

Source: International HR Decision Support Network News > 2014 > October > 10/09/2014 > China: Shanghai Issues Preferential Visa Policies to Attract Multinational Companies

China

China: Shanghai Issues Preferential Visa Policies to Attract Multinational Companies

By Leslie A. Pappas

Oct. 9— Multinational corporations with a significant presence in Shanghai may find it easier to obtain work visas and longer-term residence permits for global workers under new rules issued by the city's commerce, labor and immigration authorities.

The guidance lays out criteria that would qualify certain multinationals with core operations in Shanghai as "regional headquarters-type institutions," giving them special immigration treatment such as a five-year residence permit for top staff. Issued July 14 and valid until June 30, 2017, the new policies expand upon existing preferential treatment for companies with regional headquarters in Shanghai and are meant to encourage more companies to set up headquarters there.

To qualify as a regional headquarters-type institution, companies must have at least three China ventures, hold no less than \$200 million in assets, operate in an office no smaller than 500-square meters and employ some of the region's core leadership and more than 50 managers in Shanghai, according to the guidance.

Shanghai's new rules are just one example of how local authorities in China may issue their own immigration policies and control the flow of foreigners in and out of their region, practitioners told Bloomberg BNA. Unlike many countries, China administers immigration policies on both a state and local level, meaning that multinational companies with workers spread across China must comply with different immigration rules and timelines in each locality.

A 'Godsend' or 'Not Significant'?

Practitioners in Shanghai were divided about how important the new rules would be for multinational companies.

"It's not significant, honestly," said Trevor McCormick, managing partner of Foster Partners Group, an executive search firm headquartered in Shanghai. Companies will usually hire the best person for the job regardless of local visa policies, McCormick said, and multinationals establish headquarters in one region or another depending on the overriding business case, "not whether they have to fill out visa forms every year."

Some companies don't actually want to offer long-term work visas due to the risk that employees may leave the company early and work for the competition, McCormick told Bloomberg BNA in a telephone interview Sept. 24.

Pamela Williams, however, an account manager at Crown World Mobility in Shanghai, a global relocation company that helps move workers around the world, said visa policies are "very important" for companies placing workers in China. If companies knew more about the new rules, they might find the option of a long-term visa in Shanghai attractive, she said.

"It would save a lot of hassle," she told Bloomberg BNA in a telephone interview Sept. 29. Annual visa renewals in China can take as long as 12 to 15 working days, during which time an employee cannot travel because the passport must be turned over to authorities for processing.

"For some individuals, getting a two-year residence is a godsend," Williams said.

Five-Year Residence Permits

Shanghai's new supplementary regulations would offer five-year residence permits to foreign legal representatives, general managers, vice general managers and finance directors in qualifying companies, according to an Aug. 14 alert from PwC.

Released July 14 by Shanghai's Commission of Commerce, Municipal Human Resources and Social Security Bureau, Entry-Exit Administration Bureau and Entry-Exit Inspection and Quarantine Bureau, the regulation—*Hushangwaizi* [2014] No. 348—would also offer four-year residence permits to department managers and three-year permits for ordinary employees.

In current practice, two-year residence permits are usually granted only to very senior employees, and lower-ranking employees are rarely approved, Williams said.

Different Cities, Different Timelines

Shanghai is already one of the easiest locations in China for processing work visas, according to Williams. Start to finish, a visa from Shanghai usually takes about a month or a month and a half, she said. Yet just 100 miles away in Hangzhou, obtaining a work visa might take two or three months.

Hangzhou requires a minimum of 30 to 35 working days for processing alone, and the paperwork is more complex than a Shanghai application, Williams said. For example, Hangzhou requires police clearance from the applicant's home country—meaning a U.S. visa applicant must get a certificate from U.S. authorities and have it endorsed by the local Chinese embassy or consulate.

“China is certainly one of the more difficult countries because there is no national policy that you can refer to, and based on my own experience, the more remote the destination, the more difficult it's going to be,” said Williams, who has helped place workers in more than 60 locations around China. “Every city still has different immigration requirements . . . and how strictly they're going to implement it is at the discretion of the presiding officer.”

