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30 YEARS SINCE THE ESTABLISHMENT OF THE WORLD TRADE ORGANIZATION. BRIEF HISTORY AND EVOLUTION

Georgiana CIMPU*

*** Faculty of Educational Sciences, Law and Public Administration, "Constantin Brâncuși"
University of Târgu-Jiu**

Abstract:

Established in 1995, based on the principles of the General Agreement on Tariffs and Trade (GATT), the World Trade Organization is one of the most important international economic organizations, with the main objective of determining the gradual disappearance, through concessions, through negotiation rounds, of tariff and non-tariff obstacles in the trade of goods, services and in the field of intellectual property rights.

Thus, 30 years after its establishment, this article aims to illustrate an overview of the World Trade Organization and its importance on the international trade relations scene.

Keywords:

international trade, globalization, trade organization, international organization, World Trade Organization

**Contact details
of the
author(s):**

georgiana.cimpu@gmail.com

1. INTRODUCTORY ASPECTS

Dramatically affected by the changes after the Second World War, humanity became increasingly aware of the need to establish solid rules regarding international trade relations, it being fully understood that the global economy and economic relations at the international level required the establishment of a body to supervise, control and be directly involved in the conduct of international trade. Under these circumstances, it was the United Nations that, since its first years of activity, has intensely campaigned for the establishment of the World Trade Organization, a body meant to lead for the gradual elimination of barriers and limitations applicable in the sphere of international trade. This organization is also known as the Organisation Mondiale du Commerce (OMC), World Trade Organization (WTO).



Starting with 1945, a preparatory commission was constituted, composed of representatives of 23 states following the task of the Economic and Social Council of the United Nations, to elaborate a Charter of the future World Trade Organization, this initiative being practically the first attempt to codify the fundamental rules governing international economic relations. We mention that the Economic and Social Council (ECOSOC) is one of the six main bodies of the United Nations, with the primary purpose of initiating projects, reports and studies on international problems arising in various sectors, such as culture, economy, social, education, health, which will then be submitted to the General Assembly. The document thus elaborated is known as the "Havana Charter" (1947), but which, not being ratified by the signatory states, could not, at that time, lay the foundations of the WTO, and the G.A.T.T. (The General Agreement on Tariffs and Trade) remains in force.

During the same period, the committee also carried out a series of first negotiations on the reduction of customs duties, as well as other existing restrictions on international trade relations. These took place between April and October 1947, and the results were included in an extremely important multilateral treaty, known as the General Agreement on Tariffs and Trade (G.A.T.T.), through which the rules applicable to international trade in goods were established.

This treaty entered into force on January 1st, 1948, bearing the name of the General Agreement on Tariffs and Trade (G.A.T.T.), subsequently undergoing numerous modifications, new provisions being established, especially in order to support developing countries as efficiently as possible.

A Charter, known as the Havana Charter (1948), was also drafted, but in the end, this project, which was meant to ensure the proper development of world trade, did not materialize, and the Charter was not ratified by the signatory states, and the provisions established in the General Agreement on Tariffs and Trade remained applicable.

In the following years, multiple related agreements were adopted, which had the role of clarifying the application of the principles of the agreement, all of which were revised and improved over the course of several rounds of negotiations, the most important, controversial and longest of which was the Uruguay Round, which lasted from 1986 to 1994 (Oprea, 2023).

2. BRIEF HISTORY OF THE ORGANIZATION

An essential result of the Uruguay Round was the creation of the World Trade Organization (WTO). On 1st January 1995, the old General Agreement on Tariffs and Trade (G.A.T.T.), under the aegis of which the negotiations were initiated, was included in it. The agreement was ratified by Law no. 133/1994, published in the *Official Gazette* no. 360/1994 (see Popescu, 1995, pp. 85-87; Mazilu, 2000).

Analyzing the "Results of the Negotiations in the Uruguay Round on Multilateral Trade", we can see that the legal texts contained a list of about 60 agreements, annexes, decisions and agreements, through which a non-discriminatory world trading system was established that aimed at expressly regulating the rights and obligations of the members of the WTO. In addition to the Agreements, which contain the basic principles (G.A.T.T., T.R.I.P.S., G.A.T.S.), a number of additional Agreements have also been negotiated, regarding a series of special clauses relating to certain specific sectors (e.g. valuation of goods in customs, pre-shipment inspection etc).

