

TEFAF

# CHINESE ART MARKET REPORT 2019

## FOREWORD

The increasing importance of the Chinese Art Market has been an acknowledged constant over many years now. The pace and scale of its growth, however, is something that was less foreseen. The fact that the Chinese Art Market overtook that of the US in 2011 according to the TEFAF Art Market Report 2012 might have surprised many.

The increasing Chinese interest in the art world became clear not only through the release of data on international art transactions but also it could be tracked by the impressive growth of museum and private collections, the obvious result of the tremendous economic success China was experiencing.

Major art fairs and auction houses became the natural hunting-ground for the growing Chinese demand for acquisitions but were also becoming an important source of knowledge and inspiration. In recognising this, the authorities in Beijing reached out to TEFAF in 2011 to explore the possibility of establishing the first major international art fair, in partnership with Sotheby's (Beijing) Auction Co. Ltd (a joint venture between Sotheby's and Beijing GeHua Art Company), in mainland China. Despite the best efforts of all parties to make this happen, ultimately there proved to be too many obstacles at the time to ensure that this would be a commercially viable venture.

During this process, however, TEFAF was introduced to Professor Kejia Wu, who was key during, the sometimes complicated, negotiations with the Chinese authorities. Professor Wu proved to be a very effective and solid partner and a strong relationship developed that has endured. Professor Wu is an established expert on the Chinese market and it is in this capacity that TEFAF invited her to write this edition of the TEFAF Art Market Report.

The enormous growth of the Chinese Art Market over the last two decades in particular has captivated the artworld. Sometimes, this interest has been fuelled by pure speculation, but more recently it has been increasingly acknowledged that there is a need to understand the dynamics of this complex landscape better, based on solid research. TEFAF is pleased to present this report to help us gain a better insight into the potential of this important market, enabling us to establish how we may best serve it.

**Patrick van Maris, CEO TEFAF**

## ACKNOWLEDGEMENTS

Attempting to develop an in-depth and objective analysis of any art market, not to mention China's somewhat opaque and complex art market, is a daunting task. This endeavor could not have been accomplished without the tremendous help and support of the numerous experts and colleagues that shared with me their valuable insights and knowledge.

I would like to express my deep gratitude to the entire TEFAF team, in particular Nanne Dekking, Patrick van Maris, Diana Cawdell, Karine Mandel and Lucy Barry. Without their continuous encouragement this project would not have happened.

I would also like to thank all the industry experts, collectors and private museum owners in China who took the time to be interviewed as subjects of the primary research and their participation in the survey. This includes every interviewee whose name appeared in the report (as well as those who desired to be nameless) and to each collector who entrusted me to keep their individual buying behavior anonymous, but allowed me to publish the collective results through the survey. These conversations laid the foundation of the report. I am indebted to you all.

Additionally, I want to thank a number of industry insiders who provided a significant amount of information about the Chinese art market. Their names did not appear in the report but they were equally important to the process. These individuals include Liu Youzheng and Yu Jinsheng from China Associations of Auctioneers, Wang Wei from Poly Culture Group Co., Ltd, Wang Zhuoran and Duan Wenjie from China Guardian, Miriam Sun from MoCA Shanghai, Zhang Zhongwei from Suning Art Museum and Leng Lin from Pace Gallery. I would also like to thank my former students, Gao Zilu, Xi Lihui and Chen Caoyan who helped with the English translation of the interviews and transcripts.

Finally, I would like to thank my family for their encouragement and support, particularly my husband Noah Lidman for his extraordinary patience as the first reader and as an ad hoc editor of the report.

Kejia Wu

A photograph of a modern building facade. The building features a prominent corner with rounded edges. The facade is composed of a dense grid of vertical, cylindrical copper tubes. Each tube has a red-tipped protrusion at its base. The building is set against a clear blue sky. In the foreground, there is a paved plaza with a street lamp and a security camera. The text "EXECUTIVE SUMMARY" is overlaid in white, bold, sans-serif font in the center of the image.

# EXECUTIVE SUMMARY

Over the past four decades, the art market in China has achieved extraordinary growth. For almost 30 years after the founding of the People's Republic of China in 1949, the art market was mostly dormant. Professional art galleries only began to emerge during the 1980s<sup>1</sup>, and art auction houses did not appear until the early 1990s. Since then, however, the art market in China has grown to become the second largest in the world. The two largest domestic auction houses, Poly Auctions (founded in 2005) and China Guardian (founded in 1993), are relative newcomers to the global art market, but are now ranked the third and fourth largest auction houses after Christie's and Sotheby's. Considering that China's first nonprofit private museum was founded in 1991<sup>2</sup> and first art fair was established in 1993<sup>3</sup>, it is clear that its art industry has developed exponentially. Now China's art market features more than 20 major art fairs, nearly 1,500 private museums<sup>4</sup> and over 4,000 art galleries<sup>5</sup>.

How did the art market in China accomplish such rapid growth? Was this an organic process? Is this a speculative bubble? For many outside observers, the drastic changes that have occurred over the past 40 years remain mystifying.

This report, through in-depth research and interviews with key market players, provides clarity by presenting a historical review of how China's art commerce started in the modern era and developed into the market we know today. This report also unveils a new original survey of top art collectors in China, which helps to explain why they collect, what they have been collecting, what they plan to collect in the future, how much they have spent, and how much they plan to spend.

Through this research, interviews with top collectors, and discussions with other important stakeholders, we have uncovered a number of key findings:

- Despite the traumatic events of the Cultural Revolution (1966-1976), a tremendous quantity of art and antiques survived in China. From the end of the Cultural Revolution to the early 1990s, state-owned antiquities stores played an instrumental role in sourcing artworks and conducting art trading within China's planned economy.
- The launch of domestic auction houses in the early 1990s marked the transition of the art trade from a planned economy to a market economy. Local auction houses released a significant supply of art and antiquities onto the open market, which in tandem with the country's rapid economic growth and increase in individual wealth, generated a substantial demand for collecting Chinese artworks.
- Local auctioneers have played an important role as tastemakers -- shaping collecting preferences, nurturing new collectors, and expanding the size of the market. Auction remains a top choice for collectors to liquidate their works in China.
- Although Chinese paintings and Chinese works of art will continue to be the dominant collecting categories in China over the near term, they do not appear as attractive to a younger generation of collectors. Western contemporary art has become increasingly popular among the younger generation, thanks to marketing and promotion by Western blue-chip galleries and art fairs.
- Due to the current lack of expertise and limited supply of high-quality Western artworks among China's domestic auctioneers, the younger generation of collectors will continue to buy art from Western galleries, art fairs, and auctioneers.
- Most of the Chinese collectors are self-taught and quick learners.
- Despite a general concern about the uncertain macroeconomic environment, there is a desire in China to keep spending at the current rate or increase spending on art. One major reason is that many top collectors perceive art as a valuable way to allocate their assets in a country with substantial capital controls.
- In terms of trading locations, Hong Kong and mainland China will remain the primary locations to buy and sell art for top Chinese collectors.
- Collectors' friends play a role as influencers and often serve as counterparties in transactions.
- The biggest challenge facing private museums in China is how to break even and become independent of founder funding. Without a tax benefit system in place for cultural philanthropy efforts, a number of private museums in China will have difficulty surviving over the next 10 years.
- With more international galleries entering the Chinese market, domestic galleries will have a tougher time surviving the increased competition. In this circumstance, a consolidation of local art fairs will take place.
- Over the coming decade, Chinese auctioneers will experience a transformation by further diversifying their practices beyond

auctions and increasing their international footprint.

- Similar to that in Western countries, experience-based art consumption will increase. Stronger collaboration among art, design, fashion, and technology industries will take place.

This report includes five chapters. Chapter 1 discusses the origin of the China art market in the modern era. Chapter 2 describes the development of the market over the past 40 years in four different stages. Chapter 3 presents a survey of top art collectors and private museum owners concerning their collecting behaviors and future plans for their private museums. Chapter 4 offers an outlook on the market, based on conversations with market makers and market participants. Chapter 5 provides in-depth interviews with key market players and includes their observations on how the market grew over the past four decades and where the market is trending now.

1 Art World Magazine, August 2018, Wu Wenlong "Four Stages of the Art Gallery Industry in China"

2 <http://art.ifeng.com/2018/1113/3454652.shtml>

3 <http://www.hiart.cn/feature/detail/f2eirAt.html>

4 <http://art.people.com.cn/n1/2018/1126/c226026-30421194.html>

5 <http://www.chinadaily.com.cn/a/201803/26/WS5ab8a411a3105cdf651453a.html>

CHAPTER ONE

# THE ORIGIN OF THE CHINESE ART MARKET



The European Fine Art Foundation (TEFAF) has been tracking the development of the art market in China for over a decade. In 2012, the art market report published by TEFAF disclosed that "China overtook the U.S. to become the largest art and antiquities market worldwide in 2011, with a share of 30%."<sup>1</sup> It was presumably the first time that the art market in China attracted such broad attention on the global stage.

The following timeline demonstrates the development of the modern art market in China over the past several decades. In October 1949, the People's Republic of China (PRC) was founded. (The PRC would not establish a diplomatic relationship with the United States until 1979). In 1956, the Central government officially forbade any art trade among individuals and private businesses.<sup>2</sup> Instead, the state-owned antiquities shops, under the Central government's supervision and instruction, began to implement the State's monopoly on the purchase and distribution of art and artifacts.

## 1949

People's Republic of China was founded

## 1966-1976

Cultural Revolution

## 1978

China's Economic Reform began (from Planned Economy to Market Economy; OPENING-up to the outside world)

## 1982

Cultural Relics Protection Law of PRC became effective

## 1991

The first private contemporary gallery in China, Red Gate Gallery, was founded by Brian Wallace

The first private art museum in China was founded, Yan Huang Art Museum, dedicated to promoting traditional Chinese art

## 1992

China's Leader Deng Xiaoping made "Souther Tour" in China to further reinforce China's economic reform

China's first auction house Duo Yunxuan was established from one of the largest state-owned antique stores in Shanghai

## 1993

The first early-stage art fair in China was held in Guangzhou, called "Art Bazaar" Duo Yunxuan held the first auction in China (June; Shanghai)

China Guardian Auction House was founded

## 1994

China Guardian held its first auction (May; Beijing)

## 1995

Chinese Association of Auctioneer was established; By then over three dozens of art auction houses were founded in China

## 1996

The most established gallery in Shanghai today, ShanghArt, was founded

The first auction dedicated to Chinese contemporary art category was held by Zhong Shang Sheng

Jia Auction House Auction Law of PRC passed

## 1997

Auction Law of PRC came into effect

The sovereignty of Hong Kong was transferred from the UK to PRC

Zhong Shang Sheng Jia Auction House ended its Chinese contemporary art auctions due to lack of demand in the market

## 2001

China became a member of WTO

## 2003

SARS epidemic outbreak in China; After the epidemic, the art market in China achieved a significant growth

## 2004

Galleria Continua opened a branch in Beijing, the first international gallery to open a branch in China

The first professionally organized art fair in China, CIGE (China International Gallery Exhibition), was held in Beijing Sotheby's

Hong Kong held the first auction dedicated to Chinese contemporary art

## 2005

Poly Auction House was established

## 2006

Sotheby's New York held the first auction dedicated to Chinese contemporary art

## 2007

Ullens Center for Contemporary Art was established by Guy and Myriam Ullens in Beijing 798 Art District. The first private museum in China funded by an international collector.

The first art fair in Shanghai, ShContemporary, was established by Lorenzo Rudolf, former Director of Art Basel (it was closed after 2014)

ART HK, Hong Kong International Art Fair was established

China's State Administration of Cultural Heritage issued the Administrative Measures for the Entry-Exit Examination and Verification of Cultural Relics. It restricted exports of valuable arts and artifacts created before 1949.

## 2008

The Summer Olympic Games were held in Beijing Pace Gallery opened a branch in Beijing

## 2009

Guy and Myriam Ullens began to sell their art collections through auctions (Poly Auctions and Sotheby's Hong Kong)

## 2011

China art market became the largest in the world

China's State Administration of Cultural Heritage announced the 11th Five Year Plan. One of the goals was to have over 3,500 museums in China by 2015.

## 2012

ART HK was acquired by MCH Group and rebranded by Art Basel Hong Kong

Sotheby's established a joint venture in Beijing with a state-owned company Beijing Gehua Art Company and held the first auction in Mainland China (Beijing in September)

Long Museum opened in Shanghai Pudong

## 2013

Christie's registered a wholly owned foreign enterprise in China and held the first auction in Mainland China (Shanghai in September)

A new art fair, Art021, was founded in Shanghai

## 2014

Another art fair, West Bund Art and Design Fair, was founded in Shanghai. Since then it has been held in the same week in November every year as Art021 and the week has been branded as "Shanghai Art Week"

Long Museum West Bund opened in Shanghai; Yuz Museum opened in Shanghai West Bund

## 2016

Fosun Art Center opened in Shanghai

Taikang Life Insurance Company became the largest shareholder of Sotheby's. (China Guardian has been the largest shareholder of Taikang Life Insurance since 1997.)

## 2017

Gallery Levy Gorvy opened an office in Shanghai

Ullens Center for Contemporary Art was sold by Guy and Myriam Ullens to a group of Chinese investors

Suning Art Museum opened in Shanghai. It has one of the largest collections of Chinese classical paintings in private hands.

Powerlong Museum opened in Shanghai. It has one of the largest private collections of Chinese modern paintings. How Art Museum opened in Shanghai with the first exhibition "Manifesta" by Julian Rosefeldt.

Design Society in Shenzhen opened, a partnership between V&A and China Merchants Group

## 2018

Yuz Museum announced a strategic partnership with Los Angeles County Museum of Art (LACMA) Gallery Perrotin opened a branch in Shanghai

## 2019

TANK Shanghai is to open in March

The Center Pompidou is to open a branch in Shanghai

In the 1950s, China's leading trading partner was the U.S.S.R, accounting for over 70% of the PRC's foreign trade, followed by Eastern European countries. Because of the Korean War, trade embargos with China were imposed by many Western nations.<sup>3</sup> In the 1960s, due to conflict between the U.S.S.R and China, the Soviet Union withdrew its technical aid to China. As a result, the Chinese government began to develop trading relationships with other countries, such as Japan and some Western European nations. At this time, however, the volume of China's international trade was quite low. In the mid-1960s, the total annual value of exports was slightly over USD 2 billion. (In contrast, China's exports in 2018 were valued at USD 2.48 trillion.<sup>4</sup>)

In this challenging political and economic environment, China's state-owned antiquities shops played a critical role of acquiring valuable artworks from the general public and then selling them to Western visitors to help generate foreign currency reserves for the State. In the 1960s, Premier Zhou Enlai announced the guideline for these antiquities shops as: "少出高汇, 细水长流" translated as "*limited sales to generate a high return of foreign currency, carefully sell over the long term.*" The premier was directing antiquities shops to sell antiquities to foreigners in a slow, careful, responsible manner, managing and maintaining inventory over a long period of time, in order to help collect foreign currency for the State.

In 1966, with the start of the Cultural Revolution (1966-1976), trading activities by the state-owned antiquities shops were suspended. In 1972, four years before the end of the Cultural Revolution, Richard Nixon announced his plan to spend one week

in Beijing, which triggered the process of normalizing diplomatic relations between the People's Republic China and the United States. At this point, the state-owned antiquities shops in China were instructed by the Central government to display Chinese classical paintings on their walls and to sell ancient art and artifacts to Western visitors. (During the Cultural Revolution, such antiquities were forbidden to be collected by individuals, and many of them were destroyed.)

From the end of the Cultural Revolution to the early 1990s, before the first art auction house Duo Yun Xuan launched their auction in 1993, the art trade in China was still controlled by the government as part of its planned economy, with the state-owned antiquities shops as the only authorized organizations to participate in art commerce.

During this period, local Chinese collectors were extremely limited in their ability to acquire artworks and antiquities. Most likely, three major factors restricted general access by domestic Chinese individuals: 1) the preferential policies that encouraged sales of the highest-quality works of art to the state museums to expand their collections, 2) the preferential policies that urged sales to international visitors in order to generate foreign reserves for the State, and 3) limited average Chinese household disposable income.

The average annual wage in China in 1990 was approximately USD 450, or slightly higher than a dollar a day.<sup>5</sup> To put this in perspective, in 2018, the average annual disposable income in Shanghai was more than 20 times that amount.<sup>6</sup> For many people during this period, collecting works of art was financially out of their reach.

In terms of the restriction of market supply, the highest quality artworks held by these antiquities shops were sold to the state-owned museums, like the Palace Museum or the Shanghai Museum, at low prices to enrich their permanent collections, followed by other high-quality paintings and works of art sold to international collectors at relative higher prices, in order to earn foreign currencies. Most international buyers came from Japan, Singapore, Hong Kong and Taiwan. Often these buyers would acquire artworks from the antiquities shops in China and sold them at much higher prices through the auctions at Sotheby's or Christie's in Hong Kong.

These state-owned antiquities shops dominated the supply of artworks. In addition to selling a small portion of their inventory (Chinese classical and modern paintings and works of art) to national museums, a large quantity was sold to the Western visitors. The purpose of their trading activities was not to create maximum profit, but rather to follow the government policies on the distribution of artworks. As public servants, the employees' salaries were not associated with the sales results, and they did not have the incentive to expand the volume of business of the shops.

The real starting point for China's art market took shape during the early 1990s. In 1992, Duo Yun Xuan was registered in Shanghai as China's first art auction house, Shanghai Duo Yun Xuan Auctioneer Co., Ltd, was established from one of the largest state-owned antiquities stores under the same brand. The first general manager, Zhu Junbo, started working for the antiquities shop in 1973, and after the Cultural Revolution, had witnessed the arbitrage of artworks acquired by international buyers who later sold them at Sotheby's and Christie's in Hong Kong at much higher prices. This realization inspired him to create an auction house in China to fully capture the true market value of the works.

