

## **Cooperatives in Chile's Return to Democracy**

**By Ted Weihe**

U.S. and Chilean cooperative leaders made a major contribution in helping Chile restore its democracy.

Harry Barnes, the U.S. Ambassador at the time of the transition comes from Minnesota and grew up with cooperatives. He was sent to Chile to reorient U.S. foreign policy away from the Pinochet government. He sought opportunities to identify with grassroots democratic cooperatives. He asked everyone to just call him "Harry" though he reached the highest levels of diplomacy, spoke 14 languages fluently and was sent to Chile to identify America with democratic forces. As former Ambassador to India, he was familiar with U.S. cooperatives in supporting the largest dairy cooperative in the world composed of over 12 million low income women all castes.

Prior to the 1973 coup, Walter Sommerhoff, the dean of Chilean cooperatives, built the most successful consumer movement in the hemisphere with 17 cooperative grocery stores and home building outlets throughout the length of Chile. Walter's son-in-law, Miguel Kast was the senior "Chicago Boy" – adherents of Milton Freeman's rugged individualistic capitalism that was adopted by the military government. Miguel closed down Walter's prosperous stores by recalling Government credits and, later on his deathbed, apologized.

Walter Sommerhoff shifted his work to housing cooperatives and became so well known that strangers pull at his sleeves as he walked down the street to thank him. Walter had a unique connection with U.S. cooperatives. He gave a tour to Senator Humphrey of Chilean cooperatives on one of his visits. Walter picked up the Senator at the airport in his old car and drove him through the roughest sections of Santiago to introduce him to low-income cooperatives including at the city dump. It caused nearly a diplomatic disaster when he dropped off the senator at the U.S. Embassy because the officials thought he had been kidnapped.

Walter's connection with the Senator came about when he testified before Humphrey's Foreign Affairs Committee for the inclusion of cooperatives for grassroots development in the Foreign Assistance Act of 1961 which created the U.S. Agency for International Development (AID). For many years, this amendment helped Chile develop its housing cooperatives and, in an ironic twist, led to U.S. cooperatives to carrying out people-to-people diplomacy to return Chile to its historic democratic roots.

Founder of Cooperative for American Relief Everywhere or better known as CARE, Wally Campbell had a love affair with Chile from his first international housing conference there in the early 1960s. He and Walter were soul mates

with equally life-long commitments to cooperatives. They shared a mutual interest in housing cooperatives that was intensified when Wally became president of the Cooperative Housing Foundation. Wally and Walter collaborated on low cost shelters for earthquake victims as well. Both had written books about cooperatives and were recognized as the senior cooperative leaders in their countries. On top of his TV in his own housing cooperative apartment, Wally had a model oxen cart that Walter had given him. Walter had arranged to name a housing cooperative after his friend, Wally.

Wally Campbell loved to tell the story of when he met with General Pinochet, the military ruler of Chile. He was there to represent CARE but, in his introduction, said he worked for cooperatives. Pinochet didn't want to hear about CARE. Instead he grilled Wally about cooperatives. The General just could not believe that cooperatives could exist in a capitalist society like the U.S. – he thought they were only the arms of socialists and Marxists.

Another cooperator, Monica Jimenez was the leading lay civil rights leader and served on the Pope's Peace and Justice Commission. She headed the School of Social Work at Catholic University. Monica's father, a communist and fascist, served briefly as Minister of Health and later became ambassador to Hungary. Monica's husband, Juan, lost his job during the Allende presidency prior to the 1973 coup when Marxist's nationalized the shoe factory he managed. They took their savings and toured Eastern Europe to see what a socialist society would be like if Allende succeeded with his Marxist reforms. Monica's connection to cooperatives came from her first job at a Catholic charity, INVICA, that funds low cost housing cooperatives. She became a pivotal figure in the 1988 democratic transition, as we will see.

The story begins with a speech that President Reagan gave to the British Parliament in which he announced a new democratic initiative to combat communism. Dante Fascell, chairman of the House Foreign Affairs Committee, hijacked the President's idea to create the National Endowment for Democracy (NED). During the Vietnam War, the CIA had funded various democratic groups and when it became known, there was a scandal. Fascell wanted to fund these groups openly and that is what the foundation was designed to do.

U.S. cooperatives supported passage of the NED legislation because cooperatives are democratic organizations that are "schools for economic democracy." NED was modeled after German political party-related foundations, that have long supported cooperative development overseas including in Chile. Initially, NED wasn't interested in cooperatives. But, I approached Dante Fascell, a strong friend of cooperatives and he helped us place support for cooperatives in the initial NED strategy document. As a result, U.S. cooperatives became one of the first grantees.