National Laws, Local Implementation

City authorities are able to create preferential visa policies because China's immigration system is a combination of national laws and local implementation rules, according to Becky Xia, a partner at Fragomen in Shanghai, who supervises the firm's China practice. That allows local authorities to determine specifics, as long as they do not conflict with national policies.

So, for example, China's revised Exit and Entry Administration Law, which took effect July 1, 2013, states that authorities may issue visas for up to five years, but does not include details about who may apply. Regulations issued by the Shanghai municipal government provide the details for workers in that jurisdiction: a legal representative of a regional headquarters may apply for a five-year visa, and department managers may apply for a four-year.

“The immigration system [in China] is location, entity and individual specific,” Xia told Bloomberg BNA in a telephone interview Sept. 30. In most locations, as many as nine different authorities may be involved in the immigration process, depending upon the type of visa and the nature of the work, Xia said.

China's Legislation Law forms the basis of this legal structure, according to Xia. Adopted by the National People's Congress in 2000, the Legislation Law created a hierarchy under which the central government issues national laws that tend to be general, and authorities at the provincial, municipal and local levels issue detailed implementing rules and regulations.

Easier, Faster, More Convenient

Preferential visa policies such as those in *Hushangwaizi* No. 348 are attractive to multinationals because they make the immigration process easier, faster and more convenient for employees in qualifying institutions, Xia said. The policies could also be beneficial for Chinese nationals working in third or fourth-tier cities or Chinese who are sent overseas on assignment.

“It's in the multinational company's interest if there are clear guidelines,” Xia said. Having clear policies makes the immigration process “much more transparent and predictable.”

Shanghai is not alone in offering special policies to multinationals that set up headquarters, Xia said. Beijing also has such policies.

Easier Green Cards?

At an even more local level, the Shanghai Free Trade Zone (FTZ), a region within the city of Shanghai, may be considering easier green card processing to attract more international talent, according to Ian Macdonald, a shareholder at Greenberg Traurig LLP in Atlanta.

In a visit to the zone just ahead of its one-year anniversary on Sept. 29, China's Premier Li Keqiang said that "complicated procedures for green card applications have impeded the FTZ in attracting global talent," Macdonald wrote in Sept. 22 blog post. Li went on to suggest that the zone could submit a reform plan to the central government with suggestions about how to make entry easier for foreign talent, Macdonald wrote.

"Chinese authorities are laying the groundwork to facilitate what is likely to happen in the market," Macdonald told Bloomberg BNA in a telephone interview Sept. 24. "China is no longer seen as a place to hop off for career purposes. . . . It's seen as a place where spending a significant amount of time is good for your career."

Multinational companies in China increasingly see the need for key executives to remain in the region for an extended period, and they "need assurance that their immigration status will not be interrupted," Macdonald said.

If the Shanghai Free Trade Zone is allowed to change the rules associated with obtaining Chinese permanent residence, similar changes could eventually spread to other areas of China, Macdonald said.

To contact the reporter on this story: Leslie A. Pappas in Beijing at correspondents@bna.com

To contact the editor responsible for this story: Rick Vollmar at rvollmar@bna.com

For More Information

The new Shanghai visa policies are available in Chinese at <http://www.scofcom.gov.cn/zxxxgk/236485.htm>, the PwC alert at http://www.pwccn.com/home/eng/ias_cn_mncs_aug2014.html and the Greenberg Traurig blog post at <http://bit.ly/1vOZnsl>, both in English.

Contact us at <http://www.bna.com/contact/index.html> or call 1-800-372-1033

ISSN 2160-4975 (HR & Payroll Resource Center), ISSN 1523-2832 (Human Resources Report)
Copyright © 2014, The Bureau of National Affairs, Inc. Reproduction or redistribution, in whole or in part, and in any form, without express written permission, is prohibited except as permitted by the BNA Copyright Policy.