SAFE AND SECURE
INTERNET GAMBLING INITIATIVE

U.S. House of Representatives Committee on the Judiciary

"Hearing on Establishing Consistent Enforcement Policies in the Context of Online Wagers"

Statement for the Hearing Record
Submitted by Jeffrey Sandman, Safe and Secure Internet Gambling Initiative
November 14, 2007

Dear Chairman Conyers and members of the Committee:

Thank you for the opportunity to submit testimony for the record on the need for consistent enforcement policies that govern Internet gambling activity.

The Safe and Secure Internet Gambling Initiative (SSIGI) urges Congress to create a practical and enforceable framework to regulate and tax Internet gambling in the United States rather than to continue to prohibit Internet gambling activities, the approach most recently undertaken in the Unlawful Internet Gambling Enforcement Act (UIGEA).

Vulnerabilities in UIGEA Enforcement

UIGEA represented the latest in a series of failed attempts at prohibiting Internet gambling activity in the United States. As detailed in a recent report by the Center for Regulatory Effectiveness, enforcement of UIGEA leaves U.S. financial service companies to interpret ambiguous State and Federal gambling laws, which do not clearly differentiate between legal and illegal Internet gambling activities or transactions, and then implement unreasonable and costly solutions to achieve compliance. Furthermore, UIGEA will not prevent consumers who wish to gamble from circumventing the proposed regulations and continuing to gamble online by processing financial transactions through a foreign bank account in a jurisdiction where Internet gambling is legal.

The reality is that despite UIGEA and the prohibition of Internet gambling, millions of Americans can and will be able to continue to gamble online. It simply does not make sense for Internet gambling to remain unregulated, uncontrolled and underground in the U.S. American consumers should not be left to gamble online in an unregulated and potentially unsafe environment.

Regulating Internet Gambling Protects Consumers

We urge the Congress to move forward with the approach undertaken by the Internet Gambling Regulation and Enforcement Act, legislation introduced by Representative Barney Frank (D-MA), which would establish a regulatory and enforcement framework for licensed gambling operators to accept bets and wagers from individuals in the U.S. The proposed legislation would put in place practical and enforceable standards to bring transparency to Internet gambling and provide consumers the protections they expect and deserve. Specific provisions include mandatory safeguards to combat the threats of minors and compulsive gamblers from gambling online as well as requirements to protect against money laundering, fraud and identity theft.

A hearing by the House Committee on Financial Services in June 2007 offered evidence to members of Congress that a regulatory framework for Internet gambling would protect consumers and ensure the integrity of financial transactions. Leaders in the fields of Internet payment processing, identity verification and online safety described how existing systems and technology already used by many leading companies and Internet gambling operators have proven successful in combating underage and compulsive gambling and protecting against money laundering, fraud and identity theft. Testimony was also submitted by representatives of countries where a regulated approach for Internet gambling has already proven effective.

Generating Revenue for Important Government Programs

An additional benefit of the regulation of Internet gambling is the opportunity to generate significant tax revenues that may be used for critical government programs. The Internet Gambling Regulation and Tax Enforcement Act, introduced by Representative Jim McDermott (D-WA), would create a taxation regime for online gambling companies licensed under the Internet Gambling Regulation and Enforcement Act. It is expected that McDermott's legislation would generate billions in revenues for the U.S. Treasury in the first five years of enactment.

Resolving the World Trade Organization Internet Gambling Dispute

The contentious World Trade Organization (WTO) trade dispute around Internet gaming that could result in penalties in excess of $100 billion in U.S. trade compensation may be resolved by regulating Internet gambling in the U.S.

The WTO previously ruled, in response to a dispute filed by the Caribbean island nation of Antigua and Barbuda, that the U.S. unfairly prohibits foreign Internet gambling operators from accessing the U.S. market, while allowing domestic companies to legally accept online bets. In response, the Office of the U.S. Trade Representative announced the U.S. intention to withdraw its commitments to the WTO, thus allowing the U.S. to keep its markets to offshore based Internet gambling operators closed. The European Union (representing 27 member states), India, Australia, Canada, Japan, Costa Rica and Macao joined Antigua and Barbuda in seeking compensation from the U.S. for economic injury resulting from this trade agreement violation. If the U.S. does not settle with each country, the trade concessions will be determined by WTO arbitration.