With the door now open, the group of U.S. cooperatives that work overseas and coordinate together through the U.S. Overseas Cooperative Development Council (OCDC) had to decide where they could be most effective. Wally Campbell spoke up and said “if you really want a challenge, what about Chile?” Based on Wally’s comment, I wrote a proposal and it was funded by NED. Initially it called for an exchange of cooperative leaders. Wally called his friend, Walter Sommerhoff, who arranged for a U.S. cooperative delegation to meet with different cooperative leaders, write a report on the status of Chilean cooperatives, and helped us invite key leaders to the U.S. Wally and I directed the program.

On my first visit and introduction to Chile to put the program together, I experienced riots, a declaration of a state of emergency, a mild earthquake and a volcano eruption right in front of me – the first time in 40 years. As I was taking one of the first pictures of the unexpected event, Walter came speeding up in his car (he was a notoriously poor driver) and said that “his” volcano had erupted. It was located near his summer home in southern Chile.

Wally Campbell and I led a U.S. cooperative delegation on a tour of cooperatives throughout the narrow sliver of Chile between the Andes and the Pacific – twice the distance of the U.S. East Coast. In some towns, we were greeted as human rights investigators. On one occasion, I introduced myself as having worked for the Carter Administration and Juan Hamilton, a Chilean leader, profusely thanked me; he said, “Jimmy Carter had saved his life.”

After our press conference at which Wally encouraged the government to be more supportive of cooperatives, a reporter took me aside and asked me to meet her husband. She drove me past the stadium used during the coup to hold so-called leftist. He had been the former Minister of Housing in the Allende government and graphically described the human rights abuses so well documented in the movie, Missing.

The returning Chilean delegation to the U.S. was carefully chosen to represent cooperative leaders from all political points of view from extreme right to left. A key leader of the delegation was Elsa Gardeweg who headed the agricultural cooperative association and was a personal advisor to Pinochet. Elsa was a true believer in coops and had found many of them. The goal of the U.S. visit was to try to get Chilean cooperative leaders – who were hardly on speaking terms - to work together to revive cooperatives and reform cooperative legislation that has heavy handed and restrictive. We hoped that in visiting similar U.S. cooperatives, they would see how we operate in a bipartisan way despite strong political differences. Quite frankly, these efforts failed. The only time the Chilean cooperative leaders of the right and left would work together was in helping set up meetings or attending workshops that we organized.

When the Chilean cooperative delegation came to the U.S., I recall one of its housing cooperative leaders who asked me to arrange an interview with the Washington Post. I had been interviewed in his hometown of Temucu earlier, and I had to explain to him that our press was different. He almost went home on the next flight because he promised his wife to call every night and he couldn't figure out how to make a long distance call. One of the most interesting tours, I helped arrange for Jorge Valenzuela, leader of small fishing cooperatives. Without his prior knowledge, I shipped him off to Alaska to visit with Salmon coops since there aren't many fishing cooperatives in the U.S. On arrival in Washington D.C., he had to rush out and get warm clothing.

After this U.S. - Chilean exchange, OCDC obtained a second NED grant to carry out workshops throughout Chile to help support new young leaders to revive the cooperative movement. The idea was to train them in cooperative development in their communities and, then, we funded follow-up workshops. Each trainer was committed to training others in their organization so that we could increase our outreach.

These workshops in Chile involved lots of role-playing about forming cooperatives and Ambassador Harry Barnes took advantage of them to demonstrate the U.S. commitment to democratic groups. The format was to design workshops and then play out one of the sessions. As part of the audience, Harry played a poor woman in one group and a youth in another. He had a great time and, of course, brought lots of publicity to the workshops. At each workshop site, he visited nearby cooperatives and talked about the importance of their grassroots democracy since there had been no political elections in the last 17 years. At one of the workshops, Harry was translating for me – others at the luncheon were aghast, but it was typical of the Ambassador.

Through these interactions, I became Harry's informal advisor and legislative agent. He wanted to open up new programs and introduce the Peace Corps. I told him about the American Schools and Hospitals Program and helped obtain a grant for Santiago College. After one of our discussions in Chile, I returned to Washington D.C. and, the next week, watched as a House appropriations subcommittee wrote language that would cut off all funding to Chile. I called the Chilean desk at the State Department and they said it didn't matter much. So, I faxed Harry and the next day, all hell broke out at the department. Harry and I strategized and got the decision reversed in full committee. Harry was political too, so we made a formidable team.

