FROM: Phyllis Schlafly

68 FAIRMOUNT, ALTON, ILLINOIS 62002 / (618) 462-5415

RELEASE: DECEMBER 14, 1982

LESSONS OF TAIWAN AND HONG KONG

Confidence in the future is an essential ingredient of prosperity. The fluctuations in the stock market, in interest rates, in capital expansion, and in bankruptcies in the United States during the past several years are evidences of uncertainties felt by people who have money to invest when they contemplate commitments that tie up their funds into future years.

The people who make the business forecasts on which they risk vast sums of money often think that the only factors that affect their investments are economic. Sometimes, they realize that political factors, too, can have a profound effect. The one factor they often overlook is military security. It is the sine qua non of all economic prosperity. Without it, investments aren't worth the paper on which they are written.

Hong Kong has been one of the world's most remarkable examples of business prosperity. Goods are so plentiful, shops are so exciting, hotels are so lavish; it's the one place in the world where shopping has been raised to the level of exciting entertainment.

But this year, Hong Kong's dollar and stock market began to suffer a crisis of confidence. What happened? Nothing yet. It's a demonstration of the old proverb that "coming events cast their shadows before them." The only thing that happened was that a certain date arrived on the calendar.

That ominous day was the date on which, if you make a 15-year loan or investment, the day you expect to get your land or principal returned to you will be AFTER the expiration of the 99-year British lease on Hong Kong. The British lease expires in 1997, and after that the Hong Kong government may not be the British who respect private property and contracts, but the Red Chinese who do not.

The Chinese could insist on outright seizure, or nominal sovereignty, or something in between. But Peking will be making the rules, not the British. Asian financial newspapers describe the fear of the future as somewhere between worry and panic.

Meanwhile, the challenge for investors is, how much cash will you invest in Hong Kong's future? All of a sudden, as much capital is moving from Hong Kong to the United

States as the other way. Hong Kong business interests call this "diversification."

In contrast, there are no economic jitters on the island of Taiwan, even though it is only 90 miles farther from Red China than Hong Kong. Americans and other Westerners are investing hundreds of millions of dollars in Taiwan. Taiwan is a good place to invest, and the future looks secure.

The American business community has "voted" with its money. U.S. businessmen building or expanding plants in Taiwan often even pass up taking risk insurance as not worth the money. They simply are not worried about Taiwan losing its independence.

If you look at the political rhetoric, a casual observer might say that Taiwan's days are numbered. Red China is constantly blustering around with intemperate demands that China be "unified" and that Taiwan be incorporated into mainland China. Red China is virtually silent about Hong Kong's future.

The difference is the military weapons behind the rhetoric and the will to use them. Nobody believes the British will send their Navy to hold Hong Kong. Taiwan's American F-5E jets armed with air-to-air missiles are more than a match for China's MiG-21s, and just as important as the hardware, is the hard will to use those weapons.

Taiwan has repeatedly demonstrated a fierce determination to fight for freedom, no matter what the cost, by the inspiring way it has armed and defended the tiny island of Quemoy, only two miles off the coast of Red China, within earshot of the blaring propaganda loudspeakers. Repeated attempts by Red China to take over the island always ended in failure, and Quemoy is now armed to the teeth above and below ground.

Alexander Solzhenitsyn recently visited Taiwan and paid tribute to its valiant stand for freedom. He warned that Taiwan must rely on its own strength, not on outside help. That wasn't news to the government of Taiwan, which is recognized by only 22 countries.

Maybe Solzhenitsyn was really talking to Americans when he made his speech in Taiwan. "All prosperous people," he said, "tend to lose the awareness of danger, and consequently lose their will for resistance. I urge you to avoid such a weakening. Don't permit the youth of your country to become soft and placid, to become slaves to material goods, until finally they will prefer captivity and slavery to the struggle for freedom. That for 33 years you lived peacefully does not mean that you might not be attacked in the following three years."