As suggested last week by the E.U.'s senior official responsible for trade issues, Peter Mandelson, the Internet Gambling Regulation and Enforcement Act provides a potential solution to the entire problem. Rather than face paying billions in trade compensation, which would have a significant adverse impact on the American economy, Mandelson supported bringing the U.S. into compliance by regulating Internet gambling and creating a level playing field among domestic and foreign Internet gambling operators. Last week, E.U. Trade Commissioner Mandelson stated that the U.S. Congress should either

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open its market to overseas operators or compensate Europe for blocking the American gambling market to European operators.

Media Coverage Supports a Regulated Environment

A growing number of editorial writers have called for abandoning the failed policies of prohibition and replacing them with a regulatory system that protects consumers. Significant media attention has also been devoted to the need to settle the WTO dispute through legislation that will create a safe and secure Internet gambling environment for Americans.

The following articles, attached for your review, provide additional information and perspectives on the reasons to regulate and tax Internet gambling:

- Internet Gambling Act Should be Scrapped, *Bloomberg*, October 19, 2007
- Time to regulate Internet gambling, *Newsday*, August 29, 2007
- Gambling Dispute With a Tiny Country Puts U.S. in a Bind, *New York Times*, August 23, 2007
- Web Gambling: Tax, Don't Ban, *New York Post*, August 14, 2007
- A Web Gambling Fight Could Harm Free Trade, *BusinessWeek*, August 13, 2007
- Frank's cards on the table, *Boston Herald*, May 14, 2007
- Gambling hypocrisy, *Los Angeles Times*, May 5, 2007
- Get rid of gambling restrictions, *Los Angeles Times*, April 8, 2007

We thank you and the Committee for its time and appreciate the opportunity to submit remarks for the record.

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Bloomberg.com

Internet Gambling Act Should Be Scrapped

By Joe Saumarez Smith
October 19, 2007

A year ago last Saturday, President George W. Bush signed the Unlawful Internet Gambling Enforcement Act and online gambling was banned in the U.S.

At least, that was the intention. Twelve months later, there are just as many people gambling online, if not more. Many bettors don't even know the law was changed, partly because it was tacked on as an amendment to a measure aimed at increasing port security.

The biggest difference now is that the companies offering online gambling are privately held and operate out of countries where it is impossible to know who controls them; if you had a huge win, then the risk of not being paid is probably much higher. The major public companies that used to offer online betting to Americans, such as PartyGaming Plc, 888 Holdings Plc and Sportingbet Plc, all quit the U.S. market last October at a cost of several billion dollars to their shareholders.

America's banks and financial institutions were given 270 days from the passage of the law to block gambling transactions. The detailed rules on how to do this and how to spot a gambling transaction are still to be completed. As a result, online poker rooms, sports bookies and casinos are still able to get money from and send money to their customers, albeit not as easily as a year ago.

Meanwhile, Americans are free to place online bets on lotteries and horse racing as those forms of gambling were deemed legal. They can also visit any number of legal casinos, poker rooms, racetracks or Off Track Betting centers, and play state lotteries.

The situation is, in short, a mess.

Unrealistic Bans
As America learned during Prohibition, some bans are unrealistic. The online gambling law shows that legislators weren't paying enough attention in history class.

At least Prohibition aimed to prevent the consumption of alcohol across the U.S. without exceptions. Banning some types of online gambling while allowing exemptions for lotteries and horse racing is protectionism of the worst kind.

The law criminalized those it described as being ``in the business of betting'' and made it illegal to handle money for the purpose of online gambling. That means individuals still aren't breaching any federal law by placing bets.

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The daily number of poker players online worldwide was about 34,000 in September, down less than half a percentage point from a year earlier, according to Dennis Boyko at PokerPulse.com in Vancouver. Poker players online in the U.S. have dropped only slightly, said Boyko, who has monitored the number of online players since January 2003.

Gambling Addiction

The law's supporters argued that banning online gambling would lower levels of gambling addiction.

``We do not see any decrease in the number of online gamblers seeking help, and anecdotally we see an increase,'' said Kevin Whyte, executive director of the National Council on Problem Gambling in Washington. ``As with alcohol and drugs, prohibition of online gambling is one of the most ineffective ways of addressing a public health problem.''

