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WTO rules against US in internet gambling case

The US has suffered a setback in a World Trade Organisation case that accuses the country of protectionism against international online gambling companies.



The US admitted on Friday that the WTO had ruled against it in the latest stage of a long-running dispute with the tiny Caribbean island of Antigua over whether US laws allow online gambling on horse racing, but unfairly forbid international companies from competing in the market.

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The ruling is the latest step on a path which could eventually see the European Union take on the US over its treatment of the European internet gambling industry. Several leading online gambling companies have been hit by prosecutions from the US in recent months.

The final ruling on the case is expected in a few weeks after which the Antigua will be able to introduce sanctions although the US still has the right to appeal.

Officially, the US government considers online gambling to be illegal, although there appear to be loopholes excluding horseracing, some state lotteries, and intrastate online gambling.

Antigua would be the smallest country ever to win a WTO case.

Gretchen Hamel, a spokeswoman for the US Trade Representative at the WTO, said the interim report of the panel deciding on the case "did not agree with the United States that we had taken the necessary steps to comply" with a WTO ruling that the US was not granting full market access in gambling and betting services. But the US believes the ruling only applies to "a narrow issue of federal law" concerning horse racing.

Mark Mendel, Antigua's lead counsel in the case, would not comment on the panel's findings, but said that "America's prohibition in the provision of gambling services from other countries violates the US commitments to the WTO". The existing US online gambling industry, which lawmakers tolerated, was worth billions of dollars, he said.

A victory for Antigua at the WTO, which will deliver its final report in a few weeks' time, would mean the country would be allowed to take retaliatory trade measures against the US, such as tariffs on imports.

Such a route is thought unlikely to sway US lawmakers, however, given the small size of the Antiguan economy, which is substantially dependent on the US for trade.

"What can they do that will affect the US one iota? Nothing," said Jonathan Winer, a partner at Alston & Bird LLP who has followed the case closely.

A greater threat is that success at the WTO for Antigua could pave the way for the EU to pursue a fair trade case against the US over online gambling, which the US might have to take more seriously.

"If bigger countries choose to take on the case, it could have a bigger impact," said Mr Winer.

The EU has previously said that it was an "interested party" in the case.

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