with that type of wide profit margin being enjoyed by a company for a significant period of time. The importing company, the subsidiary in your hypothetical, competes with other importers. If indeed the product—let us say tetracycline—is available at one-tenth or one-eleventh of the U.S. price in Europe, then the competitor of the importer buying the American product will press his government for permission to buy the tetracycline from the European seller at one-tenth the price, using the free foreign exchange, that is, the non-AID foreign exchange of a country.

When this importer buys from, let us say, Italy at $24 per kilogram, he can then sell the product locally and enjoy a vast profit, which would make it impossible for the overseas subsidiary buying from the American parent to resell at a profit.

The point of this example which I am trying to suggest is that there are powerful forces within each country which make certain that no one is going to enjoy a lock on the market. If there is no competition from Europe at low prices, then goods will be bought from other sources where prices are low.

Of course, Mr. Chairman, as the committee knows, tetracycline is something of a special case, in any event.

Senator NELSON. Special in what way?

Mr. EYTAN. It has had a notorious history in the past decade. Tetracycline has been involved, as you know, in some serious conspiracy charges; the price in the United States may have been maintained, I say *may* have been maintained at artificially high levels; cases affecting tetracycline have been dragging through the courts now for over a decade.

We may also point out—I think we really want to emphasize the point—that especially with respect to tetracycline, the Congress put a provision into the Foreign Assistance Act, section 606(c); that provision had one eye cocked at tetracycline, we believe, since that provision prohibits any government agency from purchasing drug products outside of the United States when a U.S. company holds a valid patent over that product.

In looking at section 606(c) and its legislative history, we note this discrepancy which you have pointed out, namely, that U.S. prices for tetracycline were much higher than prices at which the same product was offered by certain European suppliers. This discrepancy served as a special impetus for insertion of 606(c).

Senator NELSON. I have taken one of the least dramatic examples of the discrepancy. I will give you an 8,000 percent difference between the price charged by the American company and the world market price in a few moments. But let us get back to your one point—that there is tough competition. If there is any competition at all, why would anybody be able to sell 1 kilogram of tetracycline for $270, when it could be purchased by any competitor for $24?

It seems to me that if there were competition, he would not sell any of this drug. I think that sounds ideal in the marketplace where everybody knows what is going on, everybody knows the drug and there is genuine competition. But if there were competition, how would your company outsell any other company in Pakistan, if you are paying $270 and another company is paying $24.