The law may have made it harder for children to gamble online.

Dan Romer, research director of the Adolescent Risk Communication Institute of the Annenberg Public Policy Center, said its annual survey shows a reduction in underage gamblers on the Internet.

``It is simply harder for children to get their bets on online because it is more difficult to deposit now,'' he said.

World Trade Organization

There is a small chance that the U.S. may be forced to repeal the law. The Antiguan government, which licensed many of the online sports bookies targeting the American market, has taken the U.S. to the World Trade Organization, arguing that anti-gambling laws restrict free trade. The WTO agreed, but the Americans have so far ignored the rulings. The U.S. may be forced to change its stance once WTO sanctions start to bite.

If legislators were brave, they would use the WTO ruling as an excuse to reverse the Unlawful Internet Gambling Enforcement Act and instead legalize and tax the online gambling industry. That would allow the U.S. government to know who was offering its citizens the chance to gamble, and to impose rules and restrictions that would prevent children and vulnerable groups from placing bets. It would also generate vast tax revenues.

Oddly, perhaps the biggest opponents of legalizing online gambling are the major sports leagues and organizations. The National Football League and National Collegiate Athletic Association are the most vocal of these, believing that betting may taint their sports.

Legalize It

The leagues ignore the fact that in pretty much every town across the U.S. you can place a bet at a local bar or barber shop and that the people who suffer financially when a game is fixed are the bookmakers, who have to pay out the winnings.

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Almost all the point-shaving scandals of recent years have been uncovered because Las Vegas bookies noticed unusual betting patterns and pointed them out to the relevant authorities. If all betting could be done through legal channels, then these markets would be easier to police.

Laws that are either widely disobeyed or unworkable are bad laws. A year after its passing, the Unlawful Internet Gambling Enforcement Act is both disobeyed and unworkable.

The sooner it's scrapped, the better.

Joe Saumarez-Smith is chief executive officer of Sports Gaming, a U.K. management consulting firm to the gaming industry. He also owns European online bingo companies and odds comparison Web sites. The opinions expressed are his own.

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newsday.com

Editorial: Time to regulate Internet gambling
August 29, 2007

Antigua and Barbuda, a tiny twin-island nation of 80,000 people in the Caribbean, is the mouse that roared on Internet gambling. It could force the elephantine United States to reconsider laws prohibiting online wagering with offshore casinos.

Antigua challenged that prohibition before the World Trade Organization and won - twice. Congress should accept that reality and replace the ban with regulation designed to ensure the financial integrity of gaming in cyberspace, to screen out minors and to make sure that the United States gets its cut in taxes. Legislation introduced by Rep. Barney Frank (D-Mass.) provides a good jumping-off point for debate in Congress.

Antigua is home to 32 online casino operations. It initiated a trade complaint in 2003, claiming that the U.S. ban violates its rights as a member of the global free trade community policed by the WTO. It won in 2004; again in 2005, after the United States appealed; and the ruling was reaffirmed yet again this year. All that's left is for the WTO to decide what damages to impose.

The organization's credibility is on the line. It can't risk the rap that it aggressively enforces trade rules against small nations but timidly allows the world's economic powerhouse to skate. The integrity of the United States is also at issue. This country can't respect trade rules that benefit us and ignore those that don't without undermining valuable free trade agreements.

Washington may be left with only two choices: Allow Americans to wager online with offshore casinos or ban all Internet gambling - including popular pastimes like fantasy sports leagues and off-track betting on horses, and maybe even the sale of lottery tickets online. Antigua argued that by permitting some online wagering while making it illegal for financial institutions to handle payments for Internet casinos abroad, the United States impermissibly discriminates against cyber-casinos. Washington should respect the WTO ruling, permit Internet casino gambling and do all it can to protect American consumers.

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The New York Times

Gambling Dispute With a Tiny Country Puts U.S. in a Bind

By Gary Rivlin
August 23, 2007

With long blond hair reaching his shoulders and dozens of cloth bracelets peeking out from under his sleeves, Mark E. Mendel hardly conjures up the image of a typical lawyer.

