

an American firm, that subsidiary will quite naturally buy the product of its parent.

Senator NELSON. In the list which AID submitted, it appears that most are American companies dealing with their own subsidiaries.

Mr. EYTAN. Well, in such cases the subsidiaries naturally will deal with the parent; and the question you further touched upon then arises—where does the demand for a particular brand item arise in the local country? Well, the demand for product X, for brand name X, will arise in the foreign country the same way that it arises here. Sums of money are spent to promote certain brand names and doctors write prescriptions for certain brand-named items. A demand thus arises for brand X as opposed to brand Y.

Senator NELSON. It puzzles me a little bit. In our AID program, we send over a group of experts. They work with the foreign government on a development plan. That government accepts the judgment and advice of our experts and we do not give them money unless we approve their development plan. We must be satisfied there is a development plan which is beneficial to that particular country.

We are there advising them as to what the development plan ought to be. Why then don't we advise them—since they do not have the commerce, the engineers, the business managerial expertise—why should we not advise them on what they ought to pay for drugs?

Mr. EYTAN. We do more than that. We actually direct them by means of our regulations and loan agreements, that when they purchase for public purposes, for their municipal and state-run hospitals, for their own public facilities, that they not get trapped by the brand-name hangup. But one of the things we impress when they buy for—

Senator NELSON. With their own money?

Mr. EYTAN. No; with our money. We say you must buy by generic description. We advertise by generics.

Senator NELSON. Could you give me any examples where they get any particular drug dramatically cheaper by that process than by this one?

Mr. EYTAN. I cannot give you specific instances in which a country has purchased drugs by formal competitive bidding describing the broad generic term and what the price was. If you would like, we will prepare something for you for a subsequent submission to indicate our experience with financing drugs for public purposes in foreign countries under competitive bidding where the product is described generically.

But the second point to be made here is that we emphasize in each country the importance of the private sector of the economy. We resist having the AID program routed entirely into the public sector of the economy. We try to emphasize the importance of private importers dealing privately, both with American suppliers and with end-use suppliers.

This aspect, this emphasis on commercial aspects of the program, the commercial import program, really forces us in large measure to accept the private sector of the economy as it really is. And it is the same way in the United States. Doctors do write prescriptions on certain brand-named items, and it would be extremely difficult for