

Koreatown hit hard in '92

Recession and riots
double whammy for
community businesses

Editor's note: In the Jan. 6 issue, this front page article ran incompletely. We apologize for this error. Here is the story in its entirety.

By **Richard Fruto**
Korea Times

The lingering recession and the most destructive riots in U.S. history combined for a double whammy that devastated Koreatown and Korean American businesses.

Throughout the Southland, everybody seems to want to forget 1992 and hope that the new year will bring better tidings.

Banks saw earnings drop and deposits and loan portfolios stagnate. Normally highly profitable markets also felt the crunch when liquor sales sagged.

Restaurateurs brooded over more empty tables, travel agents made fewer bookings, sewing machines gathered dust at garment factories and shops at Koreatown Plaza survived on inexpensive items and discount sales.

Last year, business owners described 1991 as the worst they had seen in a long time. For many, 1992 was even worse.

"1992 was horrible," said Andre Kwonrad, owner of New Star Travel.

"1992 was terrible," said Sang Yoon Park, owner of Lucky Electronics, one of the largest electronics stores in Koreatown.

"1992 was a very bad year," said David Kim, president of the Korean American Grocers Association's Southern California chapter.

Big and small retailers rung up fewer and smaller sales last year. While stores around the nation happily welcomed big holiday crowds, Christmas didn't bring as much cheer to Southern California and Korean American businesses.

At Lucky Electronics, sales fell 50 percent in 1992, and the Christmas shopping season made no difference, Park said.

The store enjoyed good sales in January, but business fell off in February and took a nosedive after the riots, Park said.

To survive dismal retail sales, Lucky Electronics boosted its wholesale business of karaoke equipment out of state, including Saipan, Guam and Vancouver, British Columbia.

Woman Q, a women's clothing boutique at Koreatown Plaza, had to hold a pre-Christmas sale because customer traffic was so light, owner Kyung Wha So said. The store sold few expensive dresses, So said.

Doo Hee Han, owner of Toyland at Koreatown Plaza, said she considers herself lucky that she didn't have to lay anybody off last year. She blamed the recession and the riots for the 15 percent drop in sales.

“ It was one of the worst years in the last 10 years, especially in the latter half of 1992. It became even worse...It wasn't too bad in the early part. But all of a sudden, there were fewer orders. There wasn't enough work for employees. ”

Chung's Appliance Center, another major retailer in Koreatown, reported that it didn't do worse than in 1991.

Owner Chung B. Youk expressed confidence that business will improve in 1993 since he moved to a bigger location with more parking and a children's playroom last November.

For Korean community banks, harsher regulations complicated the financial picture. Regulators tightened rules for problem loans, sometimes requiring banks to set aside money to cover those loans as possible losses.

Banks endured closer scrutiny this year, said Saehan Bank president Won H. Chung. According to him, bank examiners stayed three weeks when they visited the banks this year, one week longer than usual.

Until recently, Korean American banks had strong asset and income growth, setting them apart from the U.S. banking

industry struggling with the real estate bust. But in 1992, banks made smaller earnings, and some even suffered losses.

California Korea Bank, the largest in the Korean community, slipped \$4 million into the red in 1992, a dramatic turnaround from earnings of \$3.5 million in 1991, \$3.4 million in 1990 and \$2.7 million in 1989.

A CKB loan officer blamed the loss on the depressed real estate market and the prolonged economic recession. "Just like American banks," he said.

California Center Bank, the third largest, reported earnings of \$2.4 million, down from \$2.5 million last year. Global Savings' earnings fell to \$262,000 from \$420,000.

Saehan Bank, the newcomer in the group, finished its first full year \$490,000 in the black. No earnings figures were

available for Hanmi, Wilshire State Bank, Seoul Bank of California and United Citizens National Bank.

"We think the general economic trend will not improve substantially, especially in the first half of 1993," Chung said. "That means there will be more defaults in loan payments. That will certainly worsen the profit situation."

In contrast, the outlook has brightened for sewing factories after a bleak year. They have started receiving more orders than usual in January, said John Cho, general manager of the Korean American Garment Industry Association.

"It was one of the worst years in the last 10 years, especially in the latter half of 1992. It became even worse," Cho said. "It wasn't too bad in the early part. But all of a sudden, there were fewer orders. There wasn't enough work for employees."

Contracts fell off by one-third, Cho

said. According to Cho, the slowdown forced about 50 to 60 factories to close temporarily or permanently in the last six months of 1992.

But the rest of about 1,200 Korean American garment contractors managed to stay in business, Cho said.

Factories couldn't get decent work from manufacturers and had to rely on less profitable contracts from wholesalers, Cho said. Many factories laid off workers and operated far below capacity, Cho said.

For neighborhood markets, grocery sales remained steady, but liquor sales slowed, said Kim, the local KAGRO president. Grocery sales at some markets also improved after other stores were destroyed in the riots, he said.

No grocer went bankrupt, but some had to lay off employees and cut back on their community contributions, Kim said.

"People expect an upturn with the new administration. It couldn't be worse than in 1992," he said.

For Korean restaurants in Koreatown, the crunch came after the riots. Some restaurants reported that business shrunk as much as half.

People started eating out less, hurting small restaurants especially because bigger establishments could still count on hosting big parties, said Bong Sup Yang, owner of E-Won Restaurant.

"Business has been bad ever since the riots," said Mike Tiao, a waiter at Peking Yuen Restaurant. "A lot of our Koreatown customers lost their business and don't come anymore."

Kwonrad, the travel agency owner, said the economic slump at home and in Korea, prompted at least 10 agencies to close or move to lower-rent offices. Before December, travel fell almost to zero, he said.

To make matters worse for local travel agents, money-conscious tourists from Korea started booking round-trip tickets before they left Seoul, rather than purchasing return tickets in Los Angeles as in the past, Kwonrad said.

But business started picking up during the holidays, he said.

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contributed to this report.