

Thursday, August 1st, 2019

Dear Chris,

As I stand in the 'Great Square' of Trieste, overlooking a placid, yet sparkling Adriatic Sea, my brain says this is Italy but my eyes see Vienna. Neoclassical buildings with metal rooves that proclaim wealth and permanence..the eyes are correct. Trieste was Hapsburg for five centuries, serving as the main sea port and free trade zone for the Austrian empire. The street signs still have the 'strasse' carved into their stone, with the 'via' chiseled above. It is an odd mix of cultures that is also present in the food. There is lots of schnitzel and milky coffee (Viennese), and delicious gelato (Italian), with myself returning for many second scoops. The lure of the Adriatic is mesmerising and I am anxious to go for a swim, even if the water is a refreshing 23 celsius.

The wealth of the city was forged on free trade and it can clearly be seen in the white stones of the Castle Miramare as it juts out over the sea. Miramare castle was built by Ferdinand Maximilian, the brother of Franz Josef I.

Maximilian was commander of the Austrian navy and the doomed Emperor of Mexico and he died in the castle having only just built it.

Trieste's Italian inhabitants had long desired union with Italy, as they felt slighted by their Austrian rulers. They were able to achieve this at the end of WWI, but this political union with Italy carried a high economic price; Trieste lost its pre-eminence in its former empire now becoming just another middling Italian city. Venice, across the bay, was its sexier and

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more successful competitor; Trieste sacrificed its financial status for political freedom.

There is another city today that is dancing to a similar tune, Hong Kong. Having achieved freedom from Britain and union with China, Hong Kong has, so far retained its position as the financial free port for the mainland with unique rights and an open capital account.

My first encounter with this duality of a free market sanctuary, but with Communist rulers was the Red Chip equity mania of the mid 1990's where the Chinese Communist Party owned companies that were listed in HK via offshore structures; the listings have since continued to multiply.

Today as HK demands to retain its special political rights, Shanghai offers itself as an effective financial competitor; this means that HK, like Trieste, may ultimately have to sacrifice its economic relevance for political freedom.

Churchill's famous 'Iron Curtain' speech is when I first heard of Trieste. A revised speech may now read - 'from Taiwan on the East China Sea to Hong Kong on the South China Sea, an alluring wall of growth is being engineered.' And to be part of it, we must set aside principle for profit.

But for now it is the Adriatic that calls to me for a swim.
See you Monday - Mustafa