The initiative for the establishment of the WTO was expressed, for the first time, by the European Communities and Canada, which sought to make this new organization an appropriate



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mechanism for the implementation of the results of the Uruguay Round, the incorporation of the results obtained in the field of services, investment measures and intellectual property rights in a multilateral framework, the application of amendments to the General Agreement on Tariffs and Trade, as well as for the elimination of the temporary, prolonged nature of the existence and functioning of this agreement.

A decisive moment in the creation of the WTO was the adoption of the Marrakesh Agreement on 15th April 1994, which entered into force on 1st January 1995. The Marrakesh Agreement on the establishment of the WTO- it should be noted that this agreement was signed at the end of the Uruguay Round of negotiations (1986-1994) within the G.A.T.T.- provided, in its explanatory note, objectives similar to those retained in the General Agreement on Tariffs and Trade (G.A.T.T.), objectives that have been extended. The Marrakesh Agreement recognized that states' trade and economic relations must be aimed at raising living standards, achieving full utilization of labor and a high and constantly increasing level of real income from effective demand, but also increasing production and trade in goods and services. At the same time, the optimal use of the world's resources should be allowed in accordance with the objective of sustainable development, with a view to protecting and preserving the environment, and also the means of achieving it should be strengthened.

The agreement took into account the needs and concerns of developing countries and, in particular, of the least developed countries, which had to conclude agreements, on the basis of reciprocity and mutual benefit, for the significant reduction of customs duties and other impediments, in order to eliminate discrimination in international trade relations and the continuous liberalization of trade.

According to Article IV of the Agreement, the WTO administers the General Agreement on Tariffs and Trade (G.A.T.T. - 1994), which replaced, as of 1 January 1995, the G.A.T.T. - 1947 (Geneva), the General Agreement on Trade in Services (G.A.T.S.) and the Agreement on Commercial Aspects of Intellectual Property Rights -T.R.I.P.S. (Sitaru, 2008).

3. OBJECTIVES OF THE MARRAKESH AGREEMENT

In the Preamble of this Agreement, the Parties recognize that their trade and economic relations must be geared towards raising the standard of living, achieving full utilization of labor and a high and continuously increasing level of real income and effective demand, and increasing production and trade in goods and services, while enabling the optimal use of the world's resources in line with the Sustainable Development Goal, with a view to protecting and preserving the environment and, at the same time, strengthening the means of achieving it in a manner that is compatible with those needs and concerns at different levels of economic development.

At the same time, the States highlighted the need to make positive efforts to ensure that developing countries, and especially the least developed among them, ensure a part of the growth in international trade that corresponds to the needs of their economic development, eager to contribute to the achievement of these objectives by concluding agreements aiming, on the basis of reciprocity and mutual benefits, the considerable reduction of customs duties and other barriers to trade, as well as the elimination of discrimination in international trade relations (Romanian State Office for Inventions and Trademarks [OSIM], n.d.).

Thus, we note that the Marrakesh Agreement on the establishment of the WTO, in its preamble, provided, in addition to the basic objectives, close to those of the G.A.T.T., extensive ones that gave the WTO a mandate to deal with trade in services.



These objectives are as follows: raising living standards and incomes, making full use of labour, expanding production and trade, making optimal use of the world's resources. The objectives were complemented by the field of services and the concept of "*sustainable development*", initiated in the early '70s. In 1972, at the Stockholm Conference on the Environment, the issue of environmental deterioration as a result of man-made activities, which endanger the very future of humanity, was officially discussed for the first time.

Although at the time of its emergence, sustainable development was intended to be a solution to the ecological crisis caused by the intense industrial exploitation of resources and the permanent degradation of the environment, aiming, first of all, to preserve the quality of the environment, currently the concept has expanded to the quality of life in its complexity, including from an economic and social aspect.

Sustainable development promotes the concept of reconciling economic and social progress without endangering the natural balance of the planet. The idea behind this concept is to ensure a better quality of life for all inhabitants of the planet, both for the present generation and for future generations (National Agency for Environmental Protection, n.d.).

