

THE ECONOMY

U.S. Ban on Web Gambling Breaks Global Trade Pacts, Says WTO

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BRUSSELS—The World Trade Organization ruled that U.S. laws restricting gambling on the Internet violate global trade pacts, setting the stage for offshore Web-based gambling companies to freely operate in the U.S.

In a decision on a case brought against the U.S. by the Caribbean nation of Antigua and Barbuda, the WTO ruled that gambling was covered under global service-sector agreements and that the U.S. must stop trying to thwart gambling companies' business. Though the scope of the decision is limited to companies based in Antigua, U.S. gambling-industry officials said it could open the door for other nations to seek similar access for their Internet gambling businesses.

The WTO's ruling set off alarm bells in Las Vegas, where most big U.S. casino companies are based. Those companies have been leery of attempting to enter the huge Internet gambling market for fear of breaking U.S. laws. Officials in Washington, meanwhile, vowed to fight the decision.

The suggestion that U.S. online-gambling restrictions might be eased helped lift U.S. gambling stocks. Shares of MGM Mirage were up \$1.27, or 2.92%, at \$44.81 and Caesars Entertainment Inc. shares were up 32 cents, or 2.48%, at \$13.20 as of 4 p.m. in New York Stock Exchange composite trading.

The ruling calls into question proposals in Congress to specifically ban taking or placing bets on the Internet in the U.S. While Internet betting across state lines is widely viewed as illegal, the legislative proposals aim to clarify and tighten the laws.

Each U.S. state sets its own gambling laws, but the Justice Department maintains that gambling on the Internet is illegal. Few individuals have been prosecuted for gambling on the Internet, but people who run Web sites have been, and several banks that issue credit cards have agreed not to handle transactions involving offshore Web-gambling companies.

U.S. casinos, caught off guard by the WTO ruling, said it raised perplexing questions. If Americans can place bets at offshore casinos, would U.S.-based Inter-

net casinos continue to be illegal? "This has been a very murky area of the law," said Robert Stewart, a spokesman for Caesars Entertainment. "And it would be unfortunate if this decision led to a situation where American citizens could legally place Internet wagers with offshore interests, but not with major American casinos."

Gambling powerhouse MGM Mirage, which eagerly pursued offshore Internet gambling before finding it wasn't profitable enough without U.S. customers, said it will carefully review the WTO decision. "This throws it back to [Congress] in the U.S. to figure out what to do to fix this," said Alan Feldman, an MGM Mirage spokesman. He cracked, "I'm going to send Antigua a thank you note."

The U.S. Trade Representative rejected the WTO ruling, saying that agreements negotiated during the Clinton administration didn't commit the U.S. to open itself to foreign gambling operations. "We intend to appeal this and will argue vigorously that this deeply flawed panel report must be corrected by the [WTO] appeals body," said Richard Mills, USTR spokesman in Washington.

Officials from Antigua hailed the decision. "This is an important decision for our country," said Sir Ronald Sanders, Antigua's chief foreign-affairs representative in London. "It shows that the WTO process works, even for a small country against a large one."

It could be years before the U.S. would actually have to comply with the WTO judgment, because of the appeals process and the time granted to comply with rulings.

The case was brought by Antigua and Barbuda last year. In the mid-1990s the country, hoping to diversify its economy, promoted itself as a home to offshore Web-gambling sites and attracted several major companies in the industry. But U.S. efforts to restrict Web-based gambling have crippled their efforts and hurt the economy.

The dispute marked a milestone in how the WTO sets trade law. It was the first time the WTO has ruled on a case involving the Internet. While most WTO disputes center on technical issues such as antidumping procedures, this ruling has direct bearing on a country's ability to regulate what it considers moral vices.