The early 1990s was a special period in China, when the country enjoyed double-digit economic growth thanks to the Central government's policy of deepening economic reforms and the opening-up policy. In 1992, China's leader Deng Xiaoping made his famous tour of southern China and emphasized the importance of furthering economic reforms and shifting from a planned economy to a market economy. This top-down policy transformation enabled many organizations to completely change the way they operated their businesses.

Having been promoted to the leadership position of the Duo Yun Xuan antiquities shop, Zhu Junbo was inspired by the new national policy to bring fundamental changes to his organization. The year after he received approval from the government to register the first art auction house in China, Shanghai Duo Yun Xuan held its first auction in Shanghai on June 20, 1993. When Zhu Junbo planned the auction, he decided to use the Hong Kong dollar (HKD) as the currency to mark the prices of lots, believing that this practice would give the auction a more international appearance to many overseas participants. He produced 5,000 sales catalogs, mailing many of them to the former antiquities shop's top collectors overseas, particularly in Taiwan and Hong Kong. The auction included 156 pieces of Chinese modern paintings, achieved a sell-through rate of 74.5% and total sales of HKD

8.3 million (USD 1.07 million).

That same year, China Guardian Auctions was registered in Beijing by the entrepreneur Chen Dongsheng, who was backed by over USD 3 million in funding from ten state-owned enterprises. China Guardian organized its first auction in Beijing on March 27, 1994, and accomplished a sell-through rate of 76% and total sales of Chinese Yuan (CNY) 1,423 million (USD 1.65 million).

These auctions marked the first time when Chinese individuals were able to acquire high-quality works of art through the open market in China. Because auctions provided a new level of price transparency, auctions have become the most popular channel of buying antiquities for Chinese collectors.

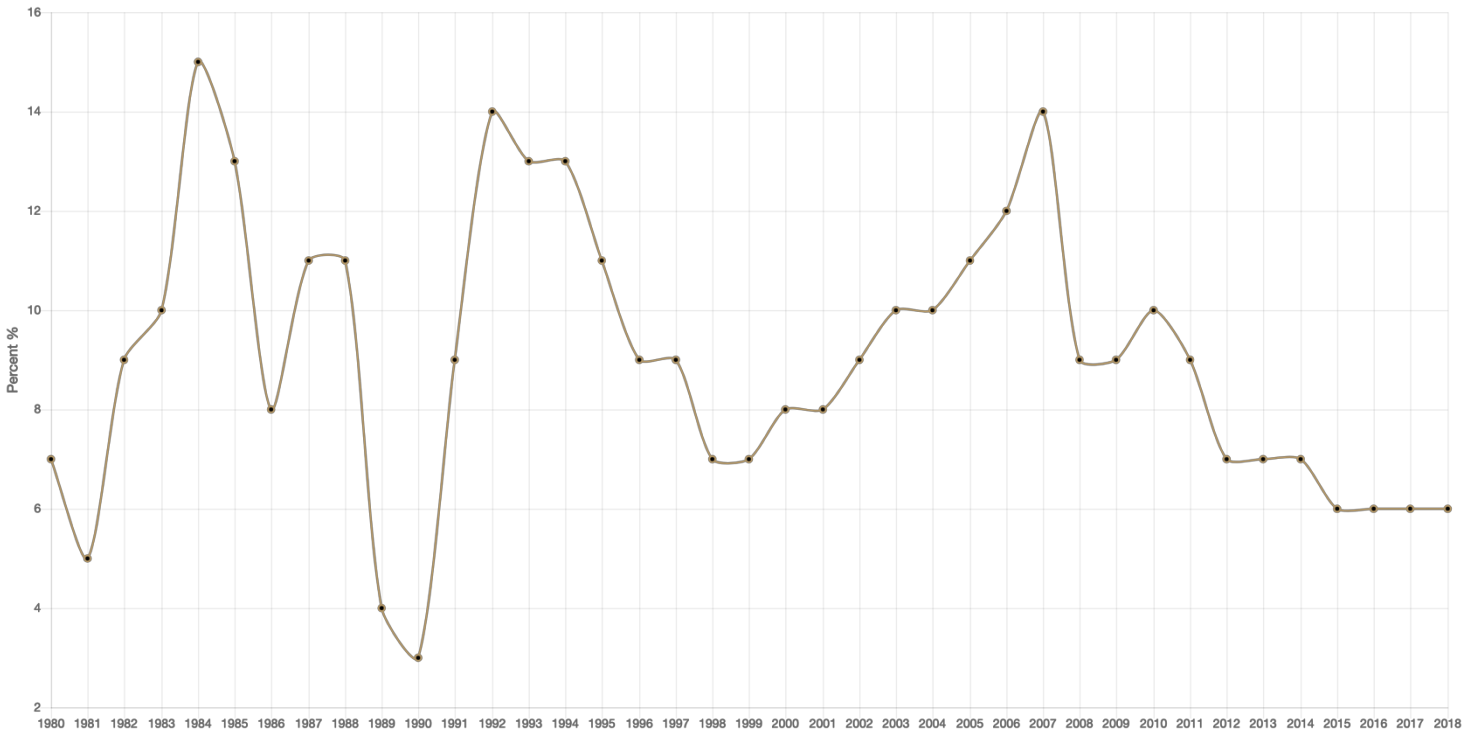
The success of Duo Yun Xuan and China Guardian's first auctions was based on two factors. On the supply side, the sourcing of artworks mostly came from the state-owned antiquities shops, and thus the auction houses' specialists were able to choose from the highest-quality lots to include in their sales. On the demand side, in addition to renowned international collectors who came to China to participate in the auctions (such as Robert Chang from Hong Kong), around 50% of the buyers were new wealthy Chinese entrepreneurs who were benefiting from the country's fast economic growth and beginning to collect art.

These two auctions became the watershed moment for the art market in China: before then, the art trade was controlled by state-owned antiquities shops under a planned economy; afterwards, the commerce of art fully embraced the freedom and benefited from the "invisible hand" of a market economy. The transformation of the market system fully liberated the demand of buying art. Since then, the art market enjoyed substantial growth.

In 1995, 3 years after the first auction house was established, a large number of art auction houses emerged. This supported the need for a new entity, the China Association of Auctioneers (CAA), which was created by the Ministry of Internal Trade (changed to the Ministry of Commerce in 2003<sup>7</sup>) to regulate the market. At that time, the number of auction houses in China totaled over three dozen. The combined sales of the four largest auction houses in 1995 was USD 57.5 million, over 50 times the total sales in 1993. In 1995, the highest total of a single auction was achieved during Beijing Hanhai Auction House's Spring Sale and came in over CNY 100 million (USD 12.6 million), the record for that year. In 1996, the Standing Committee of the National People's Congress passed the Auction Law of the People's Republic of China that became effective in 1997.

The following table shows China's Gross Domestic Product (GDP) growth over the past three decades. In 1978, two years after the Cultural Revolution ended, the Chinese leadership initiated the Reform and Opening Up policy and introduced its "socialist market economy". In 1992, as mentioned previously, Deng Xiaoping's tour of southern China sent a signal from the Central government to push a stronger economic reform across the nation. As demonstrated in the table, from 1990 to the mid-1990s, the country experienced one of its fastest periods of economic growth since the PRC was founded. Substantial wealth generated by many individual Chinese during their nation's drastic economic and social transformation enabled them to enjoy conspicuous consumption, spending their disposable income in areas such as art collecting.

## China GDP Growth



Source: IMF

Many of the most prominent collectors in China began their art collecting journey at this time. Liu Gang, a lawyer and a renowned modern and contemporary art collector, noted that in 1992, it became legal for individual lawyers to register private law practices in China. In 1993, he started collecting art with the dividends he received as a partner in his law firm. The collector Liu Yiqian, who founded Shanghai's private Long Museum, began buying through China Guardian's auctions in 1994 and is now considered one of the largest clients to the world's top auction houses. (He purchased the Chinese porcelain "Chicken Cup" for USD 36.3 million from Sotheby's Hong Kong in 2014 and a painting by Amedeo Modigliani, "Nu Couche", for USD 170.4 million from Christie's New York in 2015, both records at the time.)

In addition to the flourishing of the auction market, the 1990s was also a period when other forms of art commerce became active in China. In 1991, the first private museum based on an individual's art collection, Yan Huang Art Museum, was established in Beijing. In the same year, the first private contemporary art gallery in China, Red Gate Gallery, was founded in Beijing by an Australian, Brian Wallace. In 1993, the first early-stage art fair "Art Bazaar" was launched in Guangzhou.

Among the different forms of art commerce, including galleries, art fairs, and auctions, the auction market in China has achieved the fastest rate of development. The exponential growth of the art trade in China over the past 25 years, in fact, was mainly driven by the growth and expansion of domestic auction houses. Part of the reason was that the generation of High Net Worth Individuals (HNWI) that emerged during China's economic reform viewed auctions as a fair system with clear price transparency and true price discovery. This has resulted in auctions becoming their preferred channel for acquiring art. As collector Liu Yiqian has said: "Auctions offered an open and transparent pricing system." He explained that he often liked to buy the cover lot, because "The cover lot selected by auction houses demonstrated the high level of quality of an artwork offered in the season."

The following table shows the significant growth of China's art auction market over the past 25 years. The total number of auction houses has grown from 2 in 1993 to 525 in 2017, the number of lots offered annually has increased from 156 to 497,164, and the total sales have grown from USD 1.07 million to USD 4,791.9 million. Of the total sales achieved in 2017, Chinese modern and classical paintings category contributed almost 66%, Chinese works of art contributed almost 21%, and Chinese contemporary art contributed about 5%.<sup>8</sup>

Such data reflects the collecting preferences of Chinese buyers: for the categories of Chinese modern and classical paintings, and Chinese works of art (porcelain, jade, jadeite, etc.), auctions are the most favored channel of collecting. For Chinese contemporary art, not only is the scale of the market significantly smaller compared with the other two categories; but in addition to buying at auction, Chinese buyers' have access to a wider range of collecting channels in this category.

	1993	2017	% increase
Number of art auction houses	2	525	26,150%
Number of art auctions by registered auction houses	1	1,205	120,400%
Lots offered	156	497,164	318,595%
Total sales (USD million)	\$1.07	\$4,791.98	447,748%

The next chapter will examine in detail the different stages of development of China's art market over the past 40 years, which can be divided into four stages:

- From the end of the Cultural Revolution to 1992.** In 1978, the Chinese government initiated its Reform and Opening Up policy, and as a result, the country experienced rapid economic growth and the creation of personal wealth. Art trade was still dominated by state-owned antiquities shops, and domestic individuals had very limited access to acquire artworks through the shops.
- From 1993 to 2003.** The first art auction in 1993 marked the transformation of art commerce from a planned economy to a market economy. Since then, the art auction market has achieved steady growth, with dozens of auction houses emerging by 1995. The concept of art collecting through auctions became commonly accepted among HNWIs. Meanwhile, regulation of the industry came into shape, with the establishment of the Chinese Association of Auctioneers and the Auction Law of PRC.
- From 2004 to 2011.** The market achieved tremendous growth, becoming the largest in the world in 2011. During these years, art trading through auctions was perceived by many as an investment vehicle, and a large number of art investment funds and art exchanges were created. The art market went through a period of irrational expansion, when many short-term investors joined in its trading activities.
- From 2012 to 2018.** The volume of transactions at art auctions in 2012 dropped over 53% as a result of the adjustment of the market, as a significant number of short-term investors realized that the art market was not an avenue for them to achieve quick returns on capital, and they subsequently exited the market. Since that decline, the art market in China has become more rational and mature. Many long-term collectors began establishing private museums to house their personal collections and hosting exhibitions for renowned Chinese and Western artists. At the same time, Western blue-chip galleries have been actively engaging with Chinese collectors through art fairs in Asia. Buying Western artworks via auctions, galleries and art fairs has become a new trend particularly favored by a younger generation of Chinese collectors.

In addition to the four stages of development of the art auction market, which is where the highest volume of sales for Chinese paintings and works of art have been concentrated, we have observed a different pattern of development for Chinese contemporary art. The fundamental reason for such a difference is that the intrinsic value of Chinese antiquities (including Chinese paintings and works of art) has been well researched and documented by generations of scholars throughout China's history before the modern market came to shape. However, the history of Chinese contemporary art has been much shorter

(slightly over 40 years), and therefore, the research and connoisseurship in this area is not well established in the academic field. As a result, the intrinsic value of Chinese contemporary art is still being shaped while this market is developing.

Interestingly, the attention of Chinese contemporary art received in the domestic market was often driven by the acclaim it received in the international market. In retrospect, there were two periods each with a series of events which stimulated the growth of interest in this category. The first was in the mid-1990s, triggered by the "China's New Art, Post-1989" exhibition held in Hong Kong in 1993, curated by Johnson Chang of the Hanart Gallery and by the art critic Li Xianting. This was followed by the 22<sup>nd</sup> Sao Paulo Biennial in 1994 and the 46<sup>th</sup> Venice Biennial in 1995. This series of international exhibitions brought a group of Chinese contemporary artists onto the global stage and facilitated the collaboration of many Western galleries with Chinese contemporary artists for the next decade.

The second wave started in October 2004, when Sotheby's Hong Kong held an auction dedicated to Chinese contemporary art as a stand-alone category. It was the first time that an international auction house officially recognized the importance of this category. Two years later, in March 2006, when Sotheby's New York organized an auction of Chinese contemporary art when, a painting by artist Zhang Xiaogang was sold at USD 979,200 (pre-sale estimates were USD 250,000-350,000), which was the first time that the price of a work by a Chinese contemporary artist achieved almost USD 1 million.<sup>9</sup> This auction triggered an explosion in the market, and growth lasted until 2009, when the market experienced a significant decline after the global financial crisis.

The next chapter will discuss the different paths of growth of the Chinese antiquities market and the Chinese contemporary art market. They represent the collecting behaviors of different demographics of Chinese collectors, and thus are worth exploring separately.

1 *Dr. Clare McAndrew, The International Art Market in 2011--Observations on the Art Trade over 25 Years, 8*

2 <http://art.people.com.cn/n1/2017/0517/c226026-29280877.html>

3 The Economy and Foreign Trade of China, Liang-Shing Fan, Professor of Economics, Colorado State University

4 [http://english.scio.gov.cn/pressroom/2019-01/15/content\\_74374300.htm](http://english.scio.gov.cn/pressroom/2019-01/15/content_74374300.htm)


5 <http://www.mohrss.gov.cn/> Ministry of Human Resources and Social Security

6 [http://www.xinhuanet.com/english/2018-02/25/c\\_136999264.htm](http://www.xinhuanet.com/english/2018-02/25/c_136999264.htm)

7 [http://history.mofcom.gov.cn/?page\\_id=9](http://history.mofcom.gov.cn/?page_id=9)

8 China Antiques & Artworks Auction Market Statistical Annual Report 2017 published by CAA

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CHAPTER TWO

# HOW THE MARKET EVOLVED: FOUR STAGES OF DEVELOPMENT

2018 MARKED THE 40TH ANNIVERSARY SINCE THE PRC GOVERNMENT ROLLED OUT THE REFORM AND OPENING-UP POLICY, WHICH WAS INITIATED IN 1978, TWO YEARS AFTER THE END OF THE CULTURAL REVOLUTION (1966-1976). OVER THE PAST FORTY YEARS, CHINA'S GDP HAS GROWN FROM USD 149 BILLION IN 1978 (TENTH LARGEST IN THE WORLD), TO USD 12.2 TRILLION IN 2017, MAKING IT THE SECOND LARGEST ECONOMY IN THE WORLD AFTER THE UNITED STATES AND THE UNITED STATES' LARGEST TRADING PARTNER <sup>1 2</sup>.

When reflecting upon the drastic changes the country has experienced, Jiang Yingchun, CEO of Poly Culture Group, the parent company of China's largest auction house, Poly Auctions, said, "China's development has followed almost the same path as Western countries, but we have taken much less time. We might only need 3 or 5 years to complete what took 30 years for them to accomplish."

When we look back on the rapid growth of the art market in China, Jiang's comments call attention to the fact that their Western counterparts (auction houses, galleries, art fairs and private museums) have been a role model for Chinese companies to follow, and Chinese market players have closed the gap in a very short period of time.

As discussed in the previous chapter, the modern art market in China did not start until the mid-1990s. Within 25 years, an art commerce ecosystem has been created in China from a dormant market with little to no modern trade infrastructure.

Such an accomplishment was made possible by globalization; by China's tremendous economic growth and wealth generation (today it has the third largest number of HNWI's in the world after the US and Japan); as well as by the rapid spread of information in the Internet age, which enabled the Chinese market players to shorten the learning curve during the process. <sup>3</sup>

For example, Poly International Auction Co., Ltd. was established in 2005, and China Guardian Auctions was founded in 1993. Today, they are the third and the fourth largest auction houses in the world after Christie's and Sotheby's. <sup>4</sup>

This chapter will review the development of China's art market over the past 40 years in detail. As revealed in the previous chapter, the evolution of the market can be divided into four stages. These stages demonstrate a process of incubation, early stage of development, explosive growth, and adjustment and maturation.

# STAGE ONE: FROM THE END OF THE CULTURAL REVOLUTION TO 1992.

## THE INCUBATION PERIOD

Toward the end of the Cultural Revolution, art trade at the state-owned antiquities stores gradually resumed. These stores were still the only organizations authorized by the government to acquire and sell artworks until the early 1990s, and real market-oriented art commerce was not permitted by the PRC government at this stage.

This incubation period of development lasted about 15 years and nurtured the key components necessary for the art market to take shape in 1993. These included training a generation of specialists after the Cultural Revolution, gathering high-quality artworks from the general public, and the accumulation of personal wealth during the fast economic growth. In 1978, the annual average individual disposable income was CNY 343.<sup>5</sup> In 1992, the annual average individual disposable income was CNY 2,027, an increase of nearly 500% since the beginning of the economic reform.<sup>6 7</sup>

Most importantly, during the Incubation period there was a transformation of the people's ideology—they had worked in a planned economy in which the government instructed businesses on how they should operate, but shifted to a market economy in which the market was ruled by the "invisible hand." The mindset of the public became more open to learn eagerly from the Western world. The reemergence of the spirit of entrepreneurship had been reawakened and fostered.

