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Dear Adriaan

We spoke on the phone in the middle of August since when I received your letter of the 15th written, I suppose, just after that call. Thank you for thinking of me for your gathering of friends - I am flattered to have been considered.

Your comments about Java and the Japanese cannot but remind one of the horrors of that war and in particular the sufferings of both civilians and military personnel in the POW camps. I attend once a month a lunch-time get-together of retired businessmen in this area held on a rotating basis in pubs in the nearby villages (actually invited to join the group by Michiel Noorduyn) and yesterday I was talking to an ex-banker who I have known superficially for years and discovered that he was born in Sarawak in 1938. He and his mother and brother were evacuated from Singapore in 1941 in the last ship for Australia but his father, who remained on in Sarawak a little longer because of his business commitments, was captured by the Japanese. He survived captivity but came out of his camp weighing seven stone (he was fourteen stone and six foot three inches tall at the beginning), partially blind and in extremely poor health. He died 12 years later having not been able to work again and living on a diet of medication. Neil, the ex-banker son, will have nothing to do with anything Japanese - he simply cannot expunge the sight of his father from his mind. So whilst the lucky ones like you and the family survived, goodness knows how many went the way of Neil's father.

Of course, the conflict is different now. Terrorism is the contemporary word for armed conflict with the main thrust undoubtedly coming from Muslim fundamentalists. That lunatic Saudi holed up in Afghanistan could so easily escalate his attacks at random across the Western world in furtherance of his crusade against unwelcome US meddling in the Middle East. Then we have that other lunatic in Washington called Clinton (of zippergate fame) who is fighting what seems to be a rearguard action to retain his Presidency. The result of his stunning indiscretions with teenage Monica - quite apart from what one can only imagine must have been a long series of similar acts with all those other women - now has Wall Street diving for cover whilst the nation awaits the possibility of an impeachment process or a Presidential resignation. Add to that cocktail the explosive ingredient of Yeltsin and his ongoing struggle with the Duma (quite apart from his health), the parlous state of the Japanese financial system, the ongoing problems in the economies of South East Asia and latterly Latin America and the result is a world at war with itself. There is no effective defence against fanatical terrorism - one only has to think of the IRA and ETA (in Spain) - whilst world financial stability is now at the mercy of major speculators and the hedge funds whose only interest is to massage the markets, without any thought of the consequences to others, solely for their own benefit. How ever often Greenspan utters or governments tinker with their economic levers (see the efforts that the Hong Kong Monetary Authority took recently in an attempt to deter the speculators), there seems little coherent reaction - only upward or downward lurches in the stockmarkets. The irony is that many of the basic fundamentals in the underlying world economies are actually reasonably sound.

So what are the prospects and how do we, as individuals living supposedly in a civilised part of the world, protect ourselves against all the problems that seem to abound? Maybe things will just get better and the difficulties that are all too apparent now will gently fade away and we will be left with an enviably bloodless war, namely that of trade. However, whilst that should certainly be

bloodless, it would not be without pain since increasing competition, be this from more goods produced in low cost countries or technological advances in the so-called industrialised countries or a combination of the two, will result in a higher level of unemployment worldwide. So the battle here becomes first, one of how on earth to keep enough people employed (and by extension, therefore, contented) in jobs that they deem appropriate to their level of skill and education (remembering, of course, that all nations strive to improve education levels across the board), and second, how do governments fund the cost of maintaining the unemployed when welfare costs are already a huge drag on public sector budgets. The simple answer is to cut back on other public sector expenditure such as defence and infrastructural works - one cannot imagine that the sacred cows of health and education would be candidates.

If world affairs do not move back to a more normal pattern, with a combination of an escalation in ethnic rivalry, a weakening in world leadership from the US and a likely consequential turbulence in financial markets, then I suppose we should all go out and buy gold with our investment funds and hope that our pension funds do not collapse. I somehow do not believe in this Armageddon scenario but I fear that we are in for quite a spell of unsettled times ahead of us and this, for those of us who rely to some significant extent on our own invested capital to supplement corporate pensions, this is not good news. If inflation can be kept under control, whatever the geopolitical situation, perhaps there is an argument for a greater exposure to "safe-haven" government securities funded by a major reduction in equity holdings - but which will be the safe havens? Oh dear, this is getting all too complicated but the truth is that I am beginning to think that my investment outlook may have to change, much as I am loath to do so.

On a lighter note, Ursula and I will be in Jerez during the first week in October helping Julian establish himself there for his third university year. He will be spending the time working in the sherry and wine trade and his nine months will possibly include a month or two in Argentina. Hopefully, he will come back speaking Spanish fluently and, needless to say, much informed on wine. He starts in Jerez on October 5th; after that Ursula and I will spend a few days on holiday in what appears to be rather a nice country hotel 12Km to the north of Sevilla.

It's time for a large whisky

Love to you both

Stewart.