

U.S. Internet Gambling Crackdown Sparks WTO Complaint

Caribbean Nation Charges that U.S. Policies Violate International Trade Accords

By Brian Krebs

washingtonpost.com Staff Writer

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The World Trade Organization today said it will appoint a three-member panel to determine if U.S. efforts to crack down on offshore Internet gambling operations violate international trade accords.

The WTO announcement comes in response to a challenge filed by Antigua and Barbuda, a Caribbean island nation that is a major nexus for the Internet gambling industry. U.S. laws that ban the transfer of funds to offshore gambling operations and make it difficult for non-U.S. firms to obtain gaming licenses violate trade agreements ensuring market access to "cross-border services," the complaint said.

Internet gambling became a major part of Antigua and Barbuda's economy during the 1990s, when up to 100 different online gaming companies employing more than 5,000 people operated in the island nation. Today, there are fewer than 40 Internet gambling companies located on the islands employing half as many local residents. Island officials attribute the industry's decline in part to the U.S. crackdown.

Antigua and Barbuda strictly regulates its online wagering industry, said chief foreign affairs representative Ronald M. Sanders. The U.S. policy is draining a significant source of the government's revenue, he said.

"We didn't look for this fight, but my government is very mindful of its responsibility to our people to maintain their jobs and to defend our small and vulnerable economy," Sanders said in an interview following the WTO hearing.

Antigua and Barbuda began seeking investments from online casinos a decade ago, Sanders said, as a way to reduce the country's dependence on tourism, which remains highly vulnerable to hurricanes and fluctuations in the global economy.

U.S. trade authorities maintain that online gambling services are not within the scope of U.S. trade commitments. U.S. officials also have argued that online gambling services are a haven for money laundering that supports terrorism.

U.S. trade officials did not return calls seeking comment, but in a statement before the WTO today, one official expressed confidence that the U.S. would prevail in the dispute, saying online gambling services "present psychological dangers to some segments of society, as well as creating serious social problems and law enforcement difficulties."

Under WTO rules, both sides in the trade dispute have 30 days to agree upon the appointees to the three-member board. The board's decision could come as early as six months later, and the decision may be appealed. Any ruling by the appellate board, however, would be binding, and could force the U.S. to change its trade policies with respect to online gambling.

Some 54 nations, mostly in Europe and the Caribbean, have legalized regulated online gambling, according to the Interactive Gaming Council. Already, there are signs that other countries may take sides against the United States. Several nations, including Taiwan, Mexico, Canada and the EU states, said today they would reserve their right to join the dispute on the side of Antigua and Barbuda.

Within the United States, five states have outlawed certain aspects of Internet gambling, and most state laws that prohibit some types of online wagering generally apply to Internet gambling as well.

Faced with an industry that is almost entirely based overseas, U.S. law enforcement has turned to Congress for help. Last month, the House of Representatives voted to ban credit card payments to online casinos. The U.S. Justice Department maintains that the Wire Act already prohibits the transfer of funds to overseas gambling operations.

The online gambling industry remains one of the Internet's few cash cows, with much of its success owed to an increase in demand from U.S. consumers. Since the mid-1990s, Internet gambling operators have established nearly 1,800 online wagering sites operated from outside the United States, according to a report last year by the U.S. General Accounting Office. Global revenues from Internet gambling are projected to exceed \$5 billion this year, with 50 to 70 percent of that revenue from U.S. customers, the GAO said.