headquartered in this country through tax incentives, guarantees, loans and the services of our commercial representatives abroad. Drug companies have taken special advantage of these incentives as several examples in my book illustrate.

In a broader way, however, U.S. foreign policy supports the activities of transnational firms overseas by openly encouraging the maintenance of a "favorable business climate" in those countries we consider to be our friends. We support regimes which encourage investment by U.S. firms. Relations are cooler with countries which place heavy restrictions on such investment. Our special relationship with Brazil, for example, is due in part to that nation's heavy reliance on, and strong encouragement of, U.S. private investment as opposed to the more restrictive attitude of the Andean Pact countries.

The crux of the problem is here. For most business a "favorable investment climate" means a minimum of Government interference. Simplified rules and regulations, tax incentives, freedom to compete with (and/or buy out) local industries, a limit to price controls, plenty of cheap labor and little labor militancy—this in itself bespeaks a conservative, if not repressive, type of regime. But with the pharmaceutical industry there are added requirements.

In their case, a "favorable business climate" also means: Weakness of safety controls on labeling and advertising; no efforts to control the proliferation of brand names; freedom to locate research and development facilities wherever these are most profitable for the company; absence of adverse publicity; and freedom to produce and sell not necessarily what is most needed in the country but what is more economically efficient from the standpoint of profits.

This puts the U.S. Government in the position of supporting activities which are contrary to the best interests of the majority of people in Latin America. It makes us the ally of transnational business in its tendency to support the status quo and oppose change.

What can be done to change this situation?

A general review of our Government's whole supportive attitude toward U.S. foreign investments, together with the specific incentives, is certainly in order, but that is a very large issue which transcends this committee's present specific concern with the pharmaceutical industry. Short of such a broad policy review, there is very little that the U.S. Government can do unilaterally to alter the conduct of U.S. firms acting through local subsidiaries overseas. We cannot interfere in the internal affairs of other nations to impose standards of our own. There are serious difficulties, moreover, with the imposition of unilateral controls by the U.S. Government on U.S.-based firms in the absence of similar controls on European and Japanese firms by their Governments.

What our Government can do is to support multilateral efforts toward the greater regulation of transnational investment in less developed countries as well as independent multilateral efforts to assist less developed countries in solving their most serious health problems. I would like to offer the following specific recommendations:

(1) That the U.S. Government take an active role in seeking an international convention on the conditions of trade, sale, marketing, advertising, and labeling of pharmaceutical products. I have in mind a role similar to that taken most recently by our