

Kotkin, J. (2002, January 17). Immigrants cushion the economic fall. *Wall Street Journal*. A14.

In January 2001, when Dean Bass and his investors were first putting together \$7 million to launch their Royal Oaks Bank, they felt they could ride on a booming Houston economy. With former oilmen in the White House, energy prices high and firms like Enron Corp. on a hiring binge, they looked forward to entering a strong market with powerful demand for business loans.

Much has changed from 2001 to 2002, most notably the fall of energy prices, along with the collapse of one-time civic linchpin Enron, but things are still going well for the upstart bank, whose assets have mushroomed to \$33 million in its first year of operation. One of the key reasons, Mr. Bass suggests, has been the continuing growth of Houston's immigrant business community, which now accounts for roughly one in four of the bank's customers.

"The immigrant economy has been a lot less impacted by the energy downturn," suggests Mr. Bass, who has nearly three decades of experience in banking, both as a regulator and executive. "When you look at our customers and our growth, much of it comes from immigrants."

Stave Off the Chill

Royal Oaks' experience is not unique in Houston nor across the country. At a time when the [terrorist attacks] of Sept. 11, 2001, and a recession have resuscitated nativist sentiments, many businesses and communities are finding that immigrants, rather than a source of weakness, are helping to stave off the chill of economic hard times.

Much of this can be traced to their role in stimulating local demand. When international and mainstream domestic demand is slack, many businesses—from banks and real estate firms to retailers—find an internally driven growth market built by a steady stream of energetic newcomers as well as higher than average birth rates.

With their numbers expanding at a rate far faster than native-born Americans, immigrant-dominated groups like Latinos and Asians provide a consumer market that, according to a University of Georgia study, expanded nearly twice as fast in the 1990s as the general population. Today they provide otherwise hard-hit areas with a welcome counter-cyclical force to counteract the impacts that have devastated local industries, whether high-tech in California, energy in Texas or financial services in New York.

Nor is this merely an inner-city phenomenon, or restricted to traditional immigrant businesses. In Houston, for example, immigrant-led growth has expanded well beyond the inner city to areas such as the Westheimer Corridor in the outer loop where Royal Oaks is situated. In this and surrounding areas, the economy has become increasingly driven by entrepreneurs such as Niranjan "Nick" Patel, who has been developing wide-ranging properties predominately for immigrant operators of fast-food restaurants, convenience stores, motels and gas stations.

These prosaically American businesses out in the vastness of the Houston suburbs are operated by a wide range of entrepreneurs from such diverse countries as India, Pakistan, Vietnam, and Nigeria. Mr. Patel, a leading Royal Oaks borrower, buys and develops the properties for these newcomers, many of whom have arrived in Houston over the past 10 years. Immigrants, the Indian-born Mr. Patel suggests, occupy roughly 60% of the businesses in his over 30 suburban properties.

"People come here to get an education and then hope to start a little business, and then make it grow more," the 49-year-old Mr. Patel says. "They want to settle down in suburbia and become Americans."

An Immigrant-Led Boom

This immigrant-led boom is something that Houston did not have going for it when energy prices crashed in the early 1980s, and devastated much of the local economy. But this is not the

same Houston. Over the past decade the city has experienced one of the fastest increases in foreign-born residents— nearly 84% to over 533,000—of any major American city.

In this sense, notes Bill Gilmer, an economist for the Federal Reserve in Houston, immigrants have pushed a greater diversification in the current downturn, opening up various small manufacturing, trade and service businesses. Although these businesses, he suggest, are not immune to the energy and technology slowdowns, he maintains, they feel it less than more traditional mainstream firms.

Nowhere is the evidence of immigrants' abilities to help regions overcome recessions greater than in Southern California, which suffered grievously from the last national downturn a little over a decade ago. Back then, as Anglo homeowners and entrepreneurs were going out of business or escaping to the homogeneous Valhallas of the Intermountain West, Latino, Asian and Middle Eastern newcomers continued to buy and develop properties and industries throughout the region.

As a result, the first property markets to recover in Southern California during the mid-1990s were immigrant-led areas, such as the suburban San Gabriel Valley, east Los Angeles and even South-Central, where many of the new home-owners were Latino. Today much of the eastern and southern reaches of the Los Angeles basin are dotted with shopping centers, factories and other businesses operated by, and often owned by, foreign-born entrepreneurs.

These newcomers, like their counterparts in Houston today, gradually became bulwarks of the resurgent Southern California community. Both the recent President of the Los Angeles Chamber of Commerce, toy distributor Charles Woo, and the chairman of the recent fund-raising campaign for the United Way, banker Dominic Ng, are Hong Kong born entrepreneurs who first rose to prominence in the aftermath of the early 1990s' Southern California meltdown. "When recessions hit, the immigrant population continues to grow and their deposits also increase," suggests Mr. Ng, president of East West Bank, which is based in the heavily Asian San Gabriel Valley east of Los Angeles. "This happened before and it's happening now. Our branches in immigrant areas are doing more business than the others."

Queens Thrives

Today much the same process can even be seen within a few miles of Ground Zero. As Manhattan struggles with the aftermath of Sept. 11, and vacancies there rise, immigrant neighborhoods like Flushing in Queens, where an estimated 70,000 largely Asian immigrants have migrated since the early 1980s, continue to see increases in both occupancies and rents. Although all New York has suffered in the current downturn, Queens' immigrant-dominated economic pockets—such as Flushing, Jackson Heights, Corona and Richmond Hill— stand as relative bastions of economic dynamism.

"Flushing is a different story than Manhattan," reports Fred Fu, the Taiwan-born president of the 300-member Flushing Chinese Business Association. "Everything is occupied and trying to get space is almost impossible. People are still coming to Main Street. People who came here as employees, now want to be owners of homes and businesses. It drives the economy when everyone wants to be an owner."

As Mr. Fu suggests, and experience in Houston and elsewhere demonstrate, the nation's immigrant communities should be seen as a unique asset in battling the current recession and the after-effects of Sept. 11. In helping to sustain even the hardest hit communities, the newest Americans may prove among the most effective Americans of all.