Zhang Rongde, Senior Vice President and Senior Specialist of the Chinese Classical Paintings Department of Sotheby's, began his career at Duo Yun Xuan antiquities store in Shanghai in 1977 after completing his high-school education in 1976. He worked for Duo Yun Xuan for ten years, before pursuing university studies in Japan in 1987. At Duo Yun Xuan, his responsibilities included sourcing (acquiring) Chinese antiquities (paintings and works of art) from the public and selling the artworks to the national museums, Western visitors, and a limited number of domestic individuals based on the guidelines provided by the government. After the Cultural Revolution, the Central Government decided to correct the political mistakes made during the previous ten years and started to retribute properties confiscated during the Cultural Revolution. Among these properties were a large number of valuable Chinese artworks and artifacts. In Shanghai, the restitution was overseen by the Cultural Relics Distribution Division (文物清理处) of the local Cultural Relics Management Commission (文管会).

Sourcing (acquiring) artworks from the public was one of the main services offered by the state-owned antiquities stores. Many individuals, after their pre-Cultural Revolution art collections were restituted, brought their artworks to these stores and sold them to earn additional household income.

Part of Rongde's daily job was to examine the condition of the artworks delivered by these individuals, provide a valuation under the guidelines of the antiquities store, and acquire works based on the valuation. Often, Chinese paintings and works of art were purchased at very low prices. For example, 100 couplets by the renowned Chinese modern painter Wu Hufan were acquired by Duo Yun Xuan for slightly over USD 125. According to the current market value, the estimate of a typical Wu Hufan couplet would range from USD 37,000 to USD 73,000.<sup>8</sup>

Because the state-owned antiquities stores were the only places where people could sell their artworks at the time when they were in great need of cash, the volume of acquisitions on an annual basis was significant. As Rongde recalled, in the category of Chinese paintings alone, the average number of artworks acquired by Duo Yun Xuan during his tenure was, even at a low estimate, tens of thousands each year. Sometimes, for example, they were able to acquire over a hundred paintings

from a single collector.

The sourcing business not only enabled the antiquities shops to accumulate a substantial level of high-quality inventory, but also to train a group of experts like Rongde, who became experienced specialists through the examination of a considerable number of Chinese artworks on a daily basis. At the end of the 1970s, in addition to meeting customers during the day who wanted to sell paintings to Duo Yun Xuan, Rongde actually lived at the store in 1978 and 1979, so that he could carefully inspect the paintings in the storeroom at night, in order to build up his knowledge to become a connoisseur of them.

The sales of the artworks by the state-owned antiquities stores at the time followed the guideline of “少出高汇，细水长流”， translated as, “limited sales to generate a high return of foreign currency, carefully sell over the long term.” The priority was to earn foreign currency reserves for the State by selling high-quality paintings and works of art to Western visitors. In addition, experts from the national museums would visit the antiquities stores on a regular basis and acquire works to expand the museums’ collections at a low cost. For instance, in 1986, Shanghai Museum acquired over 100 pieces of the best Chinese classical paintings in the Yuan, Ming, and Qing dynasties for slightly over USD 20,000 in total.<sup>9</sup> Once in a while, a limited number of domestic collectors (mostly artists, college professors and retired cadres) who earned relatively higher salaries, came to the stores to buy a few artworks.

The stores had a price discrimination strategy for different types of collectors: Whereas Western visitors were taken to an “外宾接待室” (International Guest Reception Room) to purchase higher quality artworks sold at higher prices to generate foreign currency, domestic buyers could only purchase at the “内柜” (Internal Counter) at much lower prices. For example, the artworks offered at the International Guest Reception Room could be sold for up to USD 10,000, while the artworks sold at the Internal Counter were mostly no more than USD 100. Domestic collectors were not allowed to visit the International Guest Reception Room or acquire artworks displayed there.

For Chinese paintings and works of art that were permitted to be sold to Western visitors, the state-owned antiquities stores had to abide by two major regulations: the Standard for Cultural Relics Export and Appraisal issued by the State Administration of Cultural Heritage as well as the Reference for Relics Export and Appraisal issued by the Ministry of Culture and the Ministry of Foreign Trade both in 1960. According to the Standard and the Reference, any ancient Chinese painting or work of art created before 1795 (the 60th Year of Emperor Qianlong in the Qing Dynasty) was forbidden from export. In addition, modern Chinese works of art produced before 1911 and modern Chinese ink paintings created before 1949 were also not allowed to be exported.<sup>10 11</sup>

To ensure that these regulations were strictly implemented, when the artworks were selected by the antiquities stores to sell in their International Guest Reception Room, the stores had to submit lists of these works to the local Cultural Relics Management Commission for approval. After receiving the lists, the officials from the Commission would come to the stores in person to inspect the artworks. Once they approved the works to be sold to Western visitors, they would stamp wax seals on the artworks. Only those works that carried the stamps could be taken by the Western buyers out of the country after purchase.

Zhu Junbo became the General Manager of Duo Yun Xuan antiquities store in 1991, after he had worked for the organization for almost 20 years. As a veteran of the antiquities store, he witnessed many occasions when dealers or collectors from Hong Kong or Taiwan acquired artworks from Duo Yun Xuan and then sold them for much higher prices at auction in Hong Kong, profiting from the arbitrage. For instance, in 1987, a set of four hanging scrolls by the acclaimed modern Chinese painter Zhang Daqian was acquired by a Hong Kong collector for over USD 21,000 from Duo Yun Xuan and subsequently sold at an auction in Hong Kong for over USD 112,000.

In 1991, when Zhu Junbo was promoted to the General Manager of the antiquities store, the past experience of observing arbitrage stimulated him to explore new ways to earn revenues for the store. In the same year, impressed by the high quality

of Chinese paintings in Duo Yun Xuan's inventory, Hong Kong Wing Sing Fine Arts Auctioneers approached and convinced Zhu to hold a joint auction in Hong Kong.

At the beginning of 1992, Chinese leader Deng Xiaoping's tour to Southern China encouraged many entrepreneurs to embrace a more open mind-set toward the market economy. On April 26, 1992, Duo Yun Xuan, in partnership with Hong Kong Wing Sing Fine Arts Auctioneers, held its first auction in Hong Kong. While in Hong Kong for the auction, Zhu Junbo visited Sotheby's and Christie's and was overwhelmed by the international houses' professionalism and also by the much higher prices achieved at their auctions (e.g. a painting by Zhang Daqian sold for over USD 1 million). After the trip to Hong Kong, he decided to establish the first art auction house in mainland China to learn from Sotheby's and Christie's success and to fully capture the potential of the domestic art market.

On August 21, 1992, Shanghai Duo Yun Xuan Auctioneer Co., Ltd. was registered. In January 1993, the Cultural Relics Management Commission in Shanghai issued the permission for Shanghai Duo Yun Xuan Auctioneer to sell cultural relics (Chinese antiquities) through its auctions. This gave the official green light to Zhu Junbo to organize the first art auction on June 20, 1993.

Although there were a few project-based art and artifact auctions held by municipal governments in Beijing, Xi'an, and Shenzhen in 1992, Duo Yun Xuan's auction in June 1993 marked a watershed moment in the development of China's modern art market, because it was held by the first officially registered art auction house in the country.

## STAGE TWO: 1993–2003. EARLY STAGE OF DEVELOPMENT

### Chinese Antiquities Market

Shanghai Duo Yun Xuan Auctioneer Co., Ltd.'s first auction held on June 20, 1993 was one of the most prominent events for China's art world that year. Zhu Junbo and his team spent ten months preparing for the auction. The majority of the lots came from Duo Yun Xuan antiquities store's inventory with a portion sourced from domestic collectors. He invited Robert Chang, the renowned collector from Hong Kong, to act as an advisor who provided guidance on the selection of artworks, pricing strategy, and design of the catalog.<sup>12</sup>

While planning this first auction in China, Zhu Junbo had a preliminary discussion with Christie's Hong Kong about a potential collaboration, but the two companies were not able to reach agreement on a number of terms. For instance, Christie's Hong Kong insisted on bringing its auctioneer from Hong Kong to conduct the sale, but Zhu Junbo wanted to train Duo Yun Xuan's own auctioneer in Shanghai. Although the collaboration did not occur, representatives from Christie's Hong Kong came to watch the auction, and Duo Yun Xuan set up a desk on-site to display Christie's sales catalogs.

The auction took place at the Hilton Hotel in Shanghai at 1:30 p.m. There 156 lots of Chinese modern paintings were offered, and more than 120 paddles were registered. Over 70% of the buyers were international collectors based in Hong Kong and Taiwan, including Robert Chang, Tsai Taihe, and Chen Dexi. The auction achieved a sell-through rate of 74.5% and a total sale of HKD 8.3 million (USD 1.07 million). The cover lot, a hanging scroll by Zhang Daqian, was sold for HKD 1.43 million (USD 185,700), the highest price of any artwork traded since 1949 when PRC was founded.<sup>13</sup>

After the successful auction results, Zhu Junbo distributed a bonus to his team. The Deputy General Manager Cao Xiaodi received a onetime bonus of CNY 10,000 (USD 1,736), the highest amount in Duo Yun Xuan's corporate history. At the time, Zhu Junbo's monthly salary as the General Manager was less than USD 70.

Among the audience members who came to watch the auction were two founding members of China Guardian Auctions Co., Ltd., Wang Yannan and Gan Xuejun, who were both Deputy General Managers of the newly established art auction company in Beijing. China Guardian Auctions Co., Ltd., was founded in May 1993 by the entrepreneur Chen Dongsheng, who also established the logistics company ZJS Express in 1994 and Taikang Life Insurance Company in 1996. In 1997, China Guardian became a shareholder of Taikang Life Insurance Company. It is now the Insurance Company's largest shareholder in China.

Today, China Guardian has grown to become the second largest auction house in China and the fourth biggest auction house in the world. The company was established in a very different environment than that of Duo Yun Xuan. Duo Yun Xuan was created on the foundation of a state-owned antiquities store with a large volume of artworks, a strong team of specialists, and a network of international collectors who had been regular customers. China Guardian had none of the above.

Before Chen Dongsheng became a private entrepreneur, he worked for the Development Research Center of the State Council (DRC) as the Deputy Editor of DRC's publication Management World and oversaw publishing the ranking of the Top 500 Enterprises in China. While in that position, he became acquainted with a considerable number of senior executives at China's largest state-owned enterprises. In the early 1990s, he realized that the art auction field was underdeveloped in China and that there was potential to create a business in the field by following the model of Sotheby's and Christie's. Subsequently he won the support for his business initiative from ten state-owned enterprises and organizations, including

China International Travel Service, Sinotrans Ltd., and China Pacific Insurance Company, which provided a total of CNY 20 million (USD 3.47 million) as the funding for the registration of China Guardian.

From the beginning, Sotheby's has been a role model for Chen Dongsheng and his team at China Guardian. Such admiration also inspired him to acquire 13.52% of Sotheby's stake through Taikang Insurance in 2016. After China Guardian was created, Chen Dongsheng and Wang Yannan visited Sotheby's Hong Kong. With Sotheby's permission, they videotaped its entire auction process and recorded all the details for China Guardian to learn from. Through Wang Yannan's introduction, Chen Dongsheng met Lark Mason, Sotheby's specialist in Chinese furniture, who shared his experience of how Sotheby's established trust and credibility with its clients. The conversation helped the founding team of China Guardian develop the company's core values.

After China Guardian was launched in May 1993, it took less than a year for the company to recruit a team and source artworks to be included in its first auction. When reflecting on the early stage of her company, Wang Yannan said, "A unique feature of China Guardian when the company was founded was that none of its employees at the time were art market experts." Before joining China Guardian in 1993 as the Deputy General Manager and becoming the General Manager in 1996, she had been the General Manager for almost a decade of the first five-star hotel in Beijing that carried an international brand: The Great Wall Sheraton Hotel. She began collecting Chinese furniture sporadically in the early 1990s, but knew little of how the art market operated. Other senior staff, such as the Deputy General Manager in charge of sourcing, Gan Xuejun, used to work for the State Administration of Cultural Heritage. And the Office Manager who oversaw operations and legal matters, Kou Qin, had worked for the Ministry of Culture before joining China Guardian.

Forming China Guardian's first team of specialists, Chen Lianyong took charge of the auction house's Chinese Works of Art Department and had been the head of the Ceramics Department at the Capital Art Museum in Beijing. Tuo Xiaotang oversaw the Books and Manuscripts Department and had previously been a project leader at the Rare Books Department of the National Library. Hu Yanyan became the head of the Modern Paintings Department and had been an editor for the Beijing Yanshan Press, which was affiliated with the State Administration of Cultural Heritage.

When the team prepared for the first auction to be held on March 27, 1994, most of the lots were sourced through Gan Xuejun's connections with many state-owned antiquities stores that were supervised by the State Administration of Cultural Heritage, his previous employer. Another source of artworks offered at the auction came from the personal collections of a few retired cadres. After these artworks were consigned, the team at China Guardian had the works inspected by a group of experts in the field to ensure their authenticity and provenance. For example, Xu Bangda, an acclaimed connoisseur of Chinese paintings who worked at the Palace Museum in Beijing, was one such expert. In terms of the valuation, the estimates were based on the advice of experts from various antiquities stores who had years of experience in the art trade.

The majority of the buyers at China Guardian's first auction in the spring of 1994 were private entrepreneurs or people from state-owned enterprises who Chen Dongsheng and Wang Yannan knew well through their networks established during their previous careers. Some collectors from Hong Kong (e.g. Robert Chang) and Taiwan also participated in the bidding. There were 245 lots offered, which covered two categories, Chinese modern paintings and Chinese oil paintings. The auction achieved a sell-through rate of 76% and a total sale of CNY 1,423 million (USD 1.65 million). The Chinese modern paintings category contributed 86% of the result. The two top lots--a hanging scroll by Zhang Daqian that sold for CNY 2.09 million (USD 243,000) and a painting by Qi Baishi that sold for CNY 1.76 million (USD 205,000)-- created a record for each of the respective artists and were bought by the state-owned enterprise Zhongguancun Credit Union.<sup>14</sup>

The high prices of artworks achieved at these two auctions sent positive signals to the market. For individuals who had art collections (e.g. restituted after the Cultural Revolution), it became clear that selling through an auction house would be a much better way of maximizing value than selling through the state-owned antiquities stores. At the same time, many state-owned antiquities stores recognized the opportunity of earning significant new revenues through creating auction houses.

One year after China Guardian held its first auction, a few dozen art auction houses had been established. In 1995, the Ministry of Internal Trade (changed to the Ministry of Commerce in 2003) created a new entity, the China Association of Auctioneers (CAA) to supervise the activities and practices of art auctions in China. The same year, sales of the four largest domestic auction houses achieved CNY 480 million (USD 57.5 million), over 50 times the value of the 1993 auction. The number of lots sold above CNY 1 million (USD 120,000) was ten and Beijing Hanhai Auction House's Spring Sale accomplished sales totaling CNY 105 million (USD 12.6 million), with the top lot sold at CNY 19.8 million (USD 2.37 million), the record for that year. This record price for a Chinese painting was over 12 times that achieved two years previously.

The continuous string of new records created at the Chinese auction houses started to encourage overseas collectors to consign their collections of antiquities to the domestic market players. This marked a turning point for the inbound flow of Chinese cultural relics. Previously when art commerce was monopolized by state-owned antiquities stores, the circulation of Chinese antiquities was mostly unidirectional outbound from mainland China to overseas. Occasionally the PRC government would acquire a few valuable pieces that were considered stolen and lost during the Republic Time (1912-1949) from the international art market to include in the State's collection.

The emergence of auction houses in China helped establish a new pricing system, in which the price equilibrium was now achieved by balancing supply and demand in a mostly free market. The tremendous domestic demand for high-quality artworks was ignited and drove up the prices substantially. As a result, many overseas collectors began to sell through Chinese auction houses to profit from the rise in the market. For example, the record for Qi Baishi's painting at China Guardian's first auction in 1994 was also the artist's world record at the time. In the company's Fall Sales in 1995, the renowned Hong Kong based collector Yang Yongde consigned 165 paintings by Qi Baishi, which were sold for nearly CNY 13 million (USD 1.55 million).<sup>15</sup>

In 1996, the Standing Committee of the National People's Congress passed the Auction Law of the People's Republic of China, which became effective in January 1997. It was the first time that the PRC government recognized auctions as a channel to allocate assets and resources within its legal framework. The Auction Law announced a number of requirements: To establish an art and antiquities auction house in China, CNY 10 million (USD 1.2 million) of registered capital would be necessary; and to become an auctioneer, a minimum of two years of experience would be necessary. The official law also declared that the Chinese Association of Auctioneers (CAA) would be the regulatory authority of auction houses and auctioneers in China. According to the Auction Law, CAA is authorized to organize regular examinations for auctioneers and to issue the licenses required for any auctioneer to practice in the field.

The outbreak of the Asian financial crisis in 1997 had an impact on the trading activities of the art market in China over the next few years. The total sales of the top four auction houses in China in 1997 was CNY 456 million, an 8% decrease from CNY 500 million in 1996. In 1998 and 1999, the number went down to CNY 430 million, a 6% drop year-on-year, and CNY 360 million, a 16% decrease year-on-year, respectively. The decline stopped after 2000. In 2001 (the year when China became a member of the World Trade Organization), the auction results of the top four houses picked up again. They exceeded the 1996 peak attained before the Asian financial crisis, achieving total sales of CNY 587 million, 17% higher than those in 1996. Subsequently the total sales of the top auction houses in China grew 25% year-on-year (2002) and 31% year-on-year (2003). After the end of the Severe Acute Respiratory Syndrome (SARS) epidemic, which contributed to an economic slowdown, the market experienced explosive growth in 2004.