Harry wanted to fund democratic groups and I helped identify organizations involved in Chile and suggested funding sources. Wally and Walter dearly wanted to obtain a housing guarantee program for low-income cooperative housing. CHF had helped Chilean cooperatives in the past to get these funds. They raised the idea directly with Harry. I was skeptical and didn't think it was possible because the host government must guarantee the loan against currency

risk, thus, identifying the U.S. with a repressive government. I mentally dropped the idea.

A few weeks later, Harry came to town, called me up, and asked: "How are we coming along with the housing guarantee fund?" A common trait I had learned about Harry, Wally and Walter is perseverance. I directed him to the key office and they put him off by saying that they could never get Congressional approval for such a program. That set up a real challenge. So, Harry and I teamed up and got report language introduced by Doug Bereuter into a foreign aid bill. Earlier, Congressman Bereuter had sponsored an amendment to the Foreign Assistance Act that called on AID to support cooperatives as part of its democracy efforts.

As a result of the legislation, Walter Sommerhoff put together a very complex cooperative housing program that did not rely on the Chilean government, but worked with Citibank as the guarantor for the loan. Through using the debt swap window, Walter covered the administrative costs or currency risks to Citibank by increasing the guaranteed loans from \$5 to 8 million dollars. I vividly recall when the huge stacks of official documents were signed in a law office that overlooked a corner of the White House. Harry had his wish and he followed up with visits to the newly funded, democratic housing cooperatives as another sign of U.S. support for democratic groups.

The final NED grant was to hold an international cooperative conference to try to get Chilean cooperatives, politically split from far right to extreme left, to work together on changes in cooperative laws and regulations. For example, credit unions could be shut down if they didn't get their monthly financial statements to the key government officials on time.

Cooperatives in Chile were especially controversial because peasants formed many of them in land reform efforts under President Kennedy's Alliance for Progress. Peasant and workers cooperatives were associated with the Christian Democratic Party or parties of the left. But larger cooperatives in agriculture and rural electricity tended to be very conservative. After the 1973 coup, Pinochet had repressed most cooperatives, many cooperative managers fled the country, and the government emphasized rugged individualism over cooperation. In 17 years since he came to power, there had not been a single government pronouncement favorable to cooperatives.

In planning for the international conference, Ricardo Garcia, a leader in cooperative housing, invited Wally and me to dinner. Little did we know that he would unexpectedly be appointed Minister of Interior, the most powerful post in government. At the dinner, I got into a heated argument with Ricardo on how to describe the Pinochet government. He said it was a constitutional government and I said it was a military dictatorship. The conversation was abruptly ended when we noticed it was ten minutes to 11:00 when the curfew was to go into

effect. As we rushed to drive back to the hotel, I thought it helped make my case.

On our next trip, Wally Campbell, Walter Sommerhoff and I met with Ricardo at his offices in the Moneda, the Chilean White House. This was where former President Allende was killed in the coup. Many Americans will remember this incident from the movie, Missing, as it was bombed while the U.S. Ambassador looked on. Despite our earlier conversation, Ricardo agreed to speak at the conference as a favor to Walter Sommerhoff. His remarks were the first kind words about cooperatives by a senior government official in all those years.

Walter Sommerhoff, Harry Barnes and other leaders also spoke at the conference that was held at the United Nations facility in Santiago because there were still restrictions on any public assemblies of more than five people. The week before the conference, members of the Civil Alliance, who had carried out an illegal demonstration, were arrested. Only because of this conference did several cooperative leaders, who were members, stay out of jail. In the dialogue between left and right wing cooperative leaders, they knew next to nothing about each other's coops and it would not occur to them to work together.

This next twist in these events is somewhat complicated. In 1987, Pinochet had called for a quick referendum on continuation of his rule to take place on October 5, 1988. After the coup, all registration records had been destroyed. In order to vote, Chileans needed first to get an identity card that cost about \$1.50 in U.S. dollars and then find the right place to register. It was similar to the "poll tax" system in the American South to exclude African Americans from voting. Only the U.S. and now Chile require registration. Most other countries allow you to vote with a regular identify card or to just show up. So, the expertise in voter registration drives is uniquely American.

At a follow-up to the cooperative conference, Harry asked me what organizations could help with voter registration. I told him that the League of Women Voters is the best non-partisan group to carry out registration efforts. My mother had been the local leader in the League that helped overturn massive resistance to school integration when Virginia had a poll tax to keep Afro-Americans from voting. With repeal of the poll tax by the Voting Rights Act, the League was the leading national organization to register Afro-Americans. Similar restrictions to keep low income voters from the polls existed back then and were now in place in Chile.

