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### **LEGALIZING INTERNET GAMBLING WOULD HARM U.S. TRADE --** (Extensions of Remarks - September 27, 2007)

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SPEECH OF  
**HON. EDOLPHUS TOWNS**  
OF NEW YORK  
IN THE HOUSE OF REPRESENTATIVES  
THURSDAY, SEPTEMBER 27, 2007

- Mr. TOWNS. Madam Speaker, as I stated here a couple of months ago, I believe very strongly that whatever our policy is on other types of gambling , we need to maintain a firm line against any form of sports gambling .
- Gambling on sports events undermines the integrity of American athletics. It can create corruption or the appearance of corruption, and it taints the image of sports as wholesome, family-friendly entertainment.
- I also stated that I opposed legalization of online sports gambling in H.R. 2046. It is not enough to allow sports associations to say ``not on my game" if Congress is sending the message to the public that sports gambling is fine. If we are going to consider any loosening of laws against online gambling, we need to say ``not on sports, period."
- But yesterday I received a letter from Stuart Eizenstat, a very well-respected trade expert who was formerly U.S. Ambassador to the European Union and Under Secretary of Commerce for International Trade, writing on behalf of the National Football League. Ambassador Eizenstat's letter informs me that, under the present circumstances, even ``not on sports, period" could leave the NFL and other great American athletic institutions vulnerable to assault by the offshore gambling interests who want to make money off the popularity of these games.
- According to Ambassador Eizenstat's letter, a law that legalizes most online gambling but includes limited exceptions, such as a sports gambling exception, will be vulnerable to attack in the World Trade Organization. If the WTO rules against the U.S. law, the U.S would have to choose between eliminating the exception--feeding our treasured sports to the gambling wolves--or paying billions in compensation to our trading partners. I, for one, think we should avoid having to decide which of these is the lesser of two evils if we can.

- It appears that the U.S. does have a way out, by withdrawing any commitments to free trade in gambling . The U.S. Trade Representative is currently in the middle of negotiating this withdrawal. But this requires compensation too, for taking away market access from our trading partners. How much compensation? Not much at all, given that almost all Internet gambling is illegal. But if we make it legal, even if sports gambling is excluded, then there is a big legal market for which we will owe compensation.
- As Ambassador Eizenstat says, `` withdrawal negotiations should be brought to a conclusion before Congress passes any new gambling legislation." In the interest of protecting American athletics, I plan to take this advice to heart.
- Madam Speaker, I ask unanimous consent to enter Ambassador Eizenstat's letter into the **RECORD**.

Covington & Burling, LLP,

Washington, DC, September 24th, 2007.

Hon. **EDOLPHUS TOWNS**,

Rayburn House Office Building,

Washington, DC.

**DEAR REPRESENTATIVE TOWNS:** I am writing on behalf of the National Football League, NFL, to urge you to oppose H.R. 2046, the ``Internet Gambling Regulation and Enforcement Act," which would legalize Internet gambling . Along with all other major U.S. professional and amateur sports associations, the NFL is very concerned about protecting the integrity of American athletics from the adverse effects of sports gambling . As the recent National Basketball Association referee scandal shows, this is a very real concern. From a trade perspective, H.R. 2046 is fundamentally flawed. This bill, and any other legislation legalizing Internet gambling , also may have the unintended consequence of giving foreign service suppliers greater access to the U.S. market in a range of services sectors.

H.R. 2046 reverses 50 years of U.S. public policy by endorsing and legalizing sports betting, and it vastly expands access to all forms of gambling . Although the bill allows sports leagues and states to opt out of this gambling legalization scheme, these exceptions may be successfully challenged in the World Trade Organization, WTO, under existing trade rules. While the WTO General Agreement on Trade in Services permits a

gambling prohibition that is "necessary to protect public morals," a patchwork approach that legalizes most gambling and includes limited opt outs may be difficult to defend. Indeed, Antigua's WTO counsel, emboldened by Antigua's successful challenge to current U.S. laws that prohibit gambling, already has stated his belief that the opt out provisions in H.R. 2046 are inconsistent with the United States' WTO commitments. Given Antigua's past success in challenging U.S. anti-gambling statutes in the WTO and Antigua's current demands for \$3.4 billion in compensation, the stakes are high. Passage of H.R. 2046 could well lead to further WTO litigation.

After losing the gambling dispute with Antigua, the United States Trade Representative (USTR) took the important step last May of notifying the WTO of its intent to modify its WTO commitments to explicitly exclude gambling and betting services. The USTR is now in the process of negotiating with eight WTO countries who claim that they are adversely affected by this withdrawal. These withdrawal negotiations should be brought to a conclusion before Congress passes any new gambling legislation. This is especially so since passage of H.R. 2046 would, for the first time, create a legal American market for Internet gambling, significantly complicating ongoing negotiations and making it much more costly to withdraw the U.S. commitment on gambling services.

Specifically, as part of the withdrawal negotiations, the United States has to make "compensatory adjustments," i.e., further open the U.S. services market to foreign suppliers to compensate for the withdrawal of the gambling services commitment. Currently, given that remote gambling services are largely illegal in the United States, the access that foreigners will get to the U.S. market as a result of the gambling commitment withdrawal is minimal. Passage of H.R. 2046 will create a large, legal gambling market in the United States. Foreigners will then be able to demand far greater access to the U.S. market in the ongoing withdrawal negotiations. Greater market access demands could conceivably impact the U.S. financial services sector, the telecommunications sector, and others.

The negative impact of H.R. 2046 on U.S. industries and U.S. trade negotiations could be significant. This bill--and, in fact, any bill that authorizes Internet gambling of any kind--will greatly complicate the USTR's efforts to withdraw the United States' gambling commitment by providing foreign countries with leverage to demand greater access to the U.S. services market. Furthermore, under the current WTO rules, the bill's opt out provisions for sports leagues and states could very likely be challenged in the WTO, potentially leading to a situation where foreign gambling companies could provide gambling services to Americans over the objections of the NFL, other sports leagues, and state governments. For all of these reasons, I urge you to oppose H.R. 2046 and any other proposals to legalize Internet gambling in the United States.

Sincerely,

STUART E. EIZENSTAT.