

# GLOBAL LOS ANGELES

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GlobalLosAngeles.org  
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Pacific  Council  
ON INTERNATIONAL POLICY





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## PREFACE

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Los Angeles is one of the world's great urban communities. It is large, diverse, vibrant, and cosmopolitan. Its people, businesses, and institutions routinely and constructively connect and interact with their counterparts all over the world. The city provides goods, services, ideas, and culture to the larger world and in turn enjoys the best that the world has to offer. Los Angeles is a global city.

This report marks the beginning of an effort by the Pacific Council on International Policy to promote greater awareness of L.A.'s international connections; to engage the Los Angeles community and leadership in a conversation about seizing the opportunities and dealing with the challenges that arise from the city's global character; and ultimately to assist decision-makers and other interests in the city and the Southern California region in deriving greater benefit from their individual and collective global interactions. More specifically, the objectives of this project are:

- To explain what it means for Los Angeles to be globally engaged;
- To articulate the benefits of and the challenges posed by global engagement;
- To describe the nature and extent of the current global ties that characterize Los Angeles;
- To support informed and purposeful discussion among the many interests that have a stake in the city's international character;
- And to offer practical recommendations about how Los Angeles can gain greater benefit from its international connections, and how it can contribute more to the global community.

As the hub of greater Southern California, the city's global ties are necessarily and irreversibly intertwined with those of the region. The technical bounds of the city do not reflect the actual extent of its global character, reputation, or potential. This report thus pulls data from the Southern California region as it seeks to establish a baseline description of the city's global connections.

In the future, we can revisit this baseline to assess whether and how these connections are evolving.

Many individuals, organizations, and institutions – governmental, commercial, civic, and cultural – play important roles in L.A.'s global engagement. The audience for assessments of the city's global character is equally varied. Some may find this report a useful reference: a collection of facts about the international character of Los Angeles and of the Southern California region. Others may find here an agenda for future analysis. How did the region's international connections form? Why are they evolving in particular directions? For others, this report may identify items for action: the dimensions of L.A.'s international engagement that can and should be strengthened.

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## GLOBAL LOS ANGELES: A SUMMARY

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The City of Los Angeles enjoys a wealth of connections to the global community beyond the United States. The city is home to large immigrant populations. It has strong transportation and communications links to the rest of the world. People, products, and ideas from all over the world flow through the Los Angeles area, and the best of what the world has to offer is available in the region. Students from around the world study at local universities; immigrants and visitors from abroad are welcomed by the city's polyglot and multicultural character. As a major center for arts and entertainment, Los Angeles contributes importantly to global culture. Los Angeles is a global city, as much a part of the world as it is a part of the United States.

### WHY BEING GLOBAL MATTERS

The city derives a multitude of benefits from its global connections. These benefits fall into two broad categories:

**Being global enriches the local quality of life.** Throughout history, the attraction of urban localities has been the abundance and variety of products, ideas, and experiences available when large populations live in close proximity. Adding international influences makes this mix richer yet. These influences make Los Angeles a more diverse, vibrant, and interesting place to live.

**Being global is good for business.** Populations and economies are growing faster abroad than in the United States, and they will continue to do so for the foreseeable future. Cities and regions with ties to these fast-growing markets will prosper compared to localities with more domestic orientations.

Routine access to the ideas, practices, and products of the world stimulates local innovation and growth.

## WHY THINK ABOUT BEING GLOBAL?

L.A.'s international engagement, and the benefits that derive from this engagement, could be greater still than they are today. Even maintaining the current global character of the city and broader region will require effort. The global character of Los Angeles today is, to some extent, the result of accidents of geography and history. It is also partly the consequence of past actions and policies. But geography matters less in the modern world than it once did. History inevitably recedes: policies that were once effective become outdated. Maintaining and enhancing the city's global character will require action.

The necessary action will come from many places – local governments, private businesses, cultural and educational institutions, civic associations, and individuals – each with its own objectives, motivations, and capabilities. Greater understanding of the international character of their common locality may increase attention to and shape strategies necessary to seize international opportunities.

But creating a productively global city requires more than individual understanding and action. International activities and experiences of one actor in the region inform and facilitate international undertakings by others: shared international connections are more valuable than those restricted to a single party. Ideally, increased awareness of the region's international role will contribute to a kind of civic neural network through which many interests in Los Angeles and Southern California can share international insight and opportunity.

## NUCLEUS OF A GLOBAL REGION: HIGHLIGHTS OF SOUTHERN CALIFORNIA'S GLOBAL CHARACTER

As the hub of greater Southern California, the city's global ties are necessarily and irreversibly intertwined with those of the region. The technical

bounds of the city do not reflect the actual extent of its global character, reputation, or potential. Thus this report often pulls data from the Southern California region as it seeks to establish a baseline description of the city's global connections.<sup>1</sup>

**Southern California is a community of immigrants.** Twenty-nine percent of Southern California's residents were born abroad. Among large U.S. metropolitan areas, only Miami has a larger concentration of foreign-born residents. Ties to foreign cultures are likewise strong in the next generation: more than half of the children in Southern California live in households with at least one foreign-born parent. Again, only Miami has a higher percentage. Among major U.S. metropolitan areas, Southern California has the highest concentrations of residents of Hispanic or Latino descent, and only the San Francisco Bay area has a higher concentration of residents of Asian descent.

**Southern California is a particular magnet for young and educated immigrants.** More immigrants between 18 and 24 years old come to Southern California than to any other U.S. metropolitan area. The region also receives more immigrants who have earned bachelor's degrees than any other metropolitan area.

**Southern California does not do as well as some other U.S. metropolitan areas at integrating immigrants into the larger economy.** In Southern California, families with a foreign-born householder are more than four times more likely to live in poverty than families with a native-born householder. Only Miami has a lower percentage of foreign-born residents employed, and Dallas is the only other state with a higher percentage of foreign-born residents with less than a high school education.

**Southern California is a polyglot culture.** Almost half the population of Southern California lives in households where a language other than English is spoken, more than in any other major U.S. urban center. And it is not just Spanish that is spoken: 27 percent of the population that speaks a language other than English at home speaks a language other than Spanish.

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<sup>1</sup> For the purposes of this report, the Southern California region includes coastal California from Santa Barbara to San Diego – the seven counties of Los Angeles, Orange, Riverside, San Bernardino, Ventura, Santa Barbara, and San Diego.

**Southern California is a gateway to the rest of the world.** The seaports of the Los Angeles Customs District (principally, the adjacent ports of Los Angeles and Long Beach) handle cargo with a value 60 percent greater than the ports of the next most important U.S. Customs District at Houston-Galveston. However, the share of cargo value handled by Southern California ports has declined since the early 2000s, and the soon-to-be-completed expansion of the Panama Canal will open new options for cargo to and from Asia.

**Los Angeles International Airport (LAX) is a major hub for international aviation.** It ranks third in the nation, behind Miami International Airport and Kennedy International Airport in New York, in the total number of international flights and numbers of international passengers served. The airport is second only to Miami in air freight handled. But like the Southern California ports, LAX has been losing its share of international flights and passengers since 2000. Despite this, its share of international freight has risen substantially since 2005.

**Other U.S. metropolitan areas surpass Southern California as global “command centers.”** In 2014, Southern California was home to the headquarters of 22 Fortune 500 companies. This compares unfavorably to the New York area (with 90 headquarters), Chicago and the San Francisco Bay area (30 each), and even Houston (26). Neither is Southern California the location of choice for the regional headquarters of major foreign firms: only six of the 153 largest foreign firms with locations outside their home countries had headquarters in Southern California. The region has lost share since the late 1990s as a host to foreign banking offices, and comes third behind Houston and New York in the value of merchandise exports attributed to “principal parties of interest,” the entities that receive the immediate financial benefit of exports. The global diplomatic corps, however, is drawn to the region: Among U.S. metropolitan areas, only New York has more consulates general than Southern California.

**Southern California is a place where the world gathers.** Statistics on foreign visitors to U.S. cities and regions are sketchy, but the best available information from the U.S. Department of Commerce shows Los Angeles at the top of a “second tier” of U.S. cities as a destination for foreign visitors.

New York, with almost three times as many foreign visitors annually as L.A., is the “first tier.” U.S. cities in general saw a drop in foreign visitors after the terrorist attacks of September 11, 2001, and while New York regained its pre-attack level of foreign visitors by 2005, Los Angeles did not accomplish this until 2011.

The Los Angeles area is only modestly successful in attracting international meetings and conventions, trailing Boston, Washington, D.C., New York, Chicago, and San Francisco in the number of such meetings hosted in 2013.

Where Southern California really shines is in attracting foreign students to its universities. During the 2013-2014 academic year, more than 72,000 foreign students attended Southern California colleges and universities, comprising 8.2 percent of all foreign students in the United States. The University of Southern California is second only to New York University in number of foreign students enrolled. UCLA ranks sixth in the nation by this measure. Among so-called “master’s institutions,” Southern California campuses of the California State University system make up three of the top four universities in the nation for foreign enrollment. And Santa Monica College has the second highest foreign enrollment in the nation among “associate’s institutions.”

## HOW COSMOPOLITAN IS LOS ANGELES? THE RESTAURANT INDEX

One advantage of living in a global city is the availability of food from around the world. The restaurant listings of the OpenTable online reservation system suggest that Los Angeles is among the most cosmopolitan metropolitan areas in the United States – as indicated by the proportion of restaurants claiming to serve one or more international cuisines. Nearly two-thirds of the restaurants listed on OpenTable in Los Angeles and Orange Counties claim to serve international food. Only Miami/Southeast Florida and the New York Tri-State Area have higher percentages of foreign restaurants.

## LOS ANGELES AS AN INTERNATIONAL CENTER FOR ARTS, CULTURE, AND ENTERTAINMENT

Los Angeles connects to and influences the rest of the world through the artistic, cultural, and entertainment establishments of the city. Despite the difficulties sometimes involved in transferring artistic, cultural, and entertainment products to another social setting, accomplishments in these domains have emerged as some of the most “exportable” services of the Southern California region. Artistic and cultural institutions are also important channels for the international exchange of people and ideas, and are thus significant contributors to the international character of the region.

Southern California is home to world-class museums, schools of visual arts and music conservatories, and even a renowned orchestra. Each of these attracts artists, students, and audiences from around the world. Los Angeles also remains the creative center of the motion picture and video industries.

Some quantitative measures confirm the city’s global position with respect to arts, culture, and entertainment:

- Los Angeles has a higher concentration of “creative” occupations related to art, literature, culture, film, video, and media than any other large U.S. metropolitan area.<sup>2</sup> That concentration has been increasing in recent years.
- Southern California is a thriving center for the contemporary visual arts, with Los Angeles as the hub. In rankings of influential living artists (necessarily of debatable validity), among artists represented by important international galleries and those featured in major international exhibitions, Southern California’s artists are more numerous than those from any other region of the United States, except New York.
- New York is traditionally viewed as the center of live theater in the United States, and perhaps in the world. Even so, available data (imperfect but indicative) suggests that the small theaters of Los Angeles create a more vibrant theatrical environment than in New York, with

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<sup>2</sup> Of course, creativity is not found exclusively in such occupations. It is common usage, though, to speak of these occupations as “creative,” and the term is used here accordingly.

more than twice as many theatrical productions opening in a given period of time.

- Although motion picture and video production has been moving elsewhere in recent years, L.A. remains the center for artistic and business decision-making for these industries. Fifteen of the 16 studios with the highest domestic box office receipts in 2013 were headquartered in Los Angeles County. These 15 studios accounted for a staggering 69 percent of worldwide gross box office receipts.

## OBSTACLES TO PRODUCTIVE GLOBAL ENGAGEMENT

Productive global engagement grows out thousands of decisions made and actions taken by businesses, institutions, and individuals in Los Angeles and Southern California. Governments cannot, by themselves, create global engagement. Government policies can, however, create obstacles to seizing L.A.'s global opportunities. Four such obstacles are particularly troublesome:

- 1) Less-than-robust economic growth. A vibrant economy will attract and absorb foreign investment and foreign workers. It may also encourage local businesses to risk foreign investment. Unfortunately, Los Angeles has lagged somewhat behind the rest of the nation in creating jobs since the onset of the 2008 recession.
- 2) Fragmented government. In the seven counties of Southern California, there are 211 independent cities. Los Angeles, as the principal city of the region, is much less dominant than, say, Chicago or New York are in their regions. Coherent action in pursuit of international opportunities is consequently complicated, and foreign interests seeking cooperation with local authorities are sometime hard-pressed to find the relevant government agencies. Lack of governmental cooperation is particularly troublesome with regard to area seaports; the adjacent ports of Los Angeles and Long Beach are operated by different cities and their responses to outside competition are imperfectly coordinated. A similar problem arises with regard to attracting foreign tourists and convention business. There is no consolidated agency to market the greater Southern California region.

- 3) The local business environment. California is among the states with the highest income tax burdens, both personal and corporate. It is also near the top with regard to workers' compensation costs. Surveys of businesses place California – and Los Angeles in particular – among the locations in the United States with the most burdensome business regulations. These conditions do not encourage foreign companies to invest or establish regional headquarters (with highly paid executives) in Los Angeles.
- 4) Inadequate infrastructure. Los Angeles traffic is the most congested among U.S. metropolitan areas, LAX is losing share of international flights and passengers, and the seaports of Southern California are losing share of U.S. maritime trade. Southern California lacks pipeline connections from newly developing oil fields in the U.S. Midwest, and consequently is relying on sharply increased deliveries of crude oil by rail. And although there are some local exceptions, broadband download speeds in the City of Los Angeles are slower than the national average. These infrastructure weaknesses are not conducive to increasing international engagement.

## THE TASKS AHEAD

Actions taken to reduce these obstacles will help to strengthen L.A.'s international connections, and energize the benefits that flow from these connections.

Just as important will be maintaining a “neural network” in Los Angeles and broader Southern California that facilitates the sharing of views and experiences among public and private institutions, businesses, civic organizations, and individuals with knowledge of and interest in international matters. By describing the character of the Los Angeles area's international engagement, comparing the city's status in this regard to other major metropolitan areas, and by convening internationally active parties, the Pacific Council seeks to strengthen that neural network.

Few metropolitan areas in the United States can match the breadth and depth of L.A.'s international connections. But these connections, and the

benefits that derive from them, can and should be strengthened. That process begins with increased awareness of the city's fundamentally international character and the opportunities it creates.



## THINKING GLOBALLY, ACTING REGIONALLY

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International relations are traditionally the preserve of national governments. Traditional modes of analysis and many of the data relevant to international analyses reflect this national orientation.

But this approach is increasingly outmoded, especially in large, diverse nations like the United States, where different cities and regions have different perspectives, needs, and priorities in their dealings with the larger global community. National governments should not and cannot insulate local businesses or institutions from international circumstances and developments. Neither can national governments interpret the consequences of global events for local interests, or reliably deliver to cities and regions the full benefits that engagement with the world affords. In an environment such as we see today in the United States, where political and ideological divisions hinder purposeful action at the national level, the more operational perspective and greater nimbleness of local governments and institutions may prove beneficial in shaping practical policies.

The processes of globalization allow individuals, enterprises, institutions, and municipal governments to interact directly with foreign counterparts without the mediation of national governments. And with the freedom to act internationally comes a responsibility on the part of local actors to consider carefully international opportunities and challenges – to seize the former, and to cope with the latter.

For all of these reasons, it is increasingly important for members of local communities to understand the international environment, to engage with their counterparts abroad, and to secure the benefits of global engagement.

## WHAT DOES IT MEAN TO BE GLOBAL?

The residents, businesses, and institutions of Los Angeles and the larger Southern California region routinely engage with their counterparts from around the world. They send their products and their ideas abroad and enjoy the benefits of return flows from the whole world. The tangible and intangible assets of the world flow through the L.A. area's seaports, airports, businesses, banks, universities, and cultural institutions. The fabric of life in the region is woven of many ethnic and cultural traditions. The best of what the world has to offer – products, services, arts, and food – is available locally. Increasingly, the fortunes of the region are tied to what happens abroad.

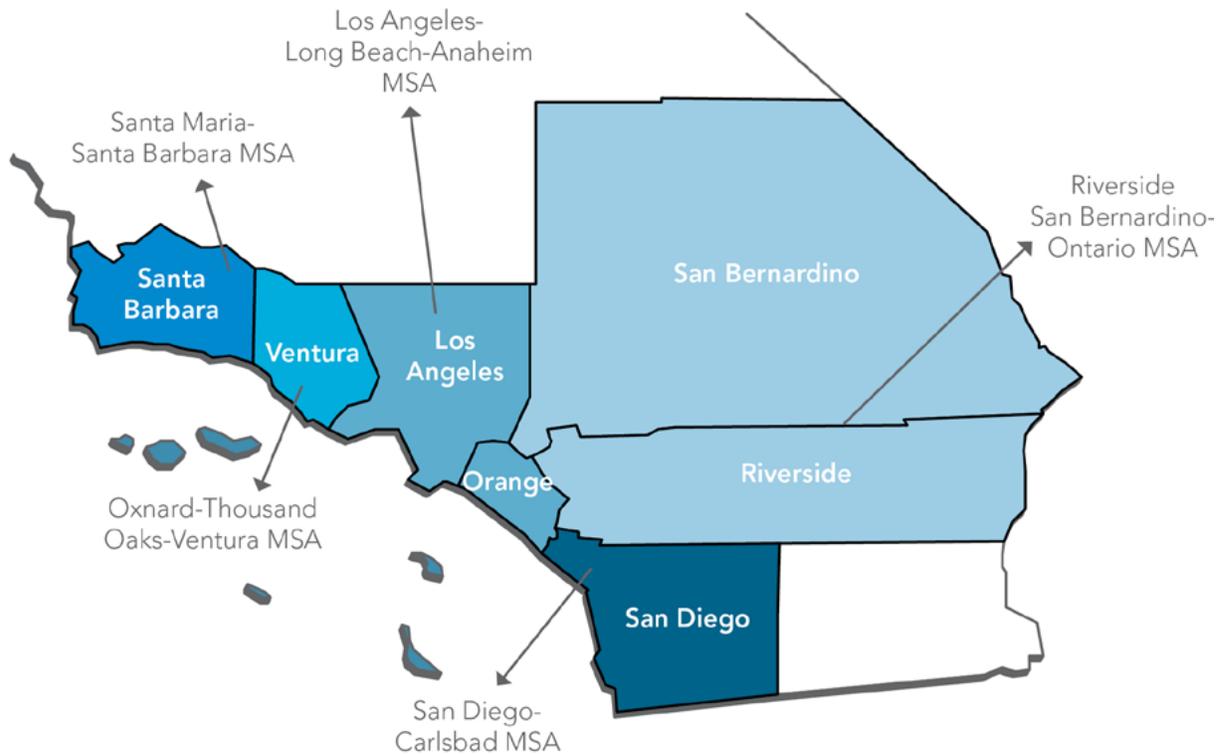
## WHAT IS "SOUTHERN CALIFORNIA"?

Los Angeles is the nucleus of the broader Southern California region, where the people, businesses, and nongovernmental institutions generally interact with each other with little regard for the complex municipal boundaries that characterize the region. Although municipal governments exercise control over important instruments of international engagement (the ports of Los Angeles and Long Beach, for example, or Los Angeles International Airport), the benefits and consequences of international interactions tend to be shared in the region. Consequently, it makes sense to adopt a broad regional perspective in thinking about L.A.'s international engagement.

For the purposes of this report, "Southern California" refers to the region of coastal California stretching from Santa Barbara to San Diego and including five metropolitan statistical areas (MSAs) and seven counties: Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego, and Santa Barbara (Figure 1-1). Data and analyses in this report will often reflect this seven-county area. When substantive considerations or data availability require a narrower geographic focus, this will be noted.

Everyone who lives or works in Los Angeles or even visits the area has an intuitive understanding of the global character of the region. And external analyses confirm this intuition.

**Figure 1-1**  
**Southern California**



But what characteristics make a city or a region global?

The following characteristics mark Los Angeles as a global city. These dimensions are interrelated – advancing one will strengthen others. They do, however, emphasize distinct qualities of the region today and suggest areas where it might do better in the future.

1. Los Angeles is a supplier to the world. The goods and services produced in the city and in the broader Southern California region – manufactures, business services, finance, entertainment, design, and education – are in demand in global markets. The same is true of more ephemeral but equally important products of the region, from ideas and styles to attitudes and trends. Producers, service providers, educators, thought leaders, artists, and trend makers based in Los Angeles routinely and correctly see the world as their market and their audience.

2. Los Angeles is a hub that serves the world commercially, financially, intellectually, educationally, and culturally. In addition to the things that are produced and consumed in the region, much of what matters in the world flows through L.A. or Southern California on its way to somewhere else. In a physical sense, goods flow from all over the world through Southern California's seaports and airports, and the region is a gateway for arriving and departing international travelers. The area is a hub also in a less tangible sense: the region is a place where creative projects from many parts of the world reach discerning, open-minded audiences on the path to wider dissemination. The universities of the region are meeting places for the world's best minds and centers for a robust trafficking in ideas and innovation. Fashions, styles, and trends gain global traction if they are first recognized and accepted in Southern California. This is a place where the world brings its ideas and comes to find its ideas.
3. Los Angeles influences the rest of the world. Through its status as a supplier to the world and an international hub, the city serves as a commercial and social "command center," where resources from around the world are identified, directed into productive use, and delivered to where they are needed. The presence of corporate headquarters, world-class service providers, branch offices of foreign firms, and leading creative enterprises indicates that levers of global commerce are operated in the region. But influence is more than a matter of direction. People and institutions in Los Angeles and Southern California also influence the world by example and persuasion. Local universities shape scholarly thinking all over the world. A concentration of writers, artists, journalists, software designers, and other creative people generates ideas, attitudes, and styles that are embraced by the rest of the world. For better and for worse, the motion picture and video industries provide people throughout the world with a vivid, glamorous, and sometimes accurate image of the United States. What is current in Southern California today will frequently be commonplace in the world tomorrow.
4. Los Angeles is connected to the world. This is partly a result of phys-

ical infrastructure: transportation and communications links. Perhaps more importantly, connection is facilitated through human and institutional infrastructure. People with the linguistic, cultural, and attitudinal capacity to engage the world; media that brings information about the world to Southern California and explains the region to the world; universities that draw students and scholars from around the world and spread learning and ideas widely; professional, social, and cultural networks that promote international exchange of techniques and viewpoints; and strong expatriate communities that are solidly part of Southern California while maintaining ties to their countries of origin.

5. Los Angeles attracts people and businesses from around the world. It is a destination of choice for young, educated workers eager to prove themselves in a large and sophisticated market. No less valuable to the economic and social fabric of the city are workers and families from abroad seeking less glamorous opportunities for work, safety, and a new start. Foreign businesses open offices in the Southern California region to serve a huge local market, and to utilize a linguistically and culturally diverse workforce in reaching out to the rest of the United States.
6. Los Angeles is a place where the world gathers for purposeful exchange, cooperative action, education, and simple pleasure. The Southern California region hosts conferences, conventions, business meetings, sports and cultural events, international competitions, and awards shows.
7. Los Angeles is cosmopolitan: it is a place that draws the best talent, products, arts, ideas, styles, and food from all over the world. If you want something from somewhere around the globe, you can probably find it in Los Angeles. Across Southern California, expatriates and visitors find echoes of their home cultures. By their presence, these incomers add to the variety of experiences available in the region.
8. Los Angeles welcomes the world – tourists, business people, entrepreneurs, students, scholars, and immigrants. People from around the world visit and live peacefully and productively in Southern California.

The region's institutions accommodate the needs of foreigners and make it possible for them to become productive members of the local society without having to forsake their varied origins and cultures.

These characteristics are descriptive of Los Angeles today, but they are also aspirational. Residents should not be satisfied with the current state of their engagement with the rest of the world. A city blessed with the location, climate, demography, history, and resources of Southern California could gain more than it currently does through international interactions.

Some aspects of being a global city are inherently competitive. A shipping container that arrives at the Port of Los Angeles does not arrive at some other port; a foreign company that chooses Southern California for its U.S. headquarters is choosing not to locate in some other city; an international airline that establishes an operational hub at LAX does so because it sees advantages in Los Angeles that it cannot find elsewhere; and the jobs and incomes that come with these activities accrue to Southern California and its residents, not to some other region.

But other aspects of global engagement – perhaps more important aspects – need not pit Los Angeles and Southern California against other cities or regions. The artists who make the region an international center for the contemporary visual arts, for example, enhance the artistic communities of other cities. Scholars and researchers at local universities contribute to a global intellectual community. The world has room for more global cities each year, and the already rich network of connections enjoyed by Los Angeles would become richer still if the Southern California region could live up to its global potential.

