How important are Mode 5 services for export-related jobs in Europe?

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Disclaimer: the views expressed herein are personal and do not represent the views of the European Commission
Mode 5 services: definition

- Mode 5 is quite big: over €300 bn EU mode 5 exports in 2009
- Mode 5 services exports are subject to suboptimal trade rules

Source: Cernat and Kutlina-Dimitrova (2014)
Just to give you an example: mode 5 software

Every company becomes a software company.

Your product is as good as its mode 5 software.

40% of the value of GM Volt based on IBM software.

Source: Coverity, www.insideev.com
On export-related jobs: methodological points

- *World Input-Output Database (WIOD)*
  1. employment requirements by unit of output
  2. a matrix of domestic intermediate coefficients
  3. a vector of domestic extra-EU exports

- *Two type of effects:*
  - “domestic effects” – jobs from own exports to RoW
  - “spillover” effects – jobs from exports of another Member State to RoW (e.g. Czech jobs from CZ engines in German cars exported to China)
Servicification of EU exports: when trade is measured in jobs, not in containers

- Internet of things
- 3D printing
- Big data

Mode 5 exports
- 300 bn euros
- 8 million mode 5 jobs
- 1 out of 4 jobs supported by trade
Some sectors are more mode 5 intensive...

Note: P: primary; M1: food, beverages, tobacco; M2: textile; M3: wood, paper, printing; M4: energy; M5: chemical; M6: other non-metallic and basic metals; M7: machinery and transport equipment; S1: transport, trade and business services; S2: other services.
Are goods becoming services? Not yet...

Mode 5 jobs as a % of total employment supported by goods exports

EU average
GATS vs mode 5: complementary or substitutes?
Are mode 5 jobs replacing or creating manufacturing jobs?
Key policy messages: what if mode 5 is the biggest mode?

• Services are becoming increasingly “exportable”

• Mode 5 services exports support millions of jobs in Europe today

• More importantly, mode 5 services will probably account for a growing share of global trade flows

• Hence trade rules affecting services (both GATT and GATS) will become more important
  • Customs valuation, RoO, trade facilitation, services chapters