Mr. BARONDES. I would like to add one point on the question of sales to subsidiaries. I am sure you realize that it is not unique in the drug industry that a substantial proportion of all American exports moves from parent corporations to overseas affiliates. To mention a few: much of our oil exports, petroleum exports, are going to subsidiaries; synthetic rubber and tire cord are moving from U.S. corporations to their overseas tire plants; many of the large automobile companies have assembly plants overseas. So to that degree, pharmaceutical producers are not entirely unique.

Senator NELSON. Go ahead.

Mr. DWINELL. I was at this point in my statement indicating commercial import program purchases are made by negotiation and not by formal bid procedure. This is the standard commercial practice. And I referred to the canvassing of the market which was affected.

Under the regulation 1 notification requirement, importers must, unless exempted for reasons stated in the regulation, advertise proposed purchases in the "AID-Financed Export Opportunities" bulletin, published by our Office of Small Business. We require importers to identify proposed purchases of pharmaceuticals by generic terms rather than by trade name, as we have already indicated.

This widens the range of potential competitive offers and alerts interested U.S. firms to possible trade opportunities, both for the immediate purchase and for future market explorations. Advertising by generic name enables importers to learn of competitive product availabilities. For AID, in addition to its impact on price, generic designation permits routine determination of commodity eligibility or ineligibility when notice is first received regarding a proposed pharmaceutical purchase.

But whether or not an intended pharmaceutical purchase is advertised in the "AID-Financed Export Opportunities" bulletin, we are alerted to all proposed shipments made under regulation 1 rules, by the "Application for Approval of Commodity Eligibility"—form AID–11—that every commodity supplier must submit to AID/Washington for approval. This prior approval procedure, which was developed in response to Section 604(f) of the Foreign Assistance Act of 1961, enables us to reject in advance shipments of any pharmaceuticals on our ineligible list or of pharmaceuticals not authorized in the specific commercial import program concerned.

We also require suppliers to list in their invoices, opposite each item billed, the established generic name and the quantities of active ingredients in each item supplied. This offers an opportunity at the post-audit stage for a final check on commodity eligibility and for more effective determination of compliance with the Agency's price rules.

I have already indicated that notification of proposed procurement is not always required, and may be modified or waived under certain conditions.

For example, publication of individual purchase intentions is not required under the so-called "Colombia Plan", of notification. Instead, our Office of Small Business publishes general information regarding the commodities authorized under each program, together with the names and addresses of importers of such commodities. U.S.