But then there is nothing run-of-the-mill about the case that Mr. Mendel, a Texan who was born and raised in Southern California, has been waging against his own government before the World Trade Organization, the body in Geneva that sets the ground rules for global trade. It is a clash that at once challenges Washington's effort to prohibit online gambling while simultaneously testing the ability of the W.T.O. to enforce its own standards.

The dispute stretches back to 2003, when Mr. Mendel first persuaded officials in Antigua and Barbuda, a tiny nation in the Caribbean with a population of around 70,000, to instigate a trade complaint against the United States, claiming its ban against Americans gambling over the Internet violated Antigua and Barbuda's rights as a member of the W.T.O.

Antigua is best known to Americans for its pristine beaches and tourist attractions like historic English Harbor. But the dozens of online casinos based there are vital to the island's economy, serving as its second-largest employer.

More than a few people in Washington initially dismissed as absurd the idea that the trade organization could claim jurisdiction over something as basic as a country's own policies toward gambling. Various states and the federal government, after all, have been deeply engaged for decades in where and when to allow the operation of casinos, Indian gambling halls, racetracks, lotteries and the like.

But a W.T.O. panel ruled against the United States in 2004, and its appellate body upheld that decision one year later. In March, the organization upheld that ruling for a second time and declared Washington out of compliance with its rules.

That has placed the United States in a quandary, said John H. Jackson, a professor at Georgetown University Law Center who specializes in international trade law. Complying with the W.T.O. ruling, Professor Jackson said, would require Congress and the Bush administration either to reverse course and permit Americans to place bets online legally with offshore casinos or, equally unlikely, impose an across-the-board ban on all forms of Internet gambling — including the online purchase of lottery tickets, participation in Web-based pro sports fantasy leagues and off-track wagering on horse racing.

But not complying with the decision presents big problems of its own for Washington. That's because Mr. Mendel, who is claiming $3.4 billion in damages on behalf of Antigua, has asked the trade organization to grant a rare form of compensation if the

American government refuses to accept the ruling: permission for Antiguans to violate intellectual property laws by allowing them to distribute copies of American music, movie and software products, among others.

For the W.T.O. itself, the decision is equally fraught with peril. It cannot back down because that would undermine its credibility with the rest of the world. But if it actually carries out the penalties, it risks a political backlash in the United States, the most powerful force for free-flowing global trade and the W.T.O.'s biggest backer.

"Think of this from the W.T.O.'s point of view," said Charles R. Nesson, a professor at Harvard Law School. "They're this fledgling organization dominated by a huge monster in the United States. People there must be scared out of their wits at the prospects of enforcing a ruling that would instantly galvanize public opinion in the United States against the W.T.O."

In April 2005, the trade body gave the United States one year to comply with its ruling, but that deadline passed with little more than a statement from Washington that it had reviewed its laws and decided it has been in compliance all along. The case is now before an arbitration body charged with assessing damages.

"The stakes here are enormous," Professor Nesson said.

If anything, the Bush administration raised those stakes in May when it announced it was removing gambling services from existing trade agreements. John K. Veroneau, a deputy trade representative, said that the federal government was only "clarifying our view" that it had never meant to include online gambling in any free trade agreements.

"It is truly untenable to think that we would knowingly bargain away something that has been illegal for decade upon decade in this country," Mr. Veroneau said, adding that Washington is not defying the W.T.O. but simply pursuing its case through all legal channels.

The W.T.O. allowed that Washington probably had not intended to include online gambling when it agreed to the inclusion of "recreational services" and other similar language in agreements reached during the early 1990s, when the W.T.O. was first established. But the organization says it has no choice but to enforce the plain language of the pacts.

"Geneva is certainly buzzing about this case," said Lode Van Den Hende, an international trade lawyer with the firm of Herbert Smith in Brussels.

One reason for all the interest is the David-and-Goliath aspect of the case. Another is that the dispute, as the trade organization's first to deal with the Internet, is likely to serve as a major precedent in establishing rules of commerce in an online age and dealing with such prickly issues as China's attempts to block online content it finds offensive.

Yet another reason the fraternity of trade lawyers and experts are so closely watching the case, Mr. Van Den Hende said, is "that the U.S. is not behaving as one would expect."

