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DESTINATION PROFILE

# SHANGHAI

## From Fishing Village to Commercial and Financial Capital

*By Chris Pardo, GMS*

According to World Atlas, Shanghai is the fifth-largest city in the world. With more than 20 million inhabitants, Shanghai has more people than New Zealand. The most important entry point into mainland China, this sophisticated, international city attracts visitors and expats who shop the bustling markets of Nanjing Road, jog along the river beneath the Pearl Tower, enjoy the lights of old Shanghai while dining at M on the Bund, visit the Yuyuan Garden, or take tea in the afternoon charm of the French Concession.

Shanghai, literally "city on the sea," began as a fishing village at the mouth of the Yangtze River. The growth of cotton and textile markets made it a small town in the 13th century. Over the next few centuries, Shanghai's location on the East and South China seas drew international attention, and it became one of China's most important seaports. Foreign investment and development contributed to Shanghai's growth into the multicultural megalopolis that it is today.

Shanghai is considered the commercial and financial capital of China. British, French, and American presence has had a strong influence on life and attracted expatriates from all over the world. The website Expat Arrivals calculates that more than 400,000 expatriates live in Shanghai, and expects that number to double by 2020.

Since 1992, Shanghai has recorded double-digit economic growth almost every year, except during the global recession of 2008–2009. Predicted to pass Hong Kong soon as a regional hub, and eventually New York as the global financial and business leader, Shanghai is already China's major industrial center. Fast-paced development is likely to continue. In September 2013 the government established a Pilot Free Trade Zone designed to streamline the domestic financial sector and lure even more foreign investment.

This is a city where social and civil developments are accelerating. Internal (Chinese) and external (non-Chinese) forces will continue to unite and create a contemporary city. Many believe Shanghai is where China will sort out and balance exactly what it means to be modern and Chinese.

# Business Practices

China ranks high on Hofstede's power distance index (80 versus 40 for the U.S.) and low on individualism (20 versus 91 for the U.S.). Therefore, Westerners should realize that behavior in the workplace will look very different from what they may be used to. In China, individuals are influenced primarily by formal authority and sanctions. They are generally optimistic about people's capacity for leadership and initiative. From a working and day-to-day perspective, people feel they should not have aspirations beyond their rank and will often "toe the line" as opposed to speaking up or sharing creative ideas.

Stories abound within the expat business community of the apparent lack of innovation, drive, and willingness to make decisions, but what is often at issue is a lack of understanding of these key cultural dimensions. Many companies have had great success in creating a culture of innovation. James Gooding, GMS, of Santa Fe Relocation (Shanghai) and general manager for China notes that "a large U.S. electronic components manufacturer commented at a recent American Chamber of Commerce forum that 70 percent of the company's innovation in product and processes in 2013 came from staff based in China."

# Work Permits

All foreign nationals are required to have a valid passport and visa (visitor, business, tourist, or work) for entry into China. Dima Lorenz, managing partner and co-founder of Ark Relocation, says new Chinese immigration laws last year made the process of applying for work and residency permits more rigorous. Even though application requirements did not change significantly, the original supporting documents are subject to more extensive checks, and the number of rejections has increased. Applicants still need at least a bachelor's degree and must prove they have two years minimum of relevant work experience. Shanghai has also tightened age restrictions for work permit applicants—currently 60 years maximum for males, 55 for females.

It usually takes two to three months to obtain a work and residence permit—usually a Z (employment) visa—from the start of the application in the expatriate's home country. Even after arrival in Shanghai, with the correct documentation, it takes about a month to receive a work and residence permit. The law requires a physical examination and temporary residency certificate along with in-person application to the Division of Aliens and Entry-Exit Administration of the Shanghai Public Security Bureau within 30 days of arrival. This can be inconvenient, as original passports—not copies—must be left with the bureau, which restricts travel during this period.

Spouses or partners accompanying a Z-sponsored employee to Shanghai on an S1 or S2 visa for family members of foreign professionals and students cannot work legally. As companies are increasingly looking for "local hire expats," it may be possible for a spouse with the right skills and experience to find a position if the hiring company is willing to sponsor a work permit. Many expat-run benevolent organizations and charities welcome volunteers and encourage accompanying spouses to get involved at an organizational level. Many spouses have gone on to start businesses or charities of their own, and some have been extremely successful.

