

CARNEGIE CORPORATION OF NEW YORK ORAL HISTORY PROJECT

The Reminiscences of

Pedro C. Aspe

Columbia Center for Oral History

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PREFACE

The following oral history is the result of a recorded interview with Robert J. Seman conducted by Ronald J. Grele on April 11, 2012. This interview is part of the Carnegie Corporation of New York Oral History Project.

The reader is asked to bear in mind that s/he is reading a verbatim transcript of the spoken word, rather than written prose.

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Session #1

Interviewee: Pedro C. Aspe

Location: New York, NY

Interviewer: Ronald J. Grele

Date: April 11, 2012

Q: I guess the first question to ask is: how did you become a member of the Carnegie board?

Aspe: Yes, well, I had met Vartan [Gregorian] many years ago. First as president of Brown [University] and later on, he was a member of the McGraw-Hill [Companies] board. And that's when I met him and I was chairing, at the time, the other committee of McGraw-Hill.

And one day, after the McGraw-Hill board, he called me and said, "Pedro, how tough is it to change firms for accounting?" And I said, "Well, it depends. How long has that firm been with you?" The answer made me laugh because he said, "Forever." I said, "Well, then you have to be careful." And he said, "I would like to invite you to be a member of the board of Carnegie Corporation of New York but purposely, I want you to oversee the transition from our present auditors to a new firm because we have not changed in decades." So I said, "Well, let me think about it." I came back, we had lunch and I said yes. And I'm happy I said yes.

So what we have been doing since that is, first, we changed the auditors.

Q: What did you think about Carnegie before? What did you know about it?

Aspe: I knew about the peace proposition of Carnegie—about that I had an idea. And I knew that it was an extremely well-drawn fund that had very good results, so that they were able to spend every year on the different programs. So that's what I knew.

And then Vartan said at the lunch, "Well, you are in three boards in the U.S. You should be in an NGO here." I said, "Well, I am in several NGOs in Mexico." He said: "Fine with you, but you are working on three boards in the [United] States, you should be in an NGO and I think it's fair." And that's how he invited me. And then I started reading first about Carnegie himself and then about the corporation and then about the programs and I'm really, really happy I joined.

Q: Did you have any sense of what American philanthropy was all about? You say you had an NGO experience in Mexico.

Aspe: Yes.

Q: How did that compare to what you found? [Laughs] That's an interesting proposition!

Aspe: Very different. The NGOs in Mexico are much younger, less institutionalized. So we are breaking way. We are starting to make our way on that. In the U.S., they have been here for decades and they have an institutional framework and so they are more institutionalized, so this will help me. In fact, as a member of the board of trustees of some NGOs in Mexico, I could be able to help them now because I have learned how well you manage things here in the States.

And so, we have two commitments. The first one was to change the auditors.

Q: What firm—was it KPMG?

Aspe: Yes, exactly.

Q: Had been for years.

Aspe: For decades. Then, what we did was we invited five firms to come. We invited them to the audit committee, so they explained to us what they could do and what would be their cost. And then, we had a problem because the one that gave us, by far, the cheapest price—and also we think that, by a significant difference, the higher quality—was McGladrey and Pullen.

Q: Than Goldstein [Golub Kessler LLP (GGK)] something or other?

Aspe: But you see, while it was a shock that it was not the Big Four—this is the fifth or sixth firm, not one of the well-known four firms—so we had to think about that and I remember it very well. I know very well one of the CEOs of the Big Four. So I went to see him and I said, “Look, I’m in charge of this. We got an offer and clearly it’s competitive in terms of quality and in terms of price. What do you know about this firm?” And he said, “Look, we, the guys of the Big Four, we say that you have to be with the Big Four.” But off the record, he says, “This is a really good firm. They have really good partners and you should go ahead.”