While the art market in China fluctuated during the Asian financial crisis and resumed growth at the start of the new millennium, the Chinese government issued a number of laws and regulations to create a more robust regulatory environment for art trade and cultural protection.

In 2001, the State Administration of Cultural Heritage released a list of certain artists who had lived between 1795 and 1949 and a list of certain artists who had died after 1949.<sup>16</sup> Most of the artworks created by these particular artists, whose number reached almost 400, now were not allowed to be exported. This regulation has had a long-term impact on the trading

activities of Chinese paintings worldwide. Once an artwork by any of the artists on the lists enters China, it cannot leave the country. Such one-directional movement of artwork continuously limits the supply of works available outside of China. This partly explains why today the trading volume of Chinese paintings at auctions in mainland China is significantly higher than anywhere else in the world.

In 2002, the Standing Committee of the National People's Congress passed the Cultural Relics Protection Law of PRC, which was updated from the law issued in 1982. Different than the 1982 law, which regulated that individuals could only collect through state-owned antiquities stores, the law passed in 2002 made it legal—in addition to buying at state-owned antiquities stores—for individuals and corporations to collect antiquities through auctions or private sales. At the same time, the law forbade state-owned antiquities stores from establishing auction houses, and forbade auction houses from establishing antiquities stores. This policy aimed at preventing substantial amounts of inventory from state-owned antiquities stores from being released onto the market through auction.

At the end of 2003, the State Administration of Cultural Heritage issued a Notification to Apply for and Issue of Cultural Relics Auction Licenses. According to this regulation, antiquities (Chinese cultural relics) allowed at auction were divided into three categories: 1) Chinese porcelains, jade, precious stones and metal wares; 2) Chinese paintings, antique books, manuscripts, stamps, and historical documents; and 3) bamboo ware, lacquers, wood ware, furniture and textiles. Only a limited number of well-operated auction houses were allowed to sell all three categories of antiquities. The rest of the auction houses were only permitted to sell the second and third categories. This regulation offered a competitive advantage to the top few auction houses in China. In 2017, among 525 auction houses that were licensed to sell Chinese antiquities, the five largest auction houses contributed nearly 60% of the market share. The regulation enabled some auction businesses to grow to a much larger scale than the others.<sup>17</sup>

When reviewing the development of China's art market from 1993 to 2003, we have observed the complete transition of art commerce from operating in a planned economy to art commerce operating in a market economy. The market experienced solid growth in trading volume with continuous generation of new records at auctions. The domestic legal infrastructure that once lagged behind the market had grown in volume and created a more stringent regulatory environment.

At the end of the decade, auctions had overtaken state-owned antiquities stores to dominate the trading activities of Chinese antiquities. The benefit of buying and selling artworks through a transparent and open market was widely appreciated by Chinese collectors. Records created at auction encouraged a substantial number of new participants to enter the market. In 2003, the total sales achieved at domestic auction houses were CNY 2.66 billion (USD 322 million), 300 times those in 1993.<sup>18</sup> After witnessing and experiencing the exponential increase, many participants began to believe that art market could also offer an investment opportunity. The concept of art as an investment was also proactively promoted by domestic auction houses. In the following year, 2004, the transactional values of the art auction market in China jumped to 3 times those of 2003, the highest year-on-year increase in the history of China's art market.



Guardian Art Center by Ole Scheeren © Buro-OS\_01\_Photo by Iwan

## Chinese Contemporary Art Market

While the trade in Chinese antiquities experienced the transition from state-owned antiquities stores to local auction houses, the Chinese contemporary art market followed a different path of development from 1993 to 2003. The emergence of the Chinese contemporary art movement can be traced back to the end of the 1970s. In the 1980s, due to the lack of market infrastructure to support contemporary artists commercially, the transactional volume was extremely low. Often works were sold by Chinese contemporary artists directly to foreign diplomats, journalists, or expatriates, who comprised the first group of collectors of these artworks.

In 1993, the owner of Hanart Gallery in Hong Kong, Johnson Chang, co-curated an exhibition "China's New Art, Post-1989" with the mainland Chinese curator Li Xianting. The exhibition took place at Hong Kong City Hall and the Hong Kong Arts Center and was supported by David Tang, a Hong Kong businessman and the founder of Shanghai Tang (a luxury fashion group). After the exhibition, Johnson Chang's gallery began to represent a group of Chinese contemporary artists and introduced some of them to the 22nd Sao Paulo Biennial in 1994 and the 46th Venice Biennial in 1995.

The international attention Chinese contemporary art attracted through these exhibitions encouraged more gallery owners from the US, Europe, Hong Kong and Taiwan to visit China in the mid-1990s, to acquire works from these artists, and to

organize selling exhibitions for them. As artist Zhang Xiaogang recalls, after he was represented by Hanart Gallery in late 1993, from the mid-1990s to 2000, it was normal for a contemporary artist to participate in 7 or 8 domestic and international exhibitions in a year. In the busiest year, he participated in 13 exhibitions and was painting nonstop to meet the demand of exhibition requests. By 2000, he already had three galleries representing him in Hong Kong, the US and France.

Meanwhile, a number of galleries were established in China in the 1990s to offer professional services and support to artists. These included Red Gate Gallery in 1991 and Courtyard Gallery in 1996 in Beijing, and ShanghArt Gallery in 1996 in Shanghai, and they all played an instrumental role in nurturing the market.

In 1996, the domestic auction house Zhong Shang Sheng Jia organized the first auction in China dedicated to the new category of Chinese contemporary art. The auction included the works of 70 Chinese contemporary artists, and most of the buyers were foreign diplomats and expatriates who were living in China at the time. Although the Chinese antiquities market achieved steady growth at auction in the mid-1990s, the domestic demand for Chinese contemporary art, other

than in the diplomatic and expatriate communities, was low. After the second auction held in 1997, Zhong Shang Sheng Jia ended its sales of contemporary art because of weak results.

Two years later, Beijing Hanhai Auction Ltd. held three auctions of Chinese contemporary art between 1999 and 2000, and Beijing Rongbao Auction House held one sale in 2000. The results achieved at each auction were only about CNY 2 to 3 million (no more than USD 360,000) with a sell-through rate of approximately 50%.<sup>20</sup> Both auction houses suspended their sales after their disappointing outcome.

The secondary market for Chinese contemporary art became dormant and did not pick up until October 2004, when Sotheby's Hong Kong organized its first auction dedicated to this category.

Yet 1993 to 2003 was a golden period for a group of Chinese contemporary artists that attracted international attention, received representation from overseas galleries, and actively participated in international (as well as domestic) exhibitions. Many of them were finally able to make a comfortable living and produce a considerable body of work. The early collecting activities by foreign diplomats and expatriates helped establish a multinational collector base for these artists. The decade-long growth of this primary market nurtured the key drivers for the secondary market to take off in the international arena after 2004. Collectors within China recognized that this new generation of artists was creating valuable artworks and generating more supply into the market, and demand by international dealers and collectors solidified this as a market with real potential. These factors laid the foundation for the growth of Chinese contemporary art over the next 20 years.

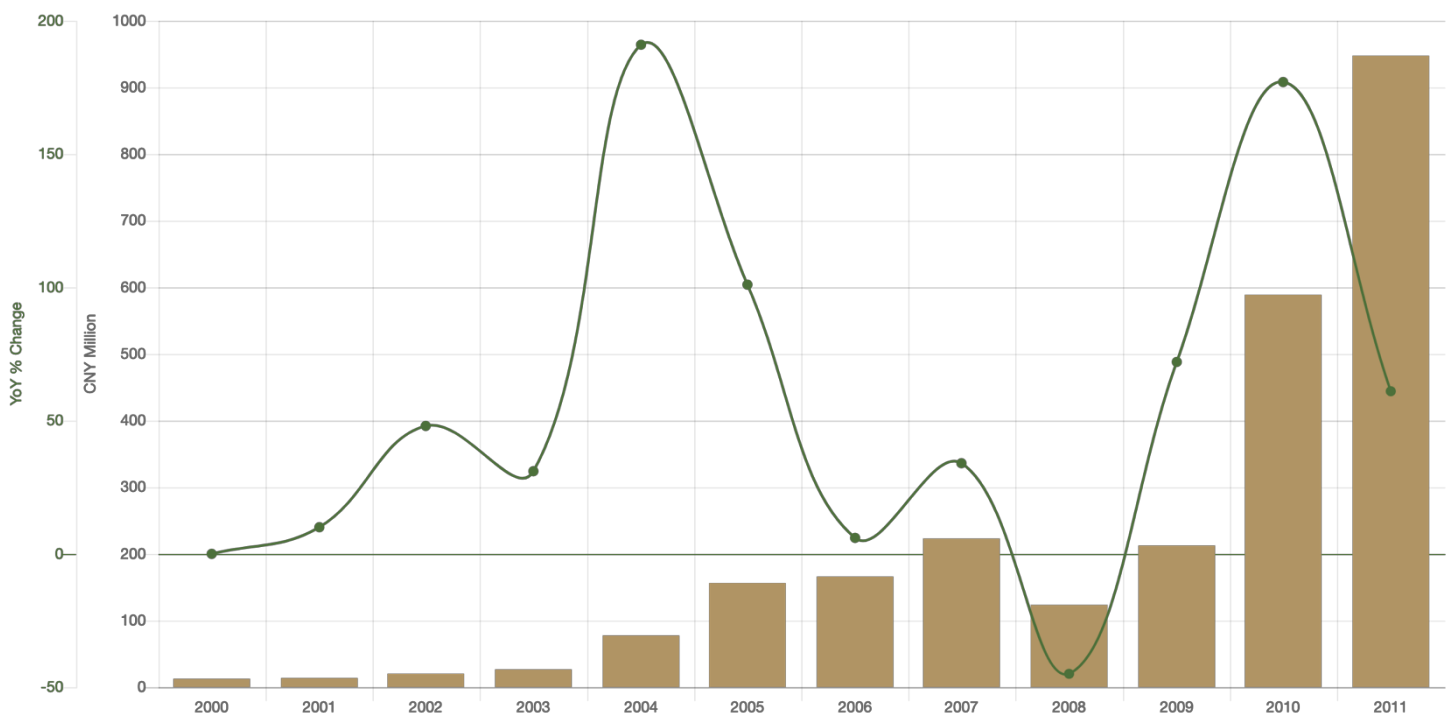
## STAGE THREE: 2004-2011. EXPLOSIVE GROWTH

Throughout the 40-year history of China's art market, one common observation that all the market veterans had was its explosive growth from 2003 to 2004. As recalled by Kou Qin, President and CEO of Guardian Investment Holding Co., Ltd. and General Manager of Guardian Art Center, "As far as I can remember, the year 2003 was a critical time, for reasons I still don't quite understand, for which I might need to consult some economists. 2003 witnessed the outbreak of SARS. Before SARS and since 1994, the company had grown at a steady pace, but there had been no big jump in revenue. But right after 2003, we experienced a big boom."

Evelyn Lin, Deputy Chairman, International Director, and Head of Department of Asian 20th Century & Contemporary Art at Christie's, said "SARS broke out in 2003, and after that, China's economy started to take off. In 2004, you would feel everything could be sold."

The following charts show the growth of China's art auction market from 2000 to 2011.<sup>20</sup> As demonstrated in the table, from 2003 to 2004, the market achieved the highest year-on-year growth in history. The total sales in 2004 were CNY 7.75 billion (USD 937 million), almost three times those in 2003 at CNY 2.66 billion (USD 322 million). Overall, the trajectory of increase continued all the way to 2011, when the total sales were CNY 94.75 billion (USD 14.7 billion), over 35 times those of 2003.<sup>21</sup>

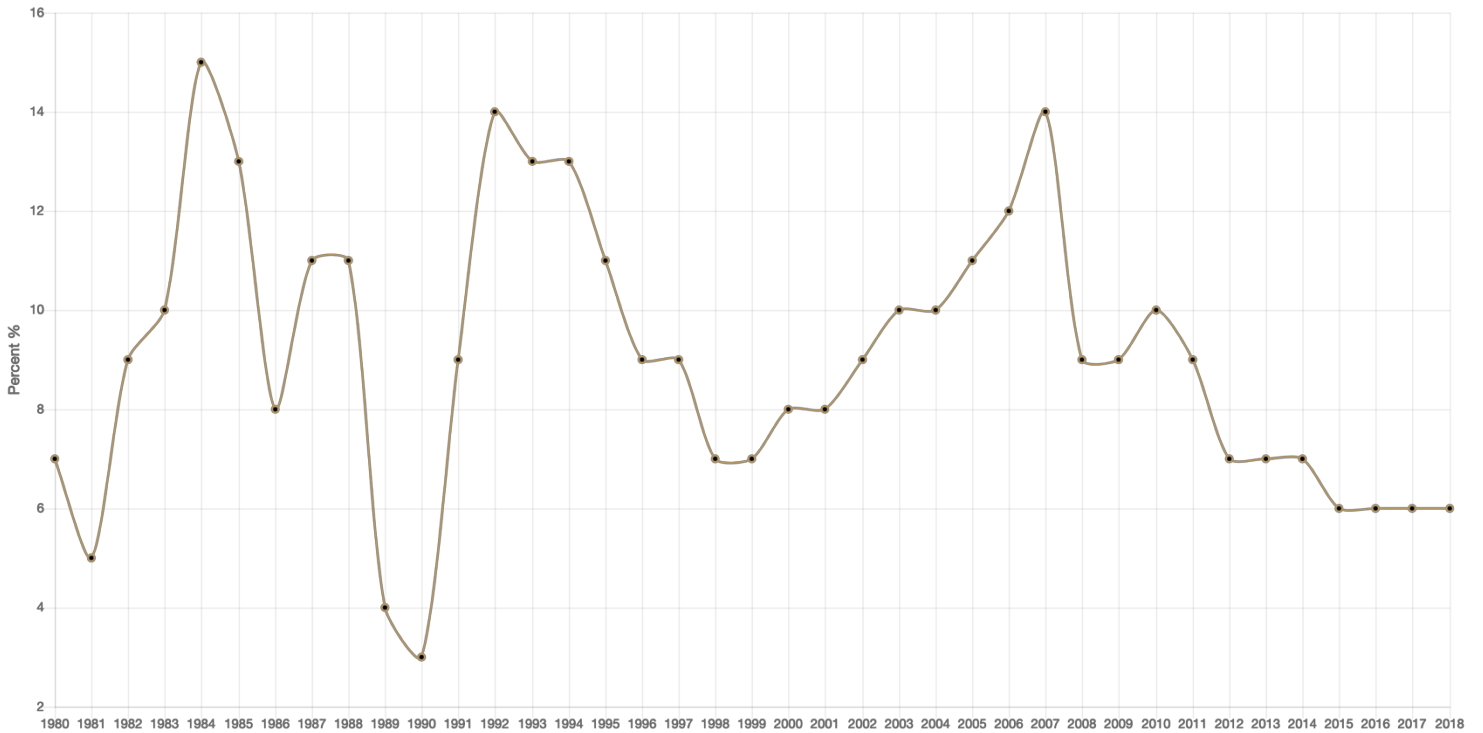
China's Art Auction Market 2000-2011



Source: China Art Market Annual Report 2012, Ministry of Culture, PRC

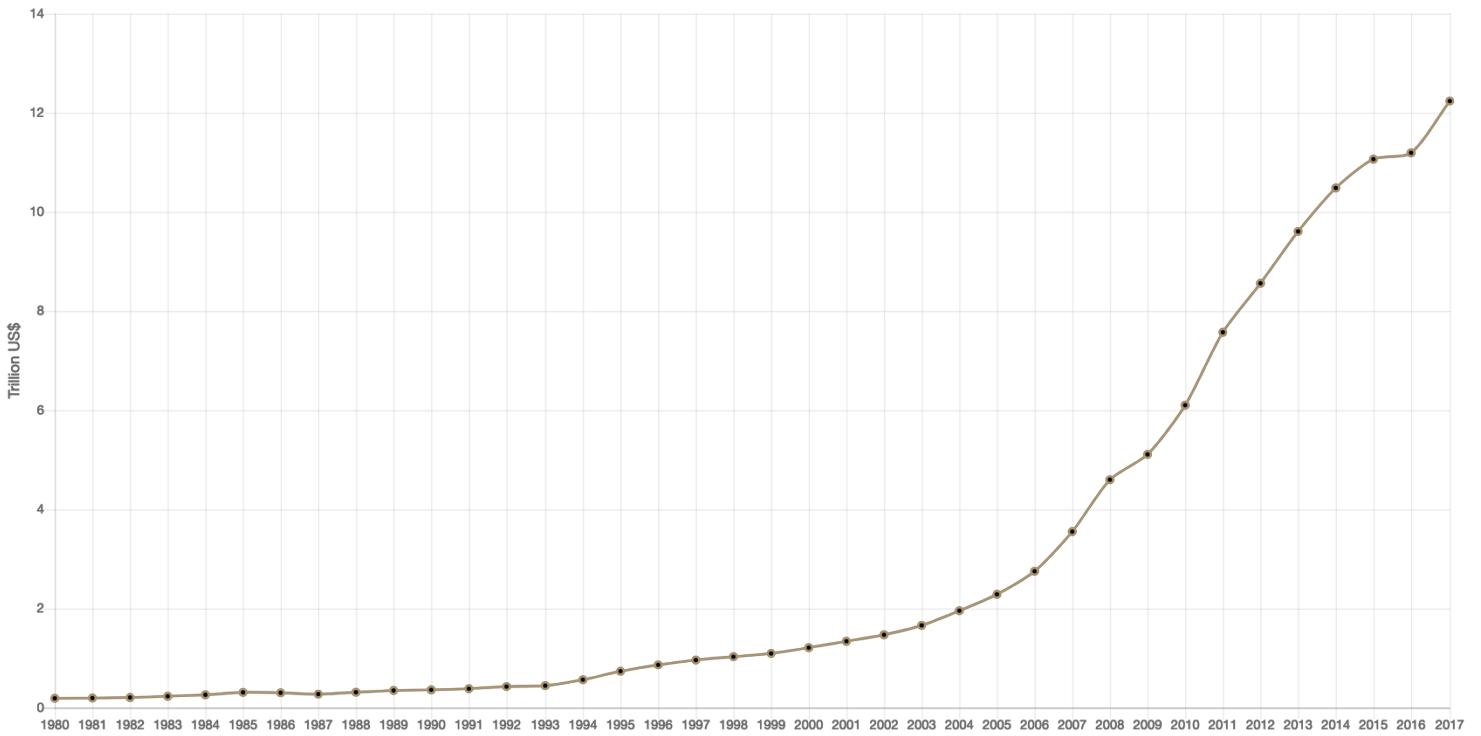
The two tables below show China's GDP growth rate and total GDP (in current USD) over the past few decades. After 2001, when China became a member of the World Trade Organization, the economy experienced a period of rapid development (following a brief adjustment during the Asian financial crisis at the end of the 1990s). Economic growth during this phase included the substantial increase of Foreign Direct Investment (FDI) in China. The surge of FDI into China not only contributed to the expansion of China's economy, but also encouraged a more open mind-set toward Western businesses, brands, and arts and culture among the public. It was during this stage that Chinese collectors began actively traveling overseas and acquiring Western artworks, and when blue-chip Western galleries began establishing branches in China (e.g. Galleria Continua in Beijing in 2005 and Pace Gallery in Beijing in 2008).

