

# US urges Antigua to delay WTO sanctions on Internet gambling

The United States Friday urged Antigua to hold off on imposing sanctions authorized by the WTO in a dispute over online gambling, saying Washington was revising its WTO commitments.

US Trade Representative (USTR) spokesman Sean Spicer advised Antigua to delay any action after an arbitrator for the Geneva-based World Trade Organization allowed the Caribbean nation to impose sanctions worth USD 21 million a year, with the right to target US services, copyrights and trademarks.

Spicer said Washington has initiated a formal process at the WTO to revise its commitments and is in talks with Antigua and six other WTO members that have claimed to be affected.

The decision is a setback for the Caribbean island nation, which sought the right to impose USD 3.4 billion in retaliatory measures against US commercial services and intellectual property.

Washington acknowledged its Internet gambling restrictions were ruled illegal by the WTO, but argued that Antigua should only be compensated for about USD 500,000 for lost annual revenue.

The case has drawn the attention of a number of US industries, partly because of the ways Antigua has proposed retaliating against the much larger US economy. Washington's attempt to escape its legal loss by proposing a revision of the WTO's key treaty on trade in services has also fueled interest.

The office of the US Trade Representative noted that Antigua was seeking sanctions worth more than three times the size of

its entire economy. „Antigua’s claim was patently excessive,“ it said in a statement

However, the US said it was concerned that Antigua could now violate some American intellectual property rights – which could range from CDs and DVDs to computer software, industrial designs and designer clothing.

The ruling could „establish a harmful precedent for a WTO member to affirmatively authorize what would otherwise be considered acts of piracy, counterfeiting or other forms of ... infringement,“ the U.S. said. The U.S. and Antigua cannot appeal Friday’s decision.

Realistically, it would have been very difficult for a country the size of Antigua’s to implement hundreds of millions of dollars worth of trade sanctions on the U.S. without harming its own economy and the welfare of its citizens. Ecuador was awarded similar retaliation rights in a bananas dispute with the European Union in 2000, but failed to come up with an effective way to introduce countermeasures.

The WTO arbitration panel said it had to adopt its own approach to come up with a fair retaliation figure in view of the wide difference in how the U.S. and Antigua estimated the economic effect of the gambling ban.

Washington stopped US banks and credit card companies last year from processing payments to online gambling businesses outside the country. The decision closed off the most lucrative region in a growing market worth about USD 15.5 billion last year. About half of the world’s online gamblers are based in the US.

The arrest in 2006 of two British Internet gambling executives while traveling through the United States also highlighted the U.S. government’s escalation of its battle against the industry. The WTO, however, upheld in March previous rulings striking down the US ban.

The trade body found that the U.S. had the right to prevent offshore betting as a means of protecting public order and public morals. But it said Washington was violating trade law by targeting online gambling without equal application of the rules to American operators offering remote betting on horse and dog racing.

Antigua, the smallest country to successfully litigate a case in the WTO's 12-year-history, had hoped the ruling would lead the U.S. to revoke the restrictions. There are 32 licensed online casinos in Antigua, employing 1,000 people and generating a yearly revenue of around USD 130 million. Seven years ago, its casinos had an annual income closer to USD 1 billion.

But Washington responded to its legal defeat by announcing it would take the unprecedented step of revising the conditions under which it signed the WTO's 1994 General Agreement on Trade in Services, or GATS. That allowed a number of countries to seek compensation under a separate process.

The US has since agreed on deals with the 27-nation European Union, Canada and Japan to change the treaty – but has failed to do so with Antigua, Costa Rica, India and Macau.

Until it gains the approval of all 151 members of the WTO, the US online betting ban is illegal under international trade rules. As a result, Antigua will have the right to penalize US services and intellectual property until the US government either permits Americans to gamble over foreign-based sites or eliminates exceptions for off-track betting on horses, including over the Internet.

British gambling companies – which bankrolled Antigua's efforts and heavily lobbied Brussels for tough action – were disappointed earlier this week when the EU announced that it had received some minor U.S. trade concessions in exchange for accepting the U.S.-proposed revision to the GATS. The deal

fell far short of the USD 100 billion in new commercial opportunities the Internet gaming sites claimed the United States owed.