

Mr. EYTAN. The availability of the product from a European source is not a constant thing. Moreover, the drug has to be reduced into a finished dosage form. The American companies frequently invest in establishing or acquiring local subsidiaries, who then buy the bulk product from the United States, and then finish off the product into tablets, pills, and other forms.

There is a further processing required and a comparison of a price from the Italian, Portuguese source, or whatever source it is, frequently does not tell the whole story. In emphasizing the analysis of competition within the local market I call the attention of the Committee to the fact that there are pressures in the local economy and that if it is not profitable to purchase the bulk product from the United States, using AID dollars, it will not be done.

Senator NELSON. I still do not quite follow it. If there is competition over there and there are other companies with the capacity to make a finished product out of a kilogram of bulk tetracycline, how does American Cyanamid compete at \$270 a kilogram versus \$24. Can you name any companies that compete with American Cyanamid over there producing finished products out of tetracycline bulk?

Mr. EYTAN. I can say in most of these countries the privilege of securing an import license is extended to many importers. We do not have a situation in a country which I am familiar with in which licenses are issued to a very small and selective group. Therefore, the subsidiary abroad must always take into account that any other drug importer can compete with it by securing free foreign exchange to buy from Europe.

It is because of this open licensing that we feel it is proper to say that the American price can make economic sense in the local market, because otherwise the AID funds would not be spent for this product.

Senator NELSON. Let me ask another question.

In the purchasing of drugs by AID, do Europeans make any evaluation of therapeutic equivalency? For example, the Medical Letter takes the position that the drug of choice is tetracycline HCL. Prices vary dramatically. There are many kinds of tetracyclines and the very distinguished Medical Letter said that the different tetracyclines have similar clinical effectiveness. It also states that the oral tetracycline of choice is tetracycline hydrochloride capsules. And for parental administration, the tetracycline of choice is tetracycline hydrochloride.

In the tetracycline family we have Pfizer's doxycycline (Vibramycin) at \$2,250 a kilogram; American Cyanamid's demethylchlortetracycline (Declomycin) at \$400 a kilogram. And yet the best medical experts say that tetracycline HCL is the drug of choice.

Why do you buy a major brand name "me-too" drug that costs several times as much as just plain tetracycline, when the Medical Letter says they are therapeutically equivalent?

Mr. DWINELL. Mr. Chairman, I would like to have Mr. Salant answer that question, if I might. But first, may I say with regard to AID purchasing these pharmaceuticals under the commodity import program, AID does not purchase, AID finances.

Senator NELSON. I am sorry—

Mr. DWINELL. Such purchases, such imports of a lesser developed country as that country desires by its own policy.