International engagement that is beneficial for Los Angeles will grow mostly out of the special characteristics of the region. Other cities and regions in the world offer ideas, models, and benchmarks, but the challenge for Los Angeles is to maximize the benefits it derives from its unique endowments and opportunities, regardless of what other cities or regions are doing. Perhaps Los Angeles will never rival New York or London as a financial center, but this does not mean that local decision-makers should give up on promoting the city's financial infrastructure. Even if no other city will plausibly

challenge Los Angeles as the center of the film industry, the city must seek to derive yet more benefit from its leadership position in this and other creative industries.

By a number of quantitative measures of international engagement, the L.A. area ranks behind the New York area and sometimes behind Miami or other major U.S. metropolitan areas. Yet none of this diminishes the stature of Los Angeles, which has its own history and circumstances. Los Angeles can and should be a successful global city on its own terms.

## WHY BE GLOBAL?

Successful global engagement will undoubtedly create jobs and raise incomes in Los Angeles, yet as important as this may be, economic prosperity does not constitute the full rationale for making the city and region more global. Connections to the international community bring other important benefits: increased diversity and richness of civic life; a deeper pool of talent for all kinds of endeavors; and more varied cultural opportunities including additional channels for learning about the world, a flow of new ideas and experiences, exposure to international standards of performance, and better restaurants.

Here are eight reasons why the residents, businesses, and local governments of Los Angeles and Southern California should seek extensive and intensive engagement with the international community and economy.

**First**, most economic growth in the coming decades will be outside the United States. Although the United States remains a dynamic economy, generating new ideas, products, and services, it is for the most part a mature economy. Its population is growing slowly in comparison to other regions of the world; the great transition of women into the labor force is largely finished; its urbanization has mostly been accomplished and the attendant efficiencies achieved; and the rise of a consumer society in which domestic demand sustains economic output is complete. Although far too much poverty remains, the vast majority of the population participates productively in the economy as both producers and consumers. Similar statements apply

to the advanced economies of Japan and Western Europe, the traditional trading partners of the United States.

The situation is much different, however, in most of Asia, Central and South America, the Middle East, and Africa. Although some of the countries in these regions face serious social, political, and/or economic obstacles to growth and prosperity, the size and rates of growth of their populations, the extent of their unmet needs, their yet-to-be-exploited possibilities for social and economic development, and their opportunities for technological catch-up virtually guarantee that their economies will grow faster than the mature advanced economies. They have already emerged as the fastest-growing markets for the goods and services produced in Southern California.

To serve these growing markets, L.A. businesses must understand and engage routinely with societies and economies abroad, especially those that may lie somewhat outside the traditional “comfort zones” of American businesses.

**Second**, robust and routine interaction with foreign societies and economies will increase access for L.A. businesses to rapidly growing foreign markets. Business does not just happen. Success depends on having mechanisms to identify opportunities, and taking advantage of these opportunities requires familiarity with potential partners and customers, prevailing regulations and standards, relevant institutional arrangements, and local business practices. This is all difficult enough in a business’s own backyard, which is why gaining the necessary insight into foreign markets can seem impossibly daunting.

For businesses located in an environment rich with international experience and contacts, the hurdles to doing international business will be lower. The local presence, for example, of advisory and business-services firms already serving internationally engaged companies can provide essential support for other firms seeking international markets. Firms already doing business abroad can partner with, open doors for, and share expertise with other local firms; foreign firms with local branches or representative offices may constitute partners in or customers for international endeavors; a deep pool of human resources already experienced with foreign operations and knowledgeable about foreign tastes and capabilities can provide valuable staff

to a company seeking international opportunities; and expatriate business communities can provide natural ties to their home markets.

In short, international business will be easier in an environment that already supports a lot of international engagement.

**Third,** international engagement creates productive flows of goods, services, people, and ideas. A city or region that enjoys routine interaction with foreign societies and economies will naturally become a hub for traffic in tangible and intangible assets. This traffic may support economic activity directly – jobs for port workers, financial intermediaries, and business-services providers. Possibly more importantly, a rich flow of goods, services, people, and ideas allows the hub city or region to experience firsthand, to influence and, when appropriate, to capture the commercial, intellectual, educational, cultural, and human benefits of this flow.

An internationally engaged city benefits not only by managing and facilitating valuable flows but also by having privileged access to these flows.

**Fourth,** international engagement allows valuable diversification of a city's commercial portfolio. Though the world is becoming more integrated with each passing year, differences among national and regional economies persist and likely always will. All economies will experience ups and downs, opportunities and setbacks. Business ties to a wide range of partners will make the Los Angeles economy less captive to the fortunes of particular markets.

Internationally engaged cities and regions will generally have more stable economies.

**Fifth,** international engagement is a source of ideas, innovation, and inspiration. The United States is undoubtedly a world leader in innovation. The Los Angeles area, along with other American metropolitan areas, is the source of much of that innovation. But no nation or region has a monopoly on creativity. Routine interaction with foreign societies, economies, institutions, and people will expose businesses, governments, and institutions to the creativity of the global community. There are lessons in the successes and failures of cities and regions elsewhere. Foreign experience demonstrates what may be possible locally, and regular interaction facilitates catching up

with foreigners who have achieved technical or operational success beyond what is available locally.

The world of ideas is rich and diverse. Los Angeles will benefit if its people, institutions, and businesses have direct access to the wealth of ideas that originate abroad.

**Sixth,** international engagement provides valuable standards and benchmarks. Contact with, knowledge of, and direct experience with foreign cities, businesses, and institutions will acquaint decision-makers in Los Angeles with levels of performance elsewhere. The highest of these performance levels will serve as standards or benchmarks for local governments, businesses, educational and cultural institutions, and even restaurants. Effective leaders will gain perspectives on how their counterpart institutions perform elsewhere, and ideally they will seek to achieve at even higher levels. Residents, customers, business partners, students, and artists who have direct experience with the way that cities and institutions function abroad will demand that Los Angeles and Southern California institutions live up to the standards they have seen and experienced elsewhere.

Informed local communities that routinely experience the best the world has to offer will constitute the strongest guarantee that global standards will be met in Los Angeles.

**Seventh,** international engagement provides a healthy counterbalance to preoccupation with local operational challenges. Regular engagement with the larger world can help – perhaps even force – decision-makers to consider a broader range of perspectives and to accommodate a more diverse set of interests. Attention to international opportunities and activities can lessen the tyranny of the loudest local squeaky wheel. Extensive participation in global affairs will render decision-making more complex, but it will also place local decision-making in a broader context and impart a better sense of proportion and a longer-term perspective in dealing with operational challenges. International engagement may also lead to more stable policies, if the local crisis of the moment becomes just one of many factors that must be weighed to reach a decision.

The broader perspective that comes with international engagement may be particularly valuable to local governments, which are subject to the will of local voters. But it may also strengthen the decision-making of businesses, and educational and cultural institutions.

**Finally,** international engagement contributes to the diversity, the vibrancy, and the overall quality of life in Los Angeles. The principal rationale for urban life rests on the ability of large cities to concentrate diverse experiences and opportunities in a manageable physical space. The world's great cities are so because they offer residents and visitors a wide array of products, services, educational opportunities, and cultural events. People go to great cities and remain in them because they can find there both the things they want, and things they have not yet imagined. Los Angeles is already enriched by the variety of influences that contribute to its texture of life. These influences come from its immigrant populations, natives who regularly deal with the rest of the world, businesses that can draw the best from foreign partners, artists who travel the world but call Southern California home, scholars who study and critically appraise foreign ways, and the list goes on. Engagement with foreign societies, cultures, and business communities can only add to the variety of experiences available in the region. This enriches the lives of residents and makes the area more attractive and more welcoming to foreign visitors and migrants. An incomer will find a piece of home in Los Angeles and will, in turn, make yet another contribution to the incredible diversity and vibrancy of the city.

The benefits of diversity are self-reinforcing: the more closely Los Angeles engages with the rest of the world, the richer life in the city will become and the more attractive it will be to the rest of the world.

## L.A.'S GLOBAL OPPORTUNITY

International engagement can benefit most cities and subnational regions. The benefits for Los Angeles, however, may be particularly pronounced.

Because of its strategic location on the Pacific Rim, the Los Angeles area is the natural gateway to the fast-growing economies of Asia. Largely because

of this rapid growth in Asia, the locus of world economic activity is steadily shifting towards the Pacific. As recently as 2000 the world economy had a distinctly Atlantic orientation, but since then the global economic center of gravity has moved steadily to the east and is becoming increasingly Asian (Figure 1-2).

**Figure 1-2**  
**Center of Gravity of World Economic Activity**



Source: World Bank, *World Development Indicators* and author's calculations

Los Angeles has other advantages in seizing an international future beyond just its location. Large populations of Asian and Hispanic descent create linguistic and cultural ties to important emerging markets. Transportation assets in the region already link Southern California with the rest of the world, and opportunities remain to strengthen this infrastructure. World-class universities attract large numbers of foreign students to the region and serve as hubs of international intellectual collaboration. A vibrant cultural scene has already elevated Southern California, in the eyes of many observers, to the pinnacle of contemporary visual arts, and the region's museums and galleries are increasingly influential and attract growing numbers of international visitors and exhibitors. The Los Angeles Philharmonic tours globally and is widely recognized as among the finest and most forward-looking musical ensembles in the world. Distinctive Los Angeles architecture has influenced

international design for years and is itself becoming a reason to visit the region. As the center of the global entertainment industry, Los Angeles creates the images and stories that shape attitudes and styles worldwide. And among the world's major metropolitan areas, Southern California is relatively unencumbered by legacies that limit exploration and inhibit adoption of new ideas and approaches. This has been and remains a region where anything is possible.

The forces of globalization are powerful; international engagement and an international outlook are becoming the norms for cities, regions, companies, institutions, and individuals. Nonetheless, local policies, actions, and attitudes can advance this engagement and outlook. The overall theme of this report is that Los Angeles can positively act to strengthen its international ties to fully realize the benefits that can arise from becoming a truly global city in a truly global region.

## A NOTE ABOUT STATISTICAL GEOGRAPHY

Whenever possible, this report presents statistics for the seven-county Southern California region in order to provide regional context. Occasionally, however, substantive reasons or data availability require references to only a part of Southern California – Los Angeles City or Los Angeles County, for example. In all cases, the report makes clear what geographical unit is being referred to.

Generally, comparisons between Los Angeles or Southern California and other major metropolitan areas reflect statistics for large urbanized areas, what the U.S. Census Bureau defines as Combined Statistical Areas (CSAs). For convenience, this report uses shorthand identifiers for these statistical areas – Los Angeles, Southern California, New York, Chicago, and so forth.

Shorthand Designation	Statistical Area
Los Angeles	Los Angeles-Long Beach, CA CSA ( <i>Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties</i> )
Southern California (SoCal)	Los Angeles-Long Beach, CA CSA; San Diego-Carlsbad, CA Metro Area; Santa Maria-Santa Barbara, CA Metro Area ( <i>five above counties PLUS San Diego and Santa Barbara Counties</i> )
Atlanta	Atlanta-Athens-Clarke County-Sandy Springs, GA CSA
Boston	Boston-Worcester-Providence, MA-RI-NH-CT CSA
Chicago	Chicago-Naperville, IL-IN-WI CSA
Dallas-Fort Worth	Dallas-Fort Worth, TX-OK CSA
Houston	Houston-The Woodlands, TX CSA
Miami	Miami-Fort Lauderdale-Port St. Lucie, FL CSA
New York	New York-Newark, NY-NJ-CT-PA CSA
Philadelphia	Philadelphia-Reading-Camden, PA-NJ-DE-MD CSA
San Francisco Bay Area	San Jose-San Francisco-Oakland, CA CSA
Washington, D.C.	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA



## HOW GLOBAL IS LOS ANGELES?

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While numbers create a useful baseline for monitoring how certain aspects of L.A.'s connections to the rest of the world evolve in future years, it seems likely that any compilation of numbers will understate the prominence and influence of Los Angeles on the global stage. Every great city in the world is more than the sum of its easily quantified components: they have histories, reputations, and ineffable special characteristics; they feature commonly in news reports and in novels; and they are home to vast amounts of people, both famous and ordinary, who were either born in these cities or relocated to them at some point in their lives and careers. All of these things shape the international images of the world's great cities.

In that sense, numbers will always fall short in capturing the essence of a great city. Arguably, this shortfall will be more pronounced in the case of Los Angeles. Other great cities and their surrounding regions have longer histories, and the images of these cities in the popular international imagination have had longer to form. But attached to Los Angeles and to Southern California is a mystique – propagated by the film and entertainment industries – unlike anything associated with other cities or regions. This mystique is furthered by a paradisiacal climate, breathtaking scenery, a lifestyle (sometimes more imagined than real) that many wish to emulate, and a well-deserved reputation as a place with few constricting legacies, where anything is possible and the dead hand of tradition rests only lightly. Southern California and Los Angeles were prominent in the international imagination before there was much municipal substance to either. Although sometimes the vision of Los Angeles from abroad is more glamorous or flattering than the local reality, it is hard to deny that the foreign vision of the region is powerful and contributes much to the city's influence in the world.

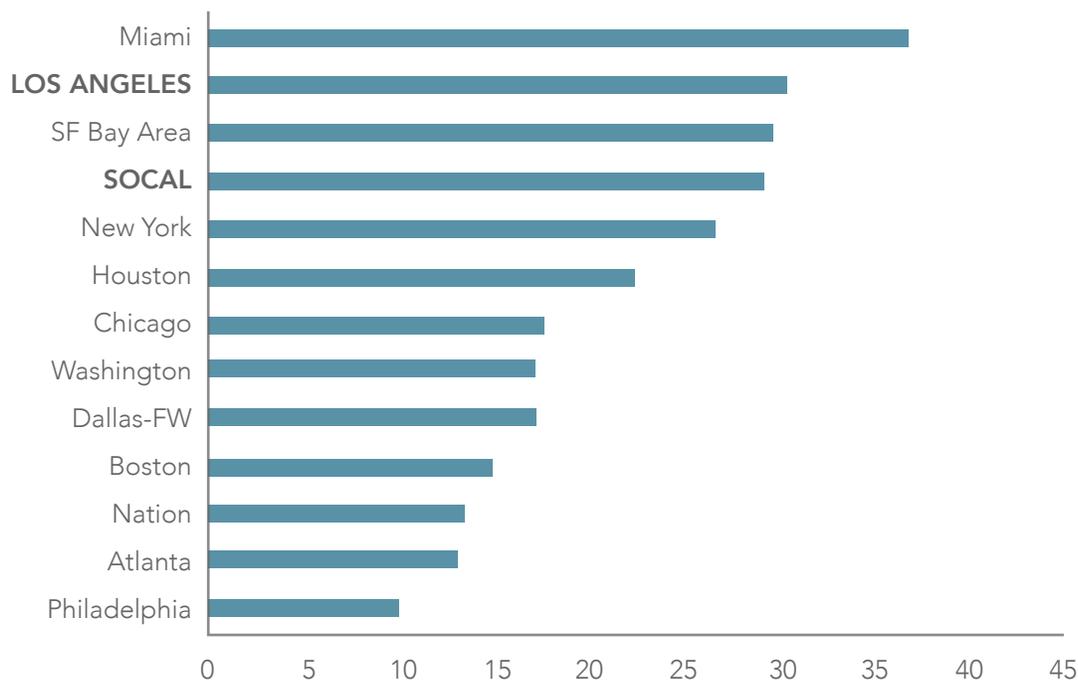
An effort to understand L.A.'s place in the world, though, has to begin somewhere, and this report seeks that beginning in numbers. Because the city's global ties are necessarily and irreversibly intertwined with those of the Southern California region, this report pulls data from the broad region as it seeks to establish a baseline description of the city's global connections.

These numbers do not tell the entire story, but they may tell some useful parts of it.

## WHO LIVES IN LOS ANGELES?

The United States – as is frequently noted – is a nation of immigrants. Los Angeles is a region of immigrants, and especially one of recent immigrants: 36 percent of the residents of Los Angeles were born abroad (Figure 2-1). Among major metropolitan areas, only Miami has a higher percentage of foreign-born residents than Los Angeles.

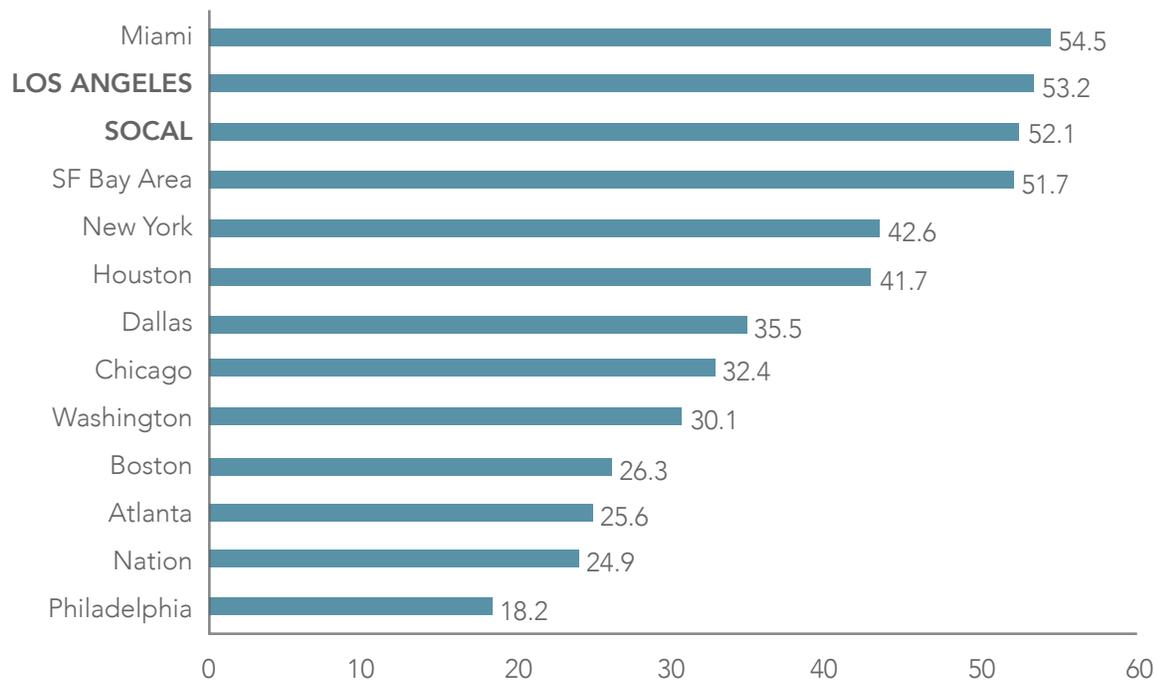
**Figure 2-1**  
**Percentage of Population Born Abroad, 2013**



Source: American Community Survey 2013 1-Year Estimates, Table DP02

The link to other countries is even more pronounced in the next generation. More than half of all children in Los Angeles live in households with at least one foreign-born parent. Only Miami and the San Francisco Bay area share this characteristic (Figure 2-2).

**Figure 2-2**  
**Percentage of Children under 18 Years of Age Living with a Foreign-Born Parent, 2013**



Source: American Community Survey 2013 1-Year Estimates, Table B05009

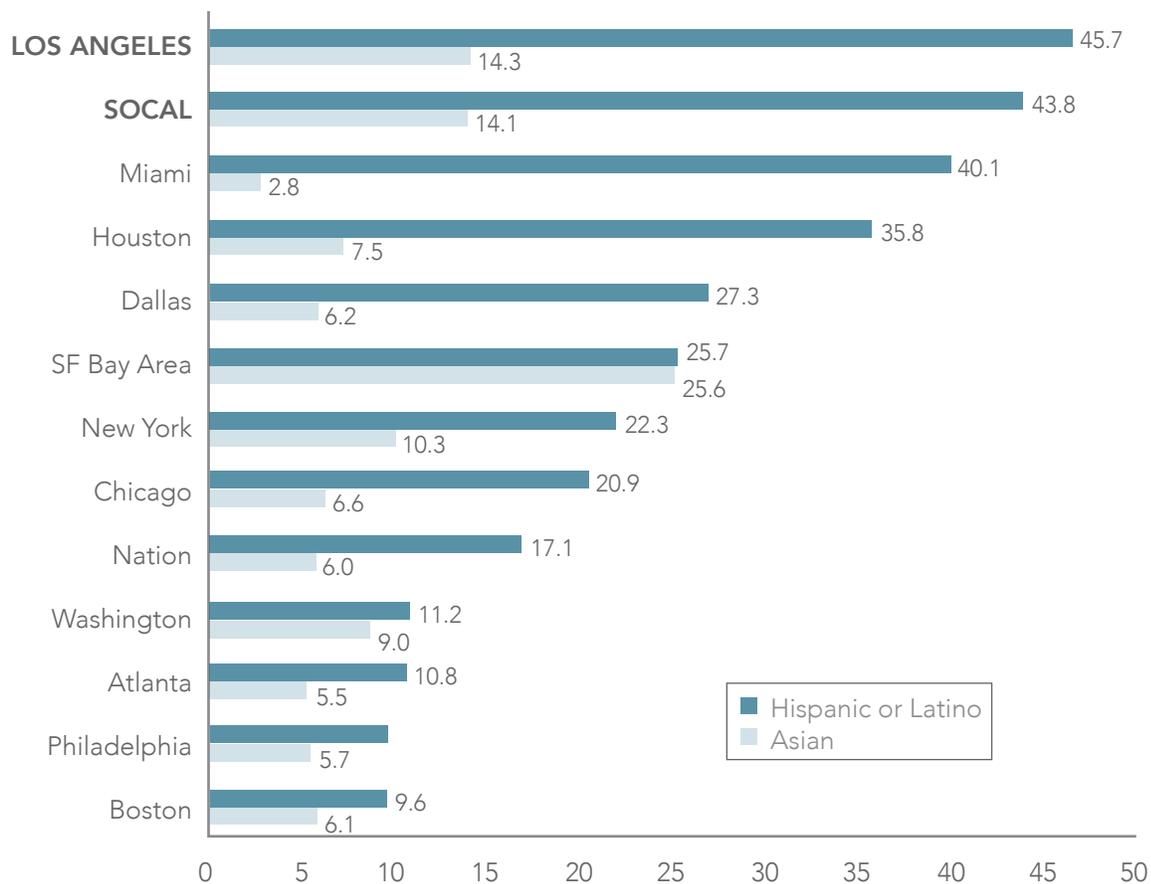
Among major U.S. metropolitan areas, Los Angeles has the highest concentrations of Hispanics and Latinos, and the second highest concentration of Asians (Figure 2-3). As a region, Southern California has the largest populations, in absolute numbers, of people who claim Mexican, Guatemalan, and Salvadoran descent.<sup>1</sup> The region is also home to the largest populations of people of Korean, Japanese, Filipino, and Vietnamese origins. Only the New York metropolitan area has a larger population of Chinese descent.<sup>2</sup> Southern California also has the highest concentrations and largest absolute numbers of people who claim Iranian or Armenian descent.<sup>3</sup>

1 U.S. Census Bureau, American Community Survey, 2013 1-Year Estimates, Table B03001.

2 U.S. Census Bureau, American Community Survey, 2013 1-Year Estimates, Table S0201.

3 U.S. Census Bureau, American Community Survey, 2013 1-Year Estimates, Table B04003.

**Figure 2-3**  
**Percentage of Population of Hispanic or Latino and Asian Descent, 2013**



Source: American Community Survey 2013 1-Year Estimates, Tables B02011 and B03003

These demographic facts are widely known. Less well known, perhaps, is that in the United States, Southern California is home to the largest populations (although not the highest concentrations) of people who claim British descent (that is, English, Scottish, or Welsh) and those who claim Scandinavian descent (Swedish, Norwegian, Danish, or Finnish).<sup>4</sup>

## LOS ANGELES AS A MAGNET FOR INTERNATIONAL MIGRANTS

Southern California is a major destination for people moving to the United States from abroad. In 2013, it accounted for almost 9 percent of all U.S. residents who had moved to this country from abroad in the previous

<sup>4</sup> U.S. Census Bureau, American Community Survey, 2013 1-Year Estimates, Table B04003.

year.<sup>5</sup> Among major U.S. cities, only New York attracted more international migrants, and the Miami area has the largest concentration of residents who lived abroad a year earlier. Southern California is particularly a magnet for young adults, with more migrants aged 18 through 24 than any other major city.<sup>6</sup>

Southern California also draws a disproportionate share of migrants who have bachelor's degrees – more than 10 percent of the U.S. total and more than any U.S. city.<sup>7</sup>

## THE LANGUAGES OF LOS ANGELES

Los Angeles is a polyglot city. In his 2010 inaugural address, C.L. Max Nikias, the incoming president of the University of Southern California, noted that 224 different languages are spoken in the Los Angeles region.<sup>8</sup> Somewhat less dramatically, but perhaps more operationally significant, the California Department of Education identified 59 specific native languages among public school students in Los Angeles County in the 2013-2014 school year, and a measureable number (0.4 percent of total enrollment) of students with yet other native tongues.<sup>9</sup> Students with native languages other than English account for 52 percent of total public school enrollment in the county. The comparable figure for the Los Angeles Unified School District (LAUSD) is even higher at 63 percent. There is some indication, though, that the wave

5 These are not all foreign nationals moving to the United States: U.S. citizens returning after living abroad are included in this number. These data are from the American Community Survey, 2013 One-Year Estimates, Table S0701.

