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From The Times

March 31, 2007

US offshore internet gambling rules 'illegal'

Rhys Blakely

Elements of the crackdown on offshore internet gambling companies by the United States was ruled to be illegal by the World Trade Organisation yesterday, rekindling hopes that the industry could yet regain access to what was once its most valuable market.

A three-member WTO compliance panel sided with Antigua and Barbuda, which has waged a four-year campaign against US gambling laws.

The organisation said that Washington was wrong not to change legislation judged to unfairly target offshore casinos.

Under the WTO ruling, Washington can only maintain its restrictions on online gambling if the same laws are applied to domestic operators that offer remote betting on horse racing.

Errol Cort, the Antiguan Finance Minister, said that the ruling “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”.

A US spokesman admitted that the finding was a setback, but said that the country still felt that it was allowed to block internet gambling on moral grounds.

Shares in London-listed gaming stocks gained ground on the news, with Leisure & Gaming closing up 11 per cent at 19.75p, PartyGaming up 4.5 per cent at 52.25p and 888 Holdings up 3 per cent to 124.75p.

Washington can appeal against the latest finding.

A final ruling upholding Antigua’s claims would allow the island nation to seek trade sanctions against the US.

To avoid sanctions, America would have to either permit its citizens to gamble on foreign sites or scrap the exceptions that it extends for off-track betting on horses, including bets made over the internet.

These are permitted under the 1978 Interstate Horseracing Act.

However, analysts have said that it appears unlikely that the US will open up to offshore online gaming companies.

It is also doubtful what muscle a nation such as Antigua, the smallest to win a trade case in the WTO’s 12-year history, would be able to exert over the world’s largest economy.

American politicians shocked the markets last year when they passed a Bill that made it illegal for banks and credit card companies to process payments linked to online gambling.

President Bush signed it into law on October 14.

The move effectively closed off the most lucrative region for the £6 billion online gambling industry, much of it is based in tax havens such as Gibraltar.

Several London-listed gaming groups subsequently shut down or sold for nominal sums their US-facing operations.

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