So I came back and I proposed to the members of the audit committee that we accept the offer of McGladrey and Pullen. And I’m glad we did. We have two individuals who have been with us for the last five years, Ian [J.] Benjamin and [Jeffrey] Jeff [H.] Yager. And Ian has specialized himself in NGOs, so that was really, really good.

And so in the last five years, we have savings of more than sixty percent per annum, relative to the previous cost and a very good quality. So after six years now, I’m happy that Vartan had the

vision to change—it was his vision to change—and that he convinced me to come and do it, and that in the audit committee we have people who are very serious, very professional. When we presented this change, by unanimous decision, everybody said, “Yes. Let us do it. Let us save a significant amount of money by lowering the administrative cost of the Carnegie Corporation and without any demerit on the quality.”

That first task, very good. Now, the second—yes.

Q: What was the learning curve like when you first came, for the audit? It’s very, very special because of the tax laws and the overall law governing the foundations because of the complexity of the [Form] 990. What was the learning curve like?

Aspe: Well, I had to study first what the difference was and, especially, what was the audit really on? Which are the key components and where could you have some problems? And as you know, anywhere, to have an accounting problem is a serious thing. But to have it in an NGO and especially one with the prestige of Carnegie, I mean, that was out of the question. We could not have that. And that’s why all the audit committee members dedicated a lot of time to evaluate this change of firms. And when we found out that Ian Benjamin, the guy who was going to be in charge of the audit, had enormous experience on this, that he knew very well the field, that he was very able to explain to us, when a change occurred, how that will affect us—

Q: Some firms wouldn’t have had that kind of expertise.

Aspe: No, no, absolutely not—and commitment. That’s really what you need because we couldn’t afford any minor mistakes on this. So I’m glad we did it.

Q: The pressures for transparency on foundations are enormous.

Aspe: Yes, they should be because of two things. First, because of the nature of the expenditure, which obviously is of very high social and political relevance, and second, because they have this tax break, where the taxpayers play a part in the resources, in a way, so you need public transparency, yes, absolutely.

Q: So when you were doing this, what was your impression of the structure and the personnel here at Carnegie to carry this out?

Aspe: Quite good. Quite good—at the time [D.] Ellen Shuman was in charge of financials and investment and Ed Sermier in administration.

Q: This was after [Edward] Ed [M.] Sermier?

Aspe: Ed Sermier first was in charge of it. That's with whom I worked first. And then we changed to [Robert] Bob [J.] Seman and Denise [A.] Clare—very, very good people. Professional, focused. I really, really liked them. So the administration of the Carnegie Corporation is not heavy. It's light but with very good people. So that's what I like. I hate when there are a lot of people and not very good quality. What I always like is very few but really good. And that's my experience. In the last years, I would tell you that with Bob Seman and with Denise Clare, we have been working really, really, really well. They are focused. They know what they're doing. They're always on time. When they have a new issue, immediately they call me. Doesn't matter if I am in Mexico or if I am in London, they call me immediately so we can focus on the news and on the event. And we haven't had any problem of communication, first, so that's wonderful. And second, the whole institution helped us with the change of auditors. For

some people, it was tough because they have one way of doing things forever and here comes a foreigner—

Q: Well, foundations are known for that.

Aspe: I'm a foreigner chairing another committee from Mexico and saying, "Well, we're going to change." And they were extremely professional and extremely kind.

Q: Which members of the committee at that time were the most helpful to you?

Aspe: Yes, well, the whole thing—because let me tell you, everyone was there. For instance, Thomas [H.] Kean was at all the meetings and Helene [L.] Kaplan was in all the meetings. So everybody wants to be there because everybody on the board knew that it could be significant, this change, and nobody wanted any surprises. So I will tell you I received—for instance, attendance. My recollection is it has been one hundred percent. So everybody took it seriously.

And, of course, now, after five and a half, almost six years of change, well, things are running smoothly now. But the first audit and the first of the second audit, we were all involved. We were all involved and no committee member missed one session. And that's what I like about institutions in the States, that they are professional. And they take action and they participate, so I'm very pleased. I learn a lot.

