

Senator NELSON. How do you control that at all, when a kilogram of some compound goes to a foreign subsidiary of an American company? You have no control over what they charge on the domestic market for the finished product, do you?

Mr. EYTAN. Their resale is a sale for local currency which is not the sale AID finances. AID finances the dollar export sale.

Senator NELSON. I understand.

Mr. EYTAN. The second level is purely a local, internal currency sale.

Senator NELSON. You say you tried to minimize the possibility of exploited prices by not financing finished products, just the compound. My query is, how do you minimize it when you are paying the local domestic producer for the compound and the domestic American producer is going to get the compound produced in finished product and charge whatever price he desires in the foreign market? How could you minimize that?

Mr. EYTAN. In the days when AID was financing finished dosage forms, the types of variation, pricing, manipulation, exploitation, brand-name preferences, the particular abuses that were then possible were far greater than those which are now possible. We admit that even financing bulk items lends itself to a situation in which some bulk products can be preferred over others. But it is simply not within AID's ability to transmit the latest information emerging in the United States concerning the relative merit of certain pricing patterns and thus affect the demand for products immediately.

The demand by the consumer in the foreign countries is shaped over a period of time, in part through promotional activities. This demand expresses itself in requests for import licenses or in import requirements. It takes some time for a feedback to develop from the foreign doctor, who ultimately creates the demand for a particular product, as a result of something like a Medical Letter issued in the United States.

Senator NELSON. This is a very small percentage of AID's operation. I suppose it would not be very practical for you to have a group of pharmacologists assay the drugs. Would it make more sense if it were done centrally by the Government?

In addition, shouldn't drugs be purchased by competitive bids on a generic basis in accordance with the best practices of some of our Federal and municipal government agencies? Why can't the drugs be bought from the lowest qualified bidder and then shipped to the country which is to receive American assistance?

Mr. EYTAN. We completely agree with you that it would be desirable to maximize purchases by generic name, and we do emphasize this form of ordering. It is only in those areas where private buyers purchase under less strict marketplace considerations that we have had difficulty in encouraging and insisting upon competitive generic procurement. The answers and reasons for that have been developed—they go back to demand for certain products.

Senator NELSON. As I look over a list of some of these foreign countries we are dealing with, you would not have to convince but one or two, or half a dozen of the people in one of those countries where their best interests lie.