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# Lifestyle Adjustments

Gooding sees the greatest challenges for Western expatriates as personal space, public littering, and employee behavior in the workplace. In most Western countries, he explains, an individual's personal space is sacred, and an incursion is met with a stern stare or a harsh rebuke. In Shanghai, the sheer number of people, coupled with a culture that does not place a strong emphasis on personal space, often leaves new expats feeling uncomfortable. This is especially an issue when waiting in line and on public transportation at peak hours.

There has been no coordinated effort to eliminate public littering, which can be a shock to expatriates from cities that levy a fine for such behavior. Although less of a problem in Shanghai than in second- and third-tier Chinese cities, spitting on the street is certainly more common than in Western countries.

# Language

The major language spoken in Shanghai is "Shanghainese," one of the more than 200 dialects of China, plus many mini-dialects. Residents of the outer suburbs use different vocabulary and have accents that vary from those in urban areas. Interestingly, English study is now compulsory in every school, starting in first grade in Shanghai. Within a decade, everyone in the city may speak English—or a hybrid of Chinese and English. Fluency in Chinese is not vital for work or daily life in Shanghai.

# Housing

Shanghai is an eclectic city with many distinct neighborhoods. Expatriates tend to live in two broad areas known as Pudong (east of the Huangpu River, with newer suburban-style development) and Puxi (west of the river, very urban). There is a good selection of expatriate housing in both areas, yet the quality can vary greatly. Pudong is more peaceful and green, with the expatriate havens of Jin Qiao and Kang Qiao. On the Puxi side, the most popular districts are Changning, Xuhui, Jing An, and Lu Wan.

Although there is no multilisting system, properties in Shanghai are often listed with multiple housing agents and are usually found in more than one database. Typically, leases are agreed upon for 12 months; a two-month security deposit is due along with the first month's rent at the time of signing. The landlord usually pays the rental agent's fee, but if the monthly rent is less than 8,000 yuan/renminbi (about US$1,300), the tenant is required to pay a finder's fee. The tenant is usually locked into the first six months, and after eight months can break a lease with two months' notice.

Christopher Bloedel, CRP, GMS, a client solutions manager with AIRINC, says, "Housing, like taxes, tends to be a major driver in terms of assignment cost. This is certainly the case in Shanghai. Three-bedroom apartments range from US$4,100 to $8,000 per month. Four-bedroom apartments range from $5,600 to $12,200."

Furnished and unfurnished properties are available. An unfurnished property generally includes white goods (washing machine, fridge, air conditioners). A furnished property does not usually include "personal" items such as bedding, crockery/kitchenware, and towels. Many items can be negotiated from the asking price. Most housing has been built within the last five to seven years. Expat accommodations, whether an apartment or house, will almost always offer a range of facilities including a service center, pools, fitness centers, sport courts, restaurants, and local shuttle services.

Colonial properties still have a strong allure for expatriate assignees to Shanghai. The neighborhood around Anfu and Wukang roads has seen strong development within the former French concession, where numerous Western cafes, bakeries, wine bars, and independent restaurants have sprung up. The tree-lined streets in this part of town attract young couples without children and single assignees who are seeking one of the best lifestyles Shanghai has to offer.

# Schooling

There are plenty of international schooling options for expatriates. American (Shanghai American School, Shanghai Community International School, Concordia International School Shanghai) and British (Dulwich College Shanghai, British International School Shanghai) education systems are the most common, and some schools offer the French, German, or Singaporean curricula.

Most schools are in session from August to June or July. All are co-educational, and all teach some Mandarin as part of the curriculum. Though these schools are in high demand, and some have waiting lists, most expatriates obtain entry into their first choice. Some schools have a debenture scheme, in which a corporation pays a lump sum to purchase a place or places in the school.

It is common for expatriate families with very young children to employ a full-time domestic helper, called an *ayis*. Unlike in many other expatriate destinations within Asia, *ayis* rarely live in the home.

# Security

Compared to many Western cities, Shanghai is considered quite safe. The most common crimes are pickpocketing and petty theft in tourist locations. Such crimes increase around the Chinese New Year, when people are expected to bring gifts of money to their family. There is very little reported violent crime.