Q: In your discussions with the Carnegie staff, when they come to you, what are the particular kinds of things you look for when they're giving the audit report?

Aspe: I will say three things. First, that they know perfectly well the law and the regulation. Many times I said to them, "Okay, explain to me, just remind me, what's the law and what's the

regulation?” Immediately they will put the important points there. So that’s one. Second, that they know the details. There is a saying that “God and the devil is always in the details.” And these guys know the details! Ed knew them, Bob Seman knows them and it’s so very important to go into details. And what’s the special treatment for taxation for NGOs in an operation where you are doing this thing in Africa? That’s tough. We have to be careful. We have to be sure that we know what we are doing. And being a foreigner, although I know well the U.S. GAAP [Generally Accepted Accounting Principles] and the U.S. accounting for NGOs, it’s a different treatment.

Q: Where did you learn the American accounting system?

Aspe: Well, let me tell you, first I studied in undergraduate, when I was an undergraduate, I wanted to study economics. And my father wanted me to study accounting. The reason was kind of funny because he was a lawyer and he said he decided that in his life, he has lacked knowledge of accounting. So he said: “My son is going to study accounting.” I didn’t want to study accounting! [Laughter]

And so, when I entered the Mexico Autonomous Institute of Technology [ITAM], which is a very good private university in Mexico, I said to him, “Look, I got admitted and I got admitted to the economics program.” And my father said, “I’m not going to pay for you to enter the economics program.” I said, “Why not?” He said, “You have to do accounting.” So the first four semesters were common to all types of study, like the college in the U.S., so we didn’t have a problem. But in the fifth semester I had to choose. So I returned and I said, “Look, I have been two years in college and I want to do economics.” And my father said, “Fine, get the scholarship, I’m paying for accounting.” So I went to ITAM and I explained to the school, the personnel there

at the university, my problem and they said, “Okay. Fine, we’ll give you a scholarship for economics and you pay the accounting.” So I graduated with the two degrees. The one I like and the one that my father decided that was useful for my career.

Now, looking back, it was a really good thing because later on I went into the government and accounting was crucial. I was in charge of the privatization program in Mexico, so we sold more than four hundred firms, so the accounting—every time I was looking at the accounting, I would remember my father and say, “My God, he was right on this one.” So I learned the two things. That’s how.

Then I came to the private sector and they invited me to boards in the States. And once they asked if I wanted to be in the audit committee and I said, “Ah! I do not know enough of U.S. GAAP.” So I said, “Let me think about it.” And I thought hard and I said, “Yes, I have to learn U.S. GAAP.” So I decided to enter in the committee and I took a one-week executive course of U.S. GAAP at Penn [University of Pennsylvania] in Wharton [School of Business]. It was a very good executive course—expensive. It was five days but I had never been in Philadelphia. So I said to my wife, you’re not going to believe it, I’m going back to school for a week. So she came to Philadelphia and we stayed on campus—beautiful. And I remember the first day, it was an executive course for members of audit committees, so all the people were very professional. And they say, “Okay, there are two tracks, with grades or without grades.” And I say, “Oh, I am Latin American. The only way I study is with grades.” So they gave me a grade. And I got a good one. So I learned. I dedicated myself five days to U.S. GAAP, in the American way, eight hours a day, no distractions and good teachers, good discussion, so I learned a lot.

Q: In a strange way, your father’s victory resulted in you being at Carnegie—in a strange way.

Aspe: Absolutely, yes. And he was a lawyer. He always felt that he needed more accounting and more finance. And, of course, the economics part will give me finance. But you need to have accounting and U.S. GAAP has been extremely useful for me. For instance, now as co-chairman of Evercore [Partners] everything is U.S. GAAP. So without that, forget it.

Q: Moving on to some of the questions about the accounting here and the way it works, was there ever an issue about auditing grantees?

