the society”\* (Assemblée Nationale 2013a: 9) and demanding that the budget for 2014 should set the starting point for a transition towards environmental taxation, in particular regarding diesel and carbon taxation. President Hollande’s 60 major propositions throughout the electoral campaign 2012 included the creation of an EU wide carbon tax, but lacked any proposal to put in place such a tax in France or any reference to the taxation of diesel (Hollande 2012). Once in power, the centre-left government first did not act very ambitiously and hesitated when it came to environmental taxation (Interview #007).

In terms of the carbon tax, there was no strong public opposition to the idea as such. The debate rather centred on the question of the amount and the progression of the tax over time (Interview #006). Moreover, the issue of what to spend the additional revenue generated by the carbon tax on was heavily discussed (Interview #009). The debate about the taxation of diesel was more controversial, also because

the social partners, both employer organizations and trade unions, were internally divided over this question. On the employer side, major petrol companies were in favour of decreasing the tax gap between diesel and petrol while the French automobile industry was against any such measure (Interview #009). The social-democratic Confédération française démocratique du travail (CFDT) and the communist Confédération générale du travail (CGT) are the two most important French trade unions (Heidling et al. 2012: 221). They represented different points of view with respect to the issue of diesel taxation: while the CFDT was clearly in favour of reducing the gap, the CGT was more reticent because of its concern about the implications for employment (Interview #009).

At the same time, a number of French environmental NGOs were very actively advocating increasing environmental taxation, in particular via a campaign launched in summer 2012. This campaign was driven mainly by the Fondation Nicolas Hulot pour la Nature et l'Homme (FNH) and the Réseau Action Climat France (RAC), which is a network of French environmental NGOs such as the World Wide Fund For Nature (WWF), as well as by a number of French economists. In its launching appeal, the campaign called for an elimination of environmentally harmful subsidies as well as for the creation of a carbon tax (FNH et al. 2012). As part of the campaign, the NGOs also demanded to phase out tax benefits for diesel.

It is the central aim of this study to reveal whether these actors, identified as potential pro-reform actors, were aware of the European Semester impulse and, if so, how they made use of it domestically. With regard to parliamentarians, one can assume that they knew about the impulse: they participated in different debates about the European Semester in plenary sessions, such as the debates about NRPs, and in different European Semester-related committee meetings, in particular the auditions of European Commissioners. Both the RAC and the WWF knew well about the European Semester impulse. Apart from their domestic usage, they also sought to influence French CSRs on the EU level from 2014 onwards. Via the European NGO-network Green Budget Europe, the RAC tried to have an impact on environmental taxation CSRs by formulating alternative environmental CSRs for France prior to the publication of the official CSRs. Green Budget Europe published such proposals for 18 countries. Not only did the RAC formulate a number of CSRs for France, it also provided extensive rationales for all these CSRs. Regarding taxation on diesel and petrol, the RAC's CSR said that the "gazole tax level should be progressively increased to the level of petrol tax rate" (Green Budget Europe et al. 2014: 19). The RAC also formulated two alternative CSRs calling to faster increase the level of the carbon tax. Taken together, the formulation of alternative environmental CSRs for France proved that the RAC was well aware of the European Semester impulse. Even more, these documents demonstrated that the RAC had intensely studied existing CSRs, as the technical language used was quite similar to the language of the official documents. In February 2014, WWF Europe also published alternative CSRs for 10 member states, amongst them France (WWF 2014). WWF France was in charge of the CSRs formulated for France. Similarly to the CSRs published by Green Budget Europe, the WWF version consisted of recommendations accompanied by rationales. The FNH's statements outlined in more detail below prove

that it was aware of the European Semester impulse as well. Moreover, its founder, Nicolas Hulot, met with European Commissioners twice in 2013 (EC 2017): in April, he went to Brussels to meet the European Commissioner for Environment Janez Potočnik. In August, he met with Connie Hedegaard, then European Commissioner for Action against Climate Change. Although the content of these meetings remained secret, given the intense debate about environmental taxation in France at that time, it is possible that they mentioned the issue throughout the meetings. However, not all pro-reform actors in the field of NGOs and academia were aware of the European Semester impulse. Members of the CFE asserted that “we did not have recommendations from the European community”\* (Interview #008) and conceded that they did not know about the European Semester at all (Interview #009).

The FNH, the RAC and WWF did not only know about the European Semester impulse, but also made use of it domestically. As a representative of the RAC put it:

And then, us, how did it [the European Semester impulse] serve us afterwards? It served us in our argumentation vis-à-vis politicians and the committee to say: Ok, we are the last ones. We cannot remain the last ones. The EC recommends increasing environmental taxation\* (Interview #007).