4. FUNCTIONS OF THE WORLD TRADE ORGANIZATION

Article III of the Marrakesh Agreement establishes the functions of this organization, namely:

- Firstly, the CMO facilitates the implementation, administration and functioning of the multilateral trade agreement and agreements, but also supports the achievement of their objectives and also serves as a framework for the administration and functioning of plurilateral trade agreements;

- constitute the forum for negotiations between its members on their multilateral trade relations on issues covered by the agreements contained in the annexes to this agreement;

- at the same time, this organisation can also serve as a forum for further negotiations between its members on their multilateral trade relations, as well as a framework for the implementation of the results of these negotiations, as decided by the Ministerial Conference;

- at the same time, the WTO administers the Memorandum of Understanding on Rules and Procedures for Settling Disputes - this is entitled Memorandum of Understanding on the Settlement of Disputes and is contained in Annex no. 2 to the agreement;

- The WCO administers the Trade Policy Review Mechanism (referred to as TPRM), provided for in Annex no. 3 to the agreement;

- in order to ensure a higher degree of coherence in the elaboration of economic policies at global level, the WTO cooperates with the International Monetary Fund and the International Bank for Reconstruction and Development, as well as with its affiliated institutions. The International Monetary Fund was established in 1944 and is a global organization that works to achieve sustainable growth and prosperity for all 191 member countries by supporting economic policies that promote financial stability and monetary cooperation, which are essential for increasing productivity, job creation, and economic well-being.

Initially, the European Bank for Reconstruction and Development (EBRD) was established to help build a new post-Cold War era in Central and Eastern Europe, but thanks to its success it has expanded its operations to three continents, playing a historic role and gaining unique expertise in promoting change, with a particular focus on private sector development and green investments. The Bank has invested more than €210 billion in more than 7,500 projects (European Bank for Reconstruction and Development, n.d.).



5. MEMBER STATES

The analysis of the stipulations of the Marrakesh Agreement highlights the fact that, in the WTO frame, there are two categories of members: original members and new members (Trocan, 2010).

The states that initially signed the G.A.T.T., considered founding members, were the 23 countries that were also involved in the negotiations of the agreement, namely: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, USA, France, India, Lebanon, Luxembourg, Norway, New Zealand, Pakistan, the Netherlands, Southern Rhodesia, England, Syria, Czechoslovakia, the Union of South Africa and China.

On 31 December 1994, the number of states participating in the G.A.T.T. was 140, represented by 128 full members and 12 de facto members, respectively former colonies on whose territory the provisions of the agreement were implemented before gaining independence and which had the right to become contracting parties only after gaining political independence. Thus, there are countries that, although they were not members, participated as observers in the signing of the Marrakesh Agreement. Among these, we mention, for example, countries such as Algeria, Ethiopia, Iran, Serbia, Somalia, South Africa, Sudan, etc. There are currently 23 states that have observer status at the organization's work (World Trade Organization, n.d.).

There are two types of members within the WTO: the original members and the new members. The original members are represented by the Contracting Parties to the G.A.T.T. on the date of entry into force of the Marrakesh Agreement and the European Union, which have accepted this Agreement, as well as the Multilateral Trade Agreements, provided for in the Annexes to the Marrakesh Agreement. The original members shall be established in accordance with the provisions of Article XI of the Marrakesh Agreement. At the time of its establishment, the organization had a number of 76 members, currently their number is 166 states (World Trade Organization, n.d.).

The EU's common commercial policy is one of the areas in which the Union has exclusive competence. Thus, the EU acts as a single actor in the CMO, being represented by the Commission and not by the Member States. The Commission negotiates trade agreements and defends the interests of the EU before the WTO Dispute Settlement Body on behalf of all Member States. Through the WTO, the EU also sought to promote a multilateral framework for trade negotiations that would complement bilateral negotiations (European Parliament, n.d.).

At the same time, we recall that the Doha Development Agenda (DDA) pursued as objectives both the further opening of markets and the enunciation of rules, all of which were governed by the measures necessary for the integration of developing countries into the global trading system, in particular by intensifying technical assistance for liberalization in a regulation aimed at environmental protection, protecting employees and guaranteeing a fair place for the least developed countries.

It is worth noting that the European Union is one of the pillars supporting multilateral trade negotiations within the WTO, being one of the most important trade areas at global level, which has always had and has a fundamental role within the important structures within the development of world trade relations, having as main objectives:

- liberalisation of trade in goods and services and investment to ensure increased trade and thus economic prosperity;
- the protection of European interests, especially of certain industrial sectors, agriculture, public services and culture.

Starting with January 1st, 1995, the E.U. has been a full member of the WTO along with Romania and the other member states. Romania became a member state of the organization on January 1st, 1995, on this date obtaining the membership of other states such as India, Hungary, Indonesia,



Austria, Argentina and others. The literature has illustrated that trade relations fall within the competence of the EU, so that the Commission addresses trade issues in the interest of the Member States within the framework of the WCO and in bilateral or interregional negotiations.

Another milestone in the history of this organization took place on December 11, 2001, when, after 15 years of complicated negotiations, China finally joined the World Trade Organization, becoming the 143rd member. On November 12, 2001, one day after the signing of China's Protocol of Accession to the WTO, Taiwan, a country in permanent rivalry with the Chinese state, formally became the 144th member of the WTO.

