

March 2018

Outlook for the meetings of EU leaders on 22-23 March 2018

On 22 and 23 March 2018, the EU Heads of State or Government will convene in four different formations with varying compositions and levels of formality: a regular meeting of the European Council, a Leaders' meeting on taxation, a Euro Summit and a European Council (Article 50) meeting. The agenda of the formal European Council includes single market issues, the European semester, social policy and international trade relations. Following the recent announcements by the US administration on trade matters, the latter issue is likely to take a more prominent place than originally expected. The informal Leaders' meeting will focus exclusively on taxation, in particular in the digital economy, whilst the Euro Summit will discuss further developments in the euro area, banking union and the gradual completion of Economic and Monetary Union (EMU). At the European Council (Article 50) meeting, EU-27 leaders are due to adopt guidelines for the framework for the future relationship between the EU and the United Kingdom (UK).

1. Implementation: Follow-up on previous European Council commitments

According to commitments made in its previous conclusions, the European Council should return to social policy (Table 1) at its March meeting. This is reflected in the annotated draft [agenda](#). Contrary to the [Leaders' Agenda planning](#), the European Council will address neither research and innovation nor climate change.

Table 1: Commitments relating to the agenda of the European Council meeting of 22-23 March 2018

Policy area	Previous commitment	Meeting at which commitment was made
Social dimension	The European Council will come back to all these matters in March 2018 to ensure appropriate follow-up.	14 December 2017

2. European Council meeting

a) Jobs, Growth and Competitiveness

Heads of State or Government will take stock of achievements to date in meeting the goals set out in its June 2016 conclusions on completing and implementing the different Single Market strategies, including on energy, by 2018. With a view to the December 2018 meeting, at which post-2018 orientations are to be discussed, they are expected to call for increased efforts to deliver on the Single Market strategy, the Digital Single Market strategy, the Capital Markets Union Action Plan and the Energy Union, including through the swift examination of recent Commission proposals.

On the Single Market strategy, the European Council will stress the importance of a well-functioning Single Market in fostering growth and creating jobs, and probably put strong emphasis on effective implementation and enforcement. It is also likely to endorse the conclusions adopted at the Competitiveness Council meeting of 12 March 2018 on a future EU industrial policy strategy. Concerning the [Digital Single Market strategy](#), the European Council will assess progress in delivering on 'a strong and coherent' Digital Europe. Following up on previous conclusions and on commitments made at the Tallinn Summit, EU leaders will appraise progress in building high-quality infrastructure and communications networks, in enhancing digital skills and digitalising the public sector, thereby reviewing progress on pending legislative files and promoting [operational follow-up](#). Regarding the [Capital Markets Union](#) (CMU) Action Plan, the European Council will also take stock of progress in meeting the 2019 deadline for completing the CMU, and possibly consider the

[Commission communication](#) calling for accelerated delivery. Finally, following up on the Estonian Presidency in the second half of 2017, which had put the [implementation](#) of the Energy Union among its main priorities, the European Council will discuss the state of play on [key initiatives](#) in this area, such as [electricity market design](#) and the common rules on [gas pipelines](#).

b) European Semester

In accordance with the [European Semester cycle](#), the European Council is expected to review the priorities set in the [2018 Annual Growth Survey](#), where the Commission proposes to refocus efforts on boosting investment, pursuing structural reforms and ensuring responsible fiscal policies. It is also due to endorse the [2018 Alert mechanism report](#), which is the starting point for the annual macroeconomic imbalances procedure, with 12 Member States identified as having potential macroeconomic imbalances.¹ The European Council will also endorse the Council [recommendation](#) on the economic policy of the euro area.

c) Social issues

EU Heads of State or Government are expected to discuss the implementation of the [European Pillar of Social Rights](#) and the recent Commission [proposal](#) on a European Labour Authority. The idea of a [European Labour Authority](#) was first mentioned by the President of the European Commission, Jean-Claude Juncker, in his 2017 State of the Union address. Following this discussion, Heads of State or Government will most likely invite the Council and the Commission to monitor the implementation of the [European Pillar of Social Rights](#), paying due regard to the respective competences of the Union and of Member States, through the European Semester of policy coordination. The European Pillar of Social Rights, [was](#) jointly proclaimed by the European Parliament, Council and Commission in the margins of the Gothenburg Social [Summit](#) for Fair Jobs and Growth, held on 17 November 2017.