Specifically, environmental NGOs made use of the impulse in working meetings and for press statements. At the height of the debate about environmental taxation in France in 2013, the two main environmental NGOs, the FNH and the RAC, published a joint statement following a report of the Cour des Comptes. In this statement, they asserted that:

Following the incentives by the European Commission and by the OECD, it is a new strong incentive for the government to deal seriously, beginning with the budgetary plan for 2014, with the elimination of environmentally harmful fiscal niches\* (RAC / FNH 2013).

As a result, the two NGOs concluded that an adjustment of diesel taxation became unavoidable (RAC / FNH 2013).

In June 2013, a group of environmental NGOs, consisting of the FNH, the RAC, WWF France, Humanité et Biodiversité, les Amis de la Terre, Hepsul, le Centre national d'information indépendante sur les déchets, le Cler France and Nature Environnement published a joint statement following a resolution adopted by the Assemblée Nationale calling for an increase in environmental taxation. In their statement, the NGOs supported this position by arguing:

While the OECD and the European Union have already highlighted the benefits of green taxes both for labour and for the environment, the Cour de Comptes has criticized the numerous environmentally-harmful fiscal niches (...) Today, it is supported by all these arguments that the parliamentarians ask the government\* (FNH et al. 2013).

It is therefore evident that environmental NGOs used the European Semester impulse as a cognitive resource to justify their argumentation. Environmental NGOs constantly used it to legitimize their point of view in discussions with politicians and other members of the committee (Interview #007).

The only political party that made domestic usage of the European Semester impulse throughout intensified discussions about environmental taxation in 2013 was EELV. When the European Affairs Committee and the Sustainable Development and Country Planning Committee of the Assemblée Nationale auditioned European Commissioner for Environment Janez Potočnik in April 2013, it was an EELV MP, Denis Baupin, who directly asked the Commissioner about his stance on French carbon taxation (Assemblée Nationale 2013: 9). In reaction to the question, the Commissioner made the statement outlined in chapter 7.1.1.

The EELV MP Danielle Auroi, then president of the European Affairs Committee, played a particularly important role. When the Assemblée Nationale debated the French NRP on 23 April 2013, she referred explicitly to the CSRs, arguing that:

It would also be important to generate new revenues, I think of course of genuine environmental taxation. The European recommendations addressed to France last year, and taken up again this year, propose on top of that shifting a part of labour taxation towards environmental taxation\* (Assemblée Nationale 2013c: 4878-4879).

In the following part of her intervention, Danielle Auroi used this argument to ask directly the government how it intended to proceed to implement these measures. Whereas Danielle Auroi referred to the European Semester impulse here in the context of a debate among French parliamentarians and the government, EELV also took the opportunity of European Commissioners being auditioned to recur to the European Semester impulses. When the Foreign Affairs Committee and the Finance Committee of the Assemblée Nationale audited Commissioner Olli Rehn in June 2013, Jean-Louis Roumegas, another EELV MP, criticized:

On the other hand, we found the EC position on environmental taxation relatively vague: you have effectively only formulated recommendations on the transfer of taxation weighing on labour towards environmental taxes. However, you have not mentioned the carbon tax\* (Assemblée Nationale 2013d: 8).

In the course of the audition of Commissioner Šeřčovič, also in June 2013, Danielle Auroi made the same point as Jean-Louis Roumegas in the previous audition, noticing that while CSRs in policy areas such as pensions were formulated very precisely, the CSRs remained vague regarding environmental taxation (Assemblée Nationale 2013e: 12). At the end of the intervention, she asked the Commissioner directly whether the EC would be more precise when it came to environmental taxation CSRs in the future.

In the course of a round table, organized by different Committees of the Assemblée Nationale, the parliamentarians discussed the budgetary draft for 2014 with Thierry Repentin, the French Delegated Minister for European affairs, and European Commissioner Michel Barnier. In her opening remarks as president of the European Affairs committee, Danielle Auroi made the following statement:

The recommendations of the Council related to the Stability and Reform Programmes invite France to 'take additional measures to shift taxation from labour towards environmental or consumption taxes'. On the principle, that satisfies the ecologist who I am (...) Mr Delegated Minister, how does the government plan to take these recommendations into account in its budget project and, more generally, the imperative of ecologic transition\* (Assemblée Nationale 2013f: 5)?

Commissioner Barnier's response to this question was outlined in chapter 7.1.1. The French minister did not reply explicitly to the question.

EELV parliamentarians used the European Semester impulse as a justification for their demand to increase environmental taxation. They also used it to put pressure on the government, namely when confronting the government directly with the recommendations and asking how they would be implemented. Apparently, EELV parliamentarians were well aware of the potential of the European Semester impulse to mobilize political resources on the domestic level. Thus, they criticized the impulses for being too weak, expressing their wish for the EC to set stronger EU impulses in the sense of more precise CSRs. These interventions led to a more detailed explanation by European Commissioners and thus sort of led to stronger EC agency.