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“One day they’re out there saying how scandalous it is that China doesn’t respect W.T.O. decisions,” he said. “But then the next day there’s a dispute that doesn’t go their way and their attitude is: The decision is completely wrong, these judges don’t know what they’re doing, why should we comply?”

It’s not clear that Mr. Mendel knew just how much of a hornet’s nest he would stir up with this case. But he certainly seems to be enjoying the attention.

In 2002, Mr. Mendel — who does not gamble and knew little about international trade — was little more than a corporate lawyer in El Paso specializing in securities law. His law partner, though, was friends with Jay Cohen, an operator of an offshore sports betting operation in Antigua who had been sentenced to 21 months in prison for taking bets over the Internet from Americans. Mr. Cohen asked his friend to see if there was anything his firm could do.

“I had not done any trade law whatsoever, but for whatever reason this issue really struck my curiosity,” Mr. Mendel said. Beyond the intellectual challenge, the case also offered the prospect of a set of deep-pocketed clients — the online casinos doing business out of Antigua.

So Mr. Mendel, 51, who recently moved his family and his practice to Ireland to be closer to Geneva, jumped in enthusiastically.

Washington responded to Antigua’s complaint by claiming it was within its rights to seek to block online gambling on moral grounds, just as any Muslim country would be within its rights under international trade agreements to ban the import of alcoholic beverages. The W.T.O. rejected this argument as inconsistent with American policy.

The general rule in the world of international trade agreements is that a country must treat foreign goods and services in the same manner as it treats domestic ones. The United States, the trade body found, permits online wagering through sites like Youbet.com, a publicly traded company that allows visitors to place bets at horse racing tracks around the globe.

And, of course, some form of casino gambling is legal in more than 30 states, and even local governments advertise gambling services when states encourage people to buy a lottery ticket.

“This isn’t a case of forcing gambling on a population that has decided they don’t like it,” Mr. Mendel said. “This is the world’s biggest consumer and exporter of gambling services trying to prohibit a small country from developing its economy by offering these same services. And we find that deeply hypocritical.”

Indeed, despite all the obstacles Washington has imposed, including making it a crime for banks and credit card companies to handle Internet gambling payments, millions of Americans still manage to play poker and place sports bets online. Many more would certainly do so if the obstacles were removed.

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The United States has exhausted its appeals, so Mr. Mendel and lawyers for the United States are arguing over the extent of damages that Antigua has suffered.

Antigua presents a particularly thorny challenge. To balance the scales, a country that wins a W.T.O. case typically demands trade penalties equal to its losses as compensation. But Antigua is so small that any ordinary trade sanctions would barely register in the United States.

“Compensation is not a check in the mail,” Professor Jackson of Georgetown said. “It’s the right to raise trade barriers against the country in violation.” Whatever trade barriers Antigua imposed, he said, “would feel like a pin prick.”

To get around that limitation, Antigua is seeking the right under international law to violate American intellectual property laws.

Only once has the trade organization done so, with Ecuador, though Ecuador never actually took advantage of that power. It was used instead as a cudgel to force Ecuador’s opponents to back down.

“This is all new territory,” said Simon Lester, who worked in the appeals unit of the W.T.O. before helping to found WorldTradeLaw.net, which provides legal analysis of trade law disputes.

Mr. Lester expects Hollywood, the music industry and software makers like Microsoft to press Washington to work things out with Antigua.

“But the question,” he said, “is whether that would be enough to make Congress do something.”

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NEW YORK POST

Web Gambling: Tax, Don't Ban

By Steve Israel & Peter King
August 14, 2007

The Treasury Department is charged with a number of law-enforcement jobs - protect ing the president, investigating counterfeit money, tracking terrorist financing and more. But now, thanks to a legislative "rider" passed last year, Congress has told Treasury officials to spend their time and resources going after something far more trivial - people who play cards from their home computers.

Frankly, federal law-enforcement officials have bigger fish to fry.

In the final hours before Congress went out of session last October, anti-gambling lobbyists got their "Unlawful Internet Gambling Enforcement Act" attached to our port-security bill. The move allowed their measure to ride the coattails of our vital legislation and become law.

The ban on Internet gambling is misdirected - and it's also probably unenforceable. People will still gamble on the Web, just without the protections that a legal framework could provide to ensure age-verification and protection against fraud. And online gambling now generates $13 billion a year; under the ban, online gamblers won't send a portion of that cash in tax dollars to the Treasury - instead, it'll go to scam artists and gray market entrepreneurs.