6 The San Francisco Bay area has the largest *concentration* of 18-to-24-year-old and 25-to-34-year-old migrants.

7 New York, however, attracts the largest number of international migrants with postgraduate or professional degrees; the Miami area has the highest concentration of international migrants with bachelor's degrees; and Houston has the highest concentration of international migrants with postgraduate or professional degrees. Also note: These shares show considerable year-to-year volatility, but there is no obvious trend from 2005, when the U.S. Census Bureau began collecting information on international migration on the current basis, to the present.

8 C.L. Max Nikias, *The Destined Reign of Troy*, Inaugural Address, October 13, 2010, <http://www.president.usc.edu/speeches/the-destined-reign-of-troy/>

9 California Department of Education, Educational Demographics Office, Language Group Data, <http://dq.cde.ca.gov/dataquest/lc/CountyLC.aspx?Level=County&TheCounty=19+LOS%255EANGELLES&cYear=2013-14>

of students requiring educational services in languages other than English, which has been a characteristic of LAUSD in recent years, is receding. The fraction of students in LAUSD classified as “English learners” – that is, not fully proficient in English – peaked in the 2003-2004 school year and has been gradually declining since.

Fully half of L.A. residents aged five years or older live in households where a language other than English is spoken, higher than any other major U.S. city (Figure 2-4). The proportion is only slightly lower in the region as a whole. While Spanish is the most common language other than English spoken in a large majority of these households (70 percent of those who speak a language other than English at home), Southern California is far from being simply a bilingual region. Substantial minorities speak Asian languages or Pacific Islander languages (19 percent) or some Indo-European language other than Spanish (8 percent).<sup>10</sup>

Official institutions in Los Angeles accommodate residents who prefer to speak languages other than English. The California State Department of Motor Vehicles offers written driver license examinations in 31 languages other than English.<sup>11</sup> The next most accommodating state, New York, offers examinations in only 12 languages other than English.<sup>12</sup> The Superior Court of Los Angeles County makes instructional materials available in 30 languages other than English.<sup>13</sup> For comparison, the New York State Unified Court System provides information in only 10 languages other than English.<sup>14</sup>

Despite these efforts to provide written material in multiple languages, L.A. residents with limited facility in English still face obstacles in gaining access to important government services. Although Los Angeles County courts are generally able to provide interpreters for non-English speakers in criminal cases, they lack sufficient interpreters to provide similar services in all civil cases. This prompted a complaint from the Legal Aid Foundation of Los Angeles and a subsequent investigation by the U.S. Justice Department con-

10 U.S. Census Bureau, American Community Survey, 2013 1-Year Estimates, Table DP02.

11 See [www.dmv.ca.gov/dl/dl\\_info.htm#languages](http://www.dmv.ca.gov/dl/dl_info.htm#languages).

12 See [http://nysdmv.custhelp.com/app/answers/detail/a\\_id/9/~/dmv-written-tests-or-driver's-manuals-in-different-language](http://nysdmv.custhelp.com/app/answers/detail/a_id/9/~/dmv-written-tests-or-driver's-manuals-in-different-language).

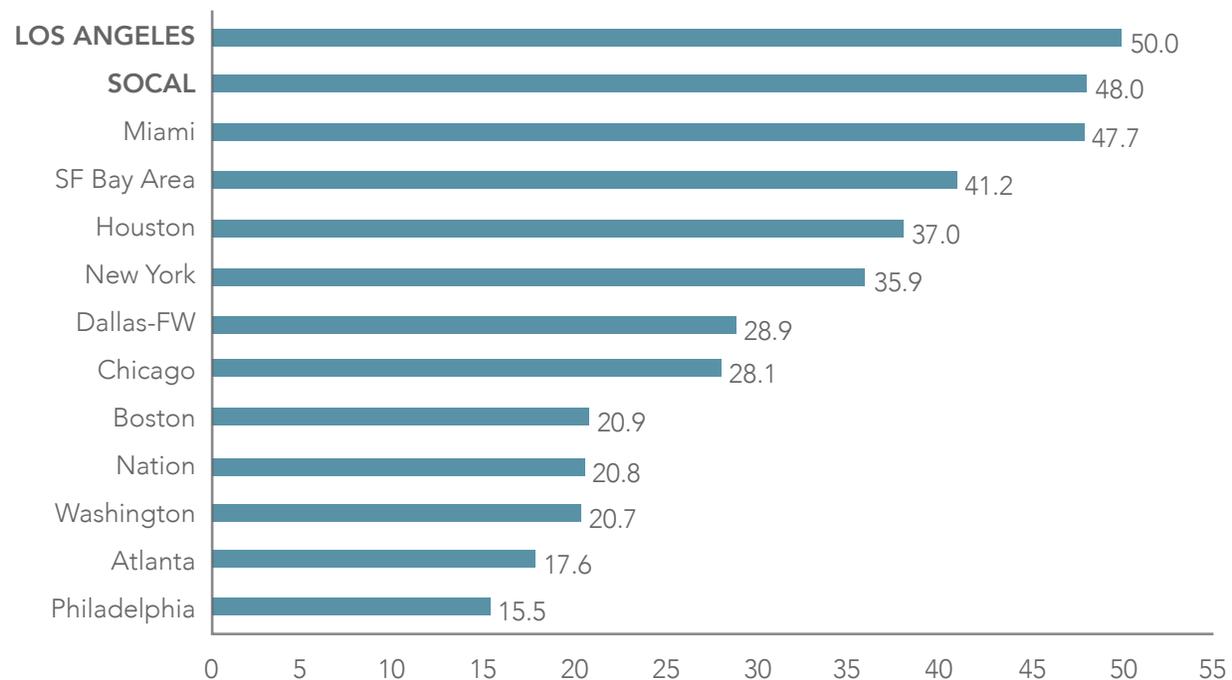
13 See [www.lasuperiorcourt.org/publicnotice/pdf/lep.pdf](http://www.lasuperiorcourt.org/publicnotice/pdf/lep.pdf).

14 See [www.nycourts.gov/languages/index.shtml](http://www.nycourts.gov/languages/index.shtml).

cluding in 2013 that county courts were in violation of the Civil Rights Act. A draft plan to remedy this situation was released in July 2014.<sup>15</sup>

Finally, at least 42 foreign-language newspapers are regularly published in Southern California in 10 different languages.<sup>16</sup> An additional four English-language papers are published in the region for specific expatriate communities.

**Figure 2-4**  
**Percentage of Population 5 or Older in Households Where a Language Other Than English Is Spoken, 2013**



Source: American Community Survey 2013 1-Year Estimates, Table DP02

## INTEGRATING L.A.'S IMMIGRANTS

In the long run, the large population of immigrants who now make their homes in Los Angeles and Southern California constitutes a potential source of economic and social strength for the region. The foreign-born population is more heavily concentrated than the native population in the prime work-

<sup>15</sup> Corina Knoll, "Their Voice in Court," *Los Angeles Times*, November 5, 2014.

<sup>16</sup> See [www.allyoucanread.com](http://www.allyoucanread.com).

ing-age group of 18 through 64, and among residents 16 and older, the foreign-born population shows a higher rate of employment than does the native population. (See the first four rows of table 2-1 for statistics for the five-county Los Angeles combined statistical area and the San Diego metropolitan statistical area<sup>17</sup>). Despite the relatively high rate of employment among foreign-born residents, families headed by a foreign-born householder in Southern California are almost twice as likely to live in poverty as are families headed by a native householder (table 2-1).

One explanation for the poor economic status of foreign-born residents of Southern California is their low average educational achievement. As the last row of table 2-5 shows, foreign-born residents of the five-county Los Angeles area are more than four times as likely as natives not to have graduated from high school. In San Diego County the disparity is even greater, at 5.6 times.

**Table 2-1**

**Selected Characteristics of Native and Foreign-Born Populations, 2013**

	Los Angeles CSA		San Diego MSA	
	Native	Foreign-Born	Native	Foreign-Born
Percent of population by age groups				
17 and younger	32.9%	4.0%	27.9%	5.7%
18 through 64	56.6%	80.3%	60.7%	79.2%
65 and older	10.3%	15.7%	11.5%	15.1%
Population 16 and older employed				
	54.9%	59.7%	55.0%	57.7%
Poverty rate for families by status of householder				
	9.6%	18.8%	8.7%	16.6%
Population 25 and older with less than high school graduation				
	8.9%	37.8%	5.9%	33.3%

Source: American Community Survey, 2013 1-Year Estimates, Table S0501

<sup>17</sup> Because the sample size in the American Community Survey is not large enough, the U.S. Census Bureau does not report the social characteristics of native versus foreign-born populations for the Santa Barbara metropolitan statistical area. Thus, it is impossible to calculate these statistics for the entire Southern California region.

By these measures of economic success and educational achievement among the foreign-born population, the Los Angeles CSA does not compare well with other major U.S. urban centers cited in previous comparisons. Compared to Los Angeles, only Miami had a lower percentage of foreign-born residents aged 16 or older employed in 2013, only Dallas had a higher percentage of foreign-born residents with less than a high school education, and only Atlanta, Dallas, and Houston had higher poverty rates among households headed by a foreign-born householder.

These indicators do not seem to be improving. Employment rates among foreign-born residents were lower in 2013 than in 2006 in both the Los Angeles CSA and the San Diego MSA. Household poverty rates rose in both areas over the same period. The only hopeful sign is that the percentage of foreign-born residents aged 25 or older without a high school education declined in Los Angeles, and held steady in San Diego.<sup>18</sup> Integration of Southern California's immigrant population into the regional economy, it would seem, is still a work in progress.

Recently, the new mayor of the City of Los Angeles re-established an Office of Immigrant Affairs to assist immigrants in navigating local, state, and federal governmental programs. A similar office had been created in 2004, but had been defunded during the previous mayor's administration.<sup>19</sup> With the re-opening of this office, the City of Los Angeles joins New York, Chicago, Houston, and San Francisco in providing a governmental focal point for immigrant affairs.

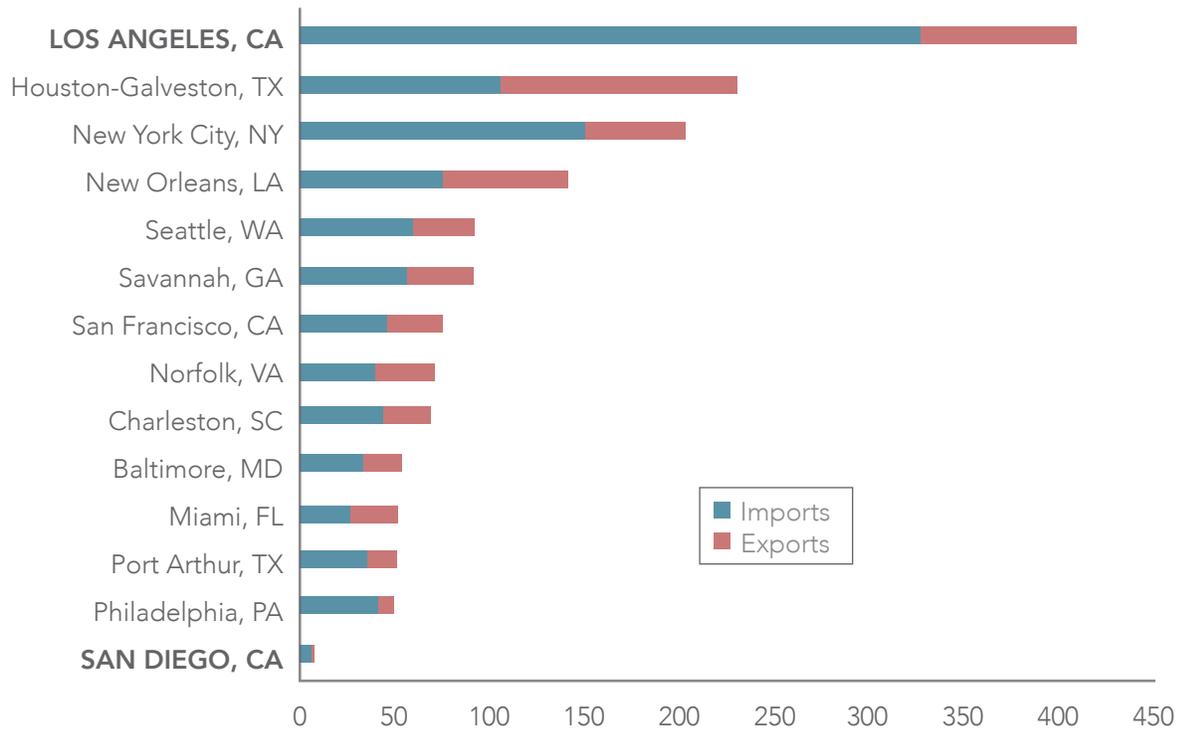
## L.A.'S INTERNATIONAL TRANSPORTATION CONNECTIONS

Being a global city requires direct connections to foreign destinations by both sea and air. The major ports of Los Angeles and Long Beach, subsidiary seaports in the region, and Los Angeles International Airport (LAX) provide strong links between Southern California and overseas markets.

<sup>18</sup> The comparison figures are from the American Community Survey 2006 1-Year Estimates, Table S0501.

<sup>19</sup> Kate Linthicum, "The Face of the City's Outreach," *Los Angeles Times*, September 24, 2014.

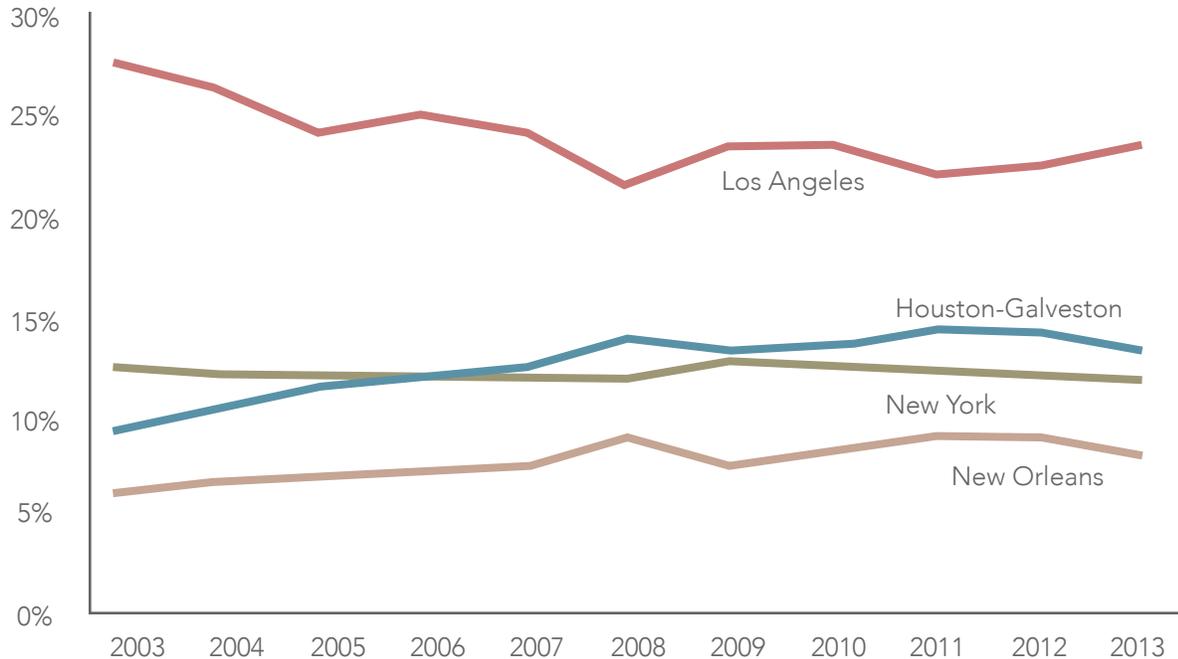
**Figure 2-5**  
**Value of Waterborne Foreign Trade by Customs District, 2013**



Source: U.S. Department of Transportation, Maritime Administration

Maritime Trade

**Figure 2-6**  
**Shares of Total U.S. Value of Waterborne Foreign Trade, Selected Customs Districts, 2003 through 2013**



Source: U.S. Department of Transportation, Maritime Administration

By a wide margin, the ports of Southern California lead the United States in the value of goods handled. Figure 2-5 shows values of waterborne foreign trade, both imports and exports, passing through the ports in the principal U.S. customs districts in 2013.<sup>20</sup> Both the Houston-Galveston and New Orleans port districts handle greater tonnages of foreign trade than does Los Angeles, but trade in these ports is concentrated in commodities, which typically have lower value per weight than the more varied cargoes that pass through Los Angeles-area ports.

From 2003 through 2008, the share of all U.S. maritime foreign trade handled by Southern California ports declined (Figure 2-6). This share appears to have stabilized since 2008. Even with modest increases in 2012 and 2013, Southern California ports have not regained the market share they enjoyed a decade earlier. U.S. West Coast ports, including those in Southern California, will face increased competition when the widening of the Panama Canal is completed in 2015. The expanded canal will accommodate larger ships, which may then proceed directly from Asia to U.S. Gulf and East Coast ports, bypassing West Coast ports.

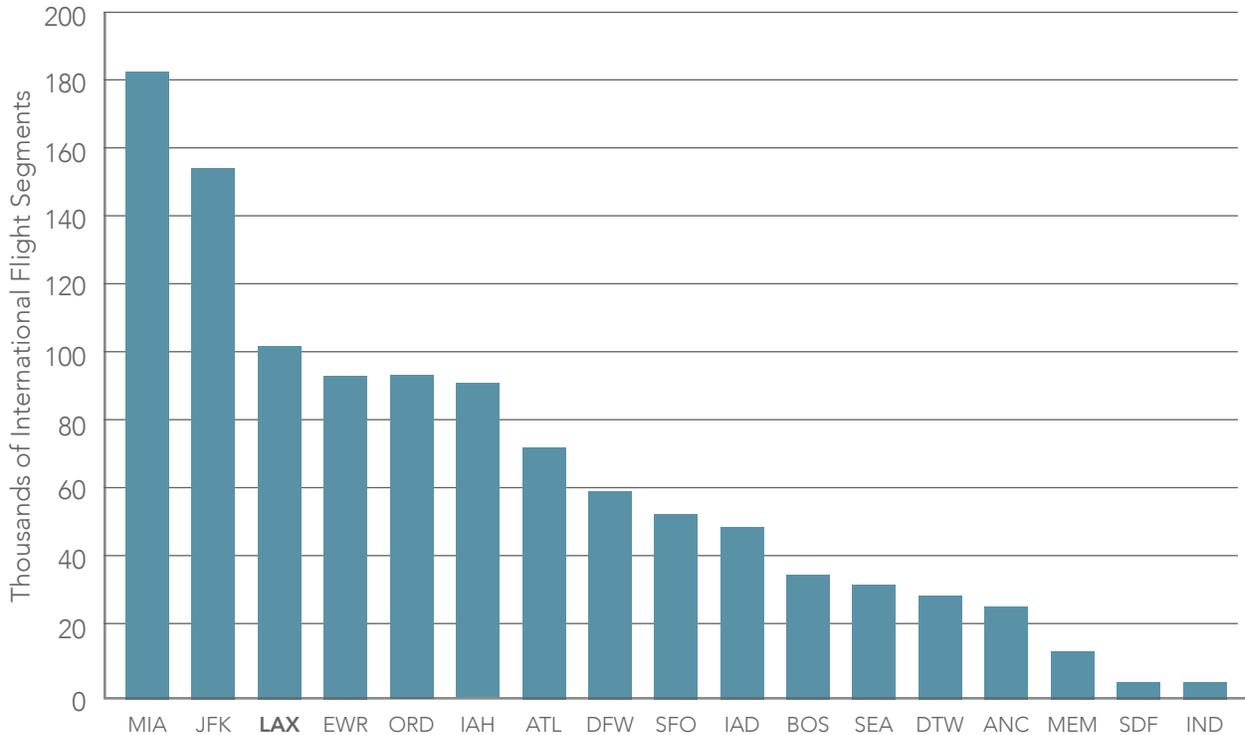
## Air Transport

LAX is a major international airport. In numbers of international flights and international passengers, it ranks third nationally behind John F. Kennedy International Airport (JFK) in New York and Miami International Airport (MIA) (Figures 2-7 and 2-8). If traffic at JFK and Newark Liberty International Airport (EWR) – the two major international airports serving New York City – is combined, the New York region dominates U.S. international flight-segment and passenger traffic by a wide margin. With respect to international freight, LAX is third behind Anchorage and Miami (Figure 2-9).<sup>21</sup>

<sup>20</sup> Customs districts typically include multiple ports in a particular geographical area, and trade statistics by customs district provide a comprehensive picture of all foreign trade flowing through a region. The Los Angeles customs district includes the ports of Los Angeles (San Pedro), Long Beach, El Segundo, Ventura, Port Hueneme, Morro Bay, Port San Luis, Capitan, and Las Vegas, Nevada (some goods landed at other Southern California ports are transported in bond to Las Vegas, where customs formalities are completed). The San Diego customs district, shown separately in Figure 2-6, handles an additional small volume of foreign trade.

<sup>21</sup> Both Federal Express and UPS operate major freight hubs at Ted Stevens International Airport (ANC) in Anchorage.