It is striking that domestic usage occurred only throughout 2013. Although there were fewer auditions of European Commissioners in 2014 due to the elections of the European Parliament and the formation of the Juncker Commission, there would have been several occasions for EELV MPs, such as the debate of the NRP in spring 2014, and for environmental NGOs to make further usage of the European Semester impulse. However, there was no public reference to the impulse throughout 2014.

All in all, the analysis identified a group of pro-reform actors, including environmental NGOs and EELV, that actively made domestic usage of the European Semester impulse both as a cognitive and as a strategic resource. Given support for both reforms across the political spectrum and relatively weak opposition from the employers' side, the European Semester impulse constituted a crucial element in the debate, pushing the previously hesitating government to put in place the reforms.

## 7.2 Case study II: French Value-Added Tax policy

### 7.2.1 European Commission agency & reform-facilitating formal institution

Similar to chapter 7.1, chapter 7.2 first looks into whether catalysing variables played a role in the field of French VAT policy and then reveals whether pro-reform actors made use of the European Semester impulse.

European Commissioners used at least two political missions to present explicitly the EC position on VAT policy to French stakeholders. In October 2013, European Commissioner Michel Barnier took part in a round table with the Finance Committee, the Foreign Affairs Committee and the European Affairs Committee of the Assemblée Nationale to discuss the budget plan for 2014. In this context, he called France to shift taxation from labour towards other taxes, amongst them VAT (Assemblée Nationale 2013f: 12). In April 2014, the Finance Committee of the French Senate auditioned Algirdas Šemeta, then European Commissioner for Taxation and Customs Union, Audit and Anti-Fraud. During his intervention he made the point that “the countries should find other ways than reduced VAT rates, whose efficiency is doubtful, to pursue their important social objectives”\* (Sénat 2014). It is the only, published, occasion at which a European Commissioner outlined the EC point of view more profoundly, in particular its criticism of the French use of reduced VAT rates, throughout interactions with French stakeholders. At the political level, there were a number of meetings between European Commissioners and the respective French ministers for Economy and Finance. This interaction was intensified following the election of President Hollande in May 2012. However, the press statements after the meetings between European Commissioner Rehn and the French Minister for Economy and Finance Pierre Moscovici in June 2012 (Rehn 2012) and EC president José Manuel Barroso and French Prime Minister Jean-Marc Ayrault in September 2012 (EC 2012d) did not reveal whether the participants addressed the issue of VAT policy. On 16 October 2012, European Commissioner Viviane Reding gave a speech in front of the Assemblée Nationale in the course of the debate of the French budget for 2013. Though the debate about a reform of VAT policy was already ongoing in France at this moment, Commissioner Reding did not refer to VAT policy (Assemblée Nationale 2012). Moreover, the EC did not attempt to interact with key pro-reform parliamentarians in the field of VAT policy, in the course of either technical or political missions (Interview #010). Thus, one can conclude that the EC, based upon the information available, did not act as a proactive agent of its own impulse in terms of VAT policy. The other catalysing variable, a reform-facilitating formal institution, was absent in view of VAT policy. There was no Commission or expert committee in charge of dealing with taxation reforms in general or VAT policy in particular.

### 7.2.2 Domestic usage by pro-reform actors

When it comes to VAT reforms, especially the abolition of certain exemptions from the standard rate, long-term vested interests play a crucial role (Interview #003). In France, the two main sectors benefiting from reduced VAT rates, thus representing major vested interests, were the restaurant sector and the

construction sector. These were two very influential sectors given their weight in terms of employment (Interview #006). Furthermore, the fact that restaurants and hotels were widespread in all constituencies significantly empowered them politically (Interview #010). The same was true for the construction sector. In the restaurant sector, employer organizations and trade unions were closely cooperating in order to lobby against VAT reforms. For instance, restaurant employer organizations and trade unions jointly organized a press conference to attack the government's plans to raise the reduced rate for the restaurant sector to 10 % in autumn 2012. The main sectoral employer organization, Union des Métiers et des Industries de l'Hôtellerie (UMIH), threatened that 100,000 jobs would be lost if the sector was placed under the standard rate, while all major trade unions were highlighting the negative consequences of such a measure for employees (AFP 2012). The resistance of the restaurant sector can also be explained by the fact that it had only obtained its exemption from the standard rate shortly before in 2009 as a result of protracted negotiations on the EU level. The construction sector was also very vocal in its opposition to any change to its VAT regime. In reaction to the 2011 reform, the president of the confederation of artisans in the construction sector (Capeb), Patrick Liébus, threatened that the announced increase by 1.5 % would lead to a "reduction in activity by a billion euros and the destruction of up to 10,000 jobs"\* (Les Echos 2011). Another sectoral employer organization, the Fédération Française du Bâtiment (FFB), criticized the 2012 reform, warning that it would have "catastrophic implications for economic activity and employment and will lead to an inevitable massive return of undeclared work"\* (Le Monde.fr 2012a). Moreover, it demanded that instead of increasing the VAT rate to 10%, the government should reduce it to 5 % (Le Monde.fr 2012a). Given their importance in terms of employment, the restaurant and the construction sector were in the position to act as de facto veto players in view of an abolition of their exemptions from the VAT standard rate. Consequently, it was very difficult for pro-reform actors to use the European Semester impulse in such a way as to overcome opposition.

