

transferring to them their own soft currency? This seems to be very beneficial to us; it is a good hard Yankee bargain.

Although the American company is getting a very handsome price, the poor consumer over there is paying on a base of \$270 a kilogram when, in fact, his Government could be buying it at the world price for \$24.

Mr. EYTAN. Mr. Chairman, if I could respond to that.

Senator NELSON. Yes.

Mr. EYTAN. The Congress has pointedly required AID to emphasize procurement from the United States. It is not peculiar to the U.S. drug industry, in that many items from the United States are priced higher than the price which a European competitor might charge for a similar or identical commodity. In the steel business, for example, the U.S. price has notoriously been higher than foreign prices. There are many commodities in which the American price is simply not competitive.

On the moral issue with which you preface your comment, we feel keenly that a foreign aid dollar should not be spent by an AID recipient country to pay a price which is higher than the country would pay for the same item with a non-AID dollar. That is, the price which we finance for the pharmaceutical product under AID financing must not be higher than the price which the same buyer would have to pay if he were using his own funds, free foreign exchange funds of the host AID recipient country, to buy the same product in the United States.

The moral consideration is that AID funds not carry a premium—not carry a higher price on sales from the United States. If the Congress had wished or had felt that it was in the interest of the foreign aid program, notwithstanding the balance-of-payment position of the United States, to open up procurement on a worldwide basis, then American suppliers competing for the AID export dollar would be faced with competition from European and other foreign suppliers.

But as the situation now is, American suppliers are insulated from foreign competition and the only standard that we hold them to is that their prices in AID sales not exceed prices in non-AID export sales.

Senator NELSON. But it is still correct, is it not, that if the United States is able to pay an American company 20 times or 10 times as much as the world price, that that produces money for the American company, it keeps the American dollar in America, it helps the foreign exchange? In many of the countries overseas, there are limitations on the amount of dollars that can be taken out.

So the foreign subsidiaries sit there with a surplus of soft foreign currency, perhaps piasters or the like: they transfer that over to the foreign government, who in turn must pay us back in hard dollars, which helps our foreign exchange. It is a very good deal for us. We get \$270 plus interest back for a product that cost \$24 on the world market and we pay the domestic company \$270.

When the poor consumer goes to buy it, however, after it is processed, he must pay 20 to 30 times as much as he would have to pay if it were coming from another country.

Mr. EYTAN. Mr. Chairman, things rarely work in the marketplace