

# Plot thickens in U.S.-Antigua Internet gambling dispute

Geneva: The tiny Caribbean nation of Antigua and Barbuda slammed the United States over its illegal restrictions on Internet gambling sites based overseas and asked other countries to join in seeking compensation from Washington for its failure to comply with global trade rules.

Antigua, the smallest country to successfully litigate a case in the World Trade Organization's 12-year-history, also threatened to target American trademarks, copyrights and telecommunications companies after the WTO Tuesday formally adopted a landmark decision in March that the United States' continued restrictions on online gambling were illegal.

„Not only do we think that members should press claims for compensatory adjustments as a matter of economic self-interest, but we also believe it is important that the process is made as difficult as possible for the United States,“ Ambassador John Ashe of Antigua told the WTO's dispute settlement body Tuesday.

The gambling dispute is threatening to become one of the most complicated the WTO has ever handled and could soon spark a series of compensation negotiations between the United States and other trading powers such as the European Union.

After losing the case, the U.S. announced that it would take an unprecedented legal step to change the international commitments it made as part of the 1994 GATS treaty regulating the trade in services among the 150 members of the WTO. As a result, the U.S. declined to challenge Tuesday's adoption of the Internet gambling ruling, because it says that its legal maneuver effectively ends the case.

Juan Millan, a U.S. trade lawyer, told the Geneva-based trade

body that the procedure – which no government had previously used to avoid a WTO ruling – was invoked „in order to bring the United States into compliance and to resolve this dispute permanently.“

„This modification will ensure ... the original U.S. intent of excluding gambling from the scope of U.S. commitments,“ he said.

The U.S. argues that it is also exempt from negotiating compensation to governments – as required in the GATS clause allowing countries to rewrite their services commitments – because Internet gambling was never explicitly mentioned in the negotiations of the early 1990s.

The March ruling upheld the U.S. right to prevent offshore betting as a means of protecting public order and public morals. But it said it was illegal to target online gambling, without equally applying the rules to American operators offering remote betting on horse and dog racing.

Brazil and India on Tuesday both said the United States was obliged by law to compensate Antigua if it wants to now redefine its services obligations. The European Union questioned how the new clarification of the U.S. ban on online betting would eliminate the discrimination that allows for U.S. companies providing offshore betting on horses and other services to remain in business.

„The American defense was predicated on their theory that Internet gambling was worse than gambling in bricks and mortar shops,“ said Mark Mendel, chief legal counsel for Antigua. „If they believed that, they would eliminate all remote gambling in America. They have not done that. It’s just blatant trade protectionism.“

Mendel told The Associated Press that Antigua would seek retaliatory sanctions against the U.S. as America’s negotiations to rewrite its services obligations „could take

years," requiring the consent of the WTO's other members.

„In the meantime, there's nothing to prevent us from seeking our remedies and we absolutely will," he said.

The former British colony in the Caribbean had been promoting electronic commerce as a way to end the country's reliance on tourism, which was hurt by a series of hurricanes in the late 1990s. There are 32 licensed online casinos in Antigua, employing 1,000 people and generating a yearly revenue of around US\$ 130 million (€97 million). Seven years ago, its casinos had an annual income closer to US\$ 1 billion.

Mendel said the nation of 80,000 people was looking at different ways to recoup its losses – a challenge for such a small country facing the world's biggest economic power. Antigua's legal efforts were largely bankrolled by British-owned Internet gambling operators with servers licensed in the country.

„Maybe we'll target telecoms. Intellectual property rights – that's a way we can possibly fight back," Mendel speculated.

The EU has stressed at every stage in the four-year dispute that it would act in support of its interests – a reference to the British-based companies that lost millions because of the U.S. restrictions. Officials in Brussels said, however, they had yet to notify Washington whether they would submit a compensation claim.

The U.S. Congress caught the industry by surprise last year when it added a provision to a bill aimed at improving port security that would make it illegal for banks and credit card companies to settle payments to online gambling sites. President George W. Bush signed it into law on Oct. 14.

The decision closed off the most lucrative region in a market worth US\$ 15.5 billion (€11.6 billion) last year. Several British-based Internet gaming companies and a handful in

Europe and Australia subsequently sold off or shut down their U.S. operations, losing around 80 percent of their combined business in the process.

The arrest last year of two British Internet gambling executives while traveling through the United States also highlighted the U.S. government's escalation in its battle against the industry.