Employer organizations, which one could imagine as potential supporters for the idea of shifting taxation away from labour, were internally divided with regard to VAT reforms (Sud Ouest 2013). While the umbrella employer organization, MEDEF, shared the EC's position on VAT policy, sectoral employer organizations representing the sectors concerned were opposing it as shown above. MEDEF leaders reflected this internal division throughout several statements. In the course of the debate about the VAT reform in 2011, then MEDEF president Laurence Parisot affirmed that an increase in VAT rate by up to three percentage points for the restaurant sector would be acceptable for her association whereas she opposed any increase for the construction sector (AFP 2011). Despite its backing for a limited increase of the VAT rate for the restaurant sector, it is evident that the MEDEF was no pro-reform actor in view of eliminating reductions for these sectors, which would have been equal to an increase by more than 14 percentage points at the time.

As shown above, all major trade unions supported sectoral employer organizations in their attempt to block changes to the VAT regime for the restaurant sector. In general, though, trade unions had different



positions regarding VAT policy: The communist-leaning trade unions, notably the CGT, rejected any increase in VAT rates, considering the tax as “very unfair and weighing heavily on the budgets of the poorest households”\* (CGT 2013). More social-democratically oriented trade unions, such as the CFDT, were supportive of moderately raising reduced rates for certain products as done by the two reforms implemented (CFDT 2011; 2012b). However, they criticized VAT in general for particularly burdening lower and middle classes (CFDT 2012a). Thus, neither the communist nor the social-democratic trade unions were pro-reform actors.

On the part of political parties and governments, it is difficult to distinguish between pro- and counter-reform forces. The centre-right majority actively defended the reform of introducing an intermediary VAT rate in 2011. According to UMP MP Gilles Carrez, the reform affected “certain services and products that had no reason to benefit from a rate of 5.5 %”\* (Assemblée Nationale 2011: 9). When the centre-right government announced to further increase the standard rate to 21.2% in early 2012, then presidential candidate François Hollande rejected this reform. Indeed, the new centre-left government abolished it in July 2012 before it entered into force (Le Point.fr 2012a). The opposite constellation was observable in the course of the debate about the 2012 reform. Whereas the centre-left government defended the reform, the centre-right opposition voted against it (Le Monde.fr 2012c). Even then, parts of the political parties and MPs of the centre-left governmental majority, notably the left wings of the PS, EELV and the PRG were critical about reforming the VAT system (Le Monde 2012). Given the limited extent of the two reforms compared to what the EC recommended, none of the major political forces was a classical pro-reform actor, except for those parliamentarians who had worked intensively on the two reforms. These included notably the UMP rapporteur for the budget and outspoken defender of the 2011 reform, Gilles Carrez, as well as Socialist MP Thomas Thévenoud, who published a report preconizing an increase in VAT rates for the restaurant sector in autumn 2012. One could consider the two governments as temporary pro-reform actors who might have used the European Semester impulse to justify their limited reforms and to advocate for more comprehensive reforms.

Because of their involvement in the different EU Council configurations and their work on NRPs, both governments were aware of the European Semester impulse. With regard to the centre-right government in power until May 2012, the changes made to the original European Semester impulse in 2011 provide a starting point as to find out whether it used the impulse domestically. The Council can modify the CSRs and the respective recitals. Any differences between the original EC document and the final Council version can be expected to result from resistance of the member state concerned, as the EC has no interest in changing its original version. In 2011, the Council made a small, but meaningful insertion to the EC document (highlighted in black): in the final version, CSR 4 called France to “increase the efficiency of the tax system, including for example through a move away from labour towards (...) consumption taxes” (Council of the European Union 2011). The insertion of the term “for example” significantly reduced the strength of the impulse, as the move towards consumption taxes in the second version appeared to be one

among many possible solutions to increase efficiency, while the EC obviously regarded it as a central measure to reach the objective. During the discussion about the reform in the Finance, General Economy and Budget Committee of the Assemblée Nationale on 9 November 2011, the minister of the Budget, Valérie Pécresse, did not refer to the European Semester impulse to justify the reform of the VAT system (Assemblée Nationale 2011). Neither did the MPs of the centre-right majority that could have acted as pro-reform actors.