Aspe: Yes. Well, no. Well, you always have to be careful with that, of course, but all the things and the process that we follow—there were no surprises. Previously, Ed had done a very good job—the predecessor of Bob Seman. And KPMG had also done a good job, so no, I think it was well-run. But I understand perfectly well the vision that Vartan had, that you have to change. You have to change to see if everything is okay with new eyes, with a new view. And that's part of the transparency—to rotate auditors. Not, of course, this nonsense that you have to rotate auditors every year, which is nonsense. But let's say every decade. Why? Because then it becomes a routine and routine can lead to errors. That was the reason. But, no, we didn't have any problem, absolutely, on that.

Q: I ask the question because critics of the foundation world, from both right and left, are so anxious to jump on any kind of auditing problem than a grantee would have. Money that disappears, money that isn't spent properly, raising the salaries—

Aspe: As you know, there are always—it's a risk on this. And, of course, especially when you are working in less-developed economies like Africa, we had some problems. But they were problems of operation, problems of lack of institutions, lack of bookkeeping, et cetera. No theft,

thank God. And so you have to have the short leash and they have had the short leash on this. So there were a couple of programs that didn't work well. They were shut down.

Q: Now for that, would you have staff from Carnegie do that kind of oversight or would you hire an accounting firm as a consultant?

Aspe: We used an accountant as a consultant in Africa. That was the only case and it was money well-spent because you need a different view purposely.

Q: And a large firm would have the staff in Africa to do that?

Aspe: Yes, they do. They are worldwide and then you have to use one of the Big Four of course. That's what we used.

Q: Were there problems with the democracy program, which funds a lot of activist organizations?

Aspe: No, because, as you know, we don't have to go through all the detail. They have their own auditors, so we get the information from them. We are not doing the auditing ourselves. But they have to be audited by somebody else, which provides us with information. So no, I think in the U.S., except for minor things, I think the institutional framework for NGOs works well—really well. And the key is to involve people from all types in the world in the government of these institutions and look to this who's who of the audit committee. All people that know that they have been in important jobs in public life, in private life, in finance, in Morgan Stanley, et cetera, they know what they're doing.

Q: In your tenure here, when you began, of course, it was boom years and the endowment was increasing enormously and Ellen Shuman was really an activist. And then, it turned sour. So you had boom and—I don't want to say bust—but downswing. Were there special problems presented by either one in terms of the audit and budgeting?

Aspe: Yes, well, of course, as you know, the big, big concern was liquidity—and especially, after Lehman [Brothers] going bankrupt in September 2008. All the world—all the financial world—was in a very fragile state and liquidity was an important thing. And liquidity was very important for all firms—corporations but also for us because without liquidity, we could really harm the program. And the investment committee, they had a very good view of that and they adjusted the budget to have liquidity. So thank God Carnegie passed through this with enough liquidity. Thank God we didn't have a problem. Now, of course, the results suffered and the size of the fund adjusted, like what has happened with everybody else. But now we have returned to the good part. I think that the budget for 2009, I remember very well the discussions. We had a special budget discussion saying how we guarantee that we have liquidity. What do we assume for 2009? And we always tend to think in a very conservative way to say let's imagine that things turn really sour and so you have enough liquidity and we did.

And finally, in the summer of 2009, the economy—well, it didn't recover in full, as you know. A very fragile and very slow recovery in the U.S. but it started. So at least you're not falling anymore. So the really tough discussion was the budget for 2009 and the liquidity. But both the management of Carnegie and especially the head of the investment committee had it very clear that liquidity was king. Cash was king.

Q: In the earlier time, during the time of boom, there is the necessity for the five percent payout.

Aspe: Yes.

Q: And not building up a surplus that is going to lead to troubles with the IRS, et cetera. Was that ever a problem?

Aspe: Yes, well, we were watching it carefully and that had to do also with the liquidity, how to do it.

Q: Too much liquidity!

