

U.S. SENATE,
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C., September 24, 1970.

HON. LANE DWINELL,
Assistant Administrator,
AID, Department of State,
Washington, D.C.

DEAR GOVERNOR DWINELL: During the course of the hearing on AID's financing of drugs to foreign countries under the Commercial Import Program, you stated that your agency can finance transactions only at the prevailing market price in the United States.

It was pointed out, however, that there were large differences in prices of the same drugs sold to different countries. For example, American Cyanamid charged its Pakistan subsidiary \$270/kg. for tetracycline at about the same time it was charging its Colombia subsidiary \$100/kg. Wyeth was charging its Colombia subsidiary \$800/kg. for oxazepam while charging its Chilean subsidiary \$186.50 for the same thing. American Cyanamid charged its Pakistan subsidiary almost \$14,000/kg. for triamcinolone, while charging its Indian subsidiary less than \$8,000/kg. for the same drug.

It would be greatly appreciated if you would let me know which of these prices you consider the prevailing market price, on what basis you make this determination, and also the method of securing a market price if the drug is under patent and the product can be secured from only one firm.

An early reply will be appreciated.

Sincerely yours,

GAYLORD NELSON,
Chairman.

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., October 13, 1970.

HON. GAYLORD NELSON,
Chairman, Subcommittee on Monopoly,
Select Committee on Small Business,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of September 24, 1970 concerning the prices charged for pharmaceutical ingredients under the AID commercial import program. You ask that we answer some further questions which relate to our explanation in the August 6 hearing of AID's maximum price requirements.

You list the following different prices which were charged under AID financing in sales of three products by U.S. pharmaceutical suppliers to their importing affiliates:

Product and U.S. supplier	Importing country	Price per kilo
Tetracycline:		
American Cyanamid.....	Pakistan.....	\$270.00
Do.....	Colombia.....	100.00
Oxazepam:		
Wyeth.....	do.....	800.00
Do.....	Chile.....	187.50
Triamcinolone:		
American Cyanamid.....	Pakistan.....	14,000.00
Do.....	India.....	8,000.00

You specifically ask that we let you know which of these prices we consider the prevailing market price, the basis upon which we make this determination, and the method of securing a market price if the drug is under patent and the product can be secured from only one firm. We stated at the hearing that our pricing rules, in brief, 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". The