The centre-left government was also well aware of the European Semester impulses with respect to VAT policy. The Minister for Economy and Finance Pierre Moscovici mentioned the EC's recommendation to shift taxes from labour towards consumption in his remarks during the debate about the French budget for 2013 in October 2012 (Assemblée Nationale 2012: 3669). However, he also highlighted:

But the government considers – and that is also recognized – that this obligation to reach the result on which the recommendations insist does not entail an obligation of the means. So, we will implement structural reforms, but ‘à la française’, following our own political choices. (...) I therefore listen to the EC's recommendations, but at the same time it does not stop us from this or that interpretation\* (Assemblée Nationale 2012: 3670).

Changes made to the original European Semester impulse in 2012 provide, again, another piece of evidence for the assumption that the government did not intend to use it domestically. The original formulation of recital 14 assessed that “no specific measures have been taken to assess the efficiency of some reduced rates in achieving their employment or social objectives (in particular for reduced VAT rates)” (EC 2012b). The Council replaced it by the formulation “while France assessed in 2011 the efficiency of various tax expenditures in achieving their employment or social objectives, some reduced VAT rates remain in particular to be reviewed” (Council of the European Union 2012). This significantly diluted the original impulse. If the government had been interested in using the European Semester impulse to tackle reduced rates, it would not have insisted on changing this part. This reticence of the centre-left government to put an emphasis on specific VAT exemptions, at least partly, might be explained by the fact that it sought to avoid a confrontation notably with the restaurant sector (Interview #010). The European Semester impulse has not weakened significantly the position of the restaurant sector as a de facto veto player.

Key pro-reform parliamentarians were indeed aware of the EC's point of view regarding VAT policy. As a parliamentarian who played a key role in the 2012 reform put it:

The EC is naturally very much against targeted VAT reductions because it considers that this has little economic impact and is often the occasion for a government or for a parliament to please, to make concessions to socio-professional categories without any counterpart\* (Interview #010).

The EC was even perceived as one of the relevant actors in France who were in favour of abolishing certain exemptions (Interview #010). However, one cannot identify any form of explicit domestic usage of this fact by pro-reform MPs as in the case of environmental taxation. This finding is compatible with the assessment of a key MP involved in VAT issues who asserted that the European Semester impulse had not helped French pro-reform actors (Interview #010). At the same time, counter-reform actors such as the leftist CGT used the European Semester impulse in order to criticize the EC, taking the impulse as evidence for a European austerity agenda (Interview #006).

### 7.3 Case comparison and discussion

While chapters 4 and 5 revealed how much the degree of change in French taxation policy varied between environmental taxation and VAT policy despite similar European Semester impulses, chapter 7 is at the centre of this process tracing analysis. The previous sub-chapters displayed in detail the causal chain between the European Semester impulse and the observed changes in French taxation policy.

With regard to environmental taxation, the EC acted as agent of the European Semester impulse primarily in 2013. However, the analysis also revealed that the EC's agency was little proactive in the sense that the EC often only outlined its position in more detail when directly asked for by pro-reform actors. Although the CFE was endowed with all formal criteria to serve as a reform-facilitating formal institution, it did not act as one. The analysis provided an explanation for this, showing that people at the top of the institution were not aware of the European Semester impulse themselves. At the same time, a number of vocal pro-reform actors, including environmental NGOs, EELV and parts of other political parties were present in the field of environmental taxation. Employer organizations, generally seen as the main counterforce to environmental taxation reform, were internally divided as a part of their adherents was in favour of the measures under discussion. At the same time, the centre-left government hesitated to put in place environmental taxation reforms. In this context, the European Semester showed its potential in empowering pro-reform actors, namely environmental NGOs and EELV MPs, who used the impulse actively. The European Semester impulse served NGOs mainly in their argumentation, providing legitimacy and external justification for their demands. Thus, they made cognitive usage of it. While EELV MPs made cognitive usage of the European Semester impulse as well, they also employed it to exert direct pressure on the government. Hence, they made strategic usage taking the impulse to put pressure on the hesitant government in order to build a sufficiently large reform coalition. To conclude, the European Semester impulse allowed for different usages in the field of environmental taxation and thus led to a change in the interest constellation in favour of pro-reform actors.

