

in goods and transported across frontiers (e.g. books, tapes, blueprints), although some sort of service is then still usually required to "unlock" the tape or blueprints. And some services can only be transferred via elaborate and costly physical mechanisms e.g. the telecommunications and transportation networks, health and education plant, and others.

Such techniques of transferring services permit international trade in services to take place from the home country. For one reason or another, however, (e.g. local requirements, size and efficiency of operation, etc.) many service firms may establish affiliates abroad in order to carry out business (e.g. banks, insurance companies). The resulting transfers are not international trade as usually understood, although the transactions to which they give rise are important and can lead to significant flows of funds across borders. This type of service transfer can be called "establishment" transactions.

The Task Force was directed to study trade in services and, to this end, has focussed on "tradeable" or "traded" services. However, given the importance of establishment transactions, as of the issues they raise, they receive some prominence at various points in this Report.

3. Relationship of Goods and Services

As in the domestic economy, so in international transactions - goods and services are often closely connected. Certain goods are required for the production of most services, and vice versa. The relationships can be categorized as follows (based on a GATT Secretariat study and comments from a Task Force consultant).

Category One: Services embodied in goods (e.g. motion picture films, sound recordings, books and computer tapes).

Category Two: Services complementary to trade in goods (e.g. shipping, including port services, handling and storage; other transportation (air, rail, road, inland waterways) including handling, warehousing and storage at loading and delivery stations; insurance and reinsurance of cargo for fire, theft and similar risks; banking related to trade in goods such as the financing of imports and exports; brokerage, such as transport and insurance brokers; and advertising for products traded internationally).

Category Three: Services that substitute for trade in goods - (e.g. franchising, chartering, leasing, and repairs and maintenance).

Category Four: Services that are traded without a relationship with goods (e.g. banking, other than that related to trade in goods, life and other types of insurance not related to trade in goods; professional services such as accounting, architectural, engineering, legal and medical; real estate; telecommunications, data processing and information services; and travel).