development. Transnational industry frequently enters Latin America or expands there by buying out already existing local firms. In individual cases, such mergers may have beneficial effects, but the overall impact is again to reduce the incentive and scope for local research and development.

This is especially the case when transnational firms dominate the entire industry, as they do in many Latin American countries where they may be responsible for three-quarters or more of total sales volume. Most of the raw materials for drugs sold in Latin America come from outside Latin America.

Central America, for example, imports 90 percent of its raw materials for drugs. This is hardly the road to self-sufficiency. And the multinationals openly resist efforts by Latin American governments to foster an independent national research and development capability.

An ambitious and well-financed plan mounted in Brazil in 1971 to utilize government, university and other local laboratories to produce 400 basic medicines cheaply and efficiently for nationwide distribution was openly resisted by foreign-owned firms, in the end, the plan was emasculated, resulting in only a very small transfer of secondary R. & D. facilities by a few companies to Brazil.

Mr. GORDON. How did they resist?

What did they do to show their resistance?

Mr. LEDOGAR. Well, we have reported several public statements on the part of Executives of the transnational firms in opposition to the Government's plan in this respect.

No one knows exactly the internal workings of Brazilian politics, except those deeply involved in it, but the public statements, I think, bear witness to their opposition.

Mr. GORDON. Thank you.

Senator JAVITS. Proceed.

Mr. LEDOGAR. Just as they complain about excessive controls by the FDA in this country, the multinational firms are hardly likely to favor an improvement in the generally inadequate government control systems in Latin America for drug labeling and marketing. Since the investigative work for my book was completed, several transnational drug firms from the United States have admitted to giving bribes to officials of foreign governments. None of the countries have been identified. I was able to obtain evidence on bribery in Latin America only in the case of one firm—a Swiss company which had a list of 135 Brazilian regulatory officials to whom it gave small "donations"—but everyone knows that bribery is a frequent occurrence.

The transnationals say they have to engage in it in order to survive. As individual companies, they probably do. The point is that they are able to unite and flex their muscles when their common interests are seriously threatened. Despite the fact that they dominate the drug industry in many countries, the multinationals have done little to change the regulatory status quo. One can only conclude that it suits their purposes just as it is.

Where does U.S. foreign policy come into all of this? First of all, despite some recent changes in legislation, our Government offers substantial encouragement to foreign investment by transnational firms