Aspe: Yes, but it was very well-managed. I remember very well, I think it was in the September meeting of the audit committee in 2008, where we were really scared after Lehman. And then we had a special budget session, I think it was October 2008, looking at this problem in 2009. So exactly the same thing that I was looking at in the boards of companies in the Fortune 100 was what we were looking at for Carnegie Corporation, at the same time.

That's why the boards are important, no? And the quality of the management—that's something that is really key, never to have too much staff, too heavy expenditure because that's a source of, I think, very healthy criticism of some of the NGOs. But thank God, not to Carnegie, not to us. Especially the quality of the people. So, I feel well.

Q: Could you, as a board committee, meet with the auditing firms?

Aspe: Yes.

Q: Separately from the staff or with the staff?

Aspe: Yes. We do it first with the staff and then without the staff. And we instituted the whistleblower program that we didn't have. We instituted all these things. So to have an executive session and to talk with the auditors: 'Okay, tell me, is there anything I should know, something that you can find, any surprises and how about attitude? Was management working? Collaborating in full or do you have to pressure?' You know, those are the hard questions. Not only me but the whole of the committee met alone with the auditors.

Q: Did that reveal any tensions?

Aspe: No. We were pretty careful in the beginning with the change. That's what I was very worried about and no, it was very good. You know, Vartan is a wonderful individual and magnificent person. He's a Renaissance Man, no? And full of culture. But he's also a good manager. When he invited me to do this I said, "I'll come with you to tell the staff that everybody has to work. They have to help on this." And he has this executive side, Vartan—you see him talking about deep philosophy and history, et cetera—but he's an executive at the same time and a good one, a damn good one. And so we have the one meeting with the whole staff where he said: "Okay, we are going to do this. The committee has decided unanimously to do it. So now, everybody's going to help." And that's why everybody helped.

Q: That's interesting because the public persona is one that would not really kind of encompass the directed administrative, the disciplined kind of—

Aspe: Yes. But I tell you, I met Vartan in a public board of a corporation. And I noticed there—he was the chairman of the compensation committee—and he was an important part of the board. And I saw him present to the board tough issues on compensation, transition. We had a chairman

and CEO transition at that company and he was in charge of that. And he was in charge of the interview of the new CEO and I attended the meetings. I said, “Well, no wonder. I knew that he was an excellent historian and an excellent philosopher but as president of Brown and head of the New York Public Library, he was also a damn good executive.” As he has been here.

Q: Outside of the audit committee, what particular parts of the program have intrigued you the most?

Aspe: Let me tell you. The first thing that I enjoyed the most which, by the way, is one of the great virtues of the U.S. and one of the great problems that they have today, is that in the board meetings, you always see the two sides of the political aspect. You have Republicans, you have Democrats, you have, you know—it’s a professional view but you have people from bi-partisan.

Q: I’ve interviewed Helene Kaplan and [Geoffrey] Geoff [T.] Boisi, so I’ve got some sense of—

Aspe: Exactly, Geoff Boisi’s a perfect example, no? Which I knew also from the corporate world—so let me tell you, that—

Q: Excuse me for a minute, don’t hide the microphone.

Aspe: Sorry. So, I enjoyed that a lot. And when you are—for instance, the thing that I like most was all the education programs. And how the schools were failing and how do you have a good district director and how you have a good director of the school, et cetera. So I attended many, many meetings of their trying to understand the institutional framework of the U.S. K-12 system.

And there, you need to have both views. You have to, not to be partisan at all on this. You have to have a broader view, away from partisanship and look at any district and the quality, et cetera,

evaluation, unions—in which ways they contribute because they do contribute in some ways. But in which ways are also an impediment to good teaching and to knowledge. So the infusion of knowledge, which is at the core of Carnegie’s will, is key in these issues. And I thought that how they treat their union problem in education is a very good example of bipartisan views. In this topic, you have both perspectives, neither all unions end in disaster nor all unions are wonderful. That’s what you need.