Pollution, congestion, construction, and the frenetic pace of life can be issues for expatriates. Although not as polluted as Beijing, Shanghai does suffer from air pollution, especially during autumn and winter months. According to the statistics comparison site Numbeo, the pollution indices for Shanghai and Beijing are 156.59 and 167.40, respectively, compared to London's 89.82 and New York's 91.84. Many expats purchase air purifiers for their homes, monitor daily air quality, and limit outdoor activities on high-index days. There has recently been an uptick in hardship premiums due to pollution concerns.

# Medical Benefits and Concerns

Expatriates should be up to date with immunizations such as hepatitis A and B. A typhoid fever vaccination is recommended for those staying longer than six weeks.

Shanghai has a large number of international hospitals. Because they are extremely expensive, comprehensive insurance coverage is essential. Local hospitals are often overcrowded and can appear to have substandard hygiene, although the top hospitals often have VIP sections that are cleaner, work on an appointment system, often have English-speaking physicians, and are cheaper than foreign-owned hospitals.

Ambulance response time is typically very slow, and transport to the nearest hospital can take a long time due to traffic congestion. Most ambulances are poorly equipped and staffed by individuals lacking EMT training or English skills. In an emergency, Gooding recommends heading to the nearest hospital by the first available transport, such as a car or taxi, rather than waiting for an ambulance.

# Transportation

Shanghai has one of the longest metro systems and the largest bus system in the world. While the metro is easy for expatriates to use, buses are less recommended for those not fluent in Shanghainese. The high-speed Shanghai Maglev train, which connects the airport with the city, is the fastest train in the world, reaching a maximum speed of 431 km/h (267 mph).

Road conditions, driving tactics, and congestion are reason enough not to drive in Shanghai. Costs of purchasing and owning a car are quite high. Many expatriates utilize taxis, hire cars, or take the metro. Those who choose to get behind the wheel should drive defensively and slowly. While pedestrians take little notice of traffic lights and signs, cyclists may provide the greatest concern as they weave fearlessly through traffic.

Shanghai container terminal

# Shipping & Customs

In 2005 Shanghai became the world's busiest cargo port. Assignees shipping items to Shanghai will need the help of an experienced professional. Chinese Customs is becoming stricter, and inbound shipments are being X-rayed and inspected more and more thoroughly. Particularly sensitive are items out of line with the Chinese government's views on politics and geography. To avoid import delays and confiscations, it is the moving company's responsibility to suggest that the shipper put politically sensitive items into storage during the duration of their stay in China.

According to Arpin International, each family is allowed up to 750 books in its sea shipment. Academics and scholars may import up to 1,000, but they must be accompanied by a certificate from the sponsoring institution in China. Regardless, politically sensitive books are likely to be confiscated. Guns of any type (toys, nonworking, antiques, etc.) are banned. No pet food is permitted in air or sea shipments.

# Financial Matters

Because Chinese currency—the yuan, also called renminbi (RMB)—is carefully managed by the government, travelers and expatriates usually wait until they arrive in Shanghai to obtain it. Currency exchange in Shanghai is legal only at hotels, banks, and stores at the official rate set by the Bank of China. The exchange rate (currently around 6 RMB per U.S. dollar) is the same at all nationwide outlets, saving travelers the hassle of having to find the best rate. It is advisable to keep all receipts when you exchange money; they will be needed in order to reconvert any excess RMB into home currency before leaving China.

Shanghai topped New York in cost of living in 2011 and is currently considered the most expensive city in China. It remains slightly less expensive than Tokyo, Singapore, or Sydney, but it is still one of the most expensive locations in the region and the world. According to AIRINC, depending on an expatriate's income, family size, and base location, Shanghai's total cost-of-living index using "Average City, U.S." as a base of 100 would be 208.

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# Unexpected Shanghai

The Shanghai Marriage Market, held on the north side of Renmin Gongyuan, is a distinctive Shanghai experience. Each weekend, hundreds of residents assemble at the People's Park with profiles of their unmarried children, in search of potential matches. It's called *zhenghun*—"marriage seeding." In an amazingly well-organized process, parents search on behalf of—and usually unbeknownst to—their unwed son or daughter by birth date, height, weight, hobbies, interests, or geographic location. Shanghai's birthrate is half the Chinese national average, and 1 in 3 of the city's women is in her late 20s and single. This generation's more independent women expect to marry a person of their own choosing and are in no rush, so parents scour through the 20 million bachelors looking for their champion. *M*

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