The Internet poses new challenges and problems. When the music industry ignored the massive and growing consumer desire to access songs online, a piracy industry blossomed. Similarly, our bans on Internet gambling have been effective only in pushing the business off U.S. shores and out of the hands of scrupulous businesses. By contrast, simply taxing Web betting would generate significant revenues that could be used for a variety of domestic priorities.

Of course, some serious issues need to be addressed. Children, gambling addicts and those who would try to use gambling sites for illicit purposes absolutely need to be restricted from these Web sites. But it is far easier to put in common-sense protections when the industry is controlled by law-abiding businesses than when it operates as an illegal market. Thankfully, technology now allows companies to address these issues. In Britain, where Internet gambling is legal and regulated, technology checks ensure that gamblers are of age and are not problem gamblers; watch lists work to prevent money-laundering.

The Internet Gambling Regulation and Enforcement Act, which we've cosponsored, uses fines and revokes licenses for Web sites that don't sufficiently police against improper use. That's the right approach. Rather than simply repeal the ban on Internet gambling, our Internet Gambling Regulation and Enforcement Act would create a regulatory framework that ensures operators are licensed and protects consumers against underage gambling, compulsive gambling, money-laundering, identity theft and fraud.

In the end, there is the question of how much we want government to be involved in our private lives: For many, playing poker with friends on the Internet is a way to unwind at the end of the day. Technology aside, Web gambling isn't so different than the way Americans have relaxed and enjoyed the company of friends for decades.

Years ago, the Treasury's Secret Service agents used to help Harry Truman put poker games together in the White House. Now they'd be locking him up.

Reps. Steve Israel, a Democrat, and Peter King, a Republican, represent Long Island.

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BusinessWeek

A Web Gambling Fight Could Harm Free Trade

America's stern approach to Internet gaming may lead to broader problems with the WTO

By Lorraine Woellert
August 13, 2007

Few paid heed in 2003 when the tiny island nation of Antigua & Barbuda started griping about tough U.S. gambling laws. The complaint: Antigua's Internet gambling operations, a major source of jobs for the country, had been hurt because Americans weren't allowed to place bets online.

Four years later, this narrow and almost comical spat has boiled over into a broader dispute involving many of America's top trading partners. What turned up the heat? In May the U.S. unilaterally decided to exclude Web gambling from its list of services covered by the World Trade Organization. To do so, it invoked an escape clause in the WTO treaty that allows a country to "modify or withdraw any commitment" to provide open access. This move—almost unprecedented—came after the WTO ruled that the U.S. violated trade rules when it blocked "imports" of gambling services from other countries.

But the dispute could be a lose-lose proposition for free trade since the U.S. may have legitimized use of a big loophole in the WTO. Meanwhile an already intense populist American backlash against globalism could be exacerbated by steep sanctions.

The escape clause invoked by the U.S. requires reparations to any WTO members that claim to be hurt by the modified agreement. The diplomats who negotiated the treaty wrote the escape clause in a way that intentionally discouraged its use. The country imposing the trade restriction had to provide "compensatory adjustment" to other countries affected by the change—a vague term that includes the possibility of enormous claims.

Antigua wants the U.S. to pony up $3.4 billion a year in concessions to cover lost gambling revenues. Seven other WTO members—Japan, India, the European Union, Canada, Australia, Costa Rica, and Macao—are also seeking unspecified but potentially big amends, saying that their Web gambling operations, either existing or to be started in the future, have been harmed.

Despite the furor, the U.S. has been unwilling to back away from its aggressive stance on Internet gambling. One reason: It's a rare area where many Republicans and Democrats agree, on both moral and law enforcement grounds. The argument is that it's too easy for minors to gamble online and for criminals and terrorists to use Web gambling to launder money. That's why the U.S. beefed up enforcement in recent years and banned the use of credit cards to place online bets.

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Moreover, the U.S. says it owes nothing because it never envisioned online betting—or the World Wide Web for that matter—when the trade agreement was signed in 1994. "It never occurred to us that our schedule could be interpreted as including gambling until Antigua-Barbuda brought this case," Deputy U.S. Trade Representative John K. Veroneau told reporters in May.