But saying: “Okay, the institutional framework is that we have this union. How does it work?” It’s collaborative or, in two or three points, they are an impediment to growth and knowledge. And that was exactly the right view. By the way, this happens a lot in the Carnegie Corporation but not now in your politics which is very partisan, very far apart. So I hope that after the election, you come back to the things that we foreigners admire you most for—which is that you have a center, which is quite wide and you can go to the left or to the right but within the center and not to extremes.

Q: I notice that, in your own work, obviously much of the thrust of it is privatization. But there’s also the element that there is a necessary role for the states.

Aspe: Absolutely.

Q: Yes, I notice that in your own work, so you would have that kind of mediating role.

Aspe: Think about the public education, which is the best example—and especially public education of a poor country. Come on! That’s why you tax people—to have resources to educate the population—and you have to do it through public programs. Of course, the private sector could come in and it’s wonderful that they come in but you know that in the really poor areas,

you have to come in and you have to go in with public resources. Now, at the same time, why would the government own a chemical factory? I mean, why? Especially, when the government does not have enough resources for education—that's where privatization comes and says: "Look, let the private sector do this. They can do it better than us and let us dedicate ourselves to the basic health and education front as a major fight against poverty." So that's the thing.

And in the Carnegie discussions, my God! The people that you meet here, it's just outstanding. I have a picture of—I was sitting between very famous women in the board, Janet [L.] Robinson, Amy Gutmann, the president of Penn [University of Pennsylvania] and Susan Hockfield, the president of my school, my alma mater, MIT [Massachusetts Institute of Technology]. And so I took that picture home and my second daughter, who is in public sector—she's an undersecretary of communications in Mexico—was saying, "How did your trip go?" "Oh, very well," I said. "Look at this picture." And she says, "Who are they?" So I explained who they were. She said, "My God, what a fantastic opportunity!" I said, "Yes." The best and the brightest, no? And you look at someone of the quality of Thomas Kean—that is a perfect example of someone who can talk between the two sides of the alley. Wonderful!

Q: It's quite a remarkable board when you look at them individually.

Aspe: Unique. Unique—you have the governors, which of course have a wonderful experience. You have two ex-secretaries of education, one who was the secretary of education of [President William J.] Clinton, who I met in public life. And the quality of these people is just astounding. But that's Vartan's—that's Vartan's and the Carnegie—

Q: Yes.

Aspe: —who are able to meet all these people.

Q: This is a little off the topic but I really would like to talk about it. There is, in the United States, a discussion of philanthropy as a third way—the government, business, philanthropy—as a third force, both in terms of microeconomics but also macroeconomics. Macro, the figures are quite outstanding, the amount of money that is devoted to philanthropic activity. But I would imagine that in Mexico because of the church, people are just as willing to give to charity, et cetera, but there isn't that infrastructure to raise it to a level of a third sector or a private sector in that same way.

Aspe: It has changed a lot in the last twenty years and let me tell you why. When you have a one-party system, obviously, that's very closed—when you have a closed economy that's really closed. So we have all these things but twenty years ago, we started a ten-year reform, where we really opened up the economy and the society. And that, well, we create NAFTA [North American Free Trade Agreement], so imagine there is the small neighbor to the south—the small and poor neighbor to the south, with all our history between Mexico and the U.S. and the Mexican-American War in the nineteenth century and all these tough things in our history.

And here a bunch of young politicians, economists, et cetera, were proposing to integrate and to do free trades with the U.S. and Canada. That was a shock in the country—big, big shock. Why? Because from our authoritarian past, we had this need to control everything—who can import and I want to know whom and why—this is a horrible, horrible intervention in the parts of government, where government has no competitive advantage whatsoever. So suddenly, this group of U.S.-trained people come to Mexico and said, no, we have to open up. Things that are tough to sell and convince—I remember very well, my eight hours in the Mexican Congress,

trying to convince the Congress that the money supply in the country was too important to be left in the hands of the president. And that we have to cut that and to have an independent federal reserve, an independent central bank, with a board of five people to govern themselves and to be independent from both the executive branch of government and the legislative. Oh, my God!