**Figure 2-7**  
**International Flight Segments at Selected U.S. Airports\*, 2013, Arriving and Departing**



\*The three-letter airport codes shown in the figure refer to the following airports:

**Passenger and cargo airports:**

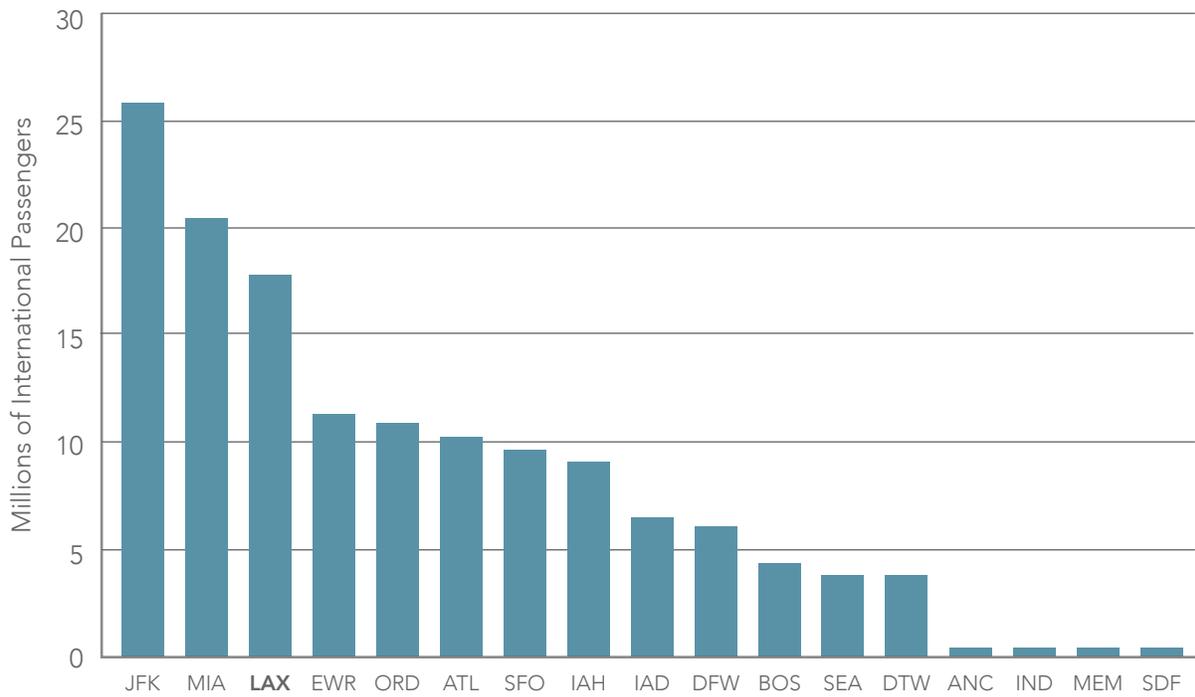
- LAX Los Angeles International Airport, Los Angeles
- ATL Hartsfield-Jackson International Airport, Atlanta
- BOS Logan International Airport, Boston
- DFW Dallas-Fort Worth International Airport, Dallas-Fort Worth
- DTW Detroit Metro Wayne County Airport, Detroit
- EWR Newark Liberty International Airport, Newark
- IAD Washington Dulles International Airport, Washington, D.C.
- IAH George Bush Intercontinental Airport, Houston
- JFK John F. Kennedy International Airport, New York City
- MIA Miami International Airport, Miami
- ORD Chicago O'Hare International Airport, Chicago
- SEA Seattle/Tacoma International Airport, Seattle
- SFO San Francisco International Airport, San Francisco

**Exclusively cargo airports:**

- ANC Ted Stevens International Airport, Anchorage (Hub for UPS and FedEx)
- IND Indianapolis International Airport, Indianapolis (Hub for FedEx)
- MEM Memphis International Airport, Memphis (Hub for FedEx)
- SDF Louisville International Airport, Louisville (Hub for UPS)

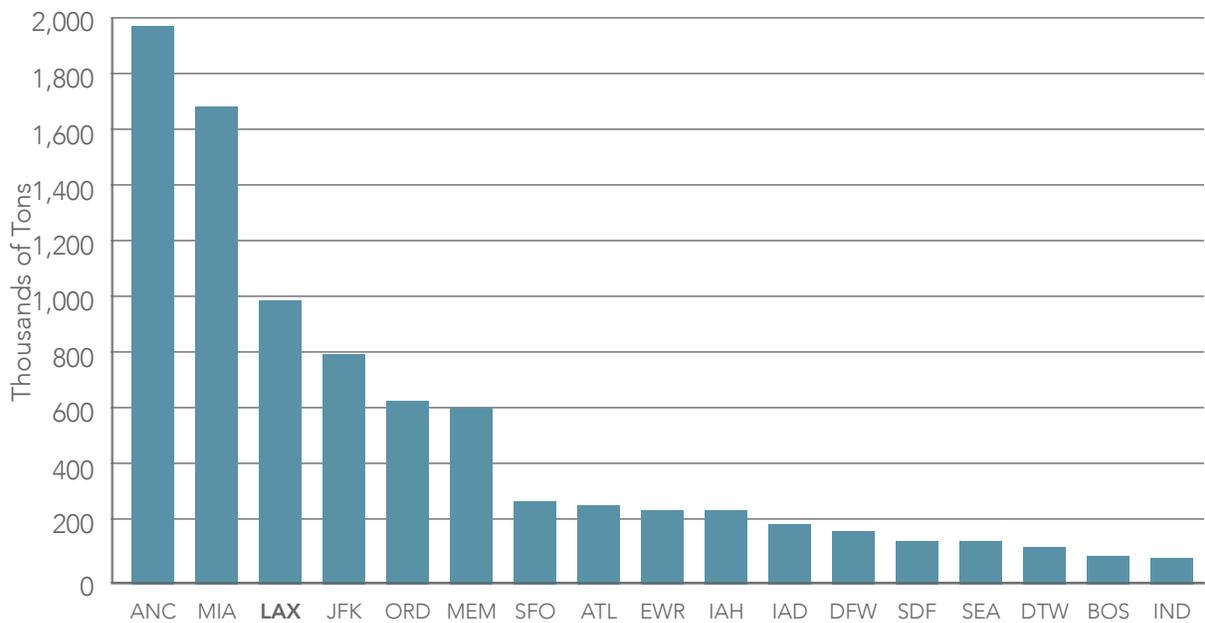
Source: U.S. Department of Transportation, Bureau of Transportation Statistics, all carriers

**Figure 2-8**  
International Passengers at Selected U.S. Airports, 2013, Arriving and Departing



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, all carriers

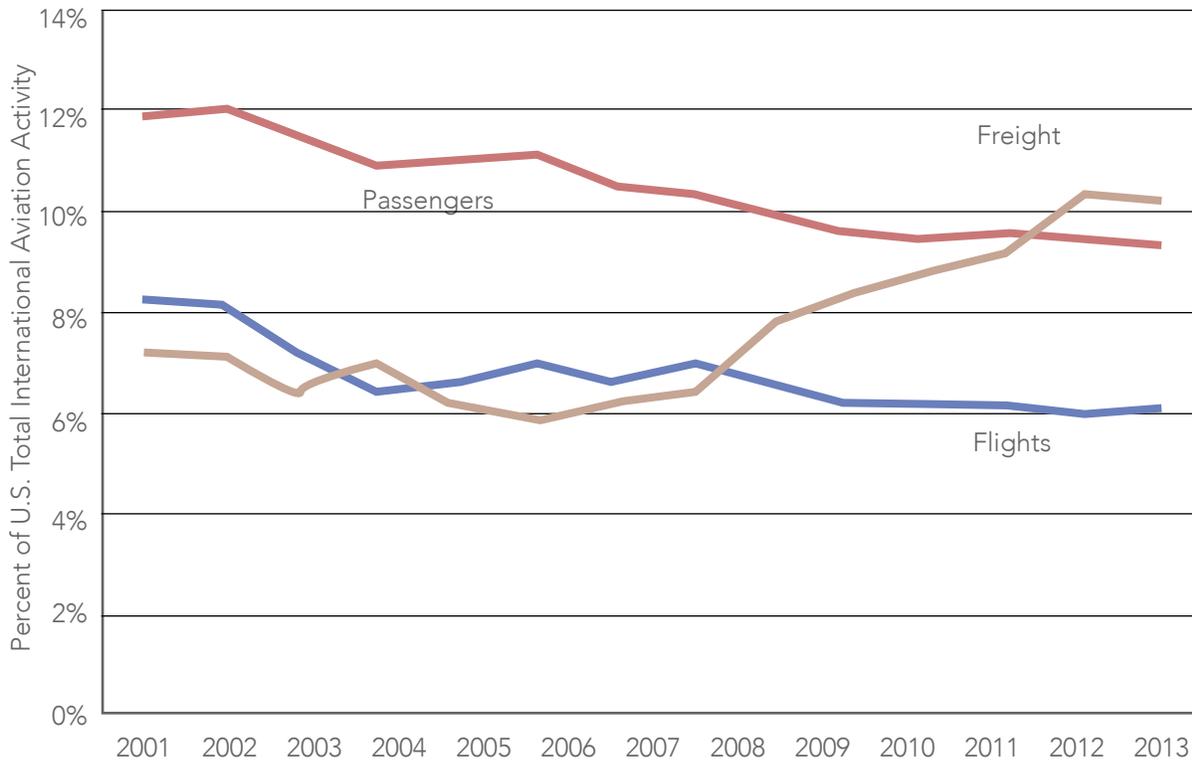
**Figure 2-9**  
International Freight at Selected U.S. Airports, 2013, Incoming and Outgoing



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, all carriers, segment data

Although LAX ranks high among U.S. airports with respect to international flight segments and international passengers, LAX has been losing market share in both categories in recent years (Figure 2-10). In contrast, the LAX share of total freight handled has been growing since 2005.

**Figure 2-10**  
**LAX Share of U.S. International Aviation Markets**



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, international segments, all carriers

The loss of share of international traffic – flights and passengers – at LAX is particularly disappointing in view of the rapid growth of Asia, which would seem to constitute the natural destinations for flights from Los Angeles. Presumably, increasing use of longer-range aircraft since 2000 has allowed some flights from the U.S. East Coast to reach Asia without an intermediate stop in Los Angeles, thus reducing the share of international passengers and flights at LAX. But if this were the principal explanation for LAX’s declining shares of passengers and flights, one might expect to find a similar reduction in shares at San Francisco International Airport (SFO), the other obvious gateway to Asia. This appears not to be the case. SFO did see declines in its

shares of passengers and flights (from lower starting shares), but the reductions were less pronounced than at LAX. From a lower initial share, SFO lost about 4 percent of its share of international passengers and about 9 percent of its share of international flights from 2000 to 2013. The corresponding losses at LAX were 19 percent and 25 percent. It would appear, then, that at least some of the causes of declining shares at LAX must be factors specific to LAX.

## LOS ANGELES AS A COMMERCIAL “COMMAND CENTER”

Although Los Angeles is an international center of decision-making related to a few industries – entertainment being the most prominent example – in general, the city does not rank high among U.S. cities as a commercial “command center”: a place where corporate headquarters or other important commercial institutions have chosen to locate.

### Corporate Headquarters

In 2013, Los Angeles was host to the corporate headquarters of 22 Fortune 500 firms, coming behind New York, Chicago, the San Francisco Bay area, and Houston (table 2-2).

Southern California has just two more, for 24 total, but in the next count of Fortune 500 companies (in June 2015) the region will lose at least two of those 24. In February 2014, Occidental Petroleum, then based in Los Angeles, announced that it would split off its California assets and move the headquarters of the much larger remaining company to Houston.<sup>22</sup> And in November 2014, Irvine-based Allergan agreed to be acquired by the Irish pharmaceutical firm Actavis.<sup>23</sup>

After these losses, the number of Fortune 500 headquarters in Southern California will be only slightly higher than the 19 in the region in 1991. Since

22 Shan Li, “Occidental to Spin Off California Resources Corp by End of 2014,” *Los Angeles Times*, June 5, 2014.

23 Stuart Pfeifer and Sarah Parvini, “Allergan Sale to Actavis Thwarts Valeant,” *Los Angeles Times*, November 18, 2014.

then, the commercial sectors with corporate headquarters in Southern California have changed. Some sectors traditionally associated with international operations and sales are no longer represented. Oil and gas headquarters, for example, have left the region (Atlantic Richfield, Unocal, and soon Occidental). Similarly, aerospace and defense contracting firms (Northrop, Lockheed, Rockwell, Teledyne, Litton) have merged or moved their headquarters elsewhere. But many of the companies now appearing on the list are active internationally (table 2-3). There seems to be no reason to think that the changing mix of companies with headquarters in Southern California has reduced the region's international connections. Nonetheless, the small number of major-company headquarters in the region is disappointing.

**Table 2-2**  
**Headquarters of Fortune 500 Companies in**  
**Selected Combined Statistical Areas, 2013**

New York	90
Chicago	30
San Francisco Bay	30
Houston	26
Los Angeles	22
Southern California	24

Source: *Fortune*, June 16, 2014

Neither is Southern California home to U.S. or North American headquarters of major foreign or multinational firms. Of the 100 largest foreign companies that had regional headquarters in the United States, only six had headquarters in Southern California.<sup>24</sup>

<sup>24</sup> The six were: Honda in Torrance, Nestle in Glendale, Hyundai in Fountain Valley, Mitsubishi Motors in Cypress, Toshiba Information Systems in Irvine, and Tewood Group in Irvine.

Table 2-3

## Fortune 500 Corporate Headquarters in Southern California, 1991 and 2013

1991	2013
<b><i>In the City of Los Angeles</i></b>	<b><i>In the City of Los Angeles</i></b>
Atlantic Richfield	Occidental Petroleum*
Occidental Petroleum	Reliance Steel and Aluminum
Unocal	Aecom Technology
Northrop	Oaktree Capital Group
Times Mirror	CBRE Group
Teledyne	<b><i>Elsewhere in the Los Angeles CSA</i></b>
Magnatek	Walt Disney
<b><i>Elsewhere in the Los Angeles CSA</i></b>	Ingram Micro
Rockwell International	Direct TV
Lockheed	Amgen
Litton Industries	Western Digital
Wickes	Edison International
Avery Dennison	Jacobs Engineering Group
Mattel	Health Net
Fleetwood Enterprises	Broadcom
Western Digital	Pacific Life
Allergan	Spectrum Group International
Beckman Instruments	Molina Health Care
Amgen	Avery Dennison
AST Research	Mattel
	Live Nation Entertainment
	Allergan*
	First American Financial
	<b><i>In San Diego County</i></b>
	Qualcomm
	Sempra Energy

\*Because of a corporate split (Occidental) and an international acquisition (Allergan), neither of these companies will be headquartered in Southern California in future years.

## Foreign Banking Institutions

Another indicator of a city's commercial engagement with the rest of the world is the presence of the offices of foreign banks. Since 1997, the U.S. Federal Reserve has published a quarterly listing of all such offices in the United States.

**Table 2-4**

**Number of Foreign Banking Offices in Selected States and in Regions of California**

	March 2014	March 2007	March 2002	March 1997
Nation	432	498	601	867
<b>States</b>				
California	66	88	98	166
New York	192	208	257	385
Florida	47	56	62	81
Texas	27	33	31	43
Illinois	25	29	65	93
Delaware	16	13	11	1
New Jersey	13	11	8	2
Connecticut	5	8	11	22
Georgia	6	9	8	2
Pennsylvania	2	4	3	7
Other States	33	39	47	65
<b>In California</b>				
SoCal	45	63	72	116
SF Bay Area	20	24	26	49
Other	1	1	0	1
<i>SoCal as % of National Total</i>	10.4%	12.7%	12.0%	13.4%

Source: U.S. Federal Reserve Board of Governors, Structure Data for U.S. Banking Offices of Foreign Entities, [www.federalreserve.gov/releases/iba](http://www.federalreserve.gov/releases/iba)

Table 2-4 shows the number of foreign banking offices in selected states, in Southern California, and in the San Francisco Bay Area at different points

in time. The total number of foreign banking offices in the United States has fallen by half since 1997, a reflection of consolidation in the worldwide banking sector. New York is the dominant location for foreign banking offices, but a significant cluster of these offices is found in Southern California – more than in any metropolitan area other than New York. Nonetheless, the share of foreign banking offices in Southern California has fallen from 13.4 percent in 1997 to 10.4 percent in 2014.

### Managing Foreign Trade

Despite the relative scarcity of major corporate headquarters in Los Angeles and Southern California, the region seems to play a significant role in directing the flow of U.S. merchandise exports. Since 2005, the International Trade Administration (ITA) of the U.S. Commerce Department has reported the annual value of merchandise exports by metropolitan statistical area (MSA). These data do not reflect where the exported goods were actually produced. Rather, exports are attributed to MSAs on the basis of the ZIP code of the United States Principal Party of Interest (USPPI) of record for each export transaction. The USPPI is “the person or legal entity in the United States that receives the primary benefit, monetary or otherwise, from the export transaction.”<sup>25</sup> Plausibly, the location of the party initially receiving the return from the trade transaction is the party directing the transaction. Consequently, these statistics point to a locus of decision-making with respect to U.S. exports and thus reflect which metropolitan areas constitute “command centers” for U.S. international trade.

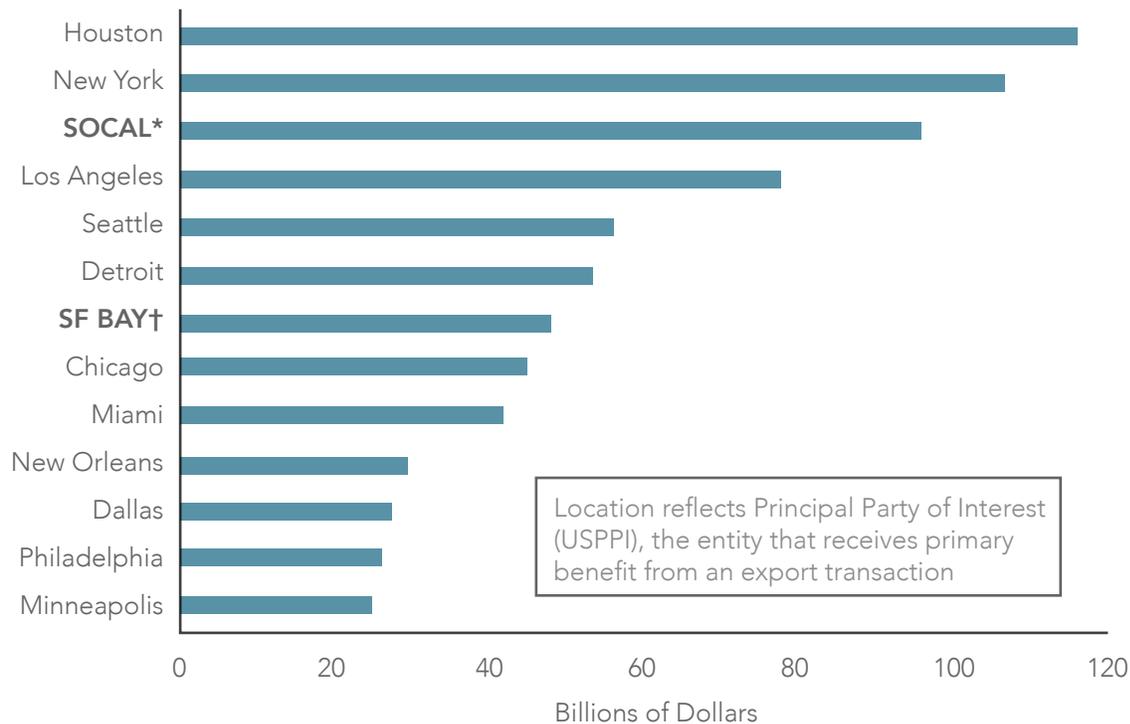
Figure 2-11 shows the value of merchandise exports associated with major metropolitan areas and for the larger Southern California and San Francisco Bay regions in 2013. By this measure, the Southern California region ranks third behind Houston and New York. Southern California’s share of total U.S. merchandise exports has declined modestly since 2005 – from 6.6 percent to 6.0 percent.

The U.S. federal government does not compile statistics at the subnational

<sup>25</sup> Exports from U.S. Metropolitan Areas Methodology, International Trade Administration, U.S. Department of Commerce, [www.trade.gov/mas/ian/metroreport/tg\\_ian\\_002825.asp](http://www.trade.gov/mas/ian/metroreport/tg_ian_002825.asp).

level on merchandise imports, nor on the imports or exports of commercial services.<sup>26</sup>

**Figure 2-11**  
**Merchandise Exports by Metropolitan Statistical Area, 2013**



\*Los Angeles and San Diego MSAs

†San Francisco and San Jose MSAs

Source: U.S. Department of Commerce, International Trade Administration, <http://trade.gov/mas/ian/metroreport/index.asp>

## Binational Chambers of Commerce

A final indicator of a metropolitan area's role in directing international com-

<sup>26</sup> With the aim of establishing how much exports contribute to local economies, analysts at the Brookings Institution devised an alternative methodology for associating exports, both merchandise and commercial services, with particular MSAs. They assume that each MSA produces a share of total U.S. exports of a particular commodity or service proportional to the share of total national production, for both export and domestic consumption, of that commodity or service. Thus, if a particular metropolitan area produces 5 percent of all electronic equipment produced in the United States, that MSA is credited with 5 percent of the value of all exports of electronic equipment. See Brad McDearman, Ryan Donahue, and Nick Marchio, *Export Nation 2013*, The Brookings Institution, September 2013. Although this methodology is intended to serve a different purpose, the top three metropolitan areas in 2012 were the same as in the ITA statistics – Los Angeles, New York, and Houston. The order of these three is reversed, however. Los Angeles ranks first, followed by New York and Houston.

mercial activity may be the number of local associations dedicated to promoting or facilitating commercial relations between that city and particular foreign countries. The California Chamber of Commerce provides a list of “binational chambers of commerce and associations” in California, along with contact information. In early 2014, there were 41 such organizations in Southern California and, coincidentally, another 41 in the San Francisco Bay Area. The Southern California organizations represented 26 different countries; those in the Bay Area represented 22 different countries. There appears to be no archive of lists from previous years, and it is therefore impossible to know whether the number of such organizations is growing or shrinking.

Similar lists for other major U.S. cities do not appear to be available. The fact that the California Chamber of Commerce sees fit to provide such information to the local business community is perhaps an indicator of a more internationalist orientation compared with the business communities of other states.

## CONSULAR REPRESENTATION

The presence of consular offices in a city provides some indication of the richness of commercial and civil relations between that city and foreign countries, as judged by foreign diplomatic services. By this measure, Southern California is second only to the New York area. Table 2-5 shows the number of consular offices in major U.S. cities in early 2014. Washington, D.C., is not shown in the table since countries that maintain diplomatic relations with the United States have embassies in the nation’s capital, and most of these have consular sections.

There has been modest growth in the consular presence in Southern California in recent years. Southern California hosted 62 consular offices in 2006: as seen in table 2-5, that number is now 65.

**Table 2-5  
Number of Consular Offices in Selected  
U.S. Cities, February 2014 (Excluding  
Honorary Consuls)**

New York*	111
Southern California	65
Chicago	50
Houston	39
San Francisco	36
Miami and Coral Gables	36

\*Excluding missions to the United Nations.

Source: U.S. Department of State, Foreign Consular Offices in the United States, Winter 2014, [www.state.gov/documents/organization/221620.pdf](http://www.state.gov/documents/organization/221620.pdf)

## SISTER CITIES

Among them, the cities that make up the Southern California region have sister-city relationships with 159 foreign cities.<sup>27</sup> The city of Los Angeles alone has 25 foreign sister cities.<sup>28</sup>

## A PLACE WHERE THE WORLD GATHERS

By a number of measures, Los Angeles and Southern California rank high as a destination for foreigners who come to the United States for limited periods of time.

### Foreign Visitors

There is no fully satisfactory source of information on the number of foreigners who visit particular U.S. cities for business or for pleasure. The most com-

<sup>27</sup> Sister Cities International, *2014 Membership Directory by U.S. State*, [www.sister-cities.org](http://www.sister-cities.org).

<sup>28</sup> Some of these sister-city relationships are more active than others. One of the Los Angeles sister cities, for example, is Tehran.

mon starting point for such estimates is the Survey of International Air Travelers undertaken by the Office of Travel and Tourism Industries (OTTI) within the U.S. Department of Commerce.<sup>29</sup> A variety of proprietary estimates seek to supplement or augment the OTTI estimates, and sometimes these alternative estimates vary significantly from the OTTI estimates.<sup>30</sup> Although they have some shortcomings, the OTTI surveys do provide a consistent measure of foreign visitors across cities and over time, and are therefore included in this report.

Figure 2-12 shows the evolution of foreign tourism in selected U.S. cities since 2000, prior to September 11. The number of foreign visitors to all U.S. cities dropped after the attacks, bottoming out in 2003, and then gradually recovering. The number of visitors dropped again in 2009 as a consequence of the global recession.

Clearly, New York is in a league of its own, with three times as many foreign visitors as any other city. In most years, Los Angeles is at the top of a distant second tier of destination cities. San Diego and Anaheim also attract significant numbers of overseas visitors; both rank within the top 20 U.S. destination cities.<sup>31</sup> New York regained its pre-9/11 number of foreign visitors by 2005, far ahead of other destination cities. Los Angeles, however, did not achieve this until 2011. Something about New York, apparently unique, brought overseas visitors back more quickly than to other U.S. cities.

The growth of foreign visitors to the Los Angeles area is being driven by a

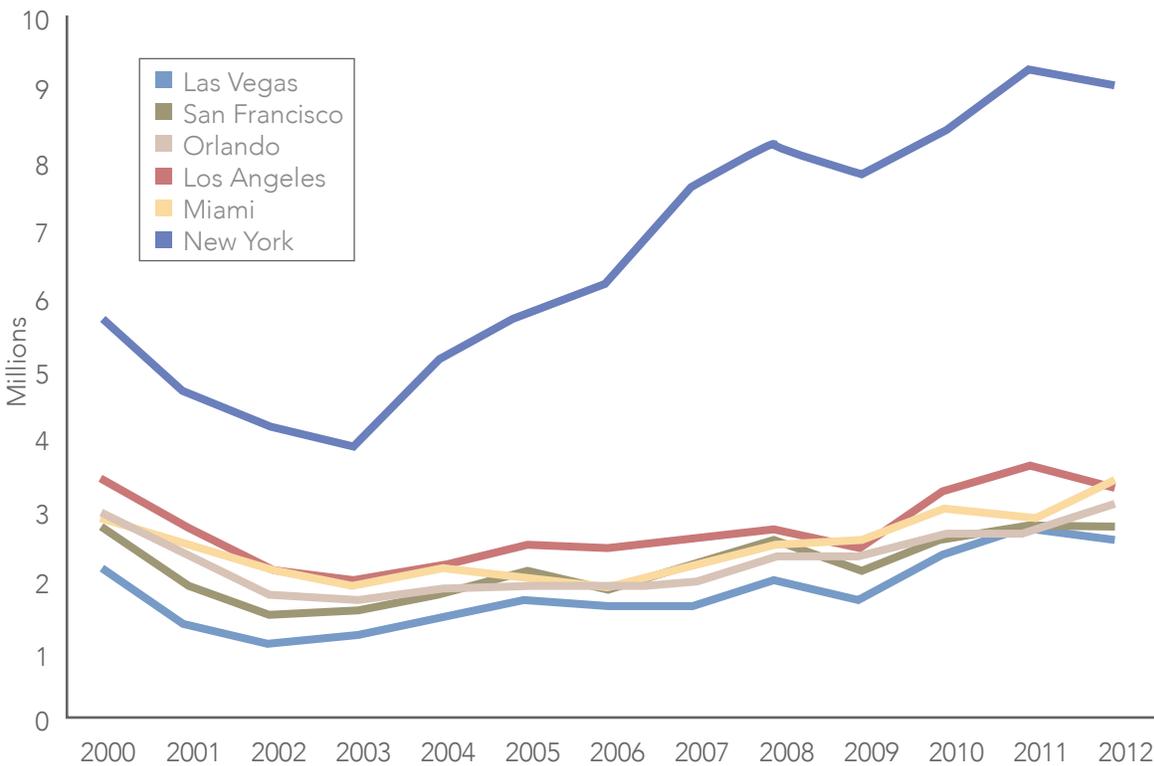
29 The most recent survey, for 2012, is summarized in *Overseas Visitation Estimates for U.S. States, Cities, and Census Regions: 2012*, Office of Travel and Tourism Industries, International Trade Administration, U.S. Department of Commerce, [http://travel.trade.gov/outreachpages/download\\_data\\_table/2012\\_States\\_and\\_Cities.pdf](http://travel.trade.gov/outreachpages/download_data_table/2012_States_and_Cities.pdf). These estimates cover *air travelers only*.