I had worked for the national League of Women Voters as a lobbyist and knew their voter education programs. These efforts had to be face-to-face in shopping malls and door to door to get people to register. Harry turned to me and said there is only one person who could do this and it's Monica Jimenez. He set up a meeting for us at local hotel. At the time, she was part of a 14-person national committee for fair elections and was willing to explore the idea. Later, she cites

our meeting as the inception of the new voter education organization she created.

Chile is a small place where everyone seems to know each other. So it was probably not much of a coincidence that Monica had once worked for Ricardo Garcia at the Catholic charity, INVICA, that funded cooperative housing for the poor. Nor, that Ricardo's brother headed the office of registration that proved steadfastly honest throughout the highly charged national registration process.

Harry and I arranged for a USIA grant to send Monica to the States so she could learn about voter education programs quickly since the plebiscite was only a year away and time was short. Non-partisan voter education organizations had never existed before in Chile. I arranged a tour of these types of organizations when Monica came to the U.S. At my suggestion, she came to Washington with proposal. It was very modest at \$50,000 through a well-known Jesuit organization. I said let's make it meaningful so it could really have impact. We revised the proposal and scaled it up to \$1.8 million. The proposal used the same leadership training methodology that I had designed to recruit young cooperative leaders under the NED programs.

We knew that the only way to move money quickly through AID would be to pass the funds through another organization with a current grant. I talked to friends in AID and they said only one organization was possible. So, Monica changed her return flight and she went to Costa Rica to get support from the Institute of Human Rights and its election monitoring affiliate. She didn't have a visa, but called a Chilean friend of the Costa Rican president who picked her up at the airport.

When Monica returned to Chile with the proposal, the Chilean sponsoring group was not willing to let her run the program and thought it was too much money. On another cooperative trip to Chile, I called her up in Peru where she was carrying out a UN assignment concerning women. I told her we needed another sponsoring group and she directed me to a cooperative housing lawyer who said that CIVITAS, an Italian Catholic group, would sponsor the program. I got the background information about CIVITAS, and submitted the proposal to AID.

With Harry's backing, the proposal was on a fast track for consideration. I was asked to represent Monica and CIVITAS at the internal meeting on the proposal in which the room was jammed full of AID officials who strongly opposed the idea. The Deputy Assistant Administrator walked into the room and said, "I have a meeting with the Administrator and must leave immediately. This proposal **will be funded** and find a way to do it" and then walked out. The room was stunned. There was stone silence and the meeting broke up. Harry had done his magic backstage.

Senior AID officials in the Latin American Bureau thought the voter education and registration drive would fail, the plebiscite was a fraud, and it would only reinforce Pinochet and anti-democratic forces. So they tried to kill it administratively by first sending auditors to Chile to prove that CIVITAS could not handle the complicated bookkeeping requirements. The auditors found that CIVITAS had a solid financial background and they agreed to use the U.S. auditing firm, Arthur Anderson, so the ploy failed.

As AID continued to stall and time was running out, I called friends on the Hill who intervened to get the proposal moving. They traced the calls to me, so I became persona non grata. Key AID staff was instructed not to talk to me. But I continued “bedroom” discussions with a lower level AID supporter, Roma Knee, who believed in the effort and led me know when to intervene to keep the proposal on track. A specific provision was put into the CIVITAS grant not to use U.S. consultants, which was designed to keep me at a distance from the program. So I used backdoor NED funding for Chilean cooperatives to help Monica design the vote education program.

Next as part of the delaying tactics, AID asked for an extensive work plan prior to considering funding the proposal. Monica and I met in Costa Rica and went off to the Human Rights Institute there to write what, in effect, was a completely new proposal. The day we arrived, the head of the voter education department left to go on vacation. So, the two of us wrote the work plan. We incorporated registration materials produced by Peter Hart, a well-known political consultant, that NED had sent as a volunteer to Chile. We were told that the proposal should be written in Spanish, so I dictated and Monica wrote. On returning to the U.S., AID changed its mind and said the proposal had to be in English. That same week, the NRECA building where I work caught fire so I was sent home. I had the proposal translated back to English over the holidays by a friend of Monica’s at the Chilean Embassy. As a bonus, I learned to use a computer. I submitted the work plan on behalf of CIVITAS to AID on the first working day in January 1987.