d) Trade

Following up on its [commitment of June 2017](#) to address trade issues on a regular basis, the European Council is likely to reiterate its previous pledge on a 'robust trade policy' based on free trade principles in compliance with WTO rules. It will discuss the progress of ongoing negotiations on free trade agreements, notably with [Mexico](#) and [Mercosur](#), and welcome the finalisation of negotiations with [Japan](#). Following an [opinion](#) of the Court of Justice of the EU, which has clarified the mixed nature of the agreement with Singapore, EU leaders are expected to call for its signature. Moreover, whilst welcoming the political agreement in December 2017 on the modernisation of the EU's trade defence instruments, which it had forcefully [called for](#), leaders are expected to call on the co-legislators to advance on pending legislative proposals, including the [screening of foreign direct investment](#) into the EU, which is currently being [discussed](#) in the International Trade committee in the EP.

However, trade will now feature more prominently on the agenda, [as a result](#) of the recent declaration by US President, Donald Trump, on new [tariffs](#) on imported steel and aluminium. An 'extraordinary trade debate' has been added to the agenda of the March 2018 meeting, to consider the possible impact on EU industry and trade policy. The President of the European Council, Donald Tusk, [stressed](#) the EU's discontent with the current state of affairs, whilst outlining the bloc's willingness to return to trade negotiations with the US. The European Commissioner for Trade, Cecilia Malmström, already [raised the possibility](#) of the introduction of new tariffs on a [wide range](#) of agricultural products which the US is exporting to the EU.

e) Other items

• External relations

The European Council will [adopt](#) conclusions about the forthcoming [EU-Western Balkans Summit](#), to be held in Sofia on 17 May 2018. On 6 February, the European Commission [published](#) its Western Balkans Strategy, in which it put forward a roadmap for the integration of the region into the European Union. At their recent

¹ Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden

[Gymnich meeting](#) in Sofia, Foreign Affairs Ministers [expressed](#) different sensitivities with respect to the content of the roadmap, which is, nevertheless, expected to feed into the European Council debate.

The Heads of State or Government will also discuss relations with Turkey and [assess](#) ‘whether the conditions are met to hold the Leaders’ Meeting with Turkey’ in Varna on 26 March 2018. At an informal [summit](#) on 23 February 2018, the EU-27 had [addressed](#) the deteriorating situation in the Mediterranean, and [called](#) on Turkey to [stop](#) its illegal actions in the exclusive economic zone of Cyprus.

Based on the [outcome](#) of the 19 March Foreign Affairs Council, the European Council is likely to review the latest developments in Ukraine and Syria, two unfolding crises it has [followed closely](#) in recent years. Visiting Ukraine on 12 March, days before the fourth anniversary of the illegal annexation of Crimea by Russia, the High Representative/Vice-President of the European Commission, Federica Mogherini, [reiterated](#) the EU’s support to Ukraine, and [called](#) for the continuation of reforms. In February 2018, Donald Tusk had [called](#) for an end to violence in Syria and for unimpeded humanitarian access. At the same time, the Council has [extended](#) the list of Syrian individuals subject to EU sanctions.

Finally, several EU leaders have [expressed](#) their solidarity with the UK following the poisoning of the former Russian spy, Sergei Skripal, in Salisbury on 4 March 2018. The European Council President, Donald Tusk, [announced](#) his intention to have this item brought to the European Council’s attention and discussed.

• **Appointment of the Vice-President of the European Central Bank**

The European Council is expected to appoint the current Spanish Minister of the Economy, Luis de Guindos, as Vice-President of the European Central Bank (ECB). [Article 283 TFEU](#) specifies that the President, the Vice-President and the other members of the Executive Board of the ECB shall be appointed by the European Council, acting by a qualified majority, on a recommendation from the Council, after consulting the European Parliament and the Governing Council of the ECB. On 20 February 2018, the Council [issued](#) a recommendation confirming the nomination of Luis de Guindos after his endorsement by the Eurogroup the previous day. This proposal has also been [supported](#) by the Parliament in plenary. Luis de Guindos would succeed Vitor Constâncio (Portugal), whose term of office expires on 31 May 2018.

3. Leaders’ meeting on taxation

On the basis of a [Leaders’ note](#), attention will also be paid to the topic of taxation of the digital economy. The Commission’s [communication](#) of September 2017 proposes as a core principle, fair and effective taxation. One aspect is that taxation should occur in the country where the product/service is sold. Furthermore, the focus of taxation could move from profits to revenue. The aim is to ensure the coherent allocation, within the Single Market, of the profit and related taxation of multinational enterprises, despite the differences in tax regimes amongst Member States. The Commission’s communication will be followed up by concrete proposals in 2018, to ensure that online companies are taxed fairly, as [called](#) for by the October 2017 European Council. EU leaders may also discuss the [Common Consolidated Corporate Tax Base proposal](#), in order to develop meaningful solutions for digital taxation too. No conclusions are envisaged for this meeting.

