porters of such commodities. U.S. suppliers can then determine whether to explore the market for their specific products.

The Colombia system is considered for countries whose import and foreign exchange controls preclude individual importer notifications or for countries where the standard system of advertising is disadvantageous to program objectives. It is now authorized for Brazil, Chile, Colombia, Dominican Republic, Uruguay, and Indonesia.

As a second example, the Small Business notification requirement may be waived on a individual company basis when special contractual relationships exist between importer and supplier which render advertising meaningless. In such cases, the supplier may apply for an "Agency Waiver" on behalf of his importing distributor or manufacturing licensee. That type of waiver is granted only when our analysis indicates that the importer has a contractual obligation to refrain from handling competitive products. The validity period of an Agency Waiver is determined by the conditions of the controlling agreements, with a maximum of three years.

As of now waivers of small business notification requirements for pharmaceuticals are effective for 27 importers located in Ghana, India, Morocco, Pakistan, and Turkey.

I wish to stress that transactions conducted under "agency waivers" of the small business notification requirements are subject to careful post-audit examinations. Prices are tested against those charged in comparable export sales that are financed by AID and those sales that are not financed by AID. Briefly, our rules provide that a supplier's price may not exceed the prevailing export market price for comparable sales of all exporters nor may it exceed the price generally charged by the seller in his comparable sales. Posting of the generic nomenclature for each item invoiced facilitates that comparison. Audits made under these rules provide reasonable assurance that cases of excessive pricing will be uncovered when goods are sold under agency arrangements. As a result of these examinations, significant refunds have been obtained from suppliers whose prices were found to exceed those permitted under AID regulations.

I think it well to emphasize a point I already made—namely, that purchases under the commercial import program are made by private firms. These firms buy foreign exchange credits made available by our loans or grants. They buy these credits with their own local currency—the only form of currency that is generally available to them. Barring peculiar situations that may give rise to currency manipulations or other irregularities, an importer stands to profit when he buys properly at a fair price; he will inevitably fail if he buys imprudently without regard to price.

I would like to summarize my statement in this way: We administer our commercial import program for pharmaceuticals in a manner designed to reduce the potential for irregularities. We do this by excluding from financing commodities for which irregularities are most difficult to detect—the dosage form pharmaceuticals—and by monitoring the requirements that pharmaceuticals be identified by generic name. This strips away the brand name cloak under which product similarity may be concealed and price escalation practiced without restraint. As a concurrent consequence of these administrative policies and actions, we encourage participating countries to develop their own pharmaceutical laboratories to formulate dosage drugs.

We encourage also the use of quality raw and intermediate ingredients and bulk compounds of demonstrated efficacy that are produced in the U.S. to recognized standards and that are available under our programs at competitive prices and at savings in the foreign exchange positions of the importing countries.

Pharmaceutical purchases are relatively small as compared to over-all expenditures of AID funds for commodities. They represented 2.0 percent of total commodity expenditure in FY 1969 and 2.7 percent in FY 1968. However, those pharmaceuticals that are purchased with AID funds must conform to strict eligibility requirements, to rigid quality standards, and to permitted price schedules.

I am grateful to the Subcommittee for allowing me to present this broad view of our commodity financing programs, particularly as they relate to pharmaceuticals. I will be glad to elaborate on any areas which the Subcommittee may wish to examine.