Ultimately it could fall to the WTO to decide what, if any, economic sanctions the U.S. would incur. Major trading partners such as Europe and Japan could use the case to win concessions in other disputes. Smaller nations, such as Antigua, Costa Rica, and Macau, are more likely to ask the WTO to let them ignore copyright protections on software and entertainment. "You could have them be authorized by the WTO to essentially pirate stuff," says Chad P. Bown, an economics professor at Brandeis University.

On a broader level, the U.S. move, if successful, could invite other member nations to buy their way out of their trade commitments. "The last thing we want is for China or India or Russia to feel like they can withdraw some concession on intellectual property or aircraft," says Gary C. Hufbauer, a fellow at the nonprofit Peterson Institute for International Economics in Washington.

Reason could still prevail. The U.S. and Antigua launched formal arbitration proceedings on July 24, and other trading partners have begun bilateral talks. Meanwhile, offshore betting operations are trying to gin up congressional support for legalizing Web gambling. If the U.S. doesn't change its laws, "it's going to send a signal to the rest of the world that the WTO is really kind of a one-way street for the benefit of the big economies," says Antigua's lawyer Mark E. Mendel, a partner in the Cork (Ireland) office of Mendel-Blumenfeld. "We're gambling that the U.S. will do the right thing."

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Editorial: Frank's cards on the table

By Alfonso D'Amato
May 14, 2007

Perhaps the biggest government blunders in U.S. history have been prohibitions.

The prohibition against alcohol led to black market smuggling and speakeasies, and reaped huge profits for organized crime. Today, the prohibition on Internet gambling promises to funnel players underground, diminishing society's ability to deal with serious challenges such as underage and problem gambling, and, more importantly, interferes with the right to individual liberty and privacy.

Rep. Barney Frank's (D-Mass.) efforts to deal with this outrageous legislation are heroic.

With the current Internet gambling ban, the unintended consequences abound. Law enforcement and financial institutions must redirect resources to monitor and then block poker wagers instead of focusing resources on tracking terrorist financing. And, because the ban funnels players underground and forces them to use less transparent financial systems to place bets, law enforcement finds itself even more hampered to police potential money laundering.

In addition, reputable sites that use age-verification software are shut out while underground sites that do nothing to prevent minors from playing are favored. Problem gamblers are left as prey for unscrupulous operators that will work outside the law.

Frank has introduced a more sensible solution. His plan creates a licensing and regulating mechanism that will allow us to sort out the most responsible sites - those that are good corporate citizens from those engaged in unscrupulous activities and practices. The legislation also protects minors and problem gamblers while allowing the majority of adults to play poker and other games online.

The truth is that today's technology makes licensing and regulation of Internet gambling possible. Age verification technology tools that exist today to keep kids off of poker sites were non-existent even a decade ago. As a result of these tools, many of the larger operators are able to keep kids off poker sites.

Frank understands that these technological advances enable us to effectively regulate the industry. He also knows that more than 80 countries and jurisdictions, including the United Kingdom, are demonstrating how to successfully oversee the industry.

There is another important benefit to this commonsense approach: revenue. An analysis conducted by a leading economist reveals that more than $4 billion in federal and

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state revenues could be raised annually if Internet poker were properly regulated and taxed in the United States.

It can be done, and it should be done.

I played poker in college, in law school and later in a local fraternal group on Long Island. After I was elected to Congress, a group of us would get together when we would have late votes on Thursday nights to order takeout food and play. It was a great way to while the time away, have some fun and discuss the events of the day.

Now, I play every Monday night. But many people don't have the opportunity or occasion to meet and play in person. For the 23 million Americans who play poker online, the Internet has provided a forum to socialize and match their skills.

Playing poker online is simply an American tradition evolving into the 21st Century. It is unfathomable that poker, an American pastime and game of true skill, should be banned for the millions who enjoy playing responsibly.

The Poker Players Alliance, with 425,000 members and growing, salutes Congressman Frank for his courage to take on this issue in defense of our individual liberties.

Just as the prohibition of the 1920s failed, so too will today's prohibition of Internet poker. Only meaningful regulation of online poker, like the Frank plan, will produce positive outcomes for the players, children, the economy, the taxpayer, and society in general.