4. Euro Summit

Whilst the Euro Summit of December 2017 took place in an ‘inclusive format’, the upcoming meeting will be held in the EU-19 format. The discussions will [focus](#) on euro-area reform, with a view to concrete decisions in June 2018. The members of the Euro Summit will assess ongoing work towards completing [Banking Union](#), and notably assess progress on the banking package, which is key for risk reduction in the banking sector. It is also likely to discuss the recent Commission [package of measures](#) to tackle non-performing loans in the EU. Regarding the [European Monetary Fund](#) (EMF), which [could replace](#) the [European Stability Mechanism](#) (ESM), the President of the Eurogroup will report directly on recent discussions in the [Ecofin](#) Council and the [Eurogroup](#). EU leaders might also discuss the integration of the content of the [Treaty on Stability, Coordination and Governance in the EMU \(TSCG\)](#) into the EU legal framework, the [new budgetary instruments](#) for a stable euro area, and the structural reform support programme.

5. European Council (Article 50) meeting

Following the completion of the first phase of negotiations on the UK's departure from the EU, in December 2017, the European Council (Art. 50), in an EU-27 format, will adopt guidelines on the framework for the UK's relations with the EU after Brexit. The [draft guidelines](#) recall that 'negotiations can only progress as long as all commitments undertaken so far [i.e. to guarantee EU and UK citizens' rights, settle the UK's financial obligations to the EU, and avoid a hard border between Ireland and Northern Ireland] are respected in full', and call for intensified efforts on the remaining withdrawal issues. The UK's position on the future economic partnership with the EU was outlined by the UK Prime Minister, Theresa May, on 2 March 2018. As a result, whilst restating the EU's determination to have 'as close as possible a partnership with the UK in the future' the draft guidelines stress that, taking into account the 'repeatedly stated position of the UK,' namely to be outside the Customs Union and the Single Market, 'limit[s] the depth of such a future partnership.' Consequently, the EU proposes to initiate work towards a free trade agreement (FTA), 'which cannot offer the same benefits as Membership and cannot amount to participation in the Single Market or parts thereof'. In addition to pure trade issues, the FTA would also envisage socio-economic cooperation. Moreover, the guidelines recall the Union's readiness to establish specific partnerships regarding police and judicial cooperation in criminal matters, as well as in the field of security, defence and foreign policy. They conclude by stressing that 'the Union will be prepared to reconsider its offer' if the UK's position were to 'evolve'.

EU leaders will be briefed by the EU's chief negotiator, Michel Barnier, on the outcome of the ninth negotiation round, including the agreed transition period, until 31 December 2020, in the [updated](#) draft withdrawal agreement. It confirms the European Council's [guidelines of December 2017](#) in stating that, during the transition period, the UK, as a third country, 'will no longer participate in or nominate or elect members of the EU institutions, nor participate in the decision-making of the Union bodies, offices and agencies'. Mr Barnier [said](#) that the new draft legal text was a 'decisive step', but added more work needs to be done on important issues, including Northern Ireland. Consequently, the European Council's guidelines will welcome the progress achieved in the negotiations, but will also call for intensified efforts on the remaining issues.

After meeting Irish Prime Minister, Leo Varadkar, on 8 March, Donald Tusk [emphasised](#) that 'FTAs don't have detailed rules for financial services and that [the EU] cannot offer the same in services as [it] can offer in goods'. Regarding the EU's desire to avoid a hard border between Ireland and Northern Ireland, he stated that 'we expect the UK to propose a specific and realistic solution to avoid a hard border'. On 29 February 2018, the European Commission published its [draft](#) withdrawal agreement, in which, among other issues, it proposed the 'Establishment of a common regulatory area, comprising the Union and the United Kingdom in respect of Northern Ireland', in order to ensure the free movement of goods and protect North-South cooperation. This proposal [received](#) critical comments from the UK government. President Tusk made it clear that negotiations would deal with 'Ireland first' before other issues could be addressed in the negotiations.

On 14 March 2018, the Parliament [proposed](#) an association agreement with the UK (based on Articles 8 TEU and 217 TFEU), with a single coherent governance mechanism for the entire relationship, comprising four pillars: trade and economic relations; foreign policy, security, defence and development cooperation; internal security; and thematic cooperation on fisheries, aviation, research, innovation, culture, education, etc.

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