30 For example, OTTI estimates that Los Angeles received 3.4 million “overseas visitors” – that is, visitors using international airline transport – in 2012. In contrast, the Los Angeles Tourism and Convention Board (LATCB) estimates that the number of “international visitors” to Los Angeles – including those crossing land borders – was 6.0 million. See Los Angeles Tourism and Convention Board, *Annual Report 2012/2013*, page 3. The two sources show roughly similar growth in visitors in recent years. OTTI estimates that overseas visitors increased 28 percent from 2007 through 2012. LATCB put the increase of those years at 22 percent.

31 Numbers of visitors to these cities cannot be added to visitors to Los Angeles; the published OTTI data do not distinguish between visitors to, say, San Diego only, from those who might have visited both San Diego and Los Angeles.

sharp increase in the number of Chinese visitors. The Los Angeles Tourism and Convention Board (LATCB) estimated that Los Angeles received 570,000 Chinese visitors in 2013.<sup>32</sup> That number is up from 158,000 in 2009, for an increase of 261 percent. In a welcome display of international orientation, LATCB has established what it calls its NiHao China program, through which staff at L.A.-area hotels, attractions, and retailers are trained to meet the cultural preferences of Chinese visitors. Businesses with sufficient staff who complete the training receive certification and are promoted via LATCB’s marketing in China.

**Figure 2-12**  
**Overseas Visitors to Selected U.S. Cities**



Source: Survey of International Air Travelers, Office of Travel and Tourism Industries, (OTTI), U.S. Department of Commerce

Although LATCB marketing materials feature tourist attractions beyond the city of Los Angeles, there is no systematically coordinated planning or international marketing among the various municipal tourism authorities in

<sup>32</sup> Cited in Ferdinando Guerra, *Growing Together: China and LA County*, Los Angeles Economic Development Corporation, June 2014, p 52.

Southern California. This seems to be a lost opportunity.<sup>33</sup>

### Welcoming International Leaders

Four organizations in Southern California participate in the U.S. State Department's International Visitor Leadership Program (IVLP), which aims to "connect current and emerging foreign leaders with their American counterparts through short-term visits to the United States."<sup>34</sup> The four participating organizations in Southern California are the International Visitors Council of Los Angeles, the UCLA International Visitors Bureau, the International Relations Council of Riverside, and the San Diego Diplomacy Council. Southern California is not unique in hosting visiting foreign leaders: cities throughout the United States have participating local organizations. Southern California stands out, though, in the number of visitors it hosts. These four local organizations host, among them, more than 2,500 visitors, a substantial fraction of the 5,000 or so foreign visitors who participate in the IVLP each year.

### International Conferences and Meetings

A characteristic of truly global cities and regions is their hosting of international conferences and meetings. Among U.S. regions, Southern California shows mid-level performance by this measure. The region's status as a location for international meetings depends largely on the popularity of San Diego, which surpasses Los Angeles by a considerable margin. Table 2-6 shows the number of "regularly occurring association meetings which rotate between at least three countries," as reported by the International Congress and Convention Association (ICCA), in selected U.S. cities.

Primarily, these data reflect meetings of international professional associations and what the ICCA terms "social groups" (Lions Club International, for example). These data exclude corporate gatherings and international governmental meetings. The table also shows numbers of meetings in two broader areas made up of neighboring cities – Southern California and the San Francisco Bay Area.

<sup>33</sup> Los Angeles 2020 Commission, *A Time for Action*, April 2014, pp. 13-14.

<sup>34</sup> See [www.eca.state.gov/ivlp/about-ivlp](http://www.eca.state.gov/ivlp/about-ivlp).

Combining Los Angeles and San Diego, Southern California ranks well below Boston, Washington, D.C., and the San Francisco Bay area as a preferred location for international meetings in the United States. No U.S. city ranks anywhere near the top cities in the world for international conferences: Paris (204 meetings in 2013), Madrid (186), and Vienna (182) lead the way. Figures for European cities are naturally higher because the smaller size of European countries makes border crossing for meetings much more common than in the United States.

Although it is not specifically an indicator of international engagement, the city of Los Angeles ranks poorly for its size as a preferred location for conventions and business gatherings – not just international gatherings. The most recent ranking of U.S. cities by Cvent places Los Angeles only nineteenth in this regard, with San Diego ranking fifth.<sup>35</sup>

### International Students

The colleges and universities of Southern California are major contributors to the international character of the region. In figures compiled by the Institute of International Education (IIE), the state of California leads the nation in the number of international students enrolled in its colleges and universities with 121,647 in the 2013-2014 academic year, far ahead of second-place New York with 98,906.<sup>36</sup> Higher education institutions in Southern California enrolled some 72,762 international students in academic year 2013-2014.

Table 2-7 shows the total international enrollment in Southern California institutions in academic years 2005-2006 and 2013-2014. The earlier year marked a low point in international enrollments in the United States – in both absolute numbers of students and as a share of total university enrollment – after the attacks of September 11, 2001, made travel to the United States by foreign students more difficult. Notice that Southern California’s share of total international enrollment in U.S. universities has remained roughly the same: international enrollment in the region in recent years has

<sup>35</sup> Hugo Martin, “L.A. Drops in Ranking of Most Popular Convention, Event Destinations,” *Los Angeles Times*, August 17, 2014.

<sup>36</sup> Institute of International Education, Open Doors 2014 “Fast Facts,” [www.iie.org/opendoors](http://www.iie.org/opendoors).

been growing at just about the same rate as international enrollment in the United States as a whole.

**Table 2-7**  
**International Students Enrolled in U.S. Higher Education Institutions**

	2005–2006	2013–2014
<i>International Students in:</i>		
Southern California	45,469	72,762
United States	564,766	886,052
<i>Southern California Share of Total International Enrollment</i>		
	8.1%	8.2%

Source: Institute of International Education, Open Doors Data

Some institutions of higher education in Los Angeles are particular magnets for foreign students. The University of Southern California (USC) ranks second – after New York University (NYU) – with 10,932 international students in academic year 2013-2014. UCLA, with 9,579 international students, ranks sixth in the nation.<sup>37</sup> The California Institute of Technology (Caltech) is a much smaller institution than USC or UCLA and thus has fewer international students enrolled, but as a share of total enrollment, Caltech has easily the highest concentration of international students in the region for a major research university – 34 percent of its student body in 2013-2014.<sup>38</sup>

Among the institutions that the IIE classifies “master’s institutions,” three of the top four universities in international enrollment are in Southern California: California State University-Northridge, California State University-Long Beach, and California State University-Fullerton. Three other Southern California campuses of the California State University system – California State-San Bernardino, California State Polytechnic University-Pomona, and California State-Los Angeles – are also in the top 25 master’s institutions in the number of international students. And eight Southern California community

<sup>37</sup> Institute of International Education, Open Doors Data, [www.iie.org/Research-and-Publications/Open-Doors/Data/International-Students/Leading-Institutions-By-Institutional-Type/2013-14](http://www.iie.org/Research-and-Publications/Open-Doors/Data/International-Students/Leading-Institutions-By-Institutional-Type/2013-14).

<sup>38</sup> The comparable figures for USC and UCLA are 21 percent and 19 percent, respectively.

colleges rank among the top 35 “associate’s institutions” in the nation in the

**Table 2-6**  
**Number of International Association Meetings, 2013**

City/Region	No. of Meetings	City/Region	No. of Meetings
Boston	56	Orlando	18
Washington, D.C.	53	Philadelphia	18
<i>SF Bay Area*</i>	51	San Diego	17
New York	36	Atlanta	15
Chicago	35	Honolulu	15
San Francisco	35	Baltimore	13
<i>Southern California**</i>	27	Denver	11
Miami	27	Los Angeles	10
Seattle	20	Berkeley	10
New Orleans	19	Madison	10
Las Vegas	18	San Antonio	9

\*San Francisco, Berkeley, and San Jose

\*\*Los Angeles and San Diego

Source: International Congress and Convention Association, ICCA Statistics Report 2013 – Public Abstract, Country and City Rankings 2013, <http://www.iccaworld.com/dcps/doc.cfm?docid=1696>.

number of international students, with Santa Monica College coming in at number two.

The region’s universities are also centers for international scholarship and research, collaborating with foreign institutions and attracting faculty from around the world. In particular, the Jet Propulsion Laboratory (JPL) in Pasadena, operated by Caltech, is a symbol of U.S. dominance in space exploration and a participant in many international collaborative space ventures. Beyond connecting Southern California to the rest of the world, JPL serves today as the world’s principal connection to the rest of the solar system!

## FOREIGN INVESTMENT IN LOS ANGELES

Los Angeles receives a substantial flow of foreign investment. The local press reports foreign purchases of high-profile real estate. Major development projects are definitively or reportedly backed by foreign corporations.

Occasionally, a foreign corporation acquires a company with a significant local presence. And foreigners buy residential properties as investments, for their own use or as accommodation for sons or daughters studying in Southern California.

Unfortunately, systematic and reliable information about foreign investment at the subnational level is sparse. The best available measures of local operations by foreign companies are estimates, at the state level, of employment by U.S. affiliates of foreign companies compiled by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce. In 2012, employment by affiliates of foreign companies amounted to 4.6 percent of total employment in California.<sup>39</sup> By this measure, California ranks only 25th among U.S. states. The share of California workers in affiliates of foreign companies is below the national average of 4.8 percent.

Another picture of foreign investment in Los Angeles emerges from considering foreign purchases of commercial real estate. Real Capital Analytics provides data on commercial real estate transactions in major U.S. markets. These statistics distinguish between U.S. and foreign buyers and have the advantage of being compiled in a consistent manner across cities and from one year to the next. The drawback is that the data cover only purchases of existing real estate and structures. They do not include investments in renovating property or pursuing greenfield development.

Nonetheless, these data provide a rough indication of which U.S. cities are attracting foreign real estate investors. Table 2-8 shows foreign investment in office properties, since foreign purchases of commercial real estate tend to be concentrated in office properties as opposed to retail, industrial, apartment, or hospitality properties.

The table shows that from 2011 through 2013, the Los Angeles area was second only to Manhattan in attracting foreign purchasers of of-

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<sup>39</sup> Employment by affiliates of foreign companies is available at Bureau of Economic Analysis, *Financial and Operating Data for U.S. Affiliates of Foreign Multinational Corporations*, [www.bea.gov/iTable/index\\_MNC.cfm](http://www.bea.gov/iTable/index_MNC.cfm). Total employment by state is from the U.S. Bureau of Labor Statistics, Occupational Employment Statistics, [www.bls.gov/oes/tables.htm](http://www.bls.gov/oes/tables.htm).

office property.<sup>40</sup> This is not particularly surprising since the total market for commercial properties is larger in Los Angeles than in most other cities. A more telling statistic, perhaps, is the share of total sales volume accounted for by foreign purchasers in each market, also shown in table 2-8. By this measure, Los Angeles is one of five major markets – Los Angeles, Manhattan, Chicago, Houston, and San Francisco – where foreign purchases accounted for about one-quarter of total sales of office properties from 2011 through 2013. Thus, it does not appear that commercial real estate in Los Angeles is a particular magnet for foreign investors.

**Table 2-8**  
**Foreign Purchases of Commercial Office Properties in Selected U.S. Markets, 2011–2013**

	Volume of Sales to Foreign Buyers (\$ millions)	Foreign Share of Total Purchases
Manhattan	14,041	26.9%
Los Angeles	4,024	22.5%
Washington, D.C.	3,321	16.4%
Chicago	3,189	24.4%
San Francisco	2,819	22.8%
Houston	2,706	22.6%
Boston	2,114	19.7%
Seattle	1,009	9.9%
Dallas/Fort Worth	575	7.5%
Atlanta	139	2.5%

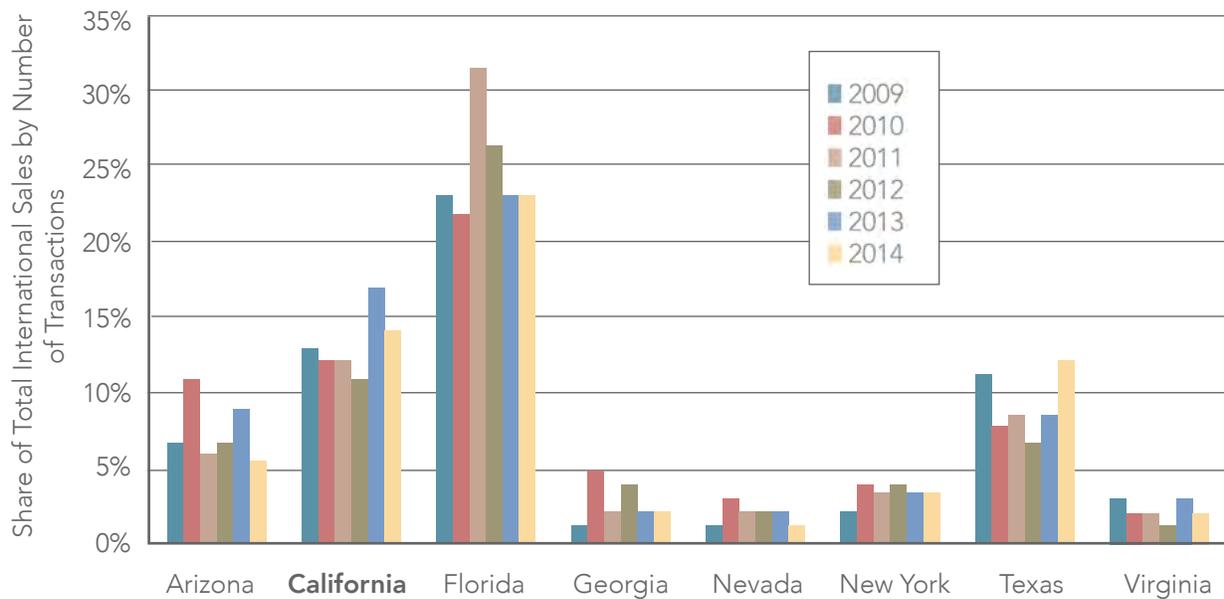
Source: Real Capital Analytics

There appears to be no systematic source of information about foreign purchases of residential property in Los Angeles or Southern California. However, since 2007 the National Association of Realtors (NAR) has conducted a yearly survey to characterize sales of U.S. residential real estate to for-

<sup>40</sup> In recent years, foreign purchases of U.S. commercial property have been concentrated in office properties, as opposed to retail, apartment, or industrial properties.

eigners. The survey provides detail at the state level. In the latest survey, reflecting sales in the year ending in March 2014, California ranks second only to Florida and far ahead of New York in the number of transactions with

**Figure 2-13**  
**International Sales of Residential Properties by State**



Source: National Association of Realtors

foreigners as purchasers (Figure 2-13).<sup>41</sup> NAR does not report the value of purchases by state.

NAR also reports information on searches by foreigners for available properties on the association’s Realtor.org website. Although foreigners appear eventually to have bought more properties in Florida than in any other state, Los Angeles was the market most often searched by foreigners in the year to March 2014, followed by Miami, Las Vegas, Orlando, and New York.<sup>42</sup> Searches do not always translate into sales. They do, however, provide an

41 Lawrence Yun, Jed Smith, and Gay Cororaton, *2014 Profile of International Home Buying Activity*, National Association of Realtors, June 2014, p. 9, [www.realtor.org/sites/default/files/2014-profile-of-international-home-buying-activity-2014-06.pdf](http://www.realtor.org/sites/default/files/2014-profile-of-international-home-buying-activity-2014-06.pdf). NAR estimates of sales to foreigners by state are the best data available on this subject. These estimates, though, are based on a survey with a very low response rate. For the 2014 survey, for example, NAR sent out surveys to 100,000 randomly selected realtors and received only 3,547 responses.

42 Lawrence Yun, Jed Smith, and Gay Cororaton, *2014 Profile of International Home Buying Activity*, National Association of Realtors, June 2014, p. 48, [www.realtor.org/sites/default/files/2014-profile-of-international-home-buying-activity-2014-06.pdf](http://www.realtor.org/sites/default/files/2014-profile-of-international-home-buying-activity-2014-06.pdf)

indication of relative levels of interest. Los Angeles was the favorite search target for buyers from China, India, the UK, Australia, Ireland, and Russia. Canadians showed more interest in Las Vegas, while Mexicans most frequently searched for properties in San Diego and various cities in Texas. Brazilians focused on Miami and Orlando.

## FOREIGN PATIENTS AND HEALTH TOURISM

Los Angeles and broader Southern California are home to a number of prominent medical facilities offering advanced specialty care. Most major hospitals in the region maintain offices specifically dedicated to serving the needs of international patients. Nonetheless, the share of total inpatient hospital discharges accounted for by patients who are not residents in the United States remains quite small and has not grown significantly since 2008, the earliest year for which data are available.<sup>43</sup> In the five-county Los Angeles combined statistical area, this share has actually declined slightly.

Table 2-9 shows the numbers and percentages of all discharges of patients not resident in the United States in 2008 and 2013 for selected California geographies. Hospitals in San Diego County play a dominant role in serving foreign patients, with more than double the number of foreign patients served by Los Angeles County hospitals in 2013. Perhaps this reflects the proximity of San Diego County to the U.S. border with Mexico. The share of discharges in San Diego County accounted for by non-U.S. residents also rose significantly from 2008 to 2013. The large, prestigious medical centers in Los Angeles County – e.g., Ronald Reagan UCLA Medical Center, Cedars-Sinai Medical Center, etc. – do not attract large numbers of foreign patients. Foreign patients account for smaller shares of their discharges than for the average hospital in San Diego County.

In an effort to spur the use of Southern California medical services by Chinese patients, Los Angeles mayor Eric Garcetti recently signed a memorandum

<sup>43</sup> Data are from the California Office of Statewide Health Planning and Development (OSHPD), Patient Origin Reports, [http://report.oshpd.ca.gov/?DID=HIRC&RID=/HIRC/Patient\\_Origin\\_By\\_Payer](http://report.oshpd.ca.gov/?DID=HIRC&RID=/HIRC/Patient_Origin_By_Payer). These reports include, among other data items, the ZIP code of a patient's residence, inside or outside California. Patients who are not resident in the United States have no ZIP code recorded.

of understanding among the City of Los Angeles, the Los Angeles Tourism and Convention Board (LATCB), the Los Angeles Economic Development Corporation, several major medical centers and hospitals in the region, and China Southern Airlines with the aim of promoting travel for Chinese patients to Southern California. The LATCB Chinese-language website now features a section devoted to helping Chinese patients find and arrange care in Southern California.<sup>44</sup>

**Table 2-9**  
**Non-U.S. Resident Patients Discharged from California Hospitals**

	2008		2013	
	Non-U.S. Residents	Share of Total Discharges	Non-U.S. Residents	Share of Total Discharges
Total California	4,052	0.11%	4,745	0.12%
SoCal (seven counties)	3,612	0.15%	3,756	0.17%
Los Angeles CSA	1,791	0.09%	1,614	0.08%
<i>Counties</i>				
Los Angeles	1,399	0.12%	855	0.09%
Orange	121	0.04%	318	0.06%
Riverside	232	0.12%	368	0.20%
San Bernardino	28	0.01%	52	0.01%
Ventura	11	0.02%	21	0.02%
Santa Barbara	9	0.02%	2	0.01%
San Diego	1,812	0.54%	2,140	0.68%
<i>Particular Hospitals</i>				
Cedars Sinai Medical Center	79	0.26%	136	0.26%
Ronald Reagan UCLA Medical Center	61	0.23%	50	0.23%

Source: California Office of Statewide Health Planning and Development (OSHPD)

<sup>44</sup> Office of Los Angeles Mayor Eric Garcetti, *Mayor Garcetti Asia Trip Update*, Press Release, November 17, 2014.

Comparable data for other cities and states, or for the nation as a whole, do not appear to be available. Consequently, there is no way to judge whether the numbers of foreign patients in Southern California hospitals are high or low relative to benchmarks established elsewhere.

## HOW COSMOPOLITAN IS LOS ANGELES? THE RESTAURANT INDEX

One reflection of a city's international character is the variety of national or ethnic cuisines to be found in its restaurants. Residents from foreign cultures will want to eat their native foods; chefs from foreign countries, chefs who trained abroad, and chefs who learned from earlier immigrants will be able to prepare the foods of other cultures; and a general population that is open to and interested in foreign cultures will patronize a variety of ethnic restaurants. A city with a lot of restaurants serving the cuisines of other countries is, at least along one dimension, a cosmopolitan city, open to and enjoying what other cultures have to offer.

### The Pacific Council International Restaurant Index

The Pacific Council has constructed a measure of the international cuisines available in some major U.S. cities. The basis for the index is the restaurant listings on the OpenTable restaurant reservation system, the most successful online reservation system in the United States. What makes OpenTable interesting for the purposes of measuring the variety of cuisines available in a city is that it is possible to search for restaurants by cuisine. One can, for example, look for restaurants in a city that offer Chinese cuisine, French cuisine, South American cuisine, and so forth. It is a straightforward matter to count the number of restaurants that claim to offer any particular cuisine.

For reasons noted below, the resulting counts of restaurants serving various cuisines in a particular city will be rough at best. Still, these counts reveal something about local markets for different kinds of food. If nothing else, the index provides an innovative and interesting way to think about the cosmopolitan nature of different cities.

## Some Qualifications

The particular characteristics of the OpenTable system influence the results of the index.

First, OpenTable is a reservation system. A restaurant that does not take reservations will not be a member of OpenTable. Consequently, OpenTable listings will reflect only the upper end of the restaurant market – restaurants that are formal enough and well organized enough to take reservations. The good news is that this filters out most of the big franchise chains, such as the McDonalds, Burger Kings, and Taco Bells, among others. The bad news is that these counts also miss the small Guatemalan restaurant on the corner, for example. It is not clear which way these omissions bias the results.

Second, cuisines are self-reported by the restaurants. No one from OpenTable actually goes to check whether a restaurant that says it is serving Italian food is really serving Italian food. Arguably, this self-reporting is an advantage. If a restaurant owner believes that there is enough of a market for Italian food in a particular locality to bill his restaurant as serving Italian food, this probably indicates something about the make-up of or attitudes in the community.

Third, there is unavoidably some double counting of restaurants. Restaurants are free to list multiple cuisines. Thus, sometimes the same restaurant shows up more than once. The index minimizes this problem by taking advantage of some broad categories of cuisines in the OpenTable search engine. For example, OpenTable lists restaurants serving Chinese food, Thai food, Japanese food, and so forth, but it also lists restaurants serving “Asian” food, a category that includes all of the individual Asian cuisines. The calculations below use “Asian” rather than Chinese, Japanese, Thai, etc. This approach has two advantages. First, it reduces double counting of pan-Asian restaurants serving, say, both Chinese and Thai food. Second, it captures cuisines that do not have their own OpenTable categories – Vietnamese, for example.

Finally, there is no archive of OpenTable information. This is a system that operates for today. It is possible to count restaurants currently operating,

but there is no way to check whether the number of restaurants serving foreign cuisines is bigger today than in the past. Recalculating the index in subsequent years will gradually build a time series.