The case of VAT policy differed significantly in terms of all relevant variables: first, EC agency was much weaker than in the case of environmental taxation, both in quantitative and qualitative terms. Second, no reform-facilitating formal institution existed in this policy area. Third, there were fewer identifiable pro-

reform actors in general and these did not make domestic usage of European Semester impulses. Europeanization pressure targeted VAT exemptions of two very influential sectors, namely the restaurant and the construction sector. These two sectors were powerful counter-reform actors who exerted de facto veto power throughout the decision-making process. At the same time, employer organizations that generally backed the EC's economic reasoning did not perform as pro-reform actors as a part of their adherents, notably the sectors benefitting from VAT reductions, were not supportive of reforms. The two main political blocks, the centre-left and the centre-right, supported increases in VAT rates when they were in power and rejected them when being in opposition. Governments and pro-reform MPs could have used the European Semester impulse to defend their limited reform plans. However, none of them made public usage of it. Since both the governments and MPs were aware of the impulse the existence of a reform-facilitating formal institution would not have led to stronger domestic usage.

The results of the two case studies entail a number of implications for the theoretical framework developed in chapter 2. In the case of environmental taxation, the analysis identified multiple domestic usages by different pro-reform actors and a relatively high degree of change in terms of energy taxation. On the contrary, there was no domestic usage by pro-reform actors in the field of VAT policy. Instead, French actors used the European Semester impulse to criticize the EU, while at the same time the degree of change in VAT policy towards the EC's recommendations was low. Thus, the two empirical case studies provide evidence for the central working hypothesis: the more national pro-reform actors made domestic usage of a European Semester impulse, the higher indeed the likelihood for national policy change. The first case highlighted the potential of EC agency. Since some pro-reform actors were not aware of the European Semester impulse, more active EC agency could have led to usage by even more actors and might have "activated" the CFE as a reform-facilitating formal institution. EELV MPs, who obviously were aware of the usage they could make of strong European Semester impulses, explicitly asked for EC agency. Although neither EC agency nor the potential reform-facilitating formal institution acted fully as predicted by the theoretical framework, the analysis revealed the potential impact of them in catalysing European Semester impulses, thereby increasing domestic usage.

In the case of VAT, low EC agency and the absence of a reform-facilitating formal institution do not explain the absent usage of the impulse. As catalysers, they increase awareness about a European Semester impulse. However, pro-reform actors were well aware of the impulse. Nonetheless, they did not make use of it. The analysis revealed that the centre-left government was insisting on a certain degree of autonomy in implementing the European Semester impulse. In this case, these rational pro-reform actors did not see the impulse as an additional political resource that they could use to improve their domestic position. Thus, it is not sufficient that rational pro-reform actors know about a European Semester impulse. They also need to consider it as a potential resource that fosters their given objectives.

## 7.4 Alternative explanations

The analysis demonstrated why the European Semester did not lead to a transformation of French VAT policy. In order to assess the impact of the European Semester on the policy change observed in environmental taxation policy, it is also important to take alternative explanations seriously. The following sub-chapter looks at two of them, namely the OECD impulse and the change in government in 2012.

The OECD, an international organization whose membership comprises the most developed countries in the world, is widely seen as a “creator, purveyor, and legitimator of ideas” (Mahon / McBride 2009: 84), primarily conducting research and spreading the results among its member states (Rajavuori 2017: 23). The EC serves both as an administration but also as a political actor being the executive branch of the EU system (Hartlapp 2015: 156). In contrast to that, the OECD is an international organization which is primarily considered as a think-tank at the service of its member states (Dostal 2004: 446). Being deprived of an own budget and sanctioning mechanisms, the OECD’s impact on national policies stems mainly from its expertise and the analytical work it produces, including on environmental taxation. Major analytical OECD products on environmental taxation throughout the period under analysis included the OECD Green Growth Strategy (OECD 2011), the study on Taxing Energy Use (OECD 2012) and the OECD Inventory of Support Measures for Fossil Fuels (OECD 2013). All these publications had in common that they did not formulate country-specific recommendations, but rather provided general arguments in favour of increasing environmental taxation. With regard to carbon taxes, the OECD conceded that it “can also be a part of a wider fiscal consolidation package, offering an attractive alternative to higher taxes on labour or business income or cuts in public expenditure” (OECD 2011: 8). This formulation is very similar to what the EC recommended to France during the European Semester process. In its 2012 study on the taxation of energy use, the OECD noted that in case of different taxation of diesel and petrol, there was “a need for reappraisal of tax settings” (OECD 2012: 51). In total, it is evident that the OECD was supportive of the kind of reforms put in place in France. Indeed, some pro-reform actors in France, notably the environmental NGOs, made use of the OECD position as a cognitive resource in the same way as they used the European Semester impulse to legitimize their own demands. As shown in chapter 7.1.3, the FNH and other environmental NGOs used the OECD impulse in the same press statements as the European Semester impulse. In two other instances, they referred to the OECD without mentioning the EC at all, highlighting the OECD’s support for a carbon tax (RAC et al. 2013) and the fact that the OECD considered different taxation of diesel and petrol unjustified (RAC / FNH 2014). This active usage by key pro-reform actors may result from the fact that in the case of the OECD impulse the CFE acted indeed as a reform-facilitating formal institution: On 23 March 2013, an OECD representative presented major OECD publications and the organization’s point of view in terms of environmental taxation, including carbon and diesel taxation, to the CFE members (CFE 2013b: 78-95). This may explain why potential pro-reform actors, who were not aware of the European Semester impulse, did however know about the work and the stance of the OECD on environmental taxation (Interview #008). In contrast to the European Semester impulse, neither MPs nor political parties referred