### China GDP Growth



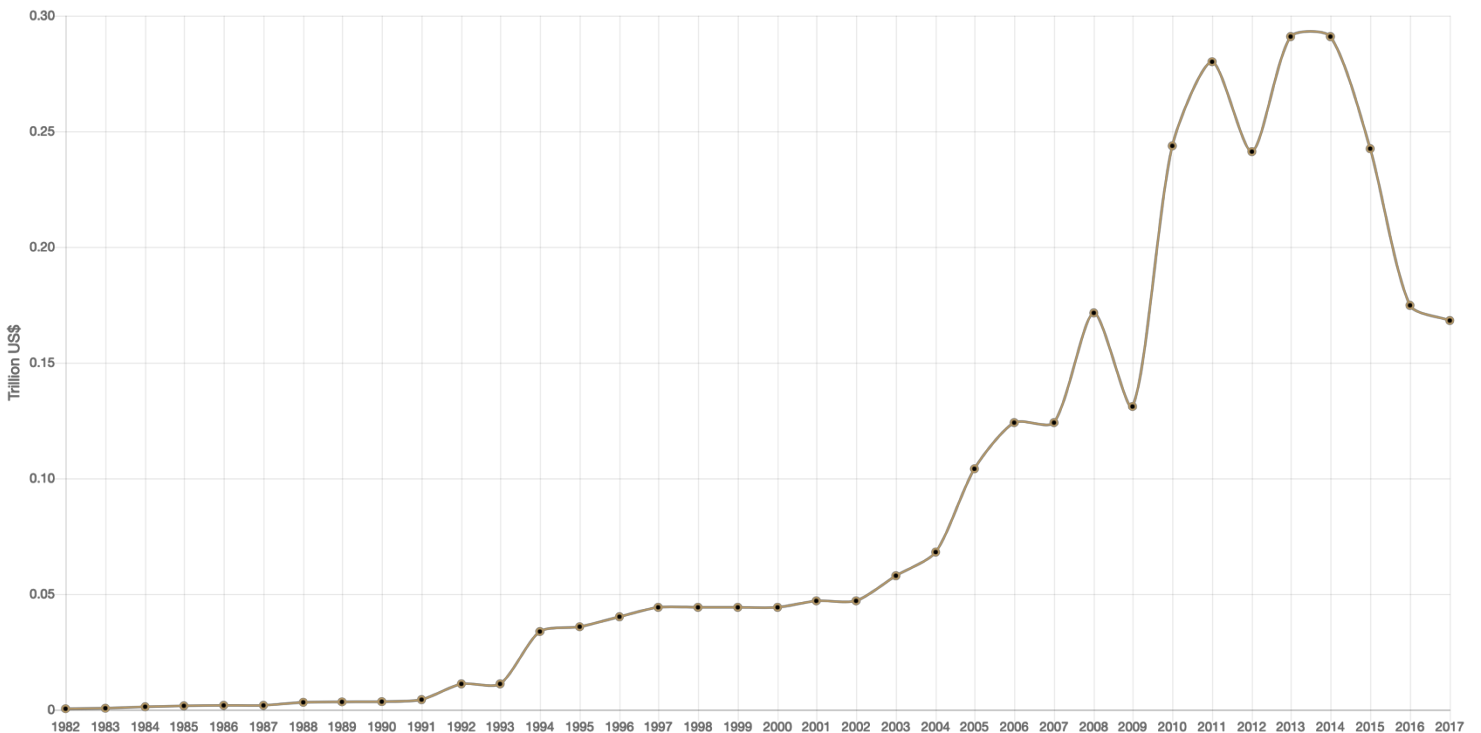
Source: IMF

## China GDP in Current USD



Source: World Bank

## China FDI Net Inflows (current USD)



Source: World Bank

This phase of the development of China's art market started with explosive growth from 2003 to 2004. At the end of 2002, SARS had broken out in South China; the epidemic surged in 2003 and was eventually fully contained in spring 2004. In 2004, the art market in China experienced tremendous growth, which has often been called the "Post-SARS growth." Hu Yanyan, President of China Guardian Auctions, said that at that time, the company's business grew so fast that its specialists did not even have to go out to source objects for auctions. Instead, they were swamped by a large number of sellers who brought their collections to China Guardian to consign. To accommodate the sheer number of artworks consigned in 2005, China Guardian launched four off-season auctions in addition to the regular Spring and Fall sales.

Poly International Auction Co., Ltd., was created during the “Post-SARS growth” period by Poly Culture Group, a state-owned enterprise listed at the Hong Kong Stock Exchange (HKG: 3636). In November 2005, Poly held its first auction in Beijing with two sales categories: Chinese modern paintings and Chinese oil paintings. The auction achieved a result of CNY 560 million (USD 68.4 million). In their first season, they achieved 80% of China Guardian’s auction sales revenue for the same season. Two years later, they began selling Chinese works of art.

A crucial milestone for the development of Poly Auction took place from Spring 2009 to Spring 2010, when the Belgian collectors Guy and Myriam Ullens consigned nearly 50 Chinese classical paintings and Chinese contemporary artworks from their collection in three auctions at Poly. The total results achieved were over CNY 600 million (USD 88 million). A Chinese classical painting by Ming Dynasty painter Wu Bing was sold for CNY 169 million (USD 24.9 million) and a Chinese calligraphy by Song Dynasty master Zeng Gong was sold for CNY 108.6 million (USD 15.9 million)--both were world records. Due to the results accomplished in the Ullens Collection sales, Poly Auction became the largest auctioneer of Chinese art in the world in 2009.<sup>22</sup> In less than 15 years, Poly Auction would grow to become the largest auction house in China and the third largest in the world after Christie’s and Sotheby’s. What allowed Poly Culture Group to become an important force in the market started much earlier, when it opened a museum of Chinese antiquities (including Chinese bronzes) in 1999. As the company collected works of art for its corporate museum, it came to know many specialists in the field and learned how the art market operated.

The world financial crisis that began in 2007 had a deep impact on much of the international art market, but it did not particularly influence the trajectory of growth of the art market in China. It wasn’t until 2008, the year when Beijing held the Summer Olympic Games, that the auction market decreased 45% from the year before. But the market rebounded quickly in 2009 to CNY 21 billion (USD 3 billion), almost to the same level as in 2007. Part of the reason that China was less affected by the international financial crisis was that in 2008, the Chinese government announced a CNY 4 trillion (USD 586 billion) stimulus package to the economy, the largest in the country’s history.

With a tremendous amount of capital circulating in the country, and a general perception at the time that the strong growth of the art market in China offered a superb investment opportunity, a substantial number of newcomers (speculators), who were not long-term collectors but short-term investors, entered the market.

Kou Qin, President and CEO of Guardian Investment Holding Co., Ltd. and General Manager of Guardian Art Center recalled, “By the time of 2008 and 2009, everyone in China was following art investment with great interest. The entire society was engaged in some kind of art carnival, from banking institutions to various organizations across the society.”

According to Yu Jinsheng, Deputy Director of the Art Market Committee of CAA, in 2009 a significant amount of capital from the financial sector entered the art market and pushed up prices of artworks considerably. Starting from 2009, many financial institutions began to create art investment funds. In 2010 there were over 50 art investment funds dedicated to different categories, including Chinese paintings, Chinese porcelains and bronzes, and Chinese contemporary art. Many of the fund managers knew little about connoisseurship, but rather treated artworks as stocks and hoped to profit from speculation.

Often such art investment funds aimed to have a quick return within a year or two.<sup>23</sup> In addition to art funds, a number of art and culture exchanges were created across the country, where the values of artworks were divided into equal shares and traded like equities. By July 2011, there were 36 art exchanges in China, and 21 of them had already begun daily trading of these artwork derivative products.<sup>24</sup>

As Kou Qin described, “Everyone was in for money. It was a bit like the stock market that year, which was a terrible thing... Funds were raised and partnerships formed to invest in art, because people witnessed the market explosion after 2003.”

Such a frenetic expansion of transactional volume, driven by many new participants who intended to profit from short-term speculation, pushed the sales of China's auction market to a new historical high. In 2011, when total sales reached CNY 94.75 billion (USD 14.7 billion), China became the largest art auction market in the world.

At the time, senior executives at the local leading auction houses began to worry. Kou Qin said: "During that period, it was also the time when we were most frightened. We found that the situation was completely out of our control. The prices climbed too high, and the transaction volume grew too large. The expansion seemed unstoppable."

Not surprisingly, the market had an excess supply and a considerable number of short-term speculators participating. A correction would be unavoidable. In 2012, when many art investment funds and investors realized that the art market lacked liquidity and was not an ideal avenue to gain quick profit, they abruptly exited the market. Often the capital that flew into the market in previous years was on loan from financial institutions or individuals, and the buyers of artworks were paying interest against these loans. When they were unable to sell these previously acquired artworks quickly enough or at higher prices than what they had borrowed, disputes occurred.

From 2011 to 2012, the art auction sales in China dropped 53% (CNY 44.2 billion; USD 700 million), the largest year-on-year decrease since the first auction house was created in China in 1993.

Li Xuesong, Deputy General Manager of Poly Auctions and a specialist of Chinese classical paintings, recalled the time: "In hindsight, art investment funds never really worked in China."

Starting from 2012, the development of the art auction market in China entered a new phase described by Hu Yanyan, President of China Guardian Auctions, as "a phase of transition and maturity."



Zhang Xiaogang

*Bloodline Series: Comrade No. 120*

1998

\$979,200

Sotheby's New York Mar. 31, 2006

## Growth of the Chinese Contemporary Art Market

In addition to the explosive growth in the domestic auction market, 2004 was also a critical year for the development of the Chinese contemporary art market. In April 2004, the first professionally organized art fair, China International Gallery Exhibition (CIGE), modeled after Western art fairs, was held in Beijing. A total of 68 galleries from the US, Europe, and Asia exhibited at the fair, which attracted nearly 30,000 visitors.

In the same month, the 798 Contemporary Art District in Beijing, named after the former industrial factory built in the 1950s with Bauhaus-style architecture, held the first Chinese contemporary art festival, which attracted over 80,000 visitors.

In October 2004, Sotheby's Hong Kong held the first auction dedicated to Chinese contemporary art. (Previously, Chinese contemporary art was mixed with modern paintings in Sotheby's auctions in Hong Kong.) It was the first time that an international auctioneer recognized the market for Chinese contemporary art by creating a new category in its regular sales season.

Evelyn Lin, Deputy Chairman, International Director and Head of Department of Asian 20th Century & Contemporary Art at Christie's, organized the sale during her tenure at Sotheby's. When recalling how she noticed this market, she said, "My

interests were inspired by many large exhibitions, like those curated by Johnson Chang (Hanart Gallery in Hong Kong), and these exhibitions gradually guided me to pay attention to the contemporary Chinese artists. When I was working in the department of modern oil paintings, I observed that some collectors had already begun to collect Chinese contemporary art. Therefore, I felt there might be room for development in this market.”

It took her about a year to source all the works. Out of 50 lots offered in the sale, 47 found buyers, achieving a sell-through rate of 94% and a total result of above HKD 22 million (USD 2.8 million), 81% over the pre-sale low estimate.<sup>25</sup>

The success of the sale encouraged Sotheby's to hold an inaugural Contemporary Art Asia auction in New York in March 2006 during Asia Week. Most of the artworks in the sale were Chinese contemporary artworks. The auction achieved sales over USD 13.2 million, far beyond the pre-sale estimate of USD 6 to 8 million. In total, 245 lots were offered and realized a sell-through rate of 89.8%. According to the company's press release, it was “the highest total to date for a sale of Chinese Contemporary Art at Sotheby's.”<sup>26</sup> The top lot achieved at the auction was artist Zhang Xiaogang's Bloodline Series: Comrade No. 120, 1998, which was sold for USD 979,200, a record for the artist.

For the first time, a Chinese contemporary artist's work had sold at almost a million dollars. As Zhang Xiaogang recalled, “In 2004 when the price of a Chinese contemporary artwork exceeded CNY 1 million (USD 120,000), everyone was excited. We did not expect that in two years, the record would become USD 1 million. It was a huge difference.”

The robust auction results achieved in New York attracted broad attention to the growth of the category from the international art community. The next day, the New York Times published a story entitled “China: The New Contemporary-Art Frontier.” It reported that a Manhattan collector, Sue Stoffel, “who has been buying Chinese contemporary art since 1990 . . . watched her holdings appreciate by 10,000 percent.”<sup>27</sup>

The sudden and rapid rise of prices in just a couple of years triggered a collecting frenzy for Chinese contemporary art. Previously most of the collectors of this category were overseas buyers who traveled to China or were diplomats or expatriates who lived in China (such as Guy and Myriam Ullens and Uli Sigg). But after the stellar sales results accomplished at Sotheby's auction in New York, many Chinese buyers entered the market, immediately driving up prices in the domestic market. In November 2006, one year after Poly Auction was founded, an oil painting “New Immigrants at the Three Gorges” painted by artist Liu Xiaodong in 2004, was estimated at CNY 10 million (USD 1.25 million) and sold for CNY 22 million (USD 2.76 million), a record for Chinese contemporary art in China. The buyer, Zhang Lan, is a Chinese entrepreneur and owner of the wildly successful Southern Beauty chain of restaurants.

The artist Liu Xiaodong was agonized and confused by the result. After the auction, he said that just two or three years previously, his paintings sold for barely USD 20,000, less than 1% of the new record. “The growth of the market was distorted and frantic. Wealthy people in China are not like those in Western countries. They are not permitted to buy yachts and helicopters, so when they don't know what to do with their money, they spend a fortune on art.” The painting was initially acquired by an Indonesian collector, and Liu Xiaodong was shocked that the collector flipped it in such a short time at auction. “I am disappointed and perplexed. I have mixed feelings about this.”<sup>28</sup>

Reflecting on the peak of the market in 2006 and 2007, Bloodline Series artist Zhang Xiaogang said, “At the time, auctions were so popular and dominated the trade in the market. Galleries all of a sudden had nothing better to do. People said for artists like us, the prices increased 1,000 times compared with those in the 1980s and 1990s. Every week or two, we heard about another record created at an auction. It was crazy.”

“I remember one day I entertained eight different groups of visitors in my studio, including new collectors, press, and people who were looking for project collaboration. I was exhausted meeting so many new people of all sorts every day. In the end, I could not tell who was genuinely interested in my art. One of the overseas collectors came to my studio and almost knelt in front of me, begging and crying for me to sell him my painting at a cheap price and told me how much he loved my work. The

next year, he flipped the painting at an auction and I have never seen him again. I was heartbroken. Afterward, I became scared of the auction and felt that it is so far away from the art. I wanted to stay away from it.”

Such a wave of frantic buying and selling activity lasted until early 2008 and then abated after the outbreak of the world financial crisis. In 2009 the category of Chinese contemporary art experienced a significant decrease. According to a report published by Artprice, China lost 63% of its auction revenue from contemporary art between 2008 and 2009.<sup>29</sup>

In 2009 the global art trade decreased about 26% during the economic recession.<sup>30</sup> When the overall market dropped, many previously active collectors reduced their buying activities. As described in the Artprice report, “The global art

market contracted very severely, particularly at the high end of the Contemporary Chinese art market. With speculative buying almost immediately withdrawing from the arena, it quickly became clear that offering very expensive and price-sensitive works of Contemporary art at auction was not a good idea.”<sup>31</sup>

In 2009 Sotheby’s New York stopped offering a Chinese contemporary art sale during Asia Week, and this category has never resumed as a stand-alone sale at the auction house’s locations outside Asia.

As artist Zhao Xiaogang commented, “Many [Chinese contemporary] artists were thus ruined during this [sudden market fluctuation]. When the market was going up, the demand was strong with prices soaring. Some artists created a large amount of works to sell and sold well. But the art world does not work like this. When the financial crisis happened and the market couldn’t absorb so many works, these artists suffered.”

“In the end, if collectors couldn’t make money from the art market, they could profit from somewhere else. But professional artists could only survive by creating art. When [the artists’] market went down, all [their] value was gone, and they felt abandoned by the society. Overnight, exhibitions, catalog production, press coverage, and collectors were all gone.”