### Defining Foreign Cuisines

The index counts a restaurant as offering a foreign cuisine if it self-reports its cuisine as one of the following:

- Afghan
- African
- Asian (theoretically including Chinese, Japanese, Korean, Indian, and so forth)
- Australian
- Caribbean
- European (theoretically including French, Italian, German, and so forth)
- Latin/Spanish (potentially some overlap with European)
- Mexican/Southwestern (unfortunately, it's impossible to disentangle these two)
- Middle Eastern
- South American

The index does not count a restaurant as foreign if it claims a cuisine in the following very vague categories:

- "Mediterranean" – This can mean just about anything.
- "Continental" – If this means anything at all, it should be captured by "European."
- "Global/International" – This should be picked up elsewhere.

### The Results

Table 2-10 shows the total number of restaurants listed on OpenTable in August 2013 in 12 U.S. metropolitan areas and the share of these that claim to serve a foreign cuisine, by the above definition. The Southern California area combines Los Angeles and Orange Counties, San Diego, and the Cal-

ifornia Central Coast (which includes Santa Barbara). The table shows the geographical search terms used in OpenTable.

**Table 2-10**  
**The Pacific Council International Restaurant Index, August 2013**

Metropolitan Area (OpenTable Search Term)	Number of Restaurants Listed on OpenTable	Share of Restaurants Claiming to Serve International Cuisine
All Miami/Southeast Florida	675	72.1%
All New York, Tri-State Area	3139	64.4%
All Los Angeles/Orange Counties	1089	63.1%
All Houston	278	60.1%
All San Francisco Bay Area	1305	59.8%
<b><i>Southern California*</i></b>	1589	58.2%
All Chicago/Illinois	968	57.1%
All Washington, D.C., Area	753	53.0%
All California Central Coast	151	49.7%
All Seattle/Eastern Washington	450	48.7%
All Atlanta/Georgia	409	46.9%
All San Diego	349	46.7%
All Dallas-Fort Worth	311	43.7%

\*Combination of Los Angeles/Orange Counties; San Diego; California Central Coast

The numbers of restaurants showing up on OpenTable in the two Texas metropolitan areas – Dallas and Houston – are quite low. Consequently, the percentages of foreign restaurants in these cities are somewhat suspect. For the remainder of the metropolitan areas, though, the index values seem to accord with intuition. Miami has the largest fraction of restaurants serving international cuisine, followed by New York and Los Angeles/Orange Counties. The less international character of San Diego and the California Central Coast (which is mostly Santa Barbara) reduces the share of international restaurants for the broader Southern California region. Nonetheless, the region still ranks sixth by this measure.



## LOS ANGELES AS AN INTERNATIONAL CENTER FOR CULTURE, ARTS, AND ENTERTAINMENT

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Arts, culture, and entertainment are central to L.A.'s international connections. Motion pictures and videos produced by L.A. studios are seen worldwide; foreigners visit the L.A. area's museums, performance spaces, and theme parks; artists based in the Southern California region are in demand abroad; and institutions and companies active in artistic, cultural, and entertainment endeavors are important channels for the international exchange of people and ideas, and are thus significant contributors to the international character of the region. Artistic, cultural, and entertainment products do much to shape outsiders' views of Los Angeles.

The prominence of the city in the entertainment industry is long established. More recently, Los Angeles is emerging as an energetic and innovative center for other aspects of arts and culture.

For example, Los Angeles is home to multiple world-class art museums. The J. Paul Getty Trust is a special cultural resource in Los Angeles, with a strong international role. With two iconic venues, the J. Paul Getty Museum brings the art of the world to Los Angeles and attracts visitors from all over the world. The Getty Research Institute "welcomes scholars, artists, and other cultural figures from around the world to work in residence at the Institute... While in residence, they pursue their own research projects, make use of the Getty collections, and participate in the intellectual life of the Getty Center and the Getty Villa."<sup>1</sup> The Getty Conservation Institute (GCI) "works to advance conservation practice in the visual arts... It serves the conservation community through scientific research, education and training, model

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1 See [www.getty.edu/research/scholars/years/index.html](http://www.getty.edu/research/scholars/years/index.html).

field projects and the broad dissemination of the results of both its own work and the work of others in the field.”<sup>2</sup> Through its Conservation Guest Scholars program, Postdoctoral Fellowships in Conservation Science, and Graduate Internship, the GCI attracts scholars and practitioners in conservation science from around the world. Under the leadership of the Getty, more than 60 of the region’s cultural institutions, representing both visual and performing arts, have demonstrated since 2002 an ability to collaborate in a continuing initiative, Pacific Standard Time, showcasing the cultural contributions of Southern California.<sup>3</sup>

The Norton Simon Museum in Pasadena was characterized by National Public Radio (NPR) a few years ago as “America’s least-known great museum.” The NPR report went on to note the museum’s particular popularity with foreigners: “[The Norton Simon Museum is] filled with first-rate Old Masters, Renoirs, Cézannes, Picassos, and South Asian sculptures. The place often has more European than American visitors – Europeans know about it; Americans do not.”<sup>4</sup>

Since 2008, the Los Angeles County Museum of Art (LACMA) has added more than 100,000 square feet of additional exhibition space in two new buildings,<sup>5</sup> creating space for more major touring exhibitions, some from abroad. Planning for a complete redesign of the museum campus is underway. Other important art museums in the L.A. area are the Huntington Library, the Hammer Museum, and soon the Broad Museum.

The musical life of Los Angeles now attracts national and international attention. The Los Angeles Philharmonic is increasingly seen as among the most vital and innovative orchestras in the country. Even the New York Times (not always enthusiastic about cultural achievements of the West Coast) recently noted “the [Los Angeles] Philharmonic’s continued status as the most adventurous major orchestra in the country, as well as the energy and resources with which it has pursued ambitious events designed to draw new

2 See [www.getty.edu/conservation/about/mission.html](http://www.getty.edu/conservation/about/mission.html).

3 See [www.getty.edu/pacificstandardtime](http://www.getty.edu/pacificstandardtime).

4 National Public Radio, Norton Simon: The Best Museum You Haven’t Visited, January 31, 2011. [www.npr.org/templates/transcript/transcript.php?storyId=133284083](http://www.npr.org/templates/transcript/transcript.php?storyId=133284083).

5 See [www.lacma.org/overview](http://www.lacma.org/overview).

audiences.”<sup>6</sup> In a similar vein, a local music critic also cited the adventurous programming of the Philharmonic, noting that Venezuela-born music director Gustavo Dudamel’s “commitment to new music is such that the L.A. Phil far outnumbers any other nonspecialist ensemble in its commitment to living composers.”<sup>7</sup> The Philharmonic’s concert venue, Disney Hall, completed in 2003, was described recently as “one of the world’s greatest concert halls and the world’s most celebrated 21<sup>st</sup> century building... an architectural symbol of L.A. at large.”<sup>8</sup> The Hollywood Bowl is the summer home of the Philharmonic, as well as the Hollywood Bowl Orchestra, and an outdoor venue for classical, popular, and world music. The Bowl’s iconic sound shell of concentric arches serves as an internationally recognized symbol of Southern California and the outdoor lifestyle of the region.

In recent years, L.A. Opera has also established itself as a major opera company. After just 28 years of operation, L.A. Opera is now the fourth largest opera company in the United States – in terms of budget – after New York’s Metropolitan Opera, the San Francisco Opera, and the Lyric Opera of Chicago. Under the leadership of Plácido Domingo since 2000, L.A. Opera has attracted a wide range of internationally prominent singers. During a few financially challenging years (when many arts organizations struggled), the company retreated somewhat from the programming of new and infrequently-performed works and the innovative productions that had become the company’s hallmarks. But with strengthened finances in the most recent years, L.A. Opera appears to be returning to its earlier, more adventurous style.<sup>9</sup>

Illustrious programs in music education at the University of Southern California’s Thornton School of Music and UCLA’s Music Department have trained multiple generations of prominent musicians. The Colburn Conservatory of Music, founded in only 2003, has quickly achieved a stature comparable to such long-established institutions as the Curtis Institute of Music, the Juil-

6 Zachary Woolfe, “Spotted in a Chic Sand Dune, a Well-Dressed ‘Cosi,’” *New York Times*, May 25, 2014.

7 Mark Swed, “Dudamel’s Wild Ride,” *Los Angeles Times*, October 26, 2014.

8 Mark Swed, “On a High Note,” *Los Angeles Times*, November 16, 2014.

9 Mark Swed, “L.A. Opera Goes Cutting Edge in Double Bill of Purcell, Bartok,” *Los Angeles Times*, October 27, 2014.

liard School, and the New England Conservatory.

Los Angeles is also emerging as a center for dance. The *New York Times* recently described an “influx of energy into Los Angeles dance” that marks a change from a previous “pattern of high-profile dance ventures which, by sinking into debt, gave the region a reputation as a less-than-fertile ground for world-class concert dance.”<sup>10</sup> Prominent in this blossoming scene is the L.A. Dance Project, founded in 2012 by dancer and choreographer Benjamin Millepied, composer Nico Muhly, and visual-arts consultant Matthieu Humery. The new company is already touring internationally. In collaboration with the Colburn School, the L.A. Dance Project has also created the Colburn Dance Academy, a highly selective pre-professional training program for young dancers. In 2009, a major gift established Gloria Kaufman Presents Dance at the Music Center to support performances in Los Angeles by major national and international dance companies. Millepied explains that he was attracted to Los Angeles, as many artists before him have been, by the light, the architecture, the contemporary art scene, large communities of visual artists and composers, and a young audience interested in arts and culture.<sup>11</sup>

By their very nature, artistic, cultural, and entertainment achievements are difficult to quantify. Nonetheless, some quantitative measures do demonstrate L.A.’s prominence in these areas.

## CONCENTRATION OF “CREATIVE” PROFESSIONS

In an influential 2006 article, USC professor Elizabeth Currid-Halkett argued for New York’s preeminence as a global creative hub.<sup>12</sup> Currid-Halkett computed location quotients – measures of the concentration within a particular location – of “creative” occupations related to art, culture, film, video, and

<sup>10</sup> Brian Seibert, “Kicking Up a Boom Out West,” *New York Times*, October 12, 2014.

<sup>11</sup> Brian Seibert, “Kicking Up a Boom Out West,” *New York Times*, October 12, 2014.

<sup>12</sup> Elizabeth Currid, “New York as a Global Creative Hub: A Competitive Analysis of Four Theories on World Cities,” *Economic Development Quarterly*, Vol. 20 No. 4, November 2006, pp.330-350.

media in 12 major U.S. cities.<sup>13</sup> On the basis of Occupational Employment Statistics (OES) compiled by the Bureau of Labor Statistics from 2000 and 2004, she found that, among U.S. cities, “New York dominates in [the concentration of] most creative occupations, with Los Angeles being the only other significant competitor.”<sup>14</sup>

The OES data have been improved in some significant respects since Currid-Halkett did her study. For example, the 2000 and 2004 data did not include actors as a separate occupation. This is obviously a significant omission in an accounting of creative occupations. Consequently, it is worthwhile to repeat Currid-Halkett’s calculations with more up-to-date and complete information. With newer data, the findings are reversed: Los Angeles emerges as the U.S. city with the highest concentration of creative occupations, with New York a close second.

OES data are reported by employers, and consequently they capture only people who are actually working in a particular occupation. People are not self-reporting possibly aspirational occupations.<sup>15</sup>

Table 3-1 shows location quotients for 32 creative occupations in the Los Angeles-Long Beach-Anaheim and New York-Newark-Jersey City metropolitan statistical areas (the Bureau of Labor Statistics reports occupational detail only by metropolitan statistical area). The 32 occupations are the same ones that Currid-Halkett used but with the addition of actors, photographers, and museum technicians and conservators, all new categories in the later data.<sup>16</sup> The table shows calculations for two years: 2007 and 2013. 2007 is the earliest year for which it is possible to avoid the data problems that forced Currid-Halkett to exclude actors from her calculations.

13 No one would argue that creativity is restricted to these fields. The term “creative occupations,” however, is often applied loosely, and no doubt inaccurately, to occupations connected with arts, culture, and entertainment. The term is used here in this sense.

14 Elizabeth Currid, “New York as a Global Creative Hub: A Competitive Analysis of Four Theories on World Cities,” *Economic Development Quarterly*, Vol.20 No. 4, November 2006, p.341.

15 As a result, these data avoid the situation reflected in the stereotypical Los Angeles cocktail-party conversation: “And what do you do for a living?” “I’m an actor.” “How exciting! At what restaurant?”

16 Categorizing certain occupations as creative and excluding others is necessarily somewhat subjective. Such occupations as advertising and promotions managers, for example, are not counted here as “creative,” although a case could certainly be made for including them.

In 2013, Los Angeles had higher location quotients for 20 of the 32 creative occupations. Los Angeles has particularly high concentrations of occupations associated with motion pictures and television: actors, producers and directors; media and communications workers; film and video editors; multimedia artists and animators; and theatrical makeup artists. Moreover, Los Angeles has a higher concentration of all creative occupations (location quotient = 2.87) than does New York (1.98).

The concentration of creative occupations has also increased in both Los Angeles and New York since 2007. This trend is at odds with the frequent assertion that, with improved communications and the inconveniences of urban living, all kinds of activities are becoming more diffuse. These days, the usual story goes, you can do just about anything from anywhere. But this does not appear to be the pattern for creative occupations. Both Los Angeles and New York are becoming more dominant in this regard. Twenty of the occupations shown in the table were more concentrated in Los Angeles in 2013 than in 2007, and the overall concentration of these occupations was higher in 2013 (location quotient = 2.87) than in 2007 (2.19). Notice also that the growing concentration is more apparent in Los Angeles, where the overall location quotient increased by 31 percent, than in New York, with an increase of 14 percent.

## THE MOTION PICTURE AND VIDEO INDUSTRIES

Los Angeles has long been the center of the global motion picture and video industries. Long before L.A. could reasonably have been characterized as a global city, the Hollywood film industry had captured the imagination of the world. Throughout the world, people knew about Hollywood, and Hollywood delivered a powerful, if not always entirely accurate vision of the United States to global audiences. Historian Bruce Cumings describes the Hollywood entertainment complex as “a culture industry that still makes nearly all the films seen across the country and the world, lacks any serious competitor (as it always has), and remains a central foundation of America’s global position – and especially, how the world views Americans.”<sup>17</sup>

<sup>17</sup> Bruce Cumings, *Dominion from Sea to Sea: Pacific Ascendancy and American Power*, Yale University Press, 2009, p. 287.

Table 3-1

## Location Quotients for Creative Occupations, Los Angeles and New York

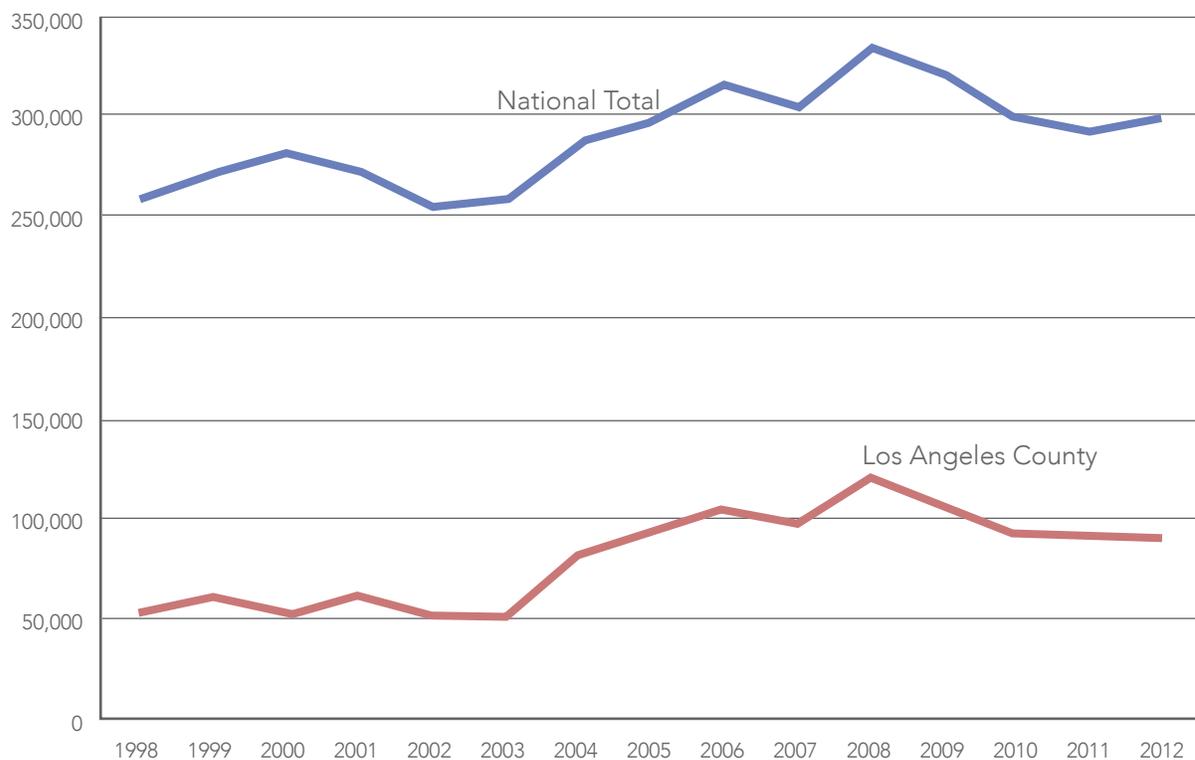
Occupation	2007		2013	
	Los Angeles	New York	Los Angeles	New York
Architects, except Landscape/Naval	1.11	1.59	1.30	1.72
Postsecondary Art Teachers	1.12	1.05	0.80	1.69
Curators	0.77	1.11	0.72	1.79
Museum Technicians & Conservators	1.05	0.63	1.15	1.34
Art Directors	2.98	2.60	2.69	3.48
Craft Artists	1.97	**	2.00	0.65
Fine Artists, Including Painters, Sculptors, and Illustrators	1.40	1.33	4.22	1.41
Multimedia Artists and Animators	5.27	1.66	5.58	1.52
Artists and Related Workers	1.20	0.83	0.50	**
Commercial and Industrial Designers	1.39	1.48	1.61	1.34
Fashion Designers	4.58	6.98	6.29	6.77
Floral Designers	0.71	0.87	0.42	0.92
Graphic Designers	1.67	1.66	1.57	1.50
Interior Designers	1.17	1.14	1.52	1.47
Set and Exhibit Designers	3.13	2.00	3.15	2.05
Designers, All Other	3.18	1.37	4.35	1.34
Actors	7.38	1.79	11.31	2.05
Producers and Directors	4.50	2.62	5.58	2.95
Dancers	2.62	1.83	2.07	2.10
Choreographers	1.50	**	1.32	0.46
Music Directors and Composers	1.92	2.58	0.62	1.33
Musicians and Singers	2.18	2.11	2.24	2.08
Editors	1.27	2.70	1.10	3.26
Writers and Authors	1.89	1.78	2.78	2.46
Media and Communication Workers	1.65	2.92	9.80	0.93
Audio/Video Equipment Technicians	1.80	0.90	2.42	1.71
Broadcast Technicians	1.42	1.40	2.55	1.70
Sound Engineering Technicians	6.07	3.93	5.28	2.70
Photographers	0.99	0.50	1.12	1.27
Camera Operators, Television, Video, and Motion Picture	3.90	1.91	3.44	1.70
Film and Video Editors	7.12	1.33	7.85	2.66
Makeup Artists, Theatrical	4.73	1.73	8.22	3.56
All Creative Occupations	2.19	1.74	2.87	1.98

\*\*Estimate not available

Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, [www.bls.gov/oes](http://www.bls.gov/oes)

In recent years, considerable attention has focused on declining employment in the industry in Los Angeles. Figures from the U.S. Census Bureau show a decline of some 20 percent from 2008 through 2012 in Los Angeles County employment in North American Industry Classification System (NAICS) code 5121, Motion Picture and Video Industries (Figure 3-1). This NAICS code includes production and distribution of motion pictures and video as well as industries associated with the exhibition of movies and videos.

**Figure 3-1**  
**Employment in Motion Picture and Video Industries**



Source: U.S. Census Bureau, County Business Patterns, <http://censtats.census.gov/cgi-bin/cbpnaic/cbpdet.pl>.

Declining Los Angeles County employment in these industries parallels a similar decline in national employment, reflecting the movement of movie and video work overseas. But movie and television jobs have been moving to other parts of the United States as well, and declining employment in Los Angeles County has been steeper than in the nation as a whole. In 2008, the peak year for movie and video employment in both the county and the na-

tion, Los Angeles County accounted for 39 percent of total national movie and video employment. By 2012, this share had fallen to 34 percent.

Despite declining employment in the motion picture and video industries, Los Angeles County remains the home of the studios that account for the vast bulk of movie box office receipts, both domestically and internationally. Fifteen of the 16 studios with the highest domestic box office gross receipts in 2013 are located in Los Angeles County.<sup>18</sup> Moreover, these 15 studios accounted for a staggering 69 percent of worldwide gross box office receipts in 2013.<sup>19</sup> Clearly, Los Angeles-based studios still dominate the global motion picture industry.

## LOS ANGELES AS A CENTER FOR CONTEMPORARY VISUAL ARTS

The Southern California region – and Los Angeles in particular – is a major center for contemporary visual arts. The Los Angeles County Museum of Art, the Hammer Museum, the Norton Simon Museum, the San Diego Museum of Art, and the Santa Barbara Museum of Art all have substantial collections of contemporary art within larger collections of art from various periods. The Museum of Contemporary Art (with its satellite exhibition spaces at the Geffen Contemporary and at the Pacific Design Center), the Orange County Museum of Art, the Orange County Center for Contemporary Art, the Museum of Contemporary Art San Diego, and the Museum of Contemporary Art Santa Barbara are dedicated exclusively to contemporary art (in some cases along with modern art). Los Angeles will also soon have a major new museum of contemporary art with the opening of the Broad Museum.

Los Angeles County boasts three major schools for training visual artists: California Institute of the Arts (CalArts), the Arts Center College of Design,

<sup>18</sup> The 15 studios in Los Angeles County are: Warner Brothers, Buena Vista, Universal, Sony/Columbia, Lionsgate, 20th Century Fox, Paramount, Relativity, Film District, Open Road Films, Fox Searchlight, Focus Features, CBS Films, Sony Classics, and Roadside Attraction. The only studio with gross receipts in the top 16 that is not in Los Angeles County is the Weinstein Company (ranked number eight and located in New York City). See Box Office Mojo: [www.boxofficemojo.com/studio/?view=company&view2=yearly&year=2013&p=.htm](http://www.boxofficemojo.com/studio/?view=company&view2=yearly&year=2013&p=.htm).

<sup>19</sup> Worldwide gross receipts by studio are from Box Office Mojo. Total worldwide gross box office is from the Motion Picture Association of America's *Theatrical Market Statistics 2013*, [www.mpa.org/wp-content/uploads/2014/03/MPAA-Theatrical-Market-Statistics-2013\\_032514-v2.pdf](http://www.mpa.org/wp-content/uploads/2014/03/MPAA-Theatrical-Market-Statistics-2013_032514-v2.pdf).

and Otis College of Art and Design. Graduates from these schools do much to enrich the local arts environment.

But what really makes Los Angeles a center for contemporary visual arts is the presence in the region of a large community of working artists, some of whom have gained international recognition. Quantifying the size or the importance of the arts community in any location is necessarily contentious. There is no single, meaningful metric of what makes artists or the communities in which they work “important,” especially without the advantages afforded by the perspective of subsequent years. Nonetheless, a variety of plausible indicators tell a roughly consistent story about Southern California’s place in the larger international visual arts scene. Basically, the story is this: New York remains the dominant center of contemporary art in the United States, and probably the world. Within the United States, Southern California is unquestionably in second place with regard to the number of prominent living artists – no other U.S. metropolitan area comes close. By some indicators, Southern California also trails such foreign arts centers as Berlin, London, and Paris. Consider the following indicators of the importance of Southern California artists.

The website ArtFacts.net offers a ranking of some 100,000 contemporary artists on the basis of where their works are displayed. The algorithm used is not without controversy,<sup>20</sup> but it is an attempt at a quantitative and standardized measure of the “importance” of many artists. A list of the top 500 artists by this ranking methodology is available at the ArtFacts.net site.<sup>21</sup> Of the 500 artists noted in the 2014 list, 377 are currently alive, and information on where they live and work is available.<sup>22</sup> Of these 377 living artists, 100 live and work in New York and 22 in Southern California. No other U.S. city has more than one artist on the list (see table 3-2 for comparisons with some selected foreign cities). Two L.A.-area artists – John Baldessari and Ed Ruscha – are among the top six most important living artists.

