



Embassy of the United States of America

Baghdad, Iraq

January 30, 2008

Mr. Christian S. Miller
20440 Glen Brae Drive
Saratoga, California 95070

Dear Mr. Miller:

Thank you very much for your letter to Ambassador Crocker of January 8, 2008, suggesting an approach to pass Iraq's oil revenue directly to the Iraqi people. In his absence I hope you will allow me to respond on his behalf.

Distributive oil funds in developed countries tend to work well, but those in developing countries have a spotty record of performance due to weak governance structure, a lack of transparency/accountability, and large-scale corruption. The Government of Iraq may not have the administrative skill-set and commitment to effectively manage a distribution fund at the present time. There are several steps the Government of Iraq would have to take before enacting any distributive fund. There would need to be a new census, an effective electronic fund transfer banking system, and government fiscal discipline to avoid dipping into any potential oil fund.

If Iraq's oil revenues are to be used effectively to promote economic growth and to provide vital social services, it needs institutional arrangements that guarantee accountability, foster political empowerment, and limit corruption and anti-democratic practices. In drafting its petroleum laws and framework for foreign investment, Iraq has an opportunity to establish institutions and systems that will make the best use of its natural resources.

We certainly will keep your thoughtful commentary in mind as we work with the Government of Iraq on its unfinished business. I also would like to thank your daughter for her service, and I hope that she safely and successfully completes her second deployment.

Sincerely,

Patricia A. Butenis
Chargé d'Affaires, a.i.