Now the Institute itself had to approve it - which resulted in more delay. Harry Barnes and Monica weighed in again and got the Institutes’ approval. With time running out and before the proposal was formally signed, Monica and CIVITAS announced the new program. We keep up the fiction that the funding was from the Institute and not through AID. Later in the year, the grant was increased to cover TV and radio advertising costs on voter education.

The organization became known as the Civic Crusade and used a cross and the papal colors of gold and white with the slogan, “My Voice, My Vote.” The previous year, the Pope had visited all of Chile to encourage reconciliation and thousands of volunteers had arranged for his visit. These volunteers became the hub of what became the first non-partisan voter education organization in Chile. Cooperatives throughout Chile joined the Civic Crusade since it was the home for

non-political party activists to contribute to the drive to democracy. TV and radio ads re-enforced door-to-door education campaigns in 150 field teams. Information was evenly provided on what a “Yes” and “No” vote meant. “Yes” continued Pinochet’s rule and “No” required new elections in a year.

Data on registration rates helped target the effort. Pop singers came back to Chile to hold concerts at which registration cards were the admission ticket. The cooperative train-the-trainers methodology enlisted 7,000 volunteers. Chile had never seen anything like it before – it was truly a grassroots volunteer movement. But there was still more drama to come.

Monica got the idea to hold hands, pray and tie yellow ribbons all around Santiago to urge a peaceful turnout through a human chain, inspired by Hands Across America. The authorities did not know how to handle it but decided she needed a permit for a demonstration. She met with a senior secret police official whom reluctantly agreed and required Monica to personally accept full responsibility for any damages. Monica signed with some trepidation.

At the appointed hour, the organizers did not know if anyone would show up. The event was continuously broadcast on Radio Cooperativa, the voice of the Pinochet’s opposition, which told people where to assemble at the given hour. And, did they - it was the largest demonstration in Chilean history with over 100,000 participants. The next week, the Chilean people elected to return to democracy with a 55% “No” for continuing Pinochet. For the vote itself, the Civic Crusade volunteers arranged for international observers at dozens of polling places and a quick count to make sure the results were not reversed in the tabulation.

Pinochet had misjudged the electorate. With backing from the military and government officials, he expected to turn out the first wave of registrations. He knew that the second wave would come from the opposition, which unexpectedly united in a common campaign. But, he thought non-political Chileans would opt for stability over democracy. He was wrong and Monica and her volunteer troops (they wore scarves based on her work with girl scouts) helped Chileans choose democracy. Paul Sigmund, the leading historian of Chilean-U.S. relations and son in law to Congresswomen Lindy Boggs, said, “As a result of the Civic Crusade, the number of registrants rose to an astonishing 7.2 million, or 92 percent of the potential registrants of voting age.” Just as surprisingly, Monica knew and was a friend of the famous Boggs political family. Lindy as everyone calls her related to me when the lights went on at her Louisiana farm from the local rural electric coop.

Because of these efforts, President George Bush selected Monica Jimenez as one of the first recipients of a Democracy Award. While in Washington, we thought if she was going to get an award, why not ask for NED money to carry out candidate meetings throughout Chile. All the funds had come from AID yet

NED was giving the honor. It was the easiest two-page proposal I ever wrote that went straight into the NED Board book for approval.

With Pinochet defeated, the right wanted to become more legitimate and sought allies since the next election was for a new president. Monica approached all of the major parties and got them to agree to League of Women Voter-types of political debates. Now, her newly incorporated group, known as Participa (Participation), became broad based and went on to become one of the most successful democratic organizations that now provides democratic assistance all over the world. Participa advocates a democratic way of life and cooperation among all elements of society in resolving national issues.

Years later, she added a significant footnote to this story. Democratic leaders feared that Pinochet would not accept the verdict of the plebiscite. There was an elaborate plan to deliver results of the “quick count” individually to members of the military junta. Each head of the military services then, in turn, went to Pinochet and told him that he’d lost even before the final votes were counted.

On the critical Election Day, there were rumors of a government plan to disrupt the plebiscite and blame the communists in order to call it off at the last minute. Again, Harry Barnes and Monica Jimenez teamed up for an international diplomatic and media initiative to head off such an attempt.

Cooperatives are not just about democracy within themselves. They truly are ways to cooperate to change society. The heroes in this saga learned the value of cooperation and put it into practice in ways that helped Chileans work together to reclaim their democracy. It is part of the legacy for new generations from Wally Campbell and Walter Sommerhoff.