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RECH 10

NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Closing the innovation gap and creating a ‘fifth freedom’ – from analysis to action

European Research and Innovation Area Committee (ERAC) delegations will find attached a Background Note on the strategic discussion “Closing the innovation gap and creating a ‘fifth freedom’ – from analysis to action,” with a view to the ERAC meeting on 13- 14 February 2025.

Closing the innovation gap and creating a ‘fifth freedom’ – from analysis to action

Strategic discussion

Context: This discussion is a follow-up of the statements already made on the Draghi report at the previous ERAC meeting in Budapest on 24-25 October 2024. The Letta and Draghi reports highlight several pressing challenges faced by the EU, most prominently the issue of the fragmentation of the internal market and the persistent innovation gap, exemplified by the underinvestment in research and development (R&D). Investments currently stand at an EU average of 2.3% of GDP, far below the 3% target established at the 2002 Barcelona European Council meeting, and palling compared to major global competitors such as the USA and China.

The reasons for this underinvestment are multiple, including the relative lack of high R&D-intensive sectors in the EU (‘mid-tech trap’) as well as relatively stagnant and uncoordinated public R&D investment that does not seem to trigger stronger private R&D investment, and large disparities in R&D performance between and within EU Member States. The mentioned reports advocate for a cohesive strategy that not only addresses these investment gaps, but also promotes a unified Research and Innovation (R&I) landscape to truly create a ‘Research and Innovation Union’ across Europe, including the promotion of R&I action plans developed by the EU, the Member States and all relevant stakeholders. It will be important to build on the significant progress made to date under the new ERA structures and not to duplicate effort or create parallel structures.

The concept of a “fifth freedom” is pivotal as it aims to eliminate barriers to the free movement of knowledge and innovation, thereby fostering a more integrated and competitive European market. By securing a well-functioning Single Market, the EU can leverage R&I investments and drive sustainable economic growth. The recent Council Conclusions on ‘Strengthening the competitiveness of the EU, reinforcing the European Research Area (ERA) and overcoming its fragmentation’ also point out the relevant recommendations from the Letta and Draghi reports, including ensuring a fully functioning ERA, and emphasises the pivotal role played by the Union’s and Member States’ R&I policies in attaining several objectives, of which long-term competitiveness, prosperity, climate neutrality by 2050, and leadership on the global stage. It advocates for embedding R&I at the heart of the Union’s and Member States’ strategies.

Objectives: ERAC delegations are invited to build on the momentum and openly discuss the topic, aiming to identify the strategic actions to be prioritised from the Letta and Draghi reports for tackling the challenges ahead (the ‘what’).

Flowing from article 179 of the TFEU, the notions of ERA, R&I Union and ‘fifth freedom’ point to the same goal. But all three of the postulations are invented to highlight different aspects of the common goals or give it new impetus. For this discussion delegations are invited to focus on the content of these aspects and not debate (the differences between) specific definitions, conceptual nuances or the distinct forms of entwinement.

The discussion should focus on which action(s) Europe now, in the context of the published reports and the challenges Europe faces, should jointly take and the role of the Member States in contributing to these actions. This could include but is not limited to enhancing R&I investments (including investments for advanced technologies), fostering coordinated actions involving commitment from both national governments and the private sector, and strategically choosing priorities to focus R&I on (the ‘how’).

Delegations are in particular invited to explore mechanisms to create a more integrated R&I Union that builds on the progress made under the first ERA Policy Agenda and the extensive work done at ERAC and the ERA Forum. Consideration could also be given to how to align national policies with EU strategic objectives, addressing the fragmentation of R&I ecosystems and policies.

Delegations are further invited to deliberate specifically on how to implement the concept of a ‘fifth freedom’ within ERA to stimulate growth and competitiveness and identify national and EU-level reforms and legal measures that best suit this purpose.

Where relevant, delegations can include reflections regarding the role of shared European values (such as academic freedom and scientific integrity) as a necessary premise for the development of an integrated European R&I Union.

Setting: To allow for full intake of all information shared and to allow for room for discussion, the following setting is proposed:

- Delegations are invited to give an intervention of maximum 1 minute giving one statement on how Europe should take on the recommendations from the different reports coherently, and one statement how their specific country can contribute (or what is needed for their country to contribute).
- After this tour de table, delegations are invited to react to the remarks and elements put forward by the other delegations in their initial interventions. In order to ensure the possibility for all delegations to take the floor, these reactions should be limited to 2 minutes per delegation.

Outcome: A summary report is expected as a tangible outcome of the debate. This report should include:

- Possible actionable recommendations for EU institutions and Member States/Associated Countries, to enhance R&I funding and reforms, building on work already underway under the ERA Policy Agenda and ensuring that resources are effectively allocated to areas with the highest potential for impact.
 - Which outcomes of the discussion should be followed-up within ERAC and the ERAC Work Programme, allowing for the co-chairs to incorporate this in the agenda of the upcoming meetings.
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