For the Chinese state, joining the WTO was a courageous option, with many challenges, given the fact that it undertook to accept and comply with the provisions and norms of global trade. Chinese Trade Minister Chen Deming said on this occasion that their country had bought "*a ticket*" at a high price to enter the WTO. Following the same policy, at the Davos Economic Forum, which took place in early 2011, Pascal Lamy (born in April 1947, he is a French political consultant and businessman. He was Director-General of the World Trade Organization from 1 September 2005 to 1 September 2013 for 8 years. In April 2009, WTO members reappointed Lamy for a second 4-year term, effective 1st September 2009) said that China's accession to the WTO had a strong impact on the legal fields, and that the organization has imposed a high threshold of entry on China.

At the same time, in the summer of 2012, on August 22nd, after a period of 18 years of negotiations, the Russian Federation joined the World Trade Organization (WTO), becoming its 156th member. According to information provided by RIA Novosti, the Protocol by which Russia became a party to the Marrakesh Agreement, the WTO's constitutive act, was signed in Geneva on December 16th, 2011. This accession had very important consequences for the EU, as at that time it was Russia's first trading partner and Russia was the EU's third largest trading partner. It is worth noting that the accession of this state to the WTO has had a significant impact on the trade and investment conditions between Russia and the EU. Russia's geographical position and the importance of its market in terms of volume and growth potential, has made it an extremely important trading partner for the EU.

Another state with a complex past is Iran. This state first joined the WTO in 1996, but its attempts have been blocked by the United States of America 22 times, Tehran being accused of being a strong supporter of international terrorism. In March 2005, the U.S. said it would use its veto if negotiations for Iran's accession resumed, but in the end, they opted not to block the last application for membership, following a deal on the nuclear program. We mention that after the 2015 nuclear agreement, the great powers led by the U.S. and the E.U. lifted most of their sanctions on the Islamic Republic in exchange for partially restricting its nuclear program.

As far as the situation of our country is concerned, Romania is a party to the Marrakesh Agreement on the establishment of the World Trade Organization, concluded on April 15, 1994 and January 1st, 1995, having the status of original member, because it cumulatively fulfilled the imposed conditions: it had the status of contracting party to the G.A.T.T.-1947 and accepted and ratified the documents of the Uruguay Round. The Marrakesh Agreement was ratified by Law no. 133/1994, published in the Official Gazette no. 360/1994. At the time of its adoption it was signed by 119 states, and currently the Organization has 166 members. Following the ratification of the Marrakesh Agreement, Romania became a party to the multilateral agreements and to three of the plurilateral agreements within the WTO. Romania's accession to the European Union did not bring significant changes regarding the obligations assumed as a member of the WTO, but cooperation with the European Union was intensified, so that the commitments assumed in the multilateral trade negotiations are in line with the objective set within the EU.



Thus, Romania has tried and is making constant efforts to regulate a legal framework that best meets the current requirements in terms of international trade and that harmonizes with the provisions of the relevant EU directives (see Diaconu, n.d.).

In the last decade, the list of WTO members has been joined by states such as Kazakhstan and Seychelles (2015), Afghanistan and Liberia (2016), and most recently, in the summer of 2024, Comoros and Timor-Leste have become members, thus demonstrating the importance of the WTO on the world trade scene, as the only international contractual organization that sets the global rules of trade between states.

CONCLUSION

In a world where international trade has experienced an impressive boom, the World Trade Organization, as the successor of the G.A.T.T., was born on January 1st, 1995, comprising 76 members at the time of its establishment. Today, 30 years after that moment, it comprises a much larger number of Member States and numerous ministerial conferences held within it, which has unequivocally demonstrated its primary role in the smooth running of international trade.

Currently, only a few large states remain outside the World Trade Organization, along with some developing countries, the organization enjoying almost universal participation, given that the number of member states covers about 98% of world trade. In fact, the members of the WTO have been recommended to offer each other the status of most favoured nation, so that, with a small number of exceptions, the trade concessions offered by a member of the WTO to a country must be offered to all members of the WTO.

Therefore, with a large number of members (166 members, as of August 30th, 2024) and playing an extremely important role on the international trade scene, the World Trade Organization is a basic pillar of relations in the sphere of international trade, being the only global international organization that deals with the rules of trade between nations, with the aim of ensuring that international trade relations are carried out in an efficient legal framework, predictable, free and adapted to the needs of today's society.



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