



SOUTHERN CAPITAL

SERVICES, INC.

REGISTERED INVESTMENT ADVISOR SINCE 1982

NEWSLETTER

AUGUST 2018 • VOLUME 26 • ISSUE 8

The Korean War & Its Revelance Today

By Eric Nager, CRPS®

Much has been in the news about Korea this year, from the first ever summit between an American president, Donald Trump, and a North Korean dictator, Kim Jong-un, to the recent return by North Korea of the remains of over 50 U.S. service members killed in the war. Many may not realize that while the shooting portion of the war lasted from 1950-1953, no peace treaty was ever signed and the two Koreas are still technically at war. There have been multiple Southern Capital clients with a special connection to this war, and we will share that here along with a brief history of the conflict in order to place it in context.

The History

Korea was not always a divided peninsula. About the size of the states of Indiana and Illinois combined, the Japanese occupied it from 1910 until 1945 at the close of World War II. At that point the major powers of the United States and the Soviet Union (modern day Russia) arbitrarily divided the country in two along the 38th parallel with the Soviet communists having influence over the north and the Americans over the south. It was not long before the first North Korean dictator, Kim Il-sung, grandfather of the current leader, launched an attack across this

border on June 25, 1950 in an attempt to unify the peninsula.

Sixteen nations answered the call to counter this aggression, led by the United States. These allied forces arrived in South Korea just in time to stave off total defeat, and a daring counter attack by U.S. General Douglas MacArthur quickly turned the tide and drove the North Koreans back to the Chinese border in a matter of weeks. Complete allied victory looked assured by Christmas of 1950 until hundreds of thousands of communist Chinese soldiers poured across the border and drove the Americans back below the 38th parallel.

SCS Connection

Several Southern Capital clients played notable roles in the conflict. Client privacy prohibits me from naming current clients here, but one is a member of the “Frozen Chosin,” a veteran of the brutally cold Battle of the Chosin Reservoir fought by the U.S. Marines. Perhaps the most notable client, now deceased, was Janice Britton, an Air Force nurse who was the first allied woman north of the 38th parallel during the war. Her unpublished memoir of her time in the military is a fascinating account.

Also no longer with us is Henry West, a U.S. Army infantry officer during the war, who wrote the gripping and graphic novel *Montastery Ridge* partially based on his experience there.

And my own father-in-law, Conrad Eastman, was an engineering officer on a U.S. Navy destroyer that took incoming fire from a North Korean artillery battery. (If you have a story about a Southern Capital client related to this war or any military service, we would like to hear about it!)

The Koreas Today

Today South Korea is a prosperous democracy, boasting the 11th largest economy in the world. Their Samsung phones and Kia and Hyundai cars are sold around the globe. A continuation of the Korean War would not be good for them or the world economy. However, their military is world class and they are very capable of defending themselves. I had the opportunity to travel there in 2001 for annual military training with my unit and was very impressed with the spirit of cooperation between the U.S. and South Korean forces.

Based on war simulations I have seen that exclude nuclear weapons, the U.S. and South Korea would quickly prevail over the north, although with great

damage and loss of life in the south. This is because the South Korean capital of Seoul is within artillery range of the north. There could also be substantial damage to Japan and the U.S. territory of Guam, as both are within range of North Korean missiles. It is likely that world stock markets would

have a sharp, short term sell-off at the outbreak of hostilities, but rebuilding in the aftermath of conflict could be quite bullish in the long term in the form of jobs and materials for new infrastructure.

A nuclear exchange would be far worse in the long term, especially if there was lasting damage to the Japanese and U.S. economies. In either case, a renewed war would signal the end of North Korea as a nation, so hopefully they can be convinced that restarting the war is not in their interests. The north's military capability and past willingness to share weapon technology with other bad actors in the world are why the Korean War is still relevant today, and why it is so important to find a permanent peace.

Earlier this year, Eric retired from the U.S. Army Reserve after a 30-year career, where his most recent assignment was as Command Historian for the U.S. Army Pacific.



Featured Art by: Joe Bellanger