

Mr. SALANT. You are talking about the pharmaceutical field only?

Mr. GORDON. Yes.

Mr. SALANT. I honestly do not know. Perhaps Mr. Kunze—no. I do not have information on that. I can only say that current laws for most of the low-income countries in which we have programs prescribe that new ventures must be owned at least to the extent of 51 percent by local nationals. I would assume that there is a carryover in some of these countries of old firms. But this does not change the fact, Mr. Gordon, that they must still operate in accordance with the laws of the country, that they do not have foreign exchange on their own, that they have to go through the regular procedure of obtaining licenses and of purchasing with their local currency of foreign exchange for any imports.

Senator NELSON. I think that it is important that AID is modifying its rules. I am not sure how well they will work, but I think it is an important step in the right direction which needs to be monitored very closely. Quite obviously, this was a very delightful, cozy, profitable arrangement for everybody except the poor consumer in the aided country and the American taxpayer. Here you have a situation in which the subsidiary was ordering drugs made by the parent company—obviously as many sole source or brand name type drugs as possible—so that we have in the testimony, as you know, examples where they were paying 500, 2,000, and 12,000 percent more than the world market price. So everybody was a winner except the poor consumer because when it went into the retail marketplace at that inflated cost figure, the American company made a huge profit right off the bat and the foreign country got a 40-year loan at 3½ percent.

Mr. SALANT. Excuse me, sir. That was the country that got the loan, not the company.

Senator NELSON. Yes. Everybody was a winner except the poor foreign consumer and the American taxpayer, under that previous arrangement. I am glad to see that you have modified the policy and I certainly think it is important that you continue to monitor it very carefully because it appeared to be quite unfair to the consumer in those countries and to the American taxpayer as well.

So I think it would be of some value to review this in a year to see just how well the policy is working out.

Thank you very much. I appreciate your taking the time to come this morning.

Mr. DWINELL. Thank you, Mr. Chairman.

Senator NELSON. Our next witness is Dr. Jesse L. Steinfeld, Surgeon General, U.S. Public Health Service.

Dr. Steinfeld, the committee is pleased to have you here this morning. First, however, at this point in the record I ask that a brief statement by me be printed in the record with the accompanying letters from Dr. Charles Edwards, Dr. Steinfeld, and the president of the Pharmaceutical Manufacturers Association.

(The information referred to for inclusion in the record at this point follows:)