

Mr. LEDOGAR. Yes, I have, Senator. There have been a number of efforts over the years by the World Health Organization to improve the situation with regard to information and regulation of the drug industry, and of course, to improve research and development.

Unfortunately, many of those efforts in the World Health Organization have not succeeded, again due to differences of opinion and priorities between developed and less developed countries representatives within the World Health Organization.

Senator JAVITS. Well, Mr. Ledogar, thank you very much. I appreciate everything you have said, and mind you, my examination may sound contentious to you but I think you do have a valid thesis, and I was trying to refine it and really get it down to what we can wisely do.

Mr. LEDOGAR. I appreciate that.

Senator JAVITS. Mr. Gordon, any questions?

Mr. GORDON. Mr. Ledogar, do you know the percentage of profits to net worth or to investment derived by multinational drug companies from their foreign operations as compared to those from their domestic operations?

Mr. LEDOGAR. Mr. Gordon, that kind of information is reported in round figures in annual reports by drug companies but the figures themselves are contested.

Mr. GORDON. Actually, they are not reported in annual reports accurately because of the practice of overpricing imports and underpricing exports.

Mr. LEDOGAR. Well, my point is the annual reports state a global figure for foreign income from foreign operation as opposed to income from domestic-type operations in many cases.

However, it is highly questionable whether or not those figures represent actual profit because they do not report the results of underpricing of exports or overpricing of imports in the receiving countries. We're talking about the general practice of transfer pricing. No one has effectively been able to determine the real figures. There have been reports on individual cases showing that real profits are much higher than actually reported.

For example, Global Reach, the book by Barnett and Müller, reported on a study in Colombia which calculated overpricing of imports and overpricing of exports by a group of multinational firms and then divided the total into the declared net worth of their subsidiaries in Colombia. It was found that effective annual rates of return ranged from 92.1 percent to 962.1 percent and the average was 79.1 percent.

The average of declared profits submitted to the Colombia Tax Authorities by these same firms was 6.7 percent.

There are other studies of this same kind, but in general the reporting is simply not there. This is one of the major concerns of people in this field: To improve the international reporting of real rates of return.

Mr. GORDON. Are you aware of the hearings that we had on this particular subject, that is, the overpricing of imports and underpricing of exports?

Mr. LEDOGAR. Yes, I am. I refer to it briefly in my book. There were cases of overpricing reported in Colombia, and when the authori-