In 2008 Zhang Xiaogang entered an exclusive representation agreement with Pace Gallery in New York. He was relieved to have a layer of protection against the fluctuation of the market from an international blue-chip gallery. “I was lucky. Had it not been for (the representation of) Pace, I might have been drifting in the market and might have disappeared. I don’t think it’s an artist’s specialty to deal with the market. Only few artists have such a talent, but most artists are not able to handle [the market].”

In hindsight, because the collector base of Chinese contemporary art was very international, the market was more directly impacted by the global recession during the financial crisis than the markets of Chinese paintings and works of art. As a result, in contrast to Chinese antiquities, Chinese contemporary art experienced a much quicker downturn.

On the other hand, the correction of the market was beneficial to the long-term development of the category. It helped deflate the speculative bubble and encouraged artists to value collaboration with professional galleries that foster and develop long-lasting commitments to and careers for artists.

## Western Galleries Come to China

While in 2007 the Chinese contemporary art market reached its peak, it was also a year that began a new transformation of the market in China. ART HK, the Hong Kong International Art Fair that repositioned Hong Kong as the center of the art market in Asia, was founded by two British businessmen, Magnus Renfrew and Charles Ross<sup>32</sup>. Five years later, ART HK was acquired by MCH Group, the parent company of Art Basel, which held the inaugural Art Basel in Hong Kong in 2013.

Christie's Evelyn Lin recollected how the fair began a market shift: "It was Hong Kong International Art Fair that introduced many important international galleries to the Asian market."

Beijing-based collector Yang Bin, who had been on the advisory board of ART HK, recalled that he first traveled overseas in 2006 and bought Western artworks at Art Basel in Switzerland for USD 1 million. Today he has over 500 works in his permanent collection, and Western contemporary art will continue to be a collecting focus for him.

The trend for Western galleries to organize exhibitions in China can be traced back to 2004, when Galleria Continua exhibited an international program in Beijing in a temporary space as the first foreign gallery to engage in such an effort. In 2005, it opened a space in the 798 Contemporary Art District in Beijing. The inaugural exhibition in May 2005 featured 16 artists from 5 continents.<sup>33</sup> In 2008, Pace Gallery established a 25,000-square-foot space in the same district, the first such outpost in Asia. Its inaugural exhibition in August 2008 showed works by a group of artists from China, Japan, and the US. Among the renowned Western artists, there were works by Andy Warhol, Jean-Michel Basquiat, Jeff Koons, Richard Prince, Cindy Sherman and George Condo. Although the group exhibition at Pace Beijing did not generate many sales of Western contemporary artworks at the time, it helped nurture the market by bringing works by these acclaimed Western artists to China.

2009 marked the first series of active buying by a mainland Chinese collector of impressionist and modern art in the international open market. As recalled by David Norman, a private art dealer and former Worldwide Chairman of

Impressionist and Modern Art at Sotheby's: "I started to notice the trend 10 years ago in 2009, when an individual collector bought a Picasso in an evening sale and then bid on a large number of works in the day sale."

This Chinese buyer turned out to be a Nanjing-based entrepreneur. During the Impressionist and Modern Art Evening Sale held at Sotheby's New York on November 4, 2009, he bought four works for USD 10.8 million. These included a portrait of Françoise Gilot, "Femme au Chapeau Vert," which Pablo Picasso painted in 1947, for USD 8.15 million (pre-sale estimate USD 4 to 6 million) and an 1864 landscape by Claude Monet, "La chapelle de Notre-Dame-de-Grâce, Honfleur," which sold for USD 842,500 (pre-sale estimate USD 400,000 to 600,000).<sup>34</sup> Today this entrepreneur owns one of the largest collections of impressionist and modern art of any mainland Chinese collector, including over 50 works by Picasso and important sculptures by Rodin and Degas.

Based on his three decades of observation, art dealer David Norman, formerly of Sotheby's, said, "In the past, new buyers often began in the day sales or lower-level evening sales. After that and developing their taste and experience, they would step up to the higher valued pieces." In contrast, he noted, "When the Chinese bidders entered the market, they mostly started on the high-end evening sales . . . the top names of Impressionist & Modern Art . . . [where] well above all else are Monet and Picasso."

The trend of collecting Western art prevailed after 2012. Many top collectors and private museum owners in China have a considerable number of Western artworks in their permanent collections. The London-based gallerist Ben Brown, who also owns a gallery in Hong Kong, commented, "I think it's the shift of the price of things. When you have the suddenly so-called great contemporary Chinese artists costing the same as a Picasso, mostly the collectors started buying Picasso instead of the local artists."

## STAGE FOUR: 2012–2018. THE AUCTION MARKET CORRECTION AND MATURITY. THE RISE OF ART FAIRS, PRIVATE MUSEUMS AND A NEW FOCUS ON WESTERN ART.

### The Rise of the “Ultimate Collectors”

The Fosun Art Center in Shanghai was founded by one of China’s largest private conglomerates, Fosun Group, which owns or has stakes in an international portfolio of companies including Club Med, Cirque du Soleil, and Lanvin, just to name a few. In 2010 Jenny Wang, Chairwoman of Fosun Art Center, acquired her first Western artwork from a gallery to decorate her home. Today Wang oversees the Fosun Art Foundation, which operates the Fosun Art Center with over 300 Chinese and Western contemporary artworks in the Foundation’s permanent collection. In November 2018, the Fosun Art Center held the first photography exhibition of Cindy Sherman in China. In March 2019, it opened the largest retrospective for Yayoi Kusama to date in China.

Qiao Zhibing, a Shanghai-based collector, bought his first Western contemporary artwork from a gallery in 2009. Today he has a private collection of over 500 Chinese and Western contemporary artworks. He is establishing a private art museum in a space that will exceed 60,000 square meters: TANK Shanghai, which has been transformed from a former oil storage facility to a contemporary art exhibition and performance space in Shanghai’s West Bund, will open in late March 2019 with an exhibition of teamLab, among other contemporary artists.

In 2015, collector Liu Yiqian acquired Amedeo Modigliani’s painting “Nu couché” from Christie’s New York for USD 170 million. Liu’s private Long Museum includes two branches in Shanghai, a third in Chongqing, and will soon open a fourth in Wuhan. In total, the four Long Museums house thousands of artworks in Liu’s permanent collection. In November 2018, the Long Museum in West Bund, Shanghai held the most comprehensive exhibition of Louise Bourgeois in China, with a large-scale spider on loan from the Tate Modern in London.

This stage of the development of China’s art market features the emergence of a group of important private museums in China that captured broad international attention within just a few years. When individual collectors institutionalized their art collections in private museums, they converted their long-term holdings into exhibitions and research centers and began supporting public education.

Hu Yanyan, President of China Guardian Auctions Co., Ltd., calls these types of collectors and private museum owners the “Ultimate Collectors,” noting that they are often “successful entrepreneurs from the most profitable industries who have benefited from China’s rapid economic growth.” She believes that today’s buying activities by “Ultimate Collectors” contribute to over 80% of annual auction turnover for China Guardian. She calls the phenomenon “a full upgrade of the art market in China” that has shaped this current “transitional period.”

Zhang Rongde, Senior Vice President and Senior Specialist of Chinese Classical Paintings at Sotheby’s, called the rise of private museums “a remarkable development of China’s art market. The increased number of private museums in China over the past few years is probably no less than that of any other country in the world. It is just a matter of time to find out how many of them will survive in the future. But judging by the transition itself from collectors previously only participating in buying and selling in the art market, to professional collectors, and now to collectors operating non-profit museums. This is substantial progress.”

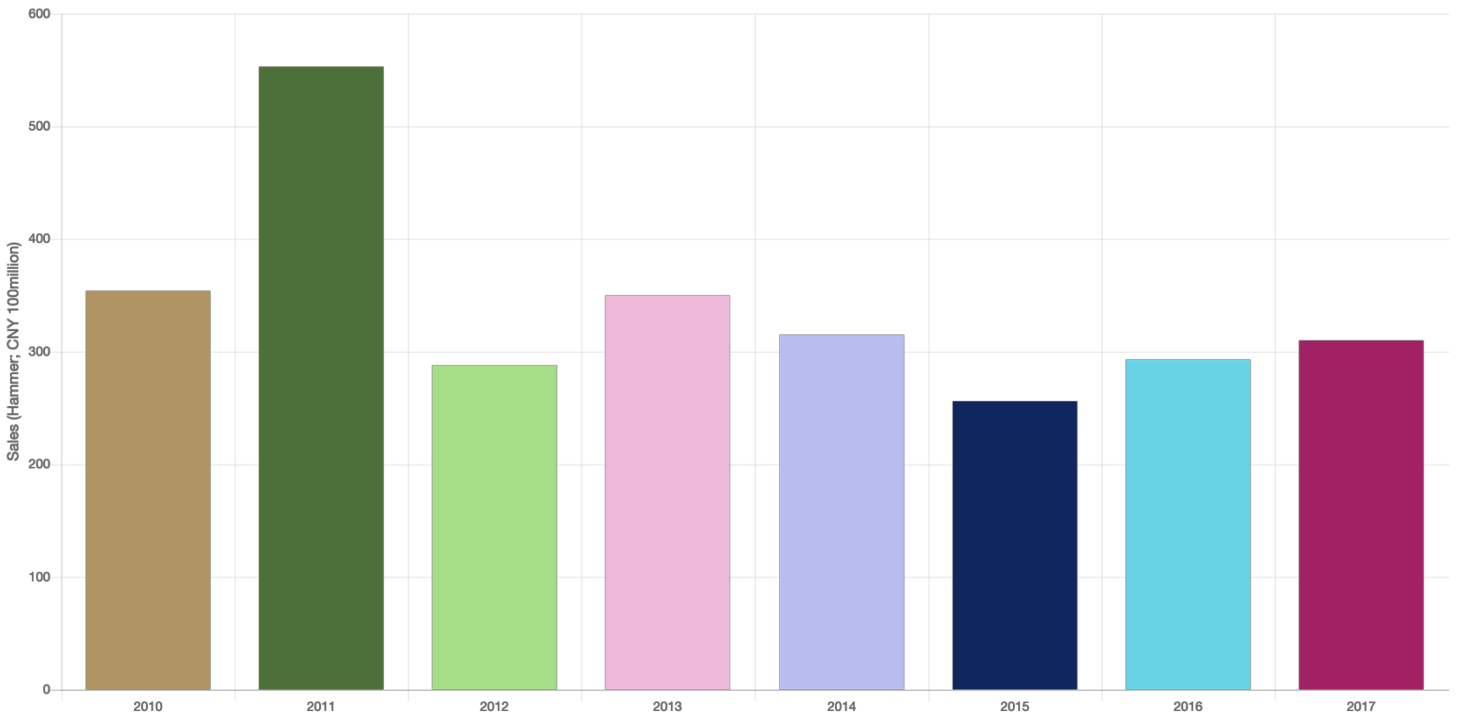
As discussed in the previous stage, in 2012, the art auction market in China experienced a significant decline in transactional value. The following table based on data from the China Association of Auctioneers shows the fluctuation of China's art auction market since 2010.<sup>34</sup> Following the deep plunge of trading activities after 2011, annual total sales (hammer price; not including buyer's premium) over the past six years (2012-2017) have been about CNY 30 billion (USD 4.5 billion).<sup>35</sup>



Long Museum Image

Long Museum West Bund

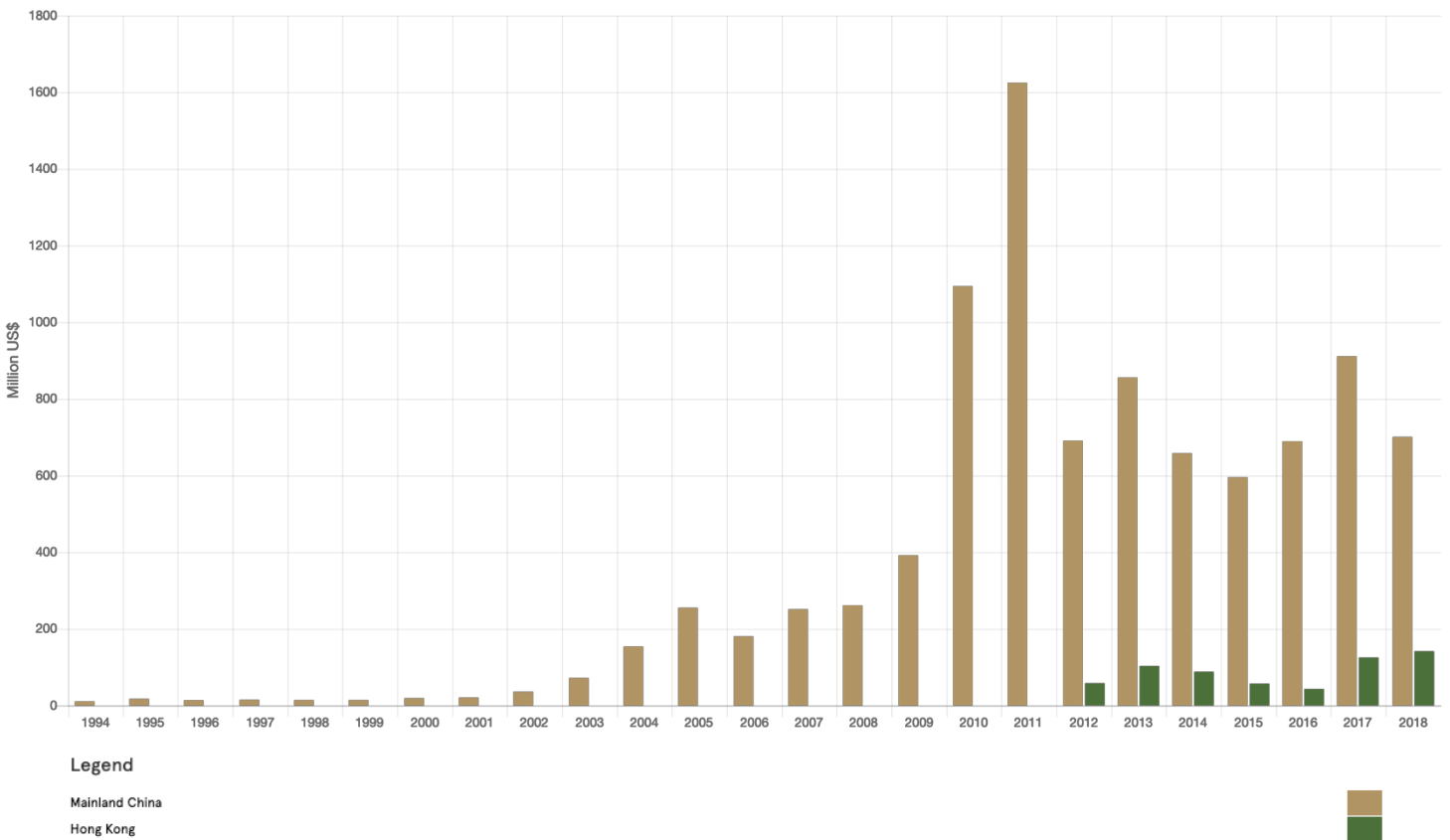
## China Art Auction Market Sales



Source: China Antiques & Artworks Auction Market Statistical Annual Report 2017, CAA

According to Li Xuesong, Deputy General Manager of Poly Auctions, total sales of either Poly Auctions or China Guardian have been roughly CNY 3 billion (USD 450 million) in each spring or fall season since 2012 and have not been able to resume the level of that in 2010 and 2011. "Now (the number of) CNY 3 billion (USD 450 million) has become a glass ceiling," he said.<sup>37</sup>

## China Guardian Sales Charts



Source: China Guardian

The chart above shows the annual auction sales of China Guardian (Mainland China and Hong Kong) from 1994 to 2018. The graph demonstrates a sharp spike from 2009 to 2011 and a severe 57% decline from 2011 to 2012. Since then, annual sales have been fluctuating between USD 600 million to 1 billion, significantly above the level in 2009, but much lower than 2010 and 2011.

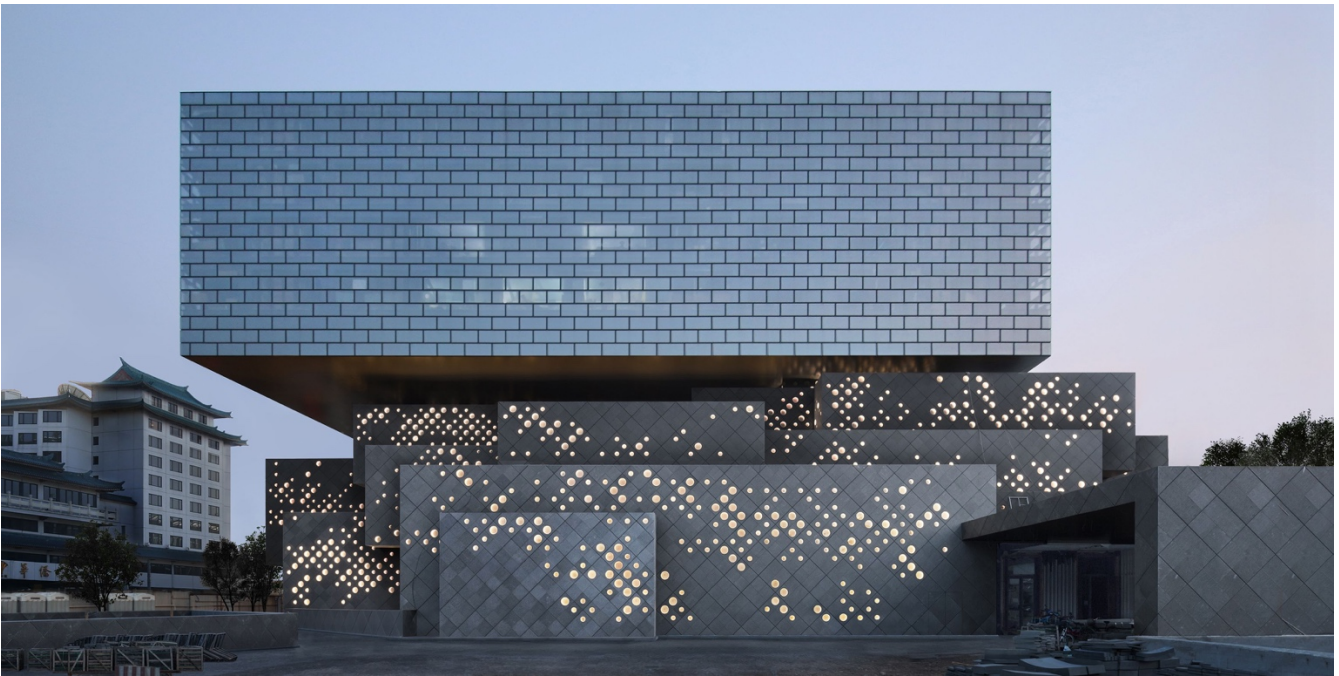
Li Xuesong of Poly Auctions says there are a couple of reasons that have sustained this “glass ceiling” of CNY 3 billion per auction house per season: “First, the variety of auction categories is very limited: only Chinese art [including paintings and works of art], not Western old masters, modern or contemporary art, are sold by Chinese auction houses. Second, there are not enough new collectors and connoisseurs entering the market [after the speculators exited]. Often after the sale of the top lot, we would hear the news that the artwork had been acquired by a collector with whom we are familiar. This means that the market is not yet well developed.”