to the OECD impulse. Thus, the OECD did indeed have an impact on the reforms implemented in France in the sense of legitimizing NGO's positions. However, its impact on the political struggle was more limited than the EC's impact as other pro-reform actors that worked with the European Semester impulse did not use the OECD impulse.

The second alternative explanation argues that environmental taxation reforms resulted primarily from the change in government in 2012, bringing pro-reform political forces into power that planned to strengthen environmental taxation anyway. As became obvious in chapter 7.1.3, the support of the centre-left government for environmental taxation was not evident: while EELV was as a key pro-reform actor, President Hollande's electoral programme in 2012 showed that environmental taxation was not among his political priorities. Therefore, once EELV joined the government, it was still uncertain whether reforms would be put in place. As a pro-reform actor formulated it:

The left majority, its support wasn't safe at all in the beginning, particularly the government (...). The government, indeed, wasn't that ambitious, it hesitated about environmental taxation, whether it was [the ministers of the Environment] Philippe Martin, Delphine Batho and then Ségolène Royale\* (Interview #007).

Thus, environmental taxation reforms were no fait accompli when the new government started working. At the same time, the formation of the new government opened a window of opportunity for environmental taxation reforms. The centre-right government had not focussed on environmental taxation any more after it failed to introduce a carbon tax in 2009. The mere fact that there was a new government including the Green Party opened a window of opportunity for pro-reform actors. Following the elections, these actors intensified their activities. For example, the NGO-campaign against environmentally harmful subsidies was launched "just after the presidential election"\* (Interview #007). The creation of the CFE in December 2012 accelerated this dynamic. Most of the usage by French pro-reform actors and most of the EC's agency occurred throughout the discussions about environmental taxation reforms between December 2012 and December 2013. During that period, debates in France were very intense with regard to environmental taxation (Interview #007). However, it was neither obvious whether any reforms would be put in place nor what these reforms would look like. In this context, the European Semester impulse was used, cognitively and strategically, by pro-reform actors to improve their position and finally to reach decisions on two major reforms. Prior to this window of opportunity, namely in 2011 and in 2012, domestic pro-reform actors did not make use of the European Semester impulse. Hence, the impulse did not open a window of opportunity for pro-reform actors itself. Instead, given an existing window of opportunity, pro-reform actors used the European Semester impulse to push their fixed objectives.

Even if one takes into account the impulses set by the OECD and the election of a new government in 2012, the European Semester impulse still appears to have been a significant factor leading to the

implementation of reforms. In contrast to the OECD's impulse, different actors used the European Semester impulse both as a cognitive and as a strategic resource. Moreover, while the election of the centre-left government opened a window of opportunity for environmental taxation reforms, it was only the following domestic struggle about this issue, during which the European Semester impulse played an important role, which led to the reforms. Nonetheless, contrary to the expectation of the theoretical framework, the European Semester impulse did not open a new window of opportunity itself, but was used once such a window of opportunity existed.

## 8. Conclusion

This master's thesis has analysed the impact of the European Semester on environmental taxation and VAT policy in France between June 2011 and February 2015. The analysis revealed that despite similar European Semester impulses the degree of subsequent changes in French policies varied significantly between the two policy areas. Whereas environmental taxation policy was transformed substantially, VAT policy was only slightly modified without any substantial changes. The different strength of domestic usage by French pro-reform actors provided an explanation for this variance. In environmental taxation policy, a group of pro-reform actors, including environmental NGOs and the Green Party, were actively using the European Semester impulse to push for substantial reforms. In VAT policy, pro-reform actors did not use the European Semester impulse. Instead, strong counter-reform actors actively lobbied against any substantial changes to the VAT system.

