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This week Antigua and Barbuda along with Costa Rica filed separately for World Trade Organization arbitration to settle their disputes with the United States over online gambling.

After the WTO's final ruling that the United States was still in violation of trade rules because of its online gambling restrictions, the United States chose to pull out of that part of the WTO agreements rather than complying with the rules. That opened the nation up to compensation claims from countries whose economies are strongholds of the online gambling industry.

Antigua recently got a ruling from WTO arbitrators on the amount of compensation it would receive from the United States for its violation of trade rules regarding online gambling. Now it wants arbitrators to decide how much it should receive in exchange for the United States having altered its agreement with the WTO.

Costa Rica is also seeking compensation from the United States as a result of the U.S. withdrawal of its commitment on cross-border gambling services. It filed for WTO arbitration in the matter on Jan. 28.

"The decision by Antigua and Costa Rica to take the United States to arbitration will test the limits of the WTO process and squarely challenge the U.S. resolve to withdraw its GATS commitments," said Nao Matsukata, formerly Director of Policy Planning for USTR Robert Zoellick and now a senior advisor for Alston and Bird LLP, in a press release from Safe and Secure Gambling Initiative.

"If the U.S. finds the decision of the WTO arbitrator unacceptable, under procedures outlined in the GATS, it could unilaterally withdraw, creating an unprecedented crisis of confidence in the global trading system," Matsukata said. "The best solution remains for Congress to pass legislation that would create a legal and regulated framework for online gaming in the United States and for the United States to remain in the GATs schedule to provide all providers legal protection under the WTO."

The new arbitration requests could also potentially derail the settlement for compensation that the United States and the European Union agreed to late last year in the matter.

With Costa Rica and Antigua filing for arbitration, it's possible for the EU to reconsider its settlement with the United States and join the arbitration proceedings as well.

According to SSIGI, the U.S. withdrawal from the parts of its trade agreement with the WTO carries the risk of expensive new sanctions levied on it through the arbitration process. Antigua has already been awarded $21 million per year in trade sanctions.

"If the U.S. withdraws following another adverse arbitral decision, the country would face potential retaliation from all WTO members affected by the arbitration, a pool of countries including the EU, Canada and Japan," Matsukata said.

He also pointed out that inviting sanctions at a time when the United States is striving to stimulate its economy to avoid a recession seems foolhardy. There is already draft domestic legislation introduced that would bring the nation into compliance with its WTO obligations, along with creating a renewed flow of both business and tax revenues through the nation's gaming sectors.

"It is time for the U.S. to end its hypocritical practices that discriminate against foreign online gambling operators, while allowing U.S. gambling operators to accept bets for certain forms of gambling," said
Jeffrey Sandman, SSIGI spokesperson.

"Regulation of Internet gambling should be supported as a means to resolve this trade dispute."

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