“A few years ago [in 2010 and 2011],” he explained, “a lot of new participants in the market were from the financial [equity market], real estate or energy [e.g. coal mining] sectors, but in recent years, the regular top buyers have been successful entrepreneurs whose businesses have established a strong track record in China. For example, Zhang Guiping, Chairman of Suning Universe, which is associated with one of the largest retailers, China Suning Group; Wang Jianfeng, Chairman of Ningbo Junsheng Electronics, one of the leading suppliers of LEDs in the country; and Li Guoxin, Chairman of Levdeo New Energy Automobile.”

Li Xuesong shares the same observation as Hu Yanyan from China Guardian: That robust buying activities from these entrepreneurs reflect a transition, an upgrading of the art market in China. He says: “When they are aiming for holding an artwork for more than five or ten years, they all want the best works. They would rather spend a significant amount of capital to acquire a premium work, than spend at a lower level to purchase 10 mediocre works. This has become the pattern of buying among all the top collectors. As a result [despite the decline in turnover since 2010 and 2011], the top lots always achieve high results at auction.”

“Today the top collectors are becoming mature,” says Li. “Demand for the highest-quality artworks is strong, and for the market to keep the current total transactional level [of CNY 30 billion on an annual basis] isn't a problem.”

“Many of these collectors have dedicated most of their leisure time to researching art and have become great connoisseurs. For example, I have a client in Jiangsu Province who created a massive database of all the Chinese classical paintings that you could find. He only bids on the paintings that match the records in his database, down to every detail, including the movement of a stroke, signature, and seals. Even an auction house like ours does not have [such a comprehensive database].”



Guardian Art Center by Ole Scheeren © Buro-OS\_01\_Photo by Iwan

Despite the fact that collectors in the market have become more selective and knowledgeable in their collecting fields, Li Xuesong still feels there is a challenge for domestic auction houses to push above the current plateau. “The development of the auction business in China is distorted,” he says. “In Western countries, galleries, the primary market, and the secondary market each play a distinctive role, with lots of talented people working in each field. In China, it seems that too many resources and market professionals are overly concentrating on the auction business. However, the auction business in its nature lacks an incentive to foster the market over the long term. Specialists like me are too busy with sourcing and meeting existing clients, and I barely have any time to nurture a new market I noticed that recently China Guardian has launched art education courses. I am sure that they have also recognized the problem and are trying to solve it.”

The changes that Li Xuesong observed about his head-to-head competitor China Guardian were spot on. Kou Qin, President and CEO of Guardian Investment Holding Co., Ltd., and the General Manager of the Guardian Art Center that opened in 2017, said “The past five years have witnessed a significant transformation of Guardian. The auction house has expanded and restructured to become more diversified, while holding onto a single shared and unified vision. It’s a new turning point. Auction remains our core business, complemented by other areas of business, including investment, an art center, education, publishing, and a hotel. Take education, for example: The company has more than 100,000 clients, holding a huge potential for the development of professional and continuing education as well as specialty training. The launch of the Guardian Art Center also helps to increase our involvement in the primary market.”

Over the past few years, China Guardian has expanded its business from auctions to much broader areas. Since 2014, it has partnered with an art fair based in Hong Kong, Fine Art Asia, to host an art fair called Guardian Fine Art Asia (GFAA) once a year in Beijing. In October 2018, GFAA celebrated its fifth anniversary.

In 2016, China Guardian established a publishing business that has published fifteen art books and achieved a total circulation of 136,200. Since the launch of the auctioneer’s new headquarters in October 2017, the Guardian Art Center in Beijing has held 19 non-auction related art exhibitions that attracted over 180,000 visitors, in addition to offering its annual sales. In November 2017, China Guardian began a long-term partnership with SOAS University of London and the Art Institute of Chicago to co-develop art education courses. In 2018, Guardian Education offered four short programs and plans to develop more in 2019.

Back in the 1990s, Chen Dongsheng, founder of China Guardian, decided to invest China Guardian’s capital in Taikang Life Insurance Company, which he founded in 1996. Today, China Guardian is Taikang Life Insurance’s largest domestic shareholder and has benefited substantially from Taikang’s tremendous growth in China’s life insurance market.

In 2016, Taikang Life Insurance acquired 13.5% of Sotheby's shares and became the New York Stock Exchange-listed auctioneer's biggest shareholder. When commenting on Taikang's acquisition of Sotheby's shares, Kou Qin President and CEO of Guardian Investment Holding Co., Ltd. and General Manager of Guardian Art Center said "For one, the two companies are like family now. We have had some degrees of exchanges on the condition that there would be no violation of the business principles of each firm. We are certainly not engaged in any kind of client or consignment swaps. It is not happening and, as a matter of fact, not allowed."

"So far both parties have been satisfied with the partnership. From the perspective of investment, Sotheby's stock rose immediately with Taikang's investment, which is a win-win for both Taikang as the investor and the shareholders of Sotheby's. Most importantly, it's a boost in confidence for the market. "

To tap into the global art market has become an ambition for the two leading auctioneers in China. In 2012 both Poly Auctions and China Guardian began holding auctions in Hong Kong twice a year. Jiang Yingchun, CEO of Poly Culture Group, parent company of Poly Auctions, said "Opening an office in Hong Kong was our first step, because at least you need to try. If you cannot find your place in Hong Kong, then it wouldn't be possible for you to expand to London or New York."

Over the past few years, Poly Auctions was in conversation regarding a potential acquisition of the British auction house Bonhams. In the end the two companies were not able to reach an agreement. In September 2018, Bonhams was sold to a private equity company based in London, Epiris. Looking ahead, Jiang Yingchun predicts: "over the next 5 years, we [Poly Auctions] hope to transform ourselves to an international company and offer all the services that are available in the industry, including art dealing, art investment and consulting, etc. It will really be important to focus on diversification. This includes Western works of art, especially the field of Western contemporary art."

## Foreign Auctioneers in China

**When domestic auction houses were planning for international expansion, international auctioneers including Sotheby's and Christie's made efforts to start holding auctions in mainland China, in order to capture the market potential.**

Back in 1988, Sotheby's held a charity auction at the Working People's Cultural Palace in Beijing to raise funds for the restoration of the Great Wall in China and restoration in Venice, Italy. But the real goal for Sotheby's was to hold auctions in mainland China. This did not happen until in 2012, when the company formed a joint venture with the state-owned enterprise Beijing Gehua Group, creating Sotheby's (Beijing) Auction Co., Ltd.. From 2013 to 2015, the joint venture entity held auctions twice a year in Beijing in the categories of Chinese contemporary art and Chinese contemporary ink and organized a couple of selling exhibitions of Western paintings, decorative art and jewelry in Beijing. Sotheby's (Beijing) Auction's last sale was held in 2015, and since then the auctioneer has not held another auction in mainland China.

A former senior member of staff at Sotheby's (Beijing), who prefers to stay anonymous, explained that it had been challenging for an international auction house to operate in mainland China. First of all, according to the Law of Protection of Cultural Relics, foreign auctioneers are not allowed to sell cultural relics in this market. Therefore, the only categories that they could auction were Chinese and Western contemporary art. Secondly, if mainland Chinese collectors acquired Western artworks and wanted to bring them to their domestic residences, they would have to pay importation tax plus VAT (value-added tax). The two taxes combined would create a tax load of approximately 20%. As a result, collectors preferred to buy Western artworks in free-port cities such as Hong Kong or New York. Initially, Sotheby's established a joint venture in Beijing, hoping that the law would change one day to allow foreign auctioneers to sell cultural relics (Chinese modern and classical paintings; Chinese works of art), which still remain the categories that generate the largest art trading turnover in the country. However, without this occurring in the short term, and the business of Chinese contemporary art becoming challenging, Sotheby's decided to suspend their auctions in mainland China and continued to focus on Hong Kong as the company's trading center

in Asia.

In 2005, Beijing Forever International Auction Company was established with the right to license the Christie's brand. The local auction house offered sales in three categories including Chinese modern paintings, Chinese works of art, and 20th century Chinese paintings and contemporary art. The company adopted Christie's professional practices, but the scale of its sales was much smaller than other leading domestic players. For example, in 2011 when China's art auction market reached its peak, when annual sales of China Guardian were CNY 11.23 billion, the total sale result of Beijing Forever was CNY 280 million, 2% of what China Guardian achieved.

When Sotheby's entered the joint venture partnership with Beijing Gehua Group in 2012, Christie's was also eager to break into the mainland Chinese market as an independent force. In April 2013, Christie's successfully registered a wholly owned foreign enterprise in Shanghai and received the license to hold non-cultural relic auctions in mainland China. In September 2013 Christie's offered its first auction in Shanghai under this new entity. That same year, the business of Beijing Forever International Auction Company was dissolved.

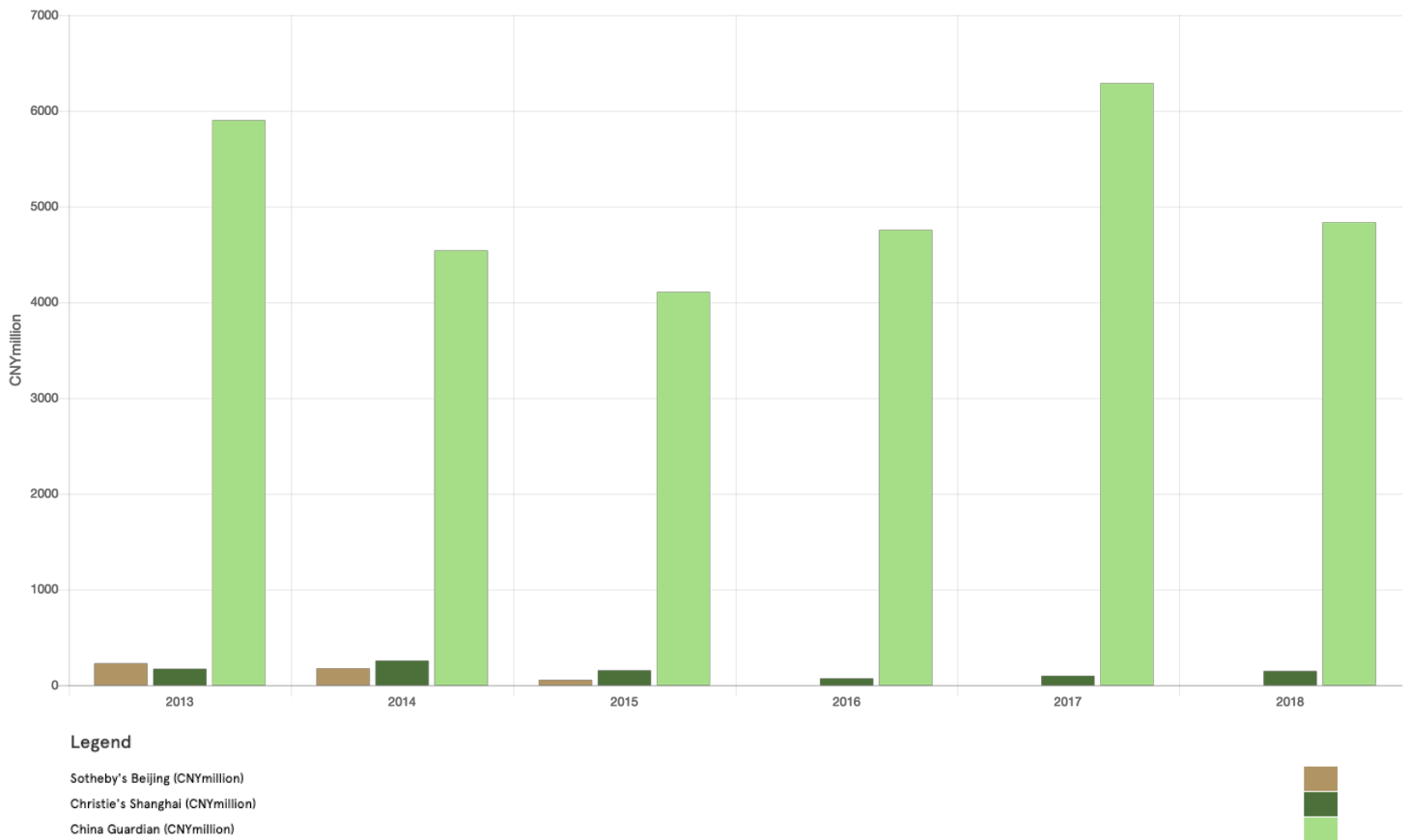
In the beginning Christie's held auctions in Shanghai twice a year, one in the Spring and another in the Fall, where the lots offered were in the categories of Chinese and Western contemporary art, contemporary design, and lifestyle collectibles like jewelry, watches and alcohol. Since 2016, Christie's combined the two sales into one auction season in the Fall. In 2018 there were three auctions held in Shanghai during one week in October, with a total of 243 lots offered, and the results achieved through these auctions was CNY 148.35 million (USD 21.3 million).

This amount is significantly smaller than the amount Christie's accomplished in its sales season in Hong Kong, where a broader variety of categories and much higher value of artworks were offered. For comparison, in the 2018 Fall sales season, Christie's Hong Kong achieved a total result of HKD 2.75 billion (USD 353 million), over 16 times that in the Shanghai auctions during the same period.

Due to the strict regulatory environment and fierce competition in mainland China, and like Sotheby's joint venture in Beijing, it is hard for Christie's to substantially scale up its business in this market. Hong Kong will remain the major trading center for Christie's in Asia.

The following chart shows the auction results of Sotheby's and Christie's in mainland China compared to China Guardian over the past six years. As demonstrated in the table, in 2014, which was the best year for the two international auctioneers in China, their total sales combined were less than one tenth of the annual sales of China Guardian. It is fair to say that as long as the regulatory restriction on foreign auctioneers selling cultural relics in China remains unchanged, and the tax on importing artworks from overseas markets to mainland China does not substantially decrease, international auctioneers will have a very hard time catching up to the domestic players in this competitive environment.

## Sotheby's Beijing vs Christie's Shanghai vs China Guardian



Source: China Guardian, Sotheby's and Christie's websites

## The Rise of Art Fairs and Private Museums and a New Focus on Western Art

Although at this stage of the development, China's art auction market did not change as drastically as the earlier two stages, a pivotal transformation occurred with a boom in art fairs, private museums and a new focus on Western art. Such change indicated that the market in China has been maturing from the earlier stages in which auctions had been the key driver of the growth to the current stage in which the importance of the primary market was being recognized by serious collectors. For example, collectors such as Jenny Wang and Qiao Zhibing now rely on galleries and art fairs as the primary channels for collecting. Collector Liu Gang, who was an active buyer at auction in the 1990s and early 2000s, now acquires 95% of his artworks from galleries and art fairs. In 2015, when he bought a sculpture by Tomas Saraceno at ArcoMadrid, it was a turning point for him to include more Western art in his private collection.

Today there are about 20 leading art fairs in mainland China, most of which are dedicated to Chinese and Western contemporary arts. In 2013, one year after Hong Kong International Art Fair (ART HK) was acquired by MCH Group and rebranded as Art Basel Hong Kong, two collectors and business owners, David Chau and Kelly Ying, started a contemporary art fair in Shanghai called Art021. In 2014, another art fair, endorsed by the Shanghai municipal government, West Bund Art and Design Fair, was launched by a Chinese contemporary artist Zhou Tiehai. Since 2014, the two art fairs have been held the same week every November. That week is now branded as Shanghai Art Week when local private museums and art galleries open their new exhibitions in parallel to attract a large number of domestic and international visitors.

