

Sushi & Surfing: Japanese Find a Home on the U.S. West Coast

By Michael C. Mullen

Beginning in 1885 and lasting for the next 30 years, a wave of immigration from Japan brought over 180,000 citizens of that country to the West Coast of the United States. Mainly from the agricultural countryside and driven by poor economic conditions at home, this group survived as farmers and day laborers and suffered under truly pioneer conditions. While their grandchildren and great-grandchildren have moved very successfully into the mainstream of American life, the hardships suffered by the issei generation are vivid memories in the Japanese-American community, and preserving the history of those people has been the driving force behind the creation of the Japanese-American National Museum in Los Angeles.

One hundred years later an entirely different kind of immigration from Japan to the U.S. West Coast took place. These new arrivals were people who probably have never been on a farm and may have never seen one. These are the corporate elite of Japan who came from Tokyo and Osaka to the U.S. on a wave of investment in their country's most important market. And this migration of people and capital was fueled not by poverty, but by a surfeit of wealth. As exports to the United States, and Japan's trade surplus, rose steadily through the 1970s and early 1980s, an increasing number of major Japanese corporations made the strategic decision to move manufacturing operations closer to the end market. A stream of Japanese suppliers, banks, service industries and real estate investors followed in their wake.

The twin bubbles of excess stock and real estate profits in Japan in the mid- to late-1980s provided ample funds for investing overseas. With the steady depreciation of the dollar following the Plaza Accord of 1985, the home office in Japan perceived a constant drop in the costs of setting up operations in the U.S. For similar reasons, acquiring U.S.

real estate became increasingly easier for the Japanese investor.

A yen to invest

The numbers are impressive, but do not tell the whole story. In 1992 the three West Coast states of Washington, Oregon and California had no less than 1,372 Japanese-owned companies in operation, and this figure had increased by 40% just since 1989 according to statistics from the U.S. Department of Commerce Survey of Current Business.



Little Tokyo, Los Angeles

Over 60% of the 2,235 Japanese companies in the U.S. are located in these three western states. The membership growth of the Japan Business Association of Southern California, which only covers the area from Santa Barbara to the Mexican border, illustrates the steep growth curve of Japan's investment in the West Coast:

Year	JBA Member Companies
1961	48
1971	121
1981	369
1991	687

By 1991 Japanese firms in the above mentioned states were employing over 190,000 Americans. On average five Japanese citizens work at each firm. In the large manufacturing corporations of the automobile and consumer electronics industries, the ratio of local to

Japanese employees is 35 to 1. Over 7,500 Japanese executives and technicians work on the West Coast, and with family members the total business expatriate population probably is close to 20,000. At least that many students are studying in West Coast colleges and universities.

But what goes up, especially very rapidly, also can come down, sometimes equally as quickly. The 1980s also were a boom time of excessive profits and asset appreciation on the U.S. West

Coast. The real estate market experienced particularly volatile and unreasonable growth. The recession that began in the rest of the U.S. in 1989 came later on the West Coast, but the recovery also is taking hold much more slowly. Since the Japanese companies in the area are usually part of a U.S. nationwide network, they are somewhat immune from the problems of slow growth that continues to plague the West Coast. But the bursting of the bubble in

Japan is causing some corporate headquarters at home to reduce their overseas holdings. This has resulted in some reductions, on the order of 5% to 8%, in the Japanese corporate presence on the West Coast. There also are signs of a trend where Japanese executives are returning to Japan and being replaced by Americans, a mirror image of the way American companies in Japan are restructuring to reduce costs. A local hire always will be less expensive than maintaining an expat and his family overseas and paying the astronomical moving costs, allowances for schooling and additional travel expenses.

Real estate is, as yet, the only clear case where a exodus of Japanese investment may be developing. After several years of steady increase, 1993 was the first year to see a net disinvestment of

Photo: USTA and American Photo Library



Long Beach, California

Japanese real estate holdings. With over \$25 billion of net holdings in California, the state represents one-third of Japanese real estate investment nationwide. According to Kenneth Leventhal's annual report on Japanese real estate investment in the U.S., in 1993 18% or \$4.5 billion of this stockpile was sold or restructured, and the new investors are not Japanese. Measured in yen, Japan's real estate losses in the U.S. have been severe.

But the manufacturing, banking, service and other Japanese industries with operations on the West Coast seem in no hurry to depart. They moved here for solid business reasons: the desire to be close to their markets, a highly trained work force, and a stable economic and political environment. They are largely profitable and have displayed the traditional Japanese patience and long term view toward waiting several years for their new plants to operate solidly in the black. As many have now achieved that milestone, they view the future optimistically.

Furthermore, the Japanese corporate world has an abiding fear of the possibility, often discussed but rarely imple-

mented, of the U.S. government imposing trade sanctions in response to Japan's massive and perennial surplus. Their operations in the U.S. are a hedge against this sword of Damocles. NAFTA is another force that will cause Japanese companies to expand their operations in the U.S., and any discussion of the Japanese on the West Coast now must include some comments on Japanese operations in Mexico.

Over 100 Japanese manufacturers currently are operating in Mexico, the majority concentrated in a small area south of San Diego, California. As the Japanese attempt to devise the most economically beneficial ways to meet NAFTA's local content rules and supply their North American markets, the population of Japanese plants in Mexico is certain to increase.

