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WTO Rebuffs U.S. on Internet Betting Ban

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GENEVA — The U.S. has failed to change its ban on Internet betting to comply with a World Trade Organization ruling that said the legislation unfairly targets offshore casinos, the global trade body said Friday.

The ruling opens the door to possible commercial sanctions against the U.S.

In a 215-page decision, a three-member WTO compliance panel sided with the twin Caribbean island nation of Antigua and Barbuda, which has argued that Internet gambling is a lucrative source of revenue and provides an income for hundreds of islanders.

The Geneva-based trade referee has said Washington can maintain restrictions on online gambling, as long as its laws are equally applied to American operators offering remote betting on horse racing.

Shares in London-listed gaming stocks rose after the announcement. Leisure & Gaming PLC closed up 11 percent at 19.75 pence (38.9 cents), while PartyGaming PLC rose 4.5 percent to 52.25 pence ($1.02), after initially surging by 16 percent. 888 Holdings PLC climbed 3 percent to 124.75 pence ($2.46).

"It vindicates all that we have been saying for years about the discriminatory trade practices of the United States in this area, and we look forward to the United States opening its markets," Antiguan Finance Minister Errol Cort said in a statement.

Washington claimed victory in the WTO's initial ruling two years ago because the body recognized its right to prevent offshore betting as a means of protecting public order and public morals. But the U.S. acknowledged Friday that the latest decision was a setback.

"The compliance panel did not agree with the United States that we had taken the necessary steps to comply with the WTO recommendations," said Gretchen Hamel, a spokeswoman for the office of the U.S. Trade Representative. She added, however, that "nothing in the panel's report undermines the broad, favorable results that the United States obtained from the WTO in April 2005."

Washington still has yet to say if it will appeal the compliance panel's findings. A final ruling upholding Antigua's claims would allow the twin-island nation to seek trade sanctions on the United States for its failure to comply.

To avoid the penalties, the U.S. government would then have to either permit Americans to gamble over foreign-based sites or eliminate exceptions for off-track betting on horses, including over the Internet, as permitted under the 1978 Interstate Horseracing Act.

Nevertheless, it appears unlikely that the U.S. will ease access to companies with servers licensed in the nation of 80,000 people _ whose legal efforts were largely bankrolled by British-owned Internet gambling operators.

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 Bush signed it into law on Oct. 14.

The decision closed off the most lucrative region in a market worth $15.5 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.

Peter Dicks, the former chairman of Sportingbet, was detained in New York but released after former New York Gov. George Pataki declined to sign a warrant extraditing him to Louisiana, where he was wanted on charges of illegal online gambling. Former BetOnSports PLC Chief Executive Officer David Carruthers remains under house arrest in the St. Louis area awaiting trial on federal charges from the U.S. attorney's office based on the 1961 Wire Act.

On Friday, U.S. Attorney Catherine Hanaway said BetOnSports founder Stephen Kaplan was arrested late Wednesday in the Dominican Republic. Kaplan is named in a 22-count criminal case as the company's top official.

Antigua filed its case in 2003, contending that U.S. restrictions on Internet gambling violated trade commitments the United States made as a member of the WTO. U.S. trade officials disagreed, saying that negotiators involved in the Uruguay Round of global trade talks clearly intended to exclude gambling.

Antiguan authorities also argued that restrictions barring U.S. residents from betting at offshore casinos were harming efforts to diversify its economy. Antigua, a 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 yearly revenue of around $130 million. Seven years ago, its casinos had annual income closer to $1 billion.

Antigua is the smallest country to successfully litigate a case in the WTO's 12-year history.