

Mr. SQUIBB. I think it is very simple. The justification for this lower price you are referring to is simply the fact that that is the price, lower or higher or whatever it may be with which the manufacturer can get into that particular market. He could not sell the product at the price that he is selling it here. He could not sell it in adequate quantities. He could not make an entry in the market at this level. So, I think that the price that is established in any given country is the price that the market there will bear, and return him some adequate sales. That is the judgment decision that is made when a product is marketed in any country. It is as simple as that. I do not think there is any other explanation. There cannot be any other explanation.

Senator NELSON. Is there any difference between the marketing and the advertising of drugs, in foreign countries and here? For example, if doctors are convinced in Switzerland that this very fine miracle drug called by a certain brand name is going to help their patients, why cannot the firm establish the same high price that brand names command in our own market even where the same drug is available for far less?

Mr. SQUIBB. I think they probably could if they wanted to put the promotion money, the selling and advertising effort in establishing a trade name in Switzerland, to use your example. But the money is not there, the time is not there, the people are not there to do that, and the overall market, the Swiss market or the French market or whatever market you are talking about, the total market is probably not large enough to justify a great deal of money and effort in this direction.

Senator NELSON. Is there any difference in the laws applicable to the advertising of drugs in foreign countries? Or, is there any difference in the traditional practice of the medical profession in those countries that might account for this differential?

Mr. SQUIBB. I think this is part of it. Promotion and advertising in some countries is limited by law and, restricted as to distribution of samples, distribution of free materials. The media, that is the medical journal media that are available differ widely. The actual procedures of medicine in terms of who buys the product and who pays for it differs from country to country, and, of course, basically the size of the market itself differs. Some of the smaller countries have less sophisticated developments in this area. But, basically the price level is predetermined. If you decide to go into the Algerian market, you look at the price you are going to have to charge for your product in that market to get any sales at all, and that is the price you set, irrespective of what your price may be here.

Senator NELSON. Is there any question in your mind as to whether the firms make a profit in these foreign countries, where they charge one-third, one-fourth, one-fifth as much as they do in the marketplace here?

Mr. SQUIBB. No, because of what we have already talked about, the basic cost of the product is still low in comparison with the price. So, it gives you a wide range of opportunity here.

Mr. GORDON. Mr. Squibb, aren't you really saying that prices are low overseas because of competition, and that they are high here because of the lack of competition?

Mr. SQUIBB. No.