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European Commission Accelerates Investigation of U.S. Trade Violation on Internet Gambling

U.S. vulnerable in ongoing global trade dispute

(Washington, D.C. – May 30, 2008) As part of an ongoing major trade dispute over Internet gambling that has the United States in an increasingly difficult position to justify, the European Commission has now launched a formal investigation over U.S. actions. The Commission submitted a list of questions to leading U.S. officials related to a possible U.S. trade violation for discriminatory trade practices against European online gambling companies according to *Inside Trade*.

"The cumulative effect of U.S. WTO (World Trade Organization) related actions over the past year have forced the European Union to take this dramatic step. The line of inquiry opened by the questionnaire could reveal that the U.S. is engaging in unfair, discriminatory, and selective prosecution of European online gaming operators," said Naotaka Matsukata, formerly director of policy planning for USTR Robert Zoellick and now a senior advisor to Alston & Bird, LLP.

"If the E.U. takes the nuclear option and brings the U.S. to the WTO, serious damage would be inflicted on the bilateral relationship at a delicate time in transatlantic relations," added Matsukata. "Rather than taking this risk, the USTR (U.S. Trade Representative) should work with Congress, as the United States Constitution instructs, to resolve the dispute by adopting Congressman Frank's Internet Gambling Regulation and Enforcement Act to bring the U.S. into WTO compliance."

Rep. Barney Frank's (D-Mass.) bill, H.R. 2046, would resolve the trade dispute by regulating Internet gambling and creating a level playing field among domestic and foreign Internet gambling operators.

The European Union's Trade Commissioner Peter Mandelson expressed interest in settling the trade violation, but argued that "discrimination against E.U. companies cannot be part of the policy mix." Previously, Mandelson stated that the U.S. Congress should consider opening its market to overseas operators as a solution to the WTO trade dispute over Internet gambling. "I think (Rep. Frank) takes a fair-minded, common sense approach."

"The European Commission investigation further highlights the reckless manner in which the USTR has sought a protectionist trade policy, setting a precedent that threatens to expand beyond online gambling into other areas of trade," said Jeffrey Sandman, spokesperson for the Safe and Secure Internet Gambling Initiative. "Congress should

not sit on the sidelines as the USTR unilaterally grants trade concessions and hypocritically discriminates against foreign online gambling operators. Congress needs to become part of the decision making process and create a non-discriminatory market for Internet gambling in the U.S. as a way to restore integrity to the international trading system.”

The European Commission investigation follows a recent WTO decision in a case brought by the Caribbean nation of Antigua against the U.S. The ruling affirmed that the U.S. engages in illegal trade discriminatory practices against foreign online gambling operators. Antigua continues to seek a settlement from the U.S. for the trade violation.

Separately, Public Citizen, a non-profit public interest organization recently filed a lawsuit to force the USTR to make public trade concessions given to the European Union, Japan, Canada other foreign trading partners for the WTO Internet gambling trade violation. The USTR has also come under pressure from Congress to reveal details of the settlements. In March, Reps. Frank and Ron Paul (R-Texas) wrote to USTR Ambassador Schwab requesting details of the trade concessions. Rep. Peter DeFazio (D-Ore.) also encouraged his colleagues in Congress to join him in calling for the USTR to disclose details of the agreements.

The investigation by the European Commission is the result of a Trade Barrier Regulation complaint filed by the Remote Gambling Association (RGA), which represents the largest remote gambling companies in Europe. The RGA claims the United States violates international trade law by threatening and pursuing criminal prosecutions, forfeitures and other enforcement actions against foreign Internet gambling operators, while allowing domestic U.S. online gambling operators, primarily horse betting, to flourish.

After the investigation, the European Commission could pursue discussions with the U.S. to find an appropriate solution to end the discrimination. If the parties cannot settle the matter themselves, the Commission could bring a case against the U.S. to the WTO.

About Safe and Secure Internet Gambling Initiative

The Safe and Secure Internet Gambling Initiative promotes the freedom of individuals to gamble online with the proper safeguards to protect consumers and ensure the integrity of financial transactions. For more information on the Initiative, please visit www.safeandsecureig.org. The Web site provides a means by which individuals can register support for regulated Internet gambling with their elected representatives.

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