I remember when I was there, after my speech, which lasted fifteen minutes, they wanted to burn me. So I stayed and then I said: “Look at the world. Look why hyperinflations occur. We have to put the limits to the executive branch and these would provide stability.” Well, after eight hours, the only thing I convinced them was that I will take a group of the deputies in the chamber to visit six countries. And we visit, of course, Germany. Then we visit Chile, who has gone—the first one that went the independence way in a less developed economy. And then we took them to two hyperinflation countries in South America to see how the fiscal deficit fit in with a non-independent central bank. And, you know, people learn. We have had less modification than these guys but if you take your time and you convince them to go and see and learn and talk to the people in different latitudes, et cetera, that was really a change.

Then, for instance, the same thing we did for NAFTA. They were saying the U.S. is going to go offshore for the jobs, they’re going to take over, we’re not going to be competitive and produce anything in Mexico and we’re going to import everything from the States. And we say, “No, no. It’s not so. We have some competitive advantage.” And we have to, again, bring them, so we brought them to Spain. Felipe González [Márquez], the head of the Socialist Party had been present there and we went to see him. And I said: “Why did you open up to Europe? Why? Did France take over? Did Germany take over?” So it was very interesting.

Q: Do you think these changes have opened up a space for a different role for philanthropy in Mexico?

Aspe: That's the thing. That's freedom. And the more freedom—economic freedom, political freedom, et cetera—that's when you have flourishing of the NGOs. Because that's exactly what we're seeing today in Mexico, with a very open economy and with full democracy. What we are seeing today is a tremendous flourishing of NGOs.

You know, I have four children. One of them, Sofía, chairs the Mexican chapter of the Children's Fund [ChildFund México], which provides to Indian children thirty-six thousand breakfasts every day. So thirty-six thousand kids get their basic nutrition from this NGO. And it was all American. And now, the Mexican chapter has gone from zero Mexicans, one hundred percent Americans, to sixty percent Mexican, forty percent American. That's exactly the type of thing we want. So our children now are involved in these things since their twenties. And that's exactly the way to—it was unheard of but with economic freedom, with political freedom and the freedom to see the world, you learn and you learn fast. So I am very positive of that and that's why most of these NGOs are post-NAFTA. That's one of the hidden benefits of that agreement.

Q: As I listen to you talk, I wonder, do you bring a special perspective to the discussions of the Carnegie board given your own background, not as an American but as a government official in a different political universe? What particular perspectives do you bring?

Aspe: Well, the perspective is from a less-developed economy and telling them how tough it is to open up. You can have the vision to do it but the execution is so damn important. And you make

so many mistakes in doing that because when you have a closed system and you want to open up, as part of the opening, you cannot regulate everything. You have to let people make decisions and make a good bet, some, bad bets. And there will be some mistakes but the overall trend is for more freedom. And that's what we did in the less-developed economies.

And then, something that is very hard for you Americans to understand is that for us, for instance, NAFTA was so key because—and that's why we changed it at the constitutional level, so that it was not reversible, that it was here to stay—so the economy is going to remain open, like it or not. So once this framework moved, it moved fast! And now, look what happened. What happens is our exports have gone from fifty billion dollars to four hundred billion dollars. So in twenty years, we have multiplied trade by nine times. It's amazing. Amazing! And how competitive we are in some areas, we are not very competitive in other areas. That's why we import from the U.S. But the exchange has grown so much. But that comes with freedom too because in the long run you cannot have economic freedom without political freedom. And so we have had, now, both. And that's where the NGOs have a space. This space comes from freedom and that's what we are seeing.

Q: In your discussions with the Carnegie Board, has this kind of issue percolated up?