This corroborates the hypothesis that domestic pro-reform actors may transform European Semester impulses into domestic resources by making usage of them. This causal pathway holds true also after controlling for two alternative explanations, namely the influence of the OECD and a change in government. Environmental NGOs used the OECD's support for environmental taxation reform as an external justification for their demands. However, in contrast to the European Semester impulse, the OECD position was not used strategically by political forces, notably the Green Party, to put pressure on the government. As a result, the impact of the OECD on environmental taxation reform was more limited than the EC's impact. The centre-left government that came into power in summer 2012 opened a new window of opportunity for environmental taxation reform. However, chapter 7 showed that the government did not proactively push forward such a reform, but was rather hesitating. As a result, the change in government as such could not explain why substantial environmental taxation reforms were passed in 2013 and 2014.

This master's thesis contributes to Europeanization theory and the European Semester literature. The analysis confirmed that strong usage of the European Semester impulse actually increased the likelihood of domestic policy change. Hence this master's thesis shows that the European Semester can have an

impact on policy areas considered as least likely cases for European Semester impact such as taxation policy and on member states considered as least likely cases such as France. Firstly, the analysis demonstrated the European Semester's impact on national taxation policies. Secondly, the findings confirmed that it was not the independent variable, in this case the strength of the European Semester impulse, but a mediating variable, the domestic usage by pro-reform actors, that provided an explanation for when these impulses do actually lead to changes in national policy. Thirdly, I argue that the Europeanization literature needs to shift from institutionalist intermediating variables towards more actor-centred approaches. Fourthly, although the two catalysing variables did not play a crucial role in the two case studies, their conceptualization provides another contribution to Europeanization research. In the literature, the role of the EC as an agent of EU impulses had been undertheorized so far. The theoretical framework specified the causal relevance of this variable. The empirical analysis then revealed the potential of proactive EC agency on usage by pro-reform actors. Although reform-facilitating formal institutions form a central part of rationalist Europeanization approaches, research had not sufficiently specified the nature of these institutions and their functioning. Lastly, this master's thesis sought to provide a more specific conceptualization of which institutions can act as reform-facilitating formal institutions and how they do facilitate reforms. It finds that independent institutions that bring together a number of diverse stakeholders, including pro-reform actors, can facilitate reforms by enabling these pro-reform actors to know about an EU impulse.

This masters' thesis also revealed a number of desiderata. Future research is necessary to find out whether EC agency and reform-facilitating formal institutions did play a catalysing role in other empirical cases. In order to look into whether the findings of this analysis are replicable, further research needs to use a larger number of cases. I would base the case selection for future research upon the following aspects: First, whereas the two policy areas selected for this analysis were the target of similar European Semester impulses, it would also be fruitful to compare policy areas with different strengths of impulses to find out to what extent the character of the European Semester impulse influences whether and how pro-reform actors make use of it. Second, cross-country comparisons can help to determine whether the impact of the European Semester depends on the economic strength of the country, its power within the EU and other aspects such as the membership in the Eurozone. Ireland, Portugal and Cyprus are particularly interesting cases as they used to be under economic and financial adjustment programmes. Once the programmes were completed, these three countries became part of the regular European Semester exercise. At the same time, they were still under post-programme surveillance, which included enhanced surveillance, for instance regular review missions by the EC and the European Central Bank (EU Regulation 472/2013, Art. 14). It would be interesting to investigate whether the same causal pathways influenced the European Semester's impact on these countries as in other member states, such as France. This would contribute to current research on the impact of economic and financial adjustment programmes on national policies in programme countries (see for example Lütz et al. 2015; Moschella 2016).



The case studies showed that the European Semester's impact can depend on the precision of the European Semester impulse and on EC advocacy. However, the analysis also revealed that French actors were able to use this activism to criticize the EC for its political agenda as in the case of VAT policy. It is an open question whether a more politicized European Semester as implemented by the Juncker Commission will actually lead to increased impact on national policies, or whether, on the contrary, it will provoke more vocal, national resistance against certain proposals. One cannot exclude the possibility that the idea of national sovereignty in most policy areas affected by the European Semester, such as taxation policy, leads to the conclusion among European policy-makers that these policy areas should remain under national competence. Thus, when the leaders claim that "we want the Union to be big on big issues and small on small ones" (European Council 2017), it is doubtful whether the leaders see those national policies as part of the big or the small issues.

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## List of Interviews

Interview #001: European Commission staff member, Brussels, 25 January 2017.

Interview #002: European Commission staff members, Brussels, 26 January 2017.

Interview #003: European Commission staff member, Brussels, 26 January 2017.

Interview #004: European Commission staff member, Brussels, 26 January 2017.

Interview #005: European Commission staff member, Brussels, 27 January 2017.

Interview #006: European Commission staff member, Paris, 21 February 2017.

Interview #007: French stakeholder, Paris, 21 February 2017.

Interview #008: French stakeholder, Paris, 21 February 2017.

Interview #009: French stakeholder, Paris, 22 February 2017.

Interview #010: French stakeholder, Paris, 23 February 2017.