Most commercial import program purchases are made by negotiation and not by formal bid procedures. This is standard commercial practice—in fact, procurement by formal bid procedures would be the exception rather than the rule. However, we still expect importers to canvass the market whenever possible and to place orders so as to obtain optimum economic advantage.

Mr. GORDON. May I ask a question at this point?

You say you require importers to canvass the market whenever possible and to place orders. I would think it is impossible to do this in the case of drugs, since subsidiaries buy from parent companies. Is that not correct?

Mr. DWINELL. I was referring, of course, to commercial import program purchases in general. When it comes to pharmaceuticals, that would be the case in some instances. This is indicated by the fact not all of our AID-financed pharmaceutical purchases are by subsidiaries.

Mr. GORDON. But most of them are.

Mr. DWINELL. It is true that a large percentage is.

Senator NELSON. Just for clarification, a question I should have asked earlier. If you took one of the tetracyclines like Bristol's Rolitetracycline, it is at the bottom of page 1 of the chart, or any one of those above it, how does it come about that Rolitetracycline or any one of those above ends up in being the drug that is imported? Is it because the foreign subsidiary asks for this particular drug by brand name?

Mr. EYTAN. There is, of course, a competition among importers to secure import licenses.

Senator NELSON. You mean import license for each import shipment?

Mr. EYTAN. Yes. It is shipment-by-shipment, generally.

Senator NELSON. Explain to me how that works, would you?

Mr. EYTAN. AID begins the process by making a loan to country X, with which eligible commodities may be purchased.

Senator NELSON. The loan is the payment they make to the country?

Mr. EYTAN. The loan does not result in any dollar funds actually changing hands between AID and the foreign government. AID negotiates and concludes a loan agreement with country X for $10 million——

Senator NELSON. For drugs?

Mr. EYTAN. Product items will be mentioned in the loan or in the supplement to the loan and, let us say, drugs are eligible. At that point, the country under its own internal procedures will apportion the $10 million of AID loan funds among importers. It will require applicants for import licenses to describe the commodity which they seek to import with great specificity. It will require them to provide detailed commercial information concerning the product; then the relevant ministry in the foreign government will allocate the $10 million, and some of that money in this hypothetical will go for the purchase of drugs.

The overseas subsidiary of the American firm will attempt to secure a portion of this $10 million, with which it may then issue a