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Los Angeles Times

Editorial: Gambling hypocrisy

A bill before the House would change the nation's policy on offshore betting and provide consumer protections.

May 5, 2007

BUSTED BY THE World Trade Organization for discriminating against offshore betting shops, the U.S. government is attempting a procedural maneuver to make the WTO go away. It's a legalistic move that underscores the hypocrisy of the government's approach to gambling.

The dispute stemmed from a complaint brought by Antigua and Barbuda, a haven for online betting operations. The Caribbean island nation contended that restrictions on remote gambling violated the United States' commitment to an open market for services. U.S. representatives countered that the restrictions, which date to 1961, were needed to protect public morals. The WTO agreed, but only up to a point: U.S. law allows remote betting on horse races within the 50 states (at licensed off-track betting parlors), so the government can't block foreign bookmakers from also taking those bets.

On Friday, a deputy U.S. trade representative announced plans to modify the commitment made in 1993 to open U.S. markets to "recreational services." The modification will clarify that gambling services are not included, eliminating the WTO's jurisdiction over the issue.

The little-used technique might solve the problem with Antigua, but it won't fix the flaws in U.S. policy. As the off-track-betting issue illustrates, Congress loses interest in protecting people from the lure of online gambling when thoroughbreds and trotters are involved. Similarly, interstate restrictions on games of chance evaporate for state lotteries — a form of gambling that the government enthusiastically promotes.

Meanwhile, restrictions on other forms of wagering have led to perverse results. The most closely scrutinized and stable gambling businesses — casinos in Las Vegas and Atlantic City — stayed out of online wagering, conceding the field to unregulated and, occasionally, fly-by-night operators. A federal law passed last year to prohibit credit card companies from processing bets has spawned a host of workarounds, including online wallets and repurposed prepaid phone cards.

A saner approach would be to allow online betting through licensed and regulated operators, as proposed by Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee. Such operators could be required to meet age-verification standards, analyze betting patterns to detect and block compulsive gamblers and pay additional taxes, with a portion going to treat gambling addiction. This approach would do far more to protect the public than ineffective prohibitions that criminalize only the high-tech version of an otherwise legal act.

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Los Angeles Times

Editorial: Get rid of gambling restrictions

The U.S. doesn't mind the lottery, but when it comes to sports betting across interstate or international boundaries, all bets are off. They shouldn't be.

April 8, 2007

ANTIGUA AND BARBUDA, former British colonies on the eastern edge of the Caribbean Sea, are smaller than Los Angeles and less populous than Burbank. Yet they may be able to force the world's most powerful government to change its gambling laws.

Not since 1960 has it been legal under federal law to place or take bets on sports using interstate or international phone lines. The Federal Wire Act of 1961 and subsequent measures also have been interpreted to ban online gambling as well, or at least gambling on sports. At issue is whether those laws constitute "arbitrary and unjustifiable discrimination" against foreign firms.

Do they? Antigua and Barbuda argue that they do — and the World Trade Organization agrees. So do we.

Realistically, the ban has had little effect. It hasn't stopped Americans from betting (and losing) millions of dollars at online casinos and bookmaking operations based in other countries. Nevertheless, U.S. policy has irritated many of its trading partners, including Antigua and Barbuda, which asked the WTO in 2003 to rule that U.S. gambling restrictions violated an international treaty governing trade in services.

Eventually, in 2005, a WTO appeals panel accepted the U.S. argument that its gambling restrictions were needed to protect public order and morals. But by permitting off-track betting parlors in the U.S., the WTO ruled, Congress created an exception to the ban on remote gambling that discriminated against foreign bookmakers. After two more years of wrangling over what the panel's order meant, a WTO tribunal ruled late last month that the U.S. remained out of compliance.

So the U.S. faces trade sanctions from the WTO unless Congress does one of two things: Either acknowledge that betting on horses from overseas is no greater threat to the nation's moral fiber than it is at an OTB parlor, or make OTB parlors illegal.

Maybe it doesn't have the stomach for either. If so, then Antigua and Barbuda may want to ask the WTO to ponder why allowing the interstate sale of lottery tickets — a form of state-sponsored gambling — is any less hypocritical than the U.S. stance on thoroughbreds and trotters.

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