20 See Abigail Wick, “ArtFacts.net: The Methodology and Controversy of Marek Claasen,” National Public Radio Berlin Blog, May 30, 2012, [www.npr.org/blogs/nprberlinblog/2012/05/24/153633324/artifacts-net-the-methodology-and-controversy-of-marek-claason](http://www.npr.org/blogs/nprberlinblog/2012/05/24/153633324/artifacts-net-the-methodology-and-controversy-of-marek-claason).

21 See [www.artfacts.net/en/artists/by-ranking.html](http://www.artfacts.net/en/artists/by-ranking.html), accessed July 27, 2014.

22 This “lives and works” information comes principally from gallery websites and the artist’s own websites.

Another way of identifying prominent artists is through the lists of artists represented by leading commercial galleries. A sample, indicative but certainly not comprehensive, of four major galleries that specialize in contemporary art and have showrooms in multiple countries illustrates the importance of Southern California artists. The four galleries and the residences of their artists are:

- Gagosian Gallery (with showrooms in New York, Beverly Hills, London, Paris, Rome, Athens, Geneva, and Hong Kong) currently represents 85 living artists. Of these artists, 35 live and work in New York and 13 in Southern California. No other U.S. city has more than one artist represented by Gagosian.<sup>23</sup>
- Pace Gallery (New York, London, Beijing, Menlo Park (Northern California), Hong Kong, and Zuoz, Switzerland) represents 59 living artists, 23 working in New York and four in Southern California. No other U.S. city has more than one Pace artist. More than the other prominent galleries, Pace currently represents multiple artists from China – 13 artists living and working in Beijing and an additional two based in Shanghai.<sup>24</sup>
- Marian Goodman Gallery (New York, Paris, and Beijing) represents 40 living artists, eight from New York and two from Southern California. It represents no artists living and working in the United States outside of New York and Southern California.<sup>25</sup>
- David Zwirner Gallery (New York and London) represents 37 living artists, 10 from New York and one from Southern California. Two other American cities have one artist each exhibiting at David Zwirner.<sup>26</sup>

Another indication of which contemporary artists are attracting attention is the list of artists whose works are exhibited at the Whitney Biennial, perhaps the highest profile – and typically the most controversial and talked about

23 For a list of artists represented by Gagosian, see [www.gagosian.com/artists](http://www.gagosian.com/artists), accessed July 30, 2014.

24 See [www.pacegallery.com](http://www.pacegallery.com), accessed July 31, 2014.

25 See [www.mariangoodman.com/artists](http://www.mariangoodman.com/artists), accessed July 31, 2014.

26 See [www.davidzwirner.com](http://www.davidzwirner.com), accessed July 31, 2014.

– recurring show of contemporary art in the United States. In the 2014 Whitney Biennial, works by 110 artists were displayed – 51 from New York and 30 from Southern California. Works by 14 Chicago-based artists were also displayed.<sup>27</sup> A similar story emerged from the 2012 Biennial, although with fewer total artists and a different U.S. city in third place. The 2012 Biennial featured 55 artists, 24 from New York, 11 from Southern California, and six from the San Francisco Bay area.<sup>28</sup>

One final indicator of the prominence of New York and Southern California in the contemporary arts scene is the choice of artists displayed in the U.S. pavilion at the Venice Biennial. In the 13 biennials from 1990 through 2015,<sup>29</sup> six New York artists and two Southern California artists were chosen for the U.S. pavilion. No other U.S. city had more than one artist featured.

Southern California is important in the world of contemporary art not only because a large number of artists are working in the region. The region is also prominent on the demand side of the art market because it is home to a number of major art collectors. Each year the magazine *Art News* compiles a list of the 200 top collectors in the world on the basis of publicly disclosed transactions. The 2014 list is dominated by collectors whose primary residence is New York – 51 out of the 200 collectors listed. Southern California is tied with London in second place, each with 12 of the top 200 collectors, and Paris and Chicago have the next largest numbers of major collectors.<sup>30</sup>

Table 3-2 summarizes these indicators and shows additional comparisons to cities outside the United States.

Each of the indicators cited above has its own idiosyncrasies and potential biases. The fact that they all tell a basically common story, that New York is the primary U.S. center for contemporary art followed by Southern California, is noteworthy. All of these measures may, however, share a common bias in that they focus heavily on well-established artists. For example, it typically takes years for an artist's work to be displayed in the most prestigious muse-

27 See [www.whitney.org/exhibitions/2014biennial](http://www.whitney.org/exhibitions/2014biennial).

28 See [www.whitney.org/exhibitions/2012biennial](http://www.whitney.org/exhibitions/2012biennial).

29 The Venice Biennial used to be in even-numbered years but switched to odd-numbered years in 1993.

30 See [www.artnews.com/2014/07/07/the-2014-artnews-200-top-collectors/](http://www.artnews.com/2014/07/07/the-2014-artnews-200-top-collectors/).

ums, and therefore for them to rank highly in the ArtFacts scheme. Similarly, artists typically must achieve a certain prominence to gain representation by a leading gallery or to be selected for the Whitney Biennial or, even more so, for the U.S. pavilion at the Venice Biennial. All of these measures are bi-ased against artists who are building their careers.

Although it is impossible to quantify, some observers argue that Southern California is particularly well endowed with creative younger artists. This may be a consequence of the region having three major arts schools. Rents for studio space in Southern California are typically lower than in New York, which may also play a role. And some observers cite less restrictive attitudes in Los Angeles than in New York about what art is and should be as contributing to an environment that encourages experimentation and creativity. In that context, perhaps the above measures underestimate the importance of Southern California as the place from which future art will emerge.

**Table 3-2**

**Measures of the Prominence of Southern California in Contemporary Visual Arts**

ARTISTS	Number of Artists	New York	Southern California	Berlin	London	Paris
ArtFacts.net Top 500 Artists 2014	377 (living)	100	22	65	32	23
Gagosian Gallery	85 (living)	35	13	1	9	4
Pace Gallery	59 (living)	23	4	4	7	2
Marian Goodman Gallery	40 (living)	8	2	6	2	7
David Zwirner Gallery	37 (living)	10	1	2	4	6
Whitney Biennial 2014	110 (total)	51	30	4	2	4
Whitney Biennial 2012	55 (total)	24	11	1	1	5
U.S. pavilion at Venice Biennial 1990-2015	13 (total)	6	2	n/a	n/a	n/a
ART COLLECTORS	Number of Collectors	New York	Southern California	London	Paris	Chicago
Art News Top 200 Art Collectors 2014	200	51	12	12	7	5

Sources: See preceding text.

## LIVE THEATER

New York is widely thought of as the center of live theater in the United States and, perhaps with London, of the world. Certainly, the large Broadway theaters attract huge numbers of playgoers. Off-Broadway and off-off-Broadway theaters feature additional theatrical events. Los Angeles also has a thriving professional live-theater scene, mostly centered on smaller theaters that typically mount productions for short runs. Although the data are far from perfect, it appears that a higher number of different productions are mounted in L.A. than in New York.

Data for this comparison come from two different sources. Since November 2013, the online service of the Los Angeles Times has offered a weekly listing of live theater events opening in the coming week throughout Southern California.<sup>31</sup>

In New York, the website of the Off-Broadway League provides a retrospective calendar of all show openings in New York City.<sup>32</sup> Despite the organization's name, the opening-night calendar includes Broadway, off-Broadway, and off-off-Broadway openings as well as special events of a theatrical nature.

The disparity in the number of theatrical openings in the two locations is striking. In the eight months from the middle of November 2013 through the middle of July 2014, the Off-Broadway League calendar captured 262 openings.<sup>33</sup> During the same period, the Los Angeles Times noted 728 theatrical openings.<sup>34</sup>

Data from the two sources are compiled independently, and they are not strictly comparable. The Los Angeles Times listings, for example, include theatrical events as far afield as San Diego, while the New York calendar

31 These weekly notices can be accessed at [www.latimes.com](http://www.latimes.com) and by using the site's search capability to find articles with the title "L.A. Theater Openings."

32 See [www.offbroadway.org/index.php/new-york-theatre-opening-night-calendar](http://www.offbroadway.org/index.php/new-york-theatre-opening-night-calendar).

33 This total includes one-time special events and galas of a theatrical character.

34 This figure may include some over-counting, since occasionally a play appears in more than one week's list of openings. This seems to be the case when the play has an irregular run or changes venues. Countering this tendency to over-counting, the *Los Angeles Times* list references multi-play theater festivals, which are common in Southern California as a single opening.

appears to be restricted to New York City. Nonetheless, it is hard to imagine differences between the two data sources sufficient to account for the relative abundance of theatrical openings in Southern California – 2.8 times the reported openings in New York. Perhaps what these numbers reflect is the much lower costs associated with mounting theatrical productions in small Los Angeles theaters, and the presence there of actors employed sporadically in the motion-picture industry.

## REFERENCES TO L.A. ARTS AND CULTURE IN INTERNATIONAL MEDIA

Another indicator of the role of Los Angeles as an international center for arts, culture, and entertainment may be found in references to the city in these connections in the international press. A full accounting of such references in international media is beyond the scope of this report, but searches for references in a few publications with wide international readership are suggestive.

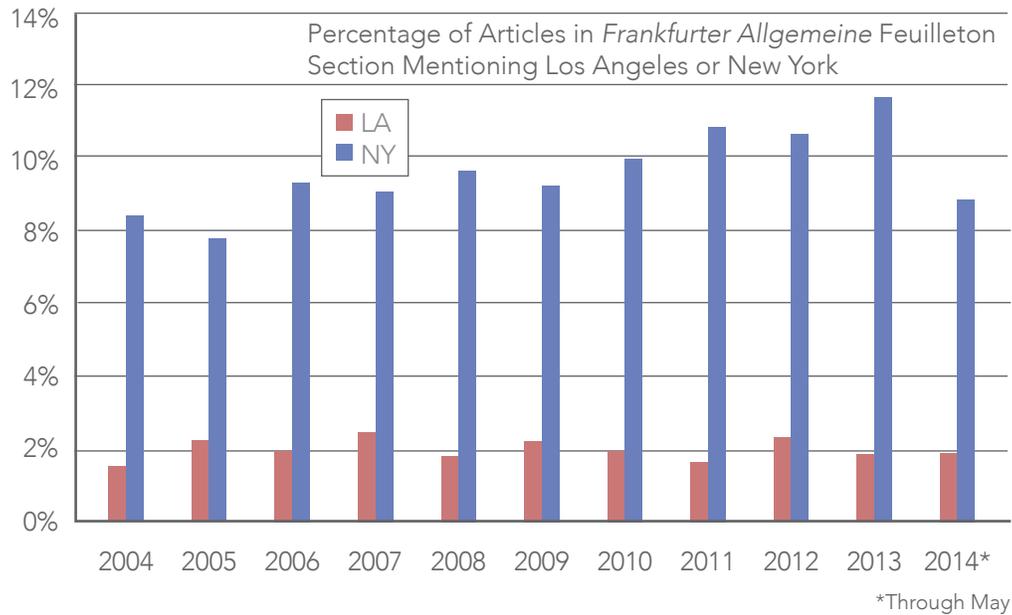
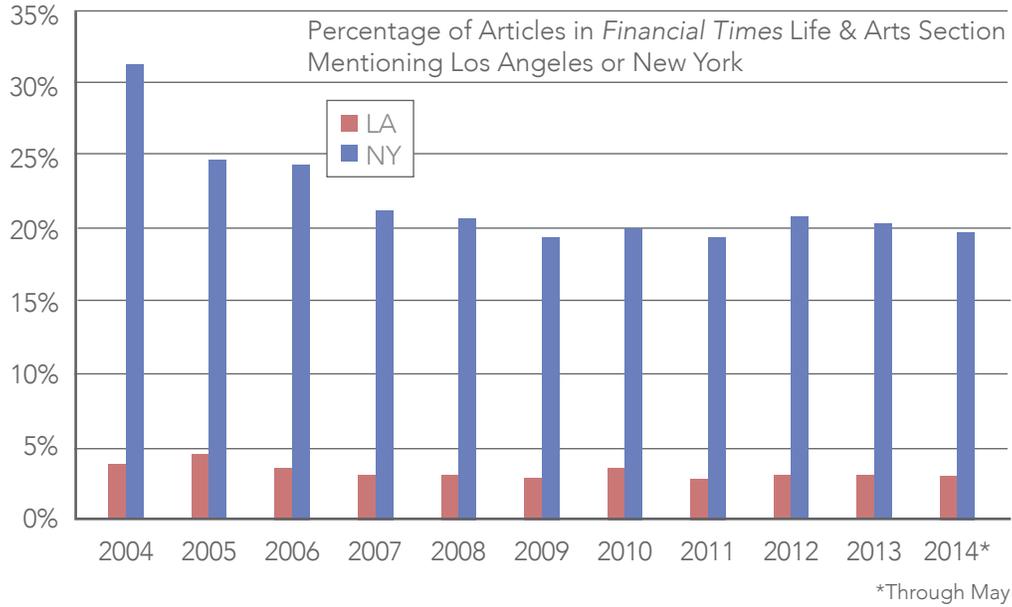
Figure 3-2 shows the percentage of all articles in the arts-culture-and-entertainment sections of four leading newspapers that refer to Los Angeles or to New York. These newspapers were chosen because: 1) they provide regular and significant coverage of arts, culture, and entertainment worldwide; 2) they have wide international readership; and 3) their online search engines allow searching for articles in a particular section of the newspaper. The four newspapers and the relevant sections are:

- The *Financial Times* (FT) Life and Arts Section
- The *Frankfurter Allgemeine Zeitung* (FAZ) Feuilleton Section
- The *Wall Street Journal* (WSJ) Leisure and Arts Section
- The *New York Times* (NYT) Arts Section

For each newspaper, the figure reflects the number of articles in the relevant section that contained either the phrase “Los Angeles” or “New York,” expressed as a percentage of the total number of articles that appeared in that section in a year (for the *New York Times*, there is no count of the number of articles that referred to New York). No attempt was made to assess the context in which the reference to Los Angeles or New York occurred, or whether

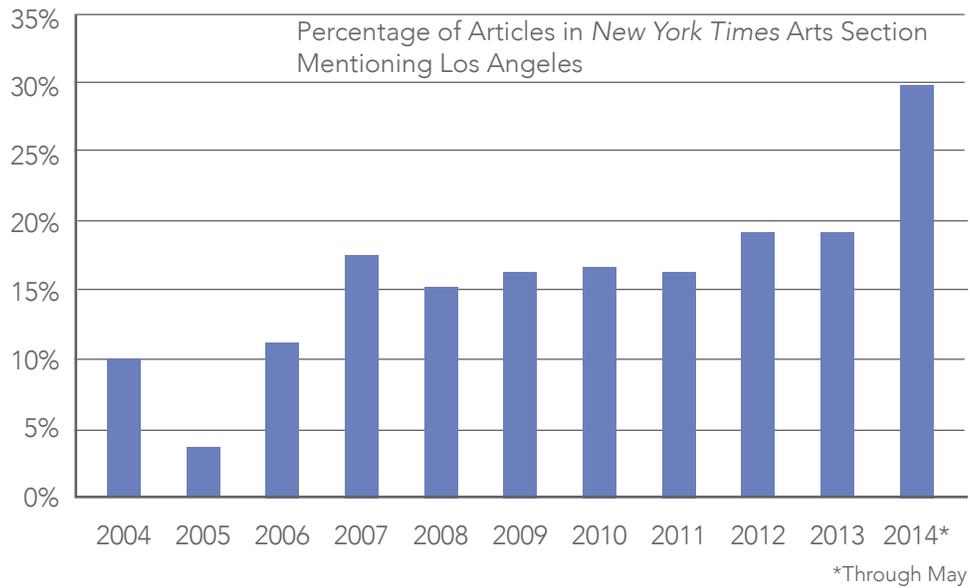
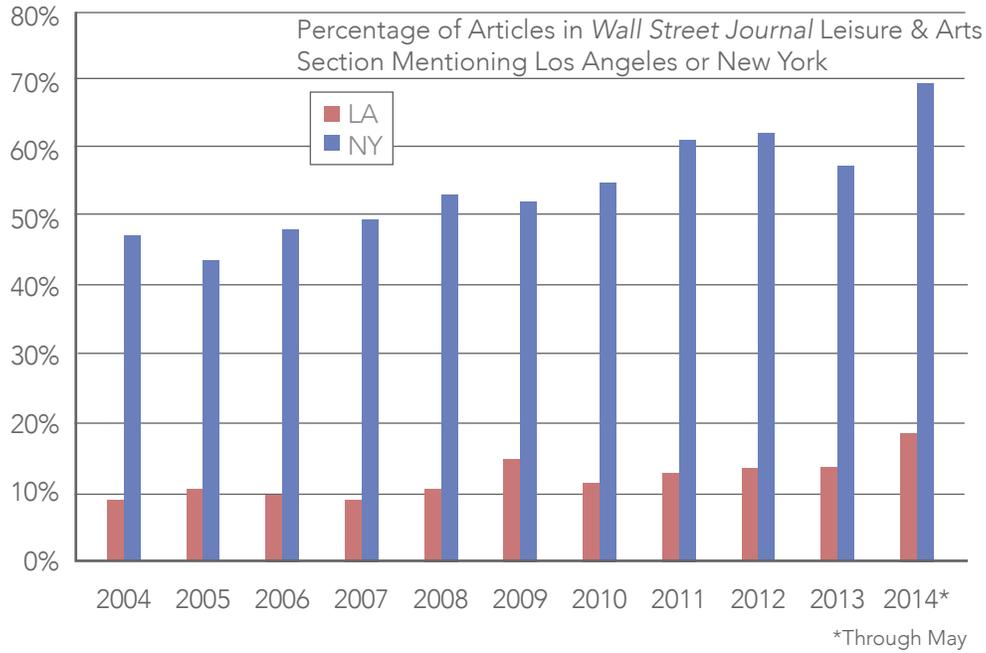
the reference was positive or negative.<sup>35</sup>

**Figure 3-2**  
References to Los Angeles and New York in International Media



35 In the latter regard, the perspective is consistent with the old public-relations maxim: “I don’t care what they say about me as long as the spell my name correctly.”

**Figure 3-2**  
**References to Los Angeles and New York in International Media (continued)**



In the three newspapers without a specific mandate to cover events in New York City, references to New York far outnumber references to Los Angeles. In 2013, for example, the FT and the FAZ had about six times as many references to New York as to Los Angeles. The WSJ was slightly more evenhanded, giving New York only a fourfold advantage. There is no obvious trend in the coverage of Los Angeles in either the FT or the FAZ. Recently, FT seems to have been less enthralled by New York than in the past; in contrast, references to New York in the FAZ seem to be rising. The WSJ seems to be devoting more coverage to both New York and Los Angeles, presumably at the expense of other cities. The NYT seems to have increased its arts coverage of Los Angeles significantly over the past decade.

New York and Los Angeles are by far the most frequently mentioned U.S. cities in the arts coverage of these newspapers. To illustrate, in 2013 the WSJ Leisure and Arts Section contained 253 references to New York and 65 to Los Angeles. The next most frequently mentioned U.S. cities were Chicago and San Francisco, with 42 mentions each.

## ENTERTAINMENT AWARDS SHOWS

Annual entertainment awards shows attract substantial international press coverage and viewership. These shows may constitute something less than high art, but playing host to such shows provides international exposure for a city, generally in circumstances that allow it to look its best.

The Los Angeles area is, by a wide margin, the most frequent location for entertainment-industry awards shows, a reflection of the region's status as the center of the entertainment industry (table 3-3). In 2014, 10 of the 13 highest-profile awards ceremonies took place in Los Angeles County. Seven of these ceremonies were televised internationally, further promoting the glamorous image and international character of Los Angeles.

**Table 3-3**  
**Locations of Major Entertainment Awards Shows, 2014**

Award	Location	Televised?
People's Choice	Los Angeles	Yes
Golden Globe	Beverly Hills	Yes
Critics' Choice	Santa Monica	Yes
Screen Actors Guild	Los Angeles	Yes
Producers Guild of America	Beverly Hills	No
Directors Guild of America	Los Angeles	No
Grammy	Los Angeles	Yes
Writers Guild of America	Los Angeles	No
BAFTA	London	Yes
Academy Awards	Los Angeles	Yes
Obie	New York	No
Tony	New York	Yes
Primetime Emmy	Los Angeles	Yes

## LOS ANGELES AS A CENTER FOR INTERNATIONAL SPORTING EVENTS

Southern California has professional franchises in all of the major U.S. sports, most of these in Los Angeles, and some of these teams have international followings. More relevant to the present discussion, though, has been the city's role in hosting major international athletic competitions: the Olympic Games in 1932 and 1984 (as the only U.S. city to host the games twice); the FIFA Men's World Cup Final in 1994 (the only time the World Cup competition has come to the United States); and the FIFA Women's World Cup Final in both 1999 and 2003 (again, the only times this tournament has been held in the United States).<sup>36</sup> In 2015, Los Angeles will host the Special Olympics World Games. The annual Los Angeles Marathon attracts runners from all over the world and, by number of finishers, is the eleventh largest marathon

<sup>36</sup> The 2003 competition had been slated for China, but concerns over the SARS virus forced a change in venue to the United States.

in the world.<sup>37</sup>

Racetracks in Southern California have hosted the international Breeder's Cup thoroughbred race 12 times in the 31-year history of the race, and will do so again in 2016 and 2017.

In recent years, other prominent international competitions and sports-related events in Southern California have included: the Freestyle Wrestling World Cup in 2014 (coming again in 2015); the U.S. Open Badminton championships in 2011 and 2013 (despite the name, this tournament draws elite players from around the world); the 2012 International Olympic Committee's World Conference on Women and Sport; the 2009 World Baseball Classic; and the 2009 World Figure Skating Championship.<sup>38</sup>

## MAJOR TOURIST ATTRACTIONS

Since it opened in 1955, Disneyland has maintained a strong grip on the international imagination. Despite a proliferation of theme parks in subsequent years, some of them designed and operated by Disney itself, the original Disneyland in Anaheim was the third most-visited amusement or theme park in the world in 2013.<sup>39</sup> Disney's California Adventure, also in Anaheim adjacent to Disneyland, is tenth in this ranking. Universal Studios in Hollywood is 17<sup>th</sup>, and SeaWorld in San Diego is 22<sup>nd</sup>. There is no way to know what fraction of total visitors was accounted for by foreigners, yet it seems likely that these attractions are also among the top draws for foreign visitors to the United States.

<sup>37</sup> Association of International Marathons and Distance Races, [www.aimsworldrunning/statistics/World's\\_Largest\\_marathons.html#2012](http://www.aimsworldrunning/statistics/World's_Largest_marathons.html#2012). The Los Angeles Marathon would have been the twelfth largest if a terrorist bombing had not forced a premature end to the Boston Marathon.

<sup>38</sup> Based on correspondence with the Los Angeles Sports Council.

<sup>39</sup> TAE/AECOM, Global Attractions Attendance Report 2013, [www.aecom.com/deployedfiles/Internet/Capabilities/Economics/\\_documents/ThemeMuseumindex\\_2013.pdf](http://www.aecom.com/deployedfiles/Internet/Capabilities/Economics/_documents/ThemeMuseumindex_2013.pdf).



## OBSTACLES TO L.A.'S GLOBAL ENGAGEMENT

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Like any large metropolitan area, Los Angeles faces many challenges – economic, social, governmental, fiscal, institutional, and demographic. This report is not the place to catalogue all of these challenges. A recent report by the Los Angeles 2020 Commission noted the more pressing ones.<sup>1</sup> A few of these challenges are worth noting here, because they impinge on the city's ability to engage productively with the larger international community.

### LESS-THAN-ROBUST ECONOMIC GROWTH

The most basic requirement for strengthening the city's international connections is a growing economy. Economic expansion attracts international migrants and investment. A robust economy provides opportunities for local firms and residents and may therefore reduce tendencies to view international inward investment or arriving workers as unwanted competition. Prosperous local firms may be more willing to accept the risks of international trade or outward investment. A thriving economy supports cultural and artistic institutions that spread the city's influence abroad and attract foreign visitors.

