

EU gambling firms see WTO case coming against U.S

Washington (Reuters) – A dispute over U.S. enforcement actions against European Union online gambling companies could be headed to the World Trade Organization soon, an European industry group said on Wednesday.

„It looks very much as if this matter will ... be sent to the WTO at the end of the commission's investigation," Lode Van Den Hende, outside counsel for the Remote Gambling Association, told reporters as EU officials were in Washington to probe U.S. Justice Department enforcement actions.

That would open the door for possible European sanctions on the United States, although it could take years for any case to make its way through the WTO litigation system.

An EU trade official, who briefed reporters on condition he not be identified, said he expected the European Commission to decide by the end of the year whether to start a WTO case.

The EU team, which met on Tuesday with representatives of the U.S. Trade Representative's office, the Justice Department and other U.S. agencies, will make its recommendations in a publicly available report in November, he said.

European Internet gambling companies lost billions of euros in market value after the U.S. Congress moved in 2006 to shut down the U.S. market by making it illegal for banks and credit card companies to make payments to online gambling sites.

Many publicly traded European companies, like PartyGaming and 888, withdrew from the United States after Congress passed the 2006 Unlawful Internet Gambling Enforcement Act, but they face possible criminal prosecution for activities before then.

The European Commission, acting on industry petition, began a formal investigation in March into whether Washington was singling out EU companies for enforcement actions while allowing U.S. online companies to operate freely.

The dispute arose out of an earlier case in which the Caribbean country of Antigua and Barbuda challenged U.S. restrictions on Internet gambling as a violation of the services market-opening commitments Washington made in the 1994 Uruguay Round world trade pact.

The United States initially said it never intended to allow online gambling services as part of that pact. But after that argument failed, it announced it would exercise a rarely used right under WTO rules to change its commitments.

That required it to negotiate a compensation package with other WTO members with online gambling interests – such as the EU. Washington struck a deal with Brussels last year, but details have not been made public.

In the U.S. view, that ended the matter.

„We conducted negotiations with the EU which resulted in a mutually acceptable agreement last December to facilitate the U.S. amending its (services) schedule to clarify that we do not have WTO obligations with respect to gambling,“ said Gretchen Hamel, a spokeswoman for the U.S. Trade Representative’s office.

Prior to the deal, the United States was obligated by its WTO commitments to allow online gambling, so it is wrong for EU companies to face prosecution now, van Den Hende said.

Rep. Robert Wexler, a Florida Democrat who chairs the House of Representatives Foreign Affairs subcommittee on Europe, said the United States should take the EU’s concerns seriously.

„I am increasingly concerned that if these disputes are not

able to be resolved, it will likely mean costly retaliatory measures will be taken against U.S. economic interests," Wexler said in a statement before meeting the EU delegation.