

# EU and U.S. strike compensation deal in gambling row

Brussels (Reuters) – The European Commission dealt a blow to European online gaming companies on Monday when it accepted a U.S. offer of openings in other sectors to compensate for closing the U.S. gambling market to foreign firms.

European companies such as PartyGaming and bwin Interactive Entertainment had hoped the European Union executive might shun a settlement and fight on instead to restore their ability to operate in the world's biggest market.

Shares in PartyGaming were down 4.1 percent at 29 pence at noon, and bwin stock was down 2 percent at 26.11 euros.

„A bilateral agreement was signed in Geneva, which provides EU service suppliers with new trade opportunities in the U.S. postal and courier, research and development, storage and warehouse sectors,“ the Commission said in a statement.

„The U.S. also made concessions in the testing and analysis services sector,“ the Commission said, adding it would still try to dissuade the United States from discriminating against foreign operators.

A representative of Europe's online gaming sector – which saw billions of euros of market value wiped out by the U.S. restrictions – said the announcement was a disappointment.

„The Commission can still press for an opening up of the market, but the leverage of the outstanding (compensation) negotiations has been taken away,“ said Clive Hawkswood, chief executive of the Remote Gambling Association.

The case dates to April 2005 when the World Trade Organisation

ruled that a U.S. law allowing only domestic companies to provide online horse-race gambling services discriminated against foreign companies.

Last year, the U.S. Congress tightened restrictions on Internet gambling by making it illegal for banks and credit card companies to make payments to online gambling sites.

In May, Washington said it was retroactively excluding gambling services from market-opening commitments it made as part of a 1994 world trade deal, kicking off compensation talks with the EU and other countries including Japan and India.

A spokesman for Austria's bwin said the company had not expected the talks to yield more at this point and it hoped the Commission would still press for an end to the restrictions.

„We continue to believe that it is better to regulate than to prohibit, because the reality shows that the prohibition only drives out the transparent, listed operators,“ he said.

Bwin shut down its U.S. poker site and wrote off 500 million euros (356.7 million pounds) of investments last year after the United States effectively outlawed Internet gambling.

A spokesman for Dutch mail and express carrier TNT said of the deal: „We are in favour of liberalisation of these kinds of services. We would investigate what that means. The rest would depend very much on the level of opening.“