In recent years, Los Angeles specifically and Southern California more broadly have lagged somewhat behind the rest of the United States in terms of broad economic growth. Figure 4-1 shows the evolution of nonfarm employment in Southern California and the nation at large since 2007 (to make comparison easier, the employment figures for both Southern California and the nation are shown as index numbers, normalized so that 2007 employment is set at 100). It is clear from the figure that Southern California suffered

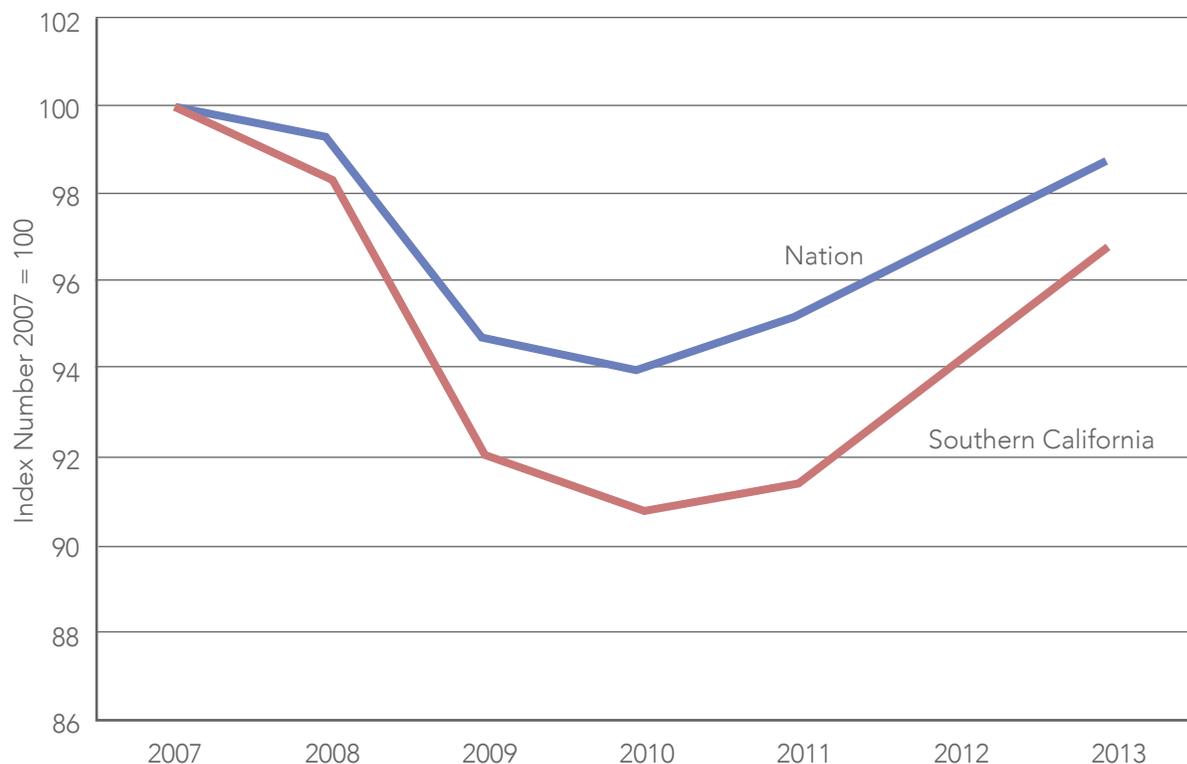
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1 Los Angeles 2020 Commission, *A Time for Truth*, December 2013.

more than the nation as a whole in the recession: at the low point in 2010, employment in Southern California had fallen by 9 percent, compared with only 6 percent nationally. By 2013, Southern California employment was still about 3 percent below the pre-recession level, while national employment had almost completely recovered its losses.

Southern California's shortfall relative to the nation is not profound – about 2 percent over a period of six years. But if this performance deficit persists, it is hard to imagine that it will not limit opportunities for fruitful international engagement.

**Figure 4-1**  
**Nonfarm Employment in Southern California and the Entire United States, 2007 through 2013**



Source: U.S. Bureau of Labor Statistics, Current Employment Survey, annual averages of monthly figures.

## FRAGMENTED GOVERNMENT

Governmental jurisdiction in Southern California is notoriously fragmented. In the seven counties of Southern California, there are 211 independent cities.<sup>2</sup> The City of Los Angeles, the principal city in Southern California, accounts for only 18 percent of the total population of the Southern California region.<sup>3</sup> Compare this to the positions of other major cities in their respective combined statistical areas: Chicago, 27 percent of total population; Houston, 34 percent; New York, 36 percent. When regional initiatives relevant to international engagement are required, the obvious leader in Southern California – the City of Los Angeles – has a weaker hand than do other major U.S. cities.

The fragmented nature of government in Southern California has consequences relevant to L.A.'s international relations. Faced with a multiplicity of adjacent or, in the case of municipal and county governments, overlapping jurisdictions, potential foreign investors may have difficulty locating the agencies or officials relevant to their proposed plans. And rather than acting jointly to attract foreign investment, local governments may compete with each other. In other cases, individual cities may block development plans that are in the interest of the larger region.

The two major ports in Southern California, the Port of Los Angeles and the Port of Long Beach, provide an example of the problems of divided governance. The ports are contiguous, yet they are operated largely independently by, respectively, the City of Los Angeles and the City of Long Beach. This arrangement leads to competition between the ports, which arguably benefits local shipping interests, but it hinders cooperation and coordination between the ports, which may be necessary to meet competition from other West Coast ports and, more ominously, from Gulf Coast and East Coast ports that will soon be able to attract larger ships sailing to and from Asia after the 2015 expansion of the Panama Canal. Worse, in 2013, the City of Long Beach joined other plaintiffs in a suit against the City of Los Angeles to

<sup>2</sup> The number of cities in each county is: Los Angeles County, 88; Orange County, 34; Riverside County, 28; San Bernardino County, 24; San Diego County, 18; Ventura County, 11; Santa Barbara County, 11.

<sup>3</sup> U.S. Census Bureau, American Community Survey, 2013 1-Year Estimates, Table DP05.

block BNSF Railway's proposed Southern California International Gateway project, a major rail yard to handle cargo containers from both ports.<sup>4</sup> The Los Angeles 2020 Commission has recommended formation of a joint port authority to manage the two ports, along the lines of the long-established Port Authority of New York and New Jersey.<sup>5</sup>

Efforts to attract foreign tourists and conventions to Southern California are also fragmented. The Los Angeles Tourism and Convention Board (LATCB) is a city agency, responsible primarily for promoting visits to the City of Los Angeles. The LATCB does provide information about other destinations in Southern California on its website and in its literature, but there is no formal coordination or sharing of resources among tourism authorities in the many areas of Southern California that attract foreign tourists. The Los Angeles 2020 Commission also called for formation of a region-wide tourism bureau.<sup>6</sup>

The governmental boundaries of the region were laid down long ago, and there is little prospect that the region will become more like, say, the New York metropolitan area, with a much more dominant principal city. If anything, the trend in recent years seems to be toward even more fragmented government. A major reform of the Los Angeles city charter, approved by voters in 1999, assigned important land-use planning functions to seven Area Planning Commissions within the city and created a system of neighborhood advisory councils.

Nonetheless, there are examples of successful regional cooperation in Southern California. The Southern California Association of Governments serves as the regional transportation-planning agency, and as the federally mandated metropolitan planning organization for Los Angeles, Orange, Ventura, Riverside, San Bernardino, and Imperial counties; the South Coast Air Quality Management District coordinates air-quality protection in Los Angeles, Orange, Riverside, and San Bernardino counties; and the Los Angeles County Metropolitan Transit Authority is successfully building and op-

4 Among many news stories on this suit, see Karen Robes Meeks, "State May Intervene in Long Beach's Case against BNSF Rail Yard Project," *Long Beach Press Telegram*, May 23, 2014.

5 Los Angeles 2020 Commission, *A Time for Action*, April 2014.

6 Los Angeles 2020 Commission, *A Time for Action*, April 2014.

erating a transit system that serves multiple cities in Los Angeles County. As important as these efforts are, they have little direct bearing on the international connections of Los Angeles and the Southern California region. There certainly should be opportunities to create intergovernmental bodies – like a unified port authority or a region-wide tourism authority – to promote the region’s international interests.

## THE LOCAL BUSINESS ENVIRONMENT

Los Angeles, Southern California, and the entire state of California have been saddled for years with reputations as difficult places to do business. Common complaints include high taxes, shortages of space for manufacturing, stringent environmental regulation, cumbersome licensing and permitting processes, and a burdensome (statewide) workers-compensation regime. To the extent that these criticisms are valid, they may discourage foreign investment in the region and the relocation of foreign executives to Los Angeles or Southern California.

For the most part, tax and regulatory policies are set at the state level, and consequently, most hard data and qualitative assessments of the business environment are for the state of California rather than for particular jurisdictions within the state.

As a general proposition, California is a high-tax state, although other states have higher rates for particular taxes. Some salient features of the state’s tax regime:

- By the broadest measure of the overall tax burden – state and local government tax revenues as a percentage of state personal income – California had the sixth highest taxes among the 50 states in 2013. In order, New York, Hawaii, New Jersey, Maine, and Vermont had higher overall tax rates.<sup>7</sup>
- California had the highest top marginal tax rate on personal income in

<sup>7</sup> *Freedom in the 50 States 2013*, George Mason University, Mercatus Center, [www.freedominthe50states.org](http://www.freedominthe50states.org).

the nation in 2013, at 13.3 percent.<sup>8</sup> The next highest rate was in Hawaii at 11 percent, although residents of New York City face combined state and municipal income taxes with a top marginal rate of 12.696 percent.<sup>9</sup>

- Nine states have corporate income tax rates that, at their highest marginal rate, top California's flat corporate tax rate.<sup>10</sup> No state, however, has a higher marginal tax rate than California on income earned by financial institutions.<sup>11</sup>
- California is about in the middle of the states (23rd highest) in state and local property tax rates.<sup>12</sup>
- California has the lowest rate of unemployment taxes in the nation.<sup>13</sup>

With regard to workers' compensation, California ranked sixth among the 50 states and the District of Columbia in the cost of workers' compensation per \$100 of covered payroll in 2011 (the latest data available).<sup>14</sup> These figures are difficult to interpret, however, because workers' compensation costs vary from industry to industry, and therefore state averages reflect the mix of industries in the state.

Assessing the regulatory burden borne by businesses in a state is necessarily somewhat subjective, but a number of organizations attempt to quantify this burden in various ways. The Mercatus Center at George Mason University, for example, produces an annual report on "Freedom in the 50 States."

8 Raymond J. Keating, *Business Tax Index 2013*, Small Business and Entrepreneurship Council, [www.sbecouncil.org/wp-content/uploads/2013/4/BusinessTaxIndex2013.pdf](http://www.sbecouncil.org/wp-content/uploads/2013/4/BusinessTaxIndex2013.pdf).

9 Tax Foundation, *Local Tax Rates by Jurisdiction*, [www.scribid.com/doc/89270376/Local-Income-Tax-Rates-by-Jurisdiction](http://www.scribid.com/doc/89270376/Local-Income-Tax-Rates-by-Jurisdiction).

10 The nine states are Alaska, Illinois, Iowa, Maine, Minnesota, New Jersey, Pennsylvania, Rhode Island, and the District of Columbia. Federation of Tax Administrators, Range of State Corporate Income Tax Rates 2014, [www.taxadmin.org/fta/rate/corp\\_inc.pdf](http://www.taxadmin.org/fta/rate/corp_inc.pdf).

11 Federation of Tax Administrators.

12 Raymond J. Keating, *Business Tax Index 2013*, Small Business and Entrepreneurship Council, [www.sbecouncil.org/wp-content/uploads/2013/4/BusinessTaxIndex2013.pdf](http://www.sbecouncil.org/wp-content/uploads/2013/4/BusinessTaxIndex2013.pdf).

13 Ibid.

14 National Academy of Social Insurance, *Workers' Compensation: Benefits, Coverage, and Costs, 2011*, August 2013, [www.nasi.org/sites/default/files/research/Workers\\_Comp\\_Report\\_2011.pdf](http://www.nasi.org/sites/default/files/research/Workers_Comp_Report_2011.pdf).

Some aspects of this index, particularly those relating to “personal freedom,” are not relevant to the business climate, but Mercatus does publish the individual components of its index. By the Mercatus accounting, California has the most burdensome business-regulatory environment in the country.<sup>15</sup>

Annual surveys of small business owners conducted by Thumbtack in partnership with the Ewing Marion Kauffman Foundation come to a similar conclusion, giving California a rating of “F” (along with Illinois and Rhode Island) for “small business friendliness” in 2014.<sup>16</sup> The Thumbtack survey also ranks 82 U.S. cities on the same scale – among which, Los Angeles rates 74<sup>th</sup> and San Diego ranks 78<sup>th</sup>.

Although the picture is mixed, it would appear that California ranks near the bottom of U.S. states in providing an attractive business climate. This cannot help to facilitate international business connections.

## INFRASTRUCTURE WEAKNESSES

Some aspects of Southern California’s physical infrastructure may be impediments to L.A.’s international connections, its economic prosperity, and the overall quality of life in the region.

Traffic congestion is the most obvious concern. In its 2013 annual report on traffic congestion in the Americas, TomTom cited Los Angeles as the most congested city in the United States and the fourth most congested city in all of the Americas – behind only Rio de Janeiro, Mexico City, and Sao Paulo.<sup>17</sup> Heavy traffic congestion hinders the movement of people and goods within and through Southern California, making the region less attractive for international commerce, corporate headquarters, and international visitors. Since 1990, a system of heavy-rail, light-rail, and busway rapid transit has been taking shape in Los Angeles County, but this has not yet been suffi-

<sup>15</sup> *Freedom in the 50 States 2013*, George Mason University, Mercatus Center, [www.freedominthe50states.org](http://www.freedominthe50states.org).

<sup>16</sup> See [www.thumbtack.com/survey#/2014/states](http://www.thumbtack.com/survey#/2014/states).

<sup>17</sup> TomTom Americas Traffic Index, 2013 Annual Report, May 2014, [www.tomtom.com/lib/doc/pdf/2014-05%20TomTomTrafficIndex2013annualAME-mi.pdf](http://www.tomtom.com/lib/doc/pdf/2014-05%20TomTomTrafficIndex2013annualAME-mi.pdf).

cient to relieve severe road congestion.

Los Angeles International Airport (LAX), Southern California's principal international aviation hub, faces increasing competition for international flights and passengers. Skytrax, an international evaluator of airports, does not rank LAX, and consequently it is difficult to assess how it stacks up in comparison to other international airports.<sup>18</sup> The fact that LAX has been losing share of international flights and passengers, though, is not reassuring. On the positive side, LAX is in the midst of a \$4.1 billion modernization effort planned to run through 2019. Included in the modernization program are renovations of existing terminals, a new passenger concourse, runway improvements, updated baggage-handling systems, and improved utilities.<sup>19</sup>

The share of U.S. international maritime trade passing through Southern California ports has also been slipping in recent years. With an expanded Panama Canal soon able to permit larger ships from Asia to have direct access to U.S. East Coast and Gulf ports, competitive pressure on regional ports is likely to increase. Maintaining the dominant position of these ports will depend on the efficiency with which cargoes can be moved from the ports to destinations throughout the United States. But efforts to build new rail facilities at the ports are currently stalled because of legal disputes between the cities of Los Angeles and Long Beach.

New domestic sources of energy create new opportunities for industrial and manufacturing activities throughout the United States. Unfortunately, Southern California does not have the pipelines to deliver crude oil from rapidly developing fields in the U.S. Midwest. One consequence of this has been a sharp increase in crude oil deliveries to the region by rail, a process that is both expensive and potentially dangerous.<sup>20</sup>

A final infrastructure shortcoming is the slow speed of Internet connections

18 [www.worldairportawards.com/awards\\_2014/worlds\\_top\\_100Airports.htm](http://www.worldairportawards.com/awards_2014/worlds_top_100Airports.htm).

19 See [www.lawa.org/laxdev/ProjectFactSheet.aspx](http://www.lawa.org/laxdev/ProjectFactSheet.aspx).

20 So-called crude-by-rail deliveries to California jumped more than fivefold from 2012 to 2013. Eighty percent of those deliveries in 2013 came to Southern California. See Gordon Schremp, *California Petroleum Overview and Background*, California Energy Commission, June 25, 2014, [http://www.energy.ca.gov/2014\\_energypolicy/documents/2014-06-25\\_workshop/presentations/01\\_Schremp\\_Final\\_2014-06-25.pdf](http://www.energy.ca.gov/2014_energypolicy/documents/2014-06-25_workshop/presentations/01_Schremp_Final_2014-06-25.pdf).

in some parts of the region, obviously important for international communications. The Ookla Net Index provides multiple measures of broadband performance in many cities in the United States and around the world.

By Net Index estimates, in June 2014 the City of Los Angeles had broadband download speeds somewhat below the national average and below those in a number of other large U.S. cities (table 4-1). This is not characteristic of the entire Southern California region, however. The right-hand portion of the table shows download speeds for selected communities within Southern California. These vary widely.

**Table 4-1**

**Broadband Download Speeds in Major U.S. Cities and Selected Localities in Southern California, June 2014**

City	Download Speed (Mbps)	Southern California Locality	Download Speed (Mbps)
Boston	33.6	West Hollywood	50.5
Seattle	33.2	Costa Mesa	34.3
New York	31.3	Santa Monica	29.3
Philadelphia	29.6	Newport Beach	28.9
Washington, D.C.	28.5	Irvine	27.5
Atlanta	28.4	Beverly Hills	25.2
Miami	26.9	Santa Barbara	23.4
National Average	24.9	Pasadena	22.6
Chicago	24.2	San Diego	20.6
Los Angeles	23.4	La Jolla	19.0
San Jose	23.3		
San Francisco	21.6		
Houston	20.6		
Dallas	17.8		

Source: Ookla Network Index, <http://explorer.netindex.com>.



## THE TASKS AHEAD

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Los Angeles enjoys rich connections to the world outside the United States. The multiple quantitative measures detailed in this report confirm the international status of the city and the region. And anyone who lives in Los Angeles or visits even briefly can feel the international character of the place.

This international character is partly the result of geographical accident – location on the U.S. Pacific coast and proximity to Mexico. It is also partly the consequence of a long legacy of international migration to the region. The region’s openness to international migration is arguably the consequence of previous waves of domestic migration: a region where many people came from elsewhere may be more likely to find room, physically and socially, for further waves of immigrants. Partly, the region’s international character is the result of a concentration of creative professionals in the arts, culture, and entertainment fields, among the most “exportable” of services. And in recent years, the international connections of the region have been solidified by the presence of many first-rate institutions of higher learning, originally created to serve domestic students, which now attract a growing flow of foreign students.

The city’s international character also owes something to concerted governmental, commercial, and civic action. Wise governments in the past invested in world-class ports and airports and currently work to publicize the attractions of the city and region for foreign visitors. Governmental and commercial entities strive to make foreigners welcome by providing services in languages other than English; local universities and hospitals maintain special offices to attract and assist international students and patients; and companies and trade associations routinely seek and promote overseas opportunities.

To some degree, L.A.'s international stature is "natural" and therefore not completely dependent on continuing efforts by various local actors. This does not suggest, though, that complacency is appropriate or acceptable. Some of the "natural" conditions that contribute to the city's international ties are already eroding.

Today, location is less a determinant of international ties than it was in the past, as transportation and communication alternatives proliferate. The ports of Los Angeles and Long Beach are facing increased competition from ambitious ports elsewhere on the Pacific Coast: Seattle, Tacoma, and Vancouver are increasingly plausible alternatives. And when the expansion of the Panama Canal is completed (scheduled for late 2015), larger ships from Asia will have direct access to U.S. Gulf Coast and East Coast ports, and will be able to avoid landing cargoes at West Coast ports for subsequent land transit to the rest of the United States. Similarly, the arrival of longer-range aircraft in commercial aviation fleets allows more direct flights between the U.S. East Coast and Asia without the necessity of a stop on the West Coast. We can already see Southern California's share of maritime trade and international passenger air traffic declining.

Employment in the quintessential Los Angeles industry, motion picture production and distribution, has been declining in recent years. How long until the studios that manage this production and distribution leave as well?

Los Angeles may also not remain as "natural" a destination for international migrants as it was in the recent past. New York and Miami have seen sharp increases in arriving international migrants in recent years.

The point here is that passively relying on "natural" factors will not suffice to maintain Los Angeles at its current level of connection to the rest of the world. More concerted efforts will be required, especially since other cities all around the world are waking up to the benefits of international connections.

## TOWARDS AN AGENDA FOR ACTION

This report aims not to provide a detailed action plan, but to spur conversations among the many parties who define the city's international character. Nonetheless, some general recommendations about maintaining and strengthening the productive aspects of L.A.'s international connections may be a good starting point.

Most important will be spurring economic growth. The city of Los Angeles is already setting a good example in this regard by putting in place a new permitting process aimed at speeding approval of construction projects,<sup>1</sup> and beginning to simplify and update an antiquated zoning code.<sup>2</sup> Other helpful steps would be a thorough review of state and local business taxes with an eye towards raising necessary revenues with a minimum burden on businesses. Review of business and environmental regulations might also find ways to protect public interests, health, and safety with fewer burdens on businesses.

What is also needed is increased coordination among the many governmental jurisdictions in Los Angeles County and Southern California on matters relevant to the region's international relations. Investors and business people from abroad may have trouble understanding the subtleties of divided government in the region, and more unified approaches to facilitating foreign investment are likely to be beneficial. Other priorities for region-wide cooperation will be identifying – and if necessary, creating – parcels of land suitable for industrial operations, speeding transportation of people and goods, and promoting tourism. Increased coordination and cooperation between the ports of Los Angeles and Long Beach in the face of stiffening competition from other ports would seem a must. Finally, simple mechanisms to facilitate visits by foreign officials and business leaders to the region, making it easier for them to meet with relevant local officials from multiple jurisdictions, could generate more value.

Region-wide programs to strengthen infrastructure are also a must. Priorities

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1 Tim Logan, "Garcetti Pledges to Ease Building Permit Process to Boost Construction," *Los Angeles Times*, November 20, 2014.

2 Tim Logan, "L.A. Is Working on a Major Zoning Code Revamp," *Los Angeles Times*, July 30, 2014.

should include reducing traffic congestion, smoothing the flow of containers to and from the area's ports, continuing to upgrade LAX, expanding the local infrastructure to deliver U.S.-sourced crude oil, and facilitating the spread of truly high-speed broadband.

Beyond multiplying and intensifying the city's international connections, it will be helpful to take steps to increase the benefit that accrues from existing connections. The most pressing need in this regard is to intensify efforts to integrate new arrivals into the local economy and society. In some cases, this will require governmental action on, for example, education. In other cases, private civic institutions will need to step up support programs for new immigrants and their families. Everyone stands to gain if incomers quickly take their places as productive workers and full participants in the community.

Los Angeles will probably never dominate the Southern California region in the way that New York and Chicago lead their regions. Perhaps this is not entirely bad. The distrust of large governmental structures and the desire for local management that characterizes L.A. and Southern California may contribute to the social flexibility and freedom that underlie the region's acceptance of immigrants, openness to new ideas, and general creativity. A perhaps superior alternative mechanism to bring about coordinated, internationally oriented action in the region could be a common enterprise that captures the imagination of and inspires support from broad segments of the regional community. Some see the region's successful management of the 1984 Olympic Games as such an enterprise: it gave rise to new collaborations, some involving governments, but many among nongovernmental institutions; it generated important new cultural initiatives; it provided a focus for thinking internationally; and it showed Southern California in a very positive light before a global audience.

Until the opportunity for a grand enterprise comes along, and perhaps to make such an enterprise more likely, the city and the region will benefit from the creation of a "neural network" of public and private institutions, businesses, civic organizations, and individuals with knowledge of and interest in international matters. The proposition that international engagement has value for a city or a region, as opposed to for individual companies, com-

munities, institutions, or people, rests on the ability to share international knowledge, experience, contacts, and attitudes throughout the local community. With such sharing, international engagement becomes more than the sum of individual connections. It can become a true civic asset, something that all members of the local community can draw on.

Through its activities, the Pacific Council on International Policy seeks to strengthen the neural network of people and organizations in Los Angeles and Southern California who share interests in international affairs and policy. We hope that this report and continued related work in future years will contribute to this important goal.

## SUMMING UP

This report arrives at two basic conclusions.

First, Los Angeles is connected to the global community in multiple ways. The city draws foreign immigrants and visitors; goods and travelers from abroad flow through the region; local firms do business with the world; foreign students flock to local universities; and the arts and culture of Los Angeles shape tastes around the world. Above all, the quality of life in the city is enlivened by the diversity of experiences, perspectives, cultures, and products that come to the region from the rest of the world. These global connections are fundamental to the city's character. Thinking about Los Angeles and what it can or should be, necessarily requires thinking in an international context.

Second, L.A.'s international connections, and the benefits that it derives from these connections, can be strengthened. Few metropolitan areas in the United States can match the full depth and breadth of the city's global ties. But experience elsewhere suggests that more can be done. This does not mean that Los Angeles should aspire to imitate other cities. The city must seek the benefits of global engagement on its own terms, capitalizing on its own unique assets. Realizing L.A.'s international potential will require contributions from many interests. In many cases, these contributions will be mutually reinforcing. Increasing awareness of the city's international character and opportunities will be essential to achieving its global potential. ■



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