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European Commission Investigation Finds U.S. Laws on Internet Gambling Violate Trade Agreement

U.S. regulation of Internet gambling would resolve trade dispute

(Washington, D.C. – March 27, 2009) As part of a formal investigation, the European Commission has issued a preliminary report that finds U.S. laws on Internet gambling are legally not justified and discriminatory. The report found that the treatment of foreign Internet gambling operators by the U.S. under existing domestic law constituted a barrier to market access for European companies and is inconsistent with World Trade Organization (WTO) rules. Legislation previously introduced by Rep. Barney Frank (D-Mass.) would resolve the trade dispute by regulating Internet gambling and creating a level playing field among domestic and foreign Internet gambling operators.

"The European Commission investigation further highlights the need for the Obama Administration and Congress to regulate Internet gambling not only to protect consumers, but in order to restore integrity to the international trade system," said Jeffrey Sandman, spokesperson for the Safe and Secure Internet Gambling Initiative. "The Obama Administration should seek to forge a new direction on Internet gambling, rather than keeping in place a protectionist trade policy that hypocritically discriminates against foreign online gambling operators."

E.U. Trade Commissioner Catherine Ashton released a statement that encourages the U.S. to regulate Internet gambling as a way to address this issue. "It is for the US to decide how best to regulate Internet gambling in its market, but this must be done in a way that fully respects WTO obligations. I am hopeful that we can find a swift, negotiated solution to this issue," said Commissioner Ashton.

Rt Hon. David Blunkett MP, former U.K. Home Secretary and current Member of the U.K. Parliament joined in calling for U.S. regulation, saying, "I fully support the call by the EU Trade Commissioner, Cathy Ashton, for urgent U.S. action to regularise the trade relationship, respect WTO rules and to regulate online gambling. This would provide not only fair competition, but protection for individuals and families, and a legal basis on which substantial revenue could be raised at a time of considerable pressure on public finances."

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. In its complaint 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.

At the conclusion of 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.

A recent analysis found that the U.S. could receive as much as \$51.9 billion in federal revenue over the next decade if Internet gambling is regulated as proposed in legislation previously introduced by Representatives Barney Frank (D-Mass.) and Jim McDermott (D-Wash.).

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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