AID to tell private buyers in Pakistan that they should not buy brand X, they should buy brand Y because brand Y is equivalent and much cheaper. It would be impossible for us to tell the importer you should buy the product generically and then resell it locally on a generic basis when that importer knows there is a particular demand for brand X.

Senator NELSON. I do not quite follow the difficulty. The difficulty is easily resolved by AID saying we won't pay that price. It is American dollars and we are paying it directly to an American company, with a foreign subsidiary, so they just do not have to pay the price.

Mr. EYTAN. The importer will only purchase an item which he believes he can resell at a profit. If AID tells a private importer he may not buy brand X, which he believes he can resell, but we insist he buy only brand Y, the importer who has no faith in his ability to resell brand Y, will simply not purchase brand Y. AID could very well tell countries—we will not make our funds available to finance drug products in the private sector.

Countries are very insistent on spending a portion of AID funds for drugs. The desire of countries to promote the health of their citizens leads them to press for AID financing for drugs, and that is quite understandable.

Senator NELSON. Well, take a look at the prices paid on competitive bids for the same drugs by New York City and the Defense Supply Agency. I think you will find quite a dramatic difference. I do not quite follow the reasoning that we should not insist that the country we are trying to help get a high-quality drug at a reasonable price. This puzzles me very much. Part of the program, as you explain, is to get private foreign money in the importing country into the hands of its government, so that government can carry on certain developmental programs. Right?

Mr. DWINELL. Correct.

Senator NELSON. Then, on the other hand, we are paying American companies dramatically excessive prices for all kinds of drugs which are going to be sold overseas, extracting from those poor people, their piasters or other local currency, far in excess of what they would have to pay if it were being bought at the world price or at least a somewhat more competitive price.

Mr. EYTAN. I believe that it is fair for me to say AID as a whole would—and certainly this is my personal view—that AID would welcome the impact of foreign competition, that is, non-U.S. competition on AID-financed sales from the United States. We do not believe that AID overpays for drug products or other products, because inevitably at a certain period of time after a sale takes place, AID carefully reviews the transaction under the standards handed to us by the Congress, and if there has been overpricing as measured against U.S. pricing in both AID and non-AID sales, we secure a refund.

The chairman is returning to the issue that American prices tend to be higher for some items than prices charged by foreign competitors. To bring American prices down it would certainly be imperative that foreign suppliers become eligible to compete with American suppliers.