How do Americans view this influx of energetic, intelligent and upper middle class foreigners? When the buying spree began in the mid-1980s, the Japanese purchase of some "trophy" assets, such as the Pebble Beach golf course and MGM Studios, prompted a short

Photo: USTA

burst of irrational paranoia. Allegations of a Japanese plot to "take over" American culture and society found their most extreme expression in the book/movie *Rising Sun*. Treated as a satirical farce in Japan, the movie version of this work of fiction would have the audience believe that Japan was controlling every aspect of life in Los Angeles, from basic research to the police forces.

The bursting of the bubbles in Japan had the beneficial side effect of dispelling once and for all this idea of the Japanese as superhumans bent on world domination. They clearly are subject to the same economic laws as everyone else and have not discovered the alchemy of eternal upward growth and expanding profits. And having overcome their jitters regarding any sudden and unexpected change, like the Japanese investment wave, Americans on the West Coast now see this presence in extremely positive terms. Without the Japanese companies with their persistence in riding out recessions, the unemployment situation on the West Coast would be far more severe.

Japanese corporations have become excellent citizens of the communities they occupy. Toyota has built a cultural center in Torrance and a training center for inner city youth in South Central Los Angeles. Pioneer is operating an extremely successful facility to train inner city high school students for careers in electronic equipment repair. The Hitachi Foundation—staffed totally by Americans—has become a premier center of philanthropic expertise.



Photo: USTA

Japanese executives are serving on the boards of numerous non-profit organizations such as RLA, the group formed to help repair Los Angeles after the 1992 riots. Japanese corporate philanthropy supports countless cultural, educational, and public welfare institutions. Local governments compete vigorously to land the high paying, high technology jobs offered by Japanese manufacturers.

There's more to life than work

An influx of foreign people and investment of this order cannot help but have a cultural impact. The Japanese are exerting an influence on the life of the U.S. West Coast in countless ways, from schools and art museums to bars and restaurants. Over the last 20 years every large art museum on the West Coast has opened a "Japan" wing, such as the Japanese Pavilion at the Los Angeles County Museum of Art, and the Japanese Tea Garden in San Francisco's Golden Gate Park is a popular draw. A Japan America Symphony orchestra has been created in Los Angeles, primarily with the support of the Japanese business community.

Japanese restaurants have been popular on the West Coast for decades, but the arrival of numerous Japanese nationals has given impetus to more experimentation in the competition to meet the customary Japanese desire for something new. For example, the Chaya Venice and Zen Zero eateries in Los Angeles offer a blend of Japanese and Italian cuisine, sometimes on the same plate. Sushi is everywhere and now is even served in major league baseball stadiums on the West Coast, which perhaps symbolizes the complete merger of the two cultures.

With several thousand Japanese businessmen living on the West Coast, it is inevitable that one key ingredient of Japan's business culture—the hostess bar—also would have to be imported. Like their Tokyo cousins these establishments are expensive, exclusive and usually known only to their faithful clientele. They do not advertise.

Hostess bars in the city of Torrance in southern California are experiencing a boom since smoking was outlawed this year in public establishments in neighboring Los Angeles.

But perhaps the most important Japanese cultural influence on the West Coast has been in the academic world. Hundreds of Japanese students now attend every sizable college and university in the area. Many are the children of businessmen who attended high school in the U.S. and either could not or chose not to return to the Japanese education system. Like young people everywhere, they share a common culture with their American counterparts which is much stronger than any tie to the motherland of their parents.

The corollary of the growth in the Japanese student population has been the increasing importance of Japanese corporate contributions to West Coast colleges. Numerous chairs have been endowed, and many special programs on adapting to life in the United States, cross cultural business practices and management style, and "the bicultural spouse" can be found in the extension division of the larger universities. The Japanese language and general studies department of every major school have expanded dramatically during the last two decades. The West Coast leads the entire country in the growth of American students breaking their crania on the monumental task of studying Japanese.

Good neighbors

How are these newcomers fitting into the communities where they have settled? Their influence is viewed in a very positive light. Bringing the well known Japanese fanaticism regarding education to the West Coast has resulted in a dramatic rise in performance and standards in the school districts with large Japanese populations. The Peninsula PTA in the Palos Verdes area of southern Los Angeles country, a favorite home for numerous Japanese executives, conducts their meetings bilingually.

Fashionable and high quality boutique shopping areas have developed, such as the South Coast Plaza of Orange

County, California, in response to the demand from Japanese tourists and residents. The West Coast, particularly California, is a paradise for the beleaguered Japanese golfer, with easy access to tee times at one-tenth the average cost of playing at home. Water sports, beaches, recreational facilities, shopping, hiking, little league activities, and every other kind of leisure pastime is much more accessible and inexpensive in the U.S. than Japan, and the expat residents tend to develop a whole new lifestyle around such diversions.

More than anywhere else in the United States, the West Coast is less bound by tradition and more welcome to the newcomer, more adaptable to new ideas and business styles, and more likely to accommodate change in a positive way. The West has played this role throughout U.S. history, and perhaps for that reason the newly arrived Japanese feels accepted into West Coast communities in a natural and easy way.

What does the future hold? Japanese executives constantly tell me their corporations are losing money in Europe, breaking even in the U.S., and reaping rapidly increasing profits in Asia. In 1993 for the first time Japan's trade surplus with Asia exceeded the surplus with the United States. But the U.S. West Coast can be very thankful for the long term perspective that remains the foundation of Japan's corporate culture. One thousand three hundred and seventy-two Japanese companies, large and small, settled on the West Coast for sound reasons of corporate strategy. At 98 yen to the dollar, the rationale for being here has become even stronger (except for the unfortunate few in the real estate game). One hundred years from now perhaps this second wave of Japanese immigration will have been incorporated into the American mainstream every bit as successfully as the first—to the lasting benefit of both countries. ■

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