Aspe: Well, we always have the emerging market view both in the investment committee, of course, where you tell them the hidden dangers in a less-developed economy, where—the core of the problem is the rule of law. We have failures in some parts of that and that's a clear danger for investing. But also in the discussions of education. For instance, how to educate the migrants. So for instance, in the last twenty years—the migration from Mexico has been very, very important but now it has stopped. And it has stopped, everybody thinks, because of the U.S. lack of

recovery and the recession. It's not true. It's because our demographic has changed. Now, if you take the census of twenty years ago, the fertility rates in Mexico were huge. But if you look at the 2010 census, that has dropped completely.

Q: Oh, really?

Aspe: Yes, completely. So the last two years the Pew Center for Immigration [Studies] is reporting no negative migration from Mexico. And it's demographic and it's economic. So Mexico is growing. We have been growing in the last two years around four percent, with low inflation and providing jobs. And migration, because of the economy and because of the demographics, has stopped.

So when you tell the Americans this, they say, "Is it really true?" Yes. So when you hear Congress say, "No, we have to build a wall." I said, "Wrong time. You are twenty years late. It already happened, so it's not going to happen anymore." Because the demographic has changed, the education has changed. And the key of the falling fertility rates in Mexico is education, the education of young women. That has been the force. And this is something that will change our relationship a lot because before it was always this demographic pressure. Not anymore.

Q: This is a bit off the topic but it's not because, obviously, it has ramifications in terms of your discussions at Carnegie in terms of the program. But what we get in the papers—the picture of Mexico and your percentage to me, is rather optimistic—

Aspe: Yes, except for drugs—

Q: What we get in the newspapers is the pathology, the gangsters and the drugs.

Aspe: And let me tell you, that part is true.

Q: But when programs come up before Carnegie, instead of responding to the pathology, you're asking them to respond to something quite different.

Aspe: Yes.

Q: So off the topic but it's not off the topic.

Aspe: I agree. Look, the drug problem in the U.S. is a serious one and, of course, you have the consumption and we have the transit. We produce some but the bulk of the drugs come from South America. And given the fact that you have such good detection on air [travel], they have to come by land and that's where Mexico gets crossed in these things. And that part of the violence is absolutely true but it's concentrated in the northern part of Mexico near the border because that's where the crossing happens. And this is a serious, serious problem that we have not addressed ourselves—the U.S. and Mexico have not addressed it as an international problem. And it is an international problem. And I'm afraid that the so-called War on Drugs in the U.S. and Mexico has been a total failure, total failure. If you see the history of the so-called War on Drugs in the U.S. in thirty years, you would say, "My God, you've failed completely. Completely. Consumption is up. You haven't done anything."

So I think for the agenda for the future, that's a major topic, major, major topic, where we have to address—and where I think we'll have to start thinking the way that Portugal has been thinking—decriminalizing some of the drugs and start looking at them as a public health problem, not as a war on drugs with military and arms. So that's for the agenda for the future.

We need Vartan to be interested because that's the type of guy who can enlighten the discussion because the present state of affairs is shameful on both sides of the border. But in the northern part of Mexico, yes. For instance, in the region of the border, it's extremely dangerous to go there. From Monterrey to the border is a two-hour drive. But you can't do it at night now. You have to do it in the day—awful and really dangerous.

Q: We're approaching the end of our hour. We could go on for many, many—

Aspe: Well, let me just finish with this. This has been a particularly nice adventure, being on the board. I've met some of the most wonderful people, the most wonderful Americans I've met here. I enjoy the discussions of the board. I learn a lot. And I made my small contribution in the change of auditors and I am very glad for that, very glad because I made my professional education in the States at MIT. I had a Fulbright scholarship, so I have been blessed by having a wonderful, wonderful scholarship fund and the possibility to attend one of the top two universities.

And now I work in the interchange between our two countries. So when Vartan said, "Look, you are profiting from your board positions in the States. And now, with your professional life in the States, you should give back to some of the American NGOs." And I said, "You're right." And I'm glad I did it.

Q: That's wonderful. Thank you very much.

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