The two art fairs have slightly different positioning. Whereas Art021 focuses on galleries that are edgier and which represent a younger generation of artists (with a lower price range of artworks), West Bund Art and Design Fair has attracted many Western blue-chip galleries, including Pace Gallery, Gagosian, Hauser & Worth, Levy Gorvy and Ben Brown. One feature that both art fairs have in common is that the demographic of exhibitors has been international. In November 2018, 103 galleries from 30 cities around the world exhibited at Art021, and 110 galleries from 40 international

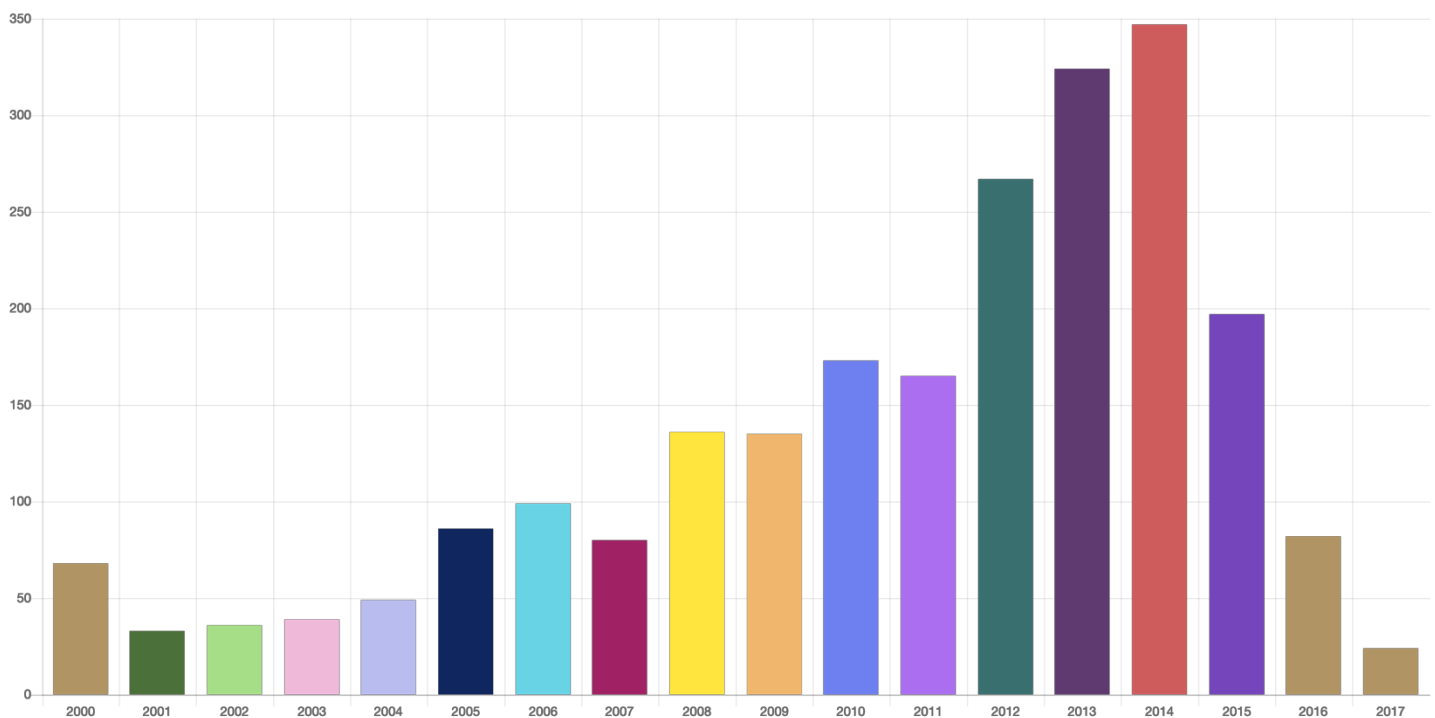
cities participated in the West Bund Art and Design Fair. The total number of visitors for the two art fairs in Shanghai in 2018 exceeded 80,000.

Miety Heiden, Deputy Chairman and Worldwide Head of Private Sales at Phillips, asserted that the Chinese collectors “are becoming more comfortable buying at art fairs,” because “it’s like going to the supermarket, you have access to a lot. Through Internet and Instagram, people can get connected very quickly and they know what everybody wants. It goes through very fast.”

The flourishing domestic art fair market has encouraged more Western galleries to open offices in mainland China. In 2017, Levy Gorvy launched an office in Shanghai and hired a former employee of Christie’s Shanghai, Danqing Li, as the new Senior Director, Asia. In this new position Li will help Levy Gorvy bring the gallery’s first exhibition that was held in New York in 2017 (Willem de Kooning | Zao Wou-Ki) in a revised format to China in 2019. In September 2018 Galerie Perrotin launched a gallery space in Shanghai, in the same neighborhood as Christie’s Shanghai and opened a monographic exhibition of Takashi Murakami, during Shanghai Art Week.

The chart below shows the number of newly founded domestic galleries that represent contemporary artists in China. Despite the decline of Chinese contemporary art in the secondary market in from 2009 to 2010, the growth of new galleries was steady between 2010 to 2014 before a steep decline from 2015 to 2017.

### Number of New Contemporary Art Galleries in China



Source: Artron

When commenting on the phenomenon, collector and founder of the private museum TANK Shanghai, Qiao Zhibing, said “I feel that it is very difficult for Chinese galleries to survive. Now they are in a more difficult situation than in 2008. The reason is that the international [galleries] have entered the market. Many collectors are collecting Western art. Unlike the past, there was a transitional period: at first, [Chinese collectors] bought Chinese art for a few years and then began to buy international works. Now when the new collectors enter the market, they immediately start to buy Western art.”

Evelyn Lin, Deputy Chairman, International Director and Head of Department of Asian 20th Century & Contemporary Art,

Christie's agreed with Qiao's observation: "The fact that Western works of art have their place in the Asian market cannot be ignored. The situation is quite different now. The past few years were really challenging for galleries representing Chinese contemporary artists. More options and choices were offered to collectors, so there are more challenges for both galleries in China and Chinese artists. The biggest challenge for Chinese artists is that they used to compete with other Chinese artists, but since his or her works have entered the international market, now they are competing with other international artists of the same age."

During this stage, in contrast to the secondary market in mainland China, the primary market, both art fairs and gallery exhibitions, have become more international. Facing competition from international players, who have stronger global

financial backing and professional expertise, domestic galleries are having a challenging time adapting in this new environment.

Today many Chinese private museum owners are also active collectors of Western art. In 2017 Qiao Zhibing was one of the collectors who bought an artwork from Damien Hirst's selling exhibition in Venice, Italy, *Treasures from the Wreck of the Unbelievable*. He admitted that although there is not much of a difference in the number of works in his collections of Western and Chinese art, "Western contemporary artworks are relatively more expensive, so I spent more money on them".

Zheng Hao, collector and founder of the private museum How Art Museum, owns the largest collection of Joseph Beuys's works in China. How Art Museum's inaugural exhibition, which opened in Shanghai in September 2017, showed Julian Rosefeldt's multi-screen film installation that featured the Australian actress Cate Blanchett, *Manifesto*. It was the first time that the film installation was exhibited in Asia.

When talked about the curatorial strategy of How Art Museum moving forward, the museum's deputy director Zhang Li said "I think for the next 3 to 5 years, we will continue to choose artists and projects with a more international perspective and choose influential international artists. We need to face the local audience. Because from the public's perspective they want to open up their horizons and interact with top level international exhibitions."

Collector and owner of the Long Museum Liu Yiqian agreed: "Speaking from what the public wants to see and also from an aesthetics point of view, Chinese audiences are getting more and more interested in exhibitions of famous Western artists because they might not get the chance to see their works even though they travel abroad. Well-known star artists from the West can create better publicity."

When discussing this collecting trajectory, a Beijing based collector Yang Bin said "The younger generation in China, who have been educated from abroad and then came back, they definitely cannot understand traditional Chinese artworks anymore. China has become more open and more international and this trend cannot be stopped, especially when information travels so quickly through modern media channels and the internet."



How Art Museum

## A Fast Learning Market nurtured by Western galleries

When looking back on the development of the market since 2012, Evelyn Lin, Deputy Chairman, International Director and Head of Department of Asian 20th Century & Contemporary Art, Christie's was amazed by how fast the collectors in China learned about Western art and adapted to the international art market. "I think the [Chinese] art market had a unique feature, which you won't be able to find in any other markets. They [the Chinese collectors] have compressed the learning process: in the past, there was no professional market practice. But within the past decade, many buyers have become true collectors. Such a learning process in general takes a long time in the West to establish, but it took a short period of time in China. You can transform a person within such a short timeframe."

Evelyn Lin believed that the effort made by Western galleries (to nurture the market) and the broad international travel of these collectors helped them overcome the learning deficit within a short period of time. "Western galleries have been playing a pivotal role in the Asian market. They brought many international artists to the Asian market and a two-way interactive relationship developed. Moreover, many Chinese collectors started to show up at different large art fairs like TEFAF, FIAC, and Frieze, and they have visited basically all of these fairs. So Chinese collectors have broadened their horizon and begun to understand more things at different levels of the market."

Jiang Yingchun, CEO of Poly Culture Group, echoed Lin's observations: "[Integrating China's art market with the global art market] had great prospects but relying solely on auction houses was not enough... I really admire the work done by international galleries like Pace and Gagosian. These galleries have been continually working on putting out various exhibitions... Apart from the business side, we need more communication and understanding . . . [to] reflect the artists' thinking about existence and to really let us contemplate these things."

Liu Yiqian, collector and founder of Long Museum, reflected on his own experience of buying Western art over the past eight years: "Collecting is a process. I don't think it is that difficult to do. You can go to well-known galleries to see Western and contemporary works. They will all gather around you and talk about how many good works they have."

Collector Qiao Zhibing and owner of TANK Shanghai has also formed a strong network with Western galleries. "If I am going to New York, I will want to visit an artist's studio. It is also possible that the gallery has arranged the visit. The odds are I will probably like it after the visit and then buy the work. I visit artist studios everywhere I go."

Although Chinese modern and classical paintings and works of art are likely to continue to dominate 70% or more of the total auction turnover, we can foresee that in the near future, more collectors, particularly the younger generation of collectors, will actively acquire Western art through the primary market. More Western galleries will try to penetrate the China market, through launching an office, attending local art fairs, representing Chinese contemporary artists, or supporting local private museums by facilitating exhibitions of Western artists.

On the museum side, whereas the state-owned museums will remain the powerhouse of collecting, researching and exhibiting traditional Chinese art, local private museums will take on a more active role of promoting Western contemporary art in China. As Jenny Wang, Chairwoman of Fosun Art Center and Fosun Art Foundation, said, "Contemporary art is more suitable for private art museums. I think State art museums should take on more responsibility to study and restore traditional art."

Jiang Yingchun, CEO of Poly Culture Group, predicted: "The trend of [collecting] Western art and contemporary art will absolutely continue. China will go through mostly the same path as Western countries, but we might take less time than they did. We might only need 3 to 5 years to finish what they took 30 years to complete, because the times are changing and information travels at a much faster speed now."

Jiang Yingchun firmly believes that the future transformation of the market will be driven by a younger generation of collectors. He observed, "The community of collectors is getting younger and more diverse in China. It has been 40 years since China opened up. The first group of entrepreneurs has begun to plan for their retirement after their success and they are handing over their companies to the second or third generation. These new people are very different from the older generation in terms of educational background and experiences they had growing up. All these differences will be reflected in their art collecting behaviors and different preferences and taste, which will bring big changes to the art market."

1 <https://data.worldbank.org/country/china>

2 <https://www.census.gov/foreign-trade/statistics/highlights/top/top1810yr.html>

3 Wealth-X Ultra Wealthy Analysis: The World Ultra Wealth Report 2018

4 Artprice's Annual Report on the Global Art Market in 2017

5 <http://news.sina.com.cn/c/2018-08-31/doc-ihinpmnq4544776.shtml>

6 <http://news.sina.com.cn/c/2018-08-31/doc-ihinpmnq4544776.shtml>

7 USD conversion is not used because there were large changes in the exchange rate during this period which may distort the macro picture

8 Interview with Zhang Rongde, Appendix

9 Zhu Junbo on Art Collecting, Shanghai Literature & Art Publishing House

10 《文物出口鉴定参考标准》，文化部、对外贸易部，1960年7月12日发布

11 The regulations are a bit duplicative, but the structure has been retained to reflect the language of the regulation

12 [https://news.artron.net/20120723/n240443\\_2.html](https://news.artron.net/20120723/n240443_2.html)

13 <http://www.chinanews.com/cul/2010/07-01/2374935.shtml>

14 <https://www.xzbu.com/3/view-4287120.htm>

15 <https://news.artron.net/20181011/n1026535.html>

16 <http://202.43.149.1/cms/law/view?id=59> State Administration of Cultural Heritage

17 China Antiques & Artworks Auction Market Statistical Annual Report 2017, CAA

18 China Art Market Annual Report 2012 by Ministry of Culture, PRC

19 <https://news.artron.net/20070118/n20946.html>

20 China Art Market Annual Report 2012, Ministry of Culture of PRC

21 From 2003 to 2011, the Chinese currency Yuan appreciated over 20%

22 <https://news.artron.net/20100811/n117698.html>

23 <http://www.zgnfys.com/a/nfms-2522.shtml>

24 <http://jingji.cntv.cn/special/yishupinpaomo/20111027/104837.shtml>

25 <https://www.fokum-jams.org/index.php/jams/article/view/65/129>

26 <https://sothebys.gcs-web.com/static-files/9567c652-c492-481e-9b70-a4a0248cb32f>

27 <https://www.nytimes.com/2006/04/01/arts/design/china-the-new-contemporaryart-frontier.html>

28 <http://art.people.com.cn/GB/41138/41139/4877957.html>

29 <https://www.artprice.com/artmarketinsight/chinese-contemporary-art-today>

30 TEFAF AMR 2010

31 [https://imgpublic.artprice.com/pdf/edition\\_art\\_stage\\_cn-en\\_online.pdf](https://imgpublic.artprice.com/pdf/edition_art_stage_cn-en_online.pdf)

32 <http://www.magnusrenfrew.com/>

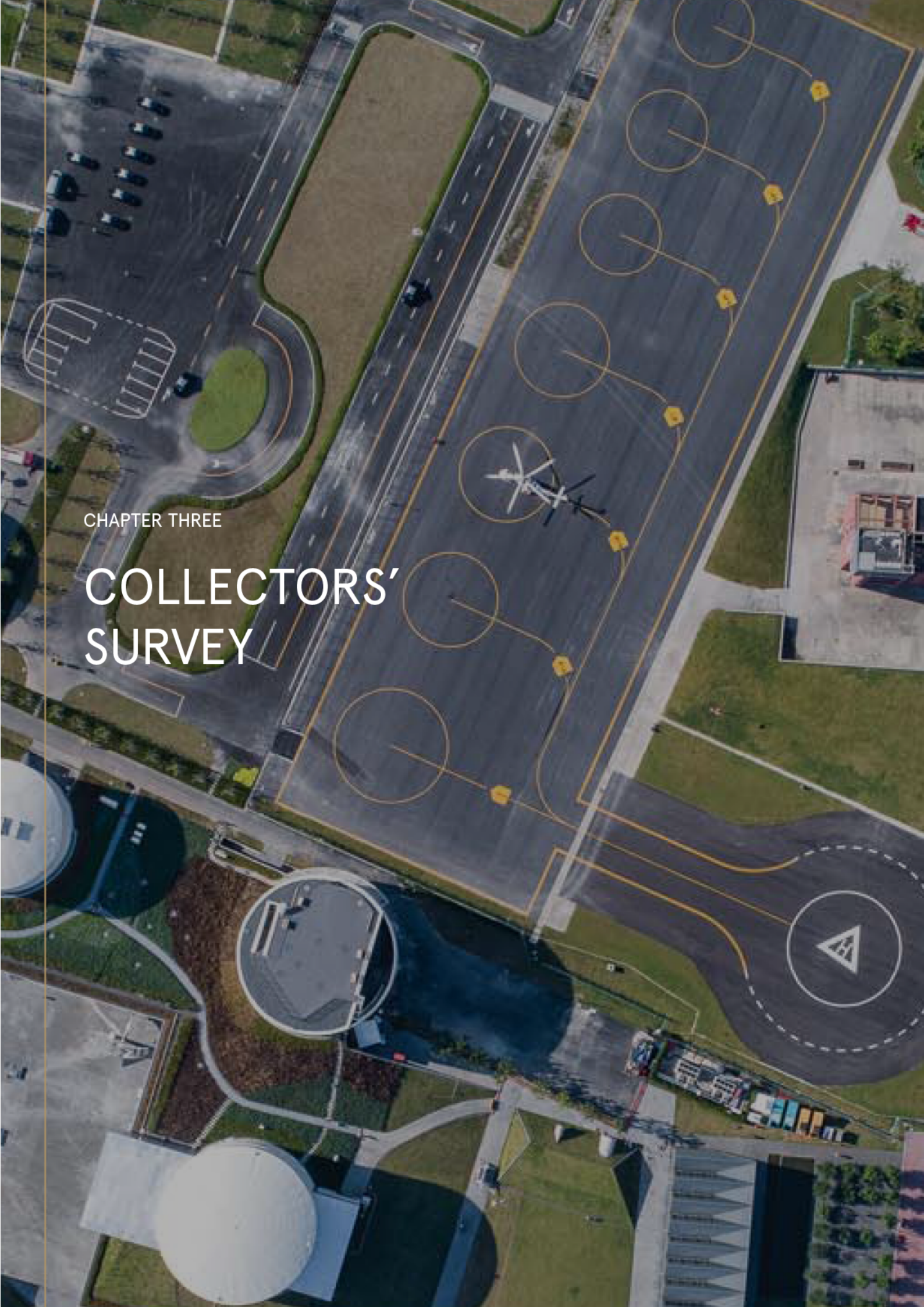
33 <https://www.galleriacontinua.com/about/beijing/history>

34 <http://www.artnews.com/2009/11/17/sothebys-auction-depth-of-bidding-on-all-levels/>

35 China Antiques & Artworks Auction Market Statistical Annual Report 2017, CAA. CAA began to comprehensively gather data of the industry in 2010 and has since published its report every year. Their data are so far perceived as more accurate in reflecting the trading activities of local art auction houses

36 At the time the report was published, CAA's 2018 data was not yet published

37 This number included buyer's premium which is a flat number of 15% in China

An aerial photograph of a road construction site. A long, straight road is under construction, with yellow lines and circular markers laid out on the asphalt. A white surveying instrument is positioned on the road. To the left, there is a parking lot with several cars and a landscaped area with a green lawn. To the right, there is a building and a grassy area. In the foreground, there are several large, circular structures, possibly water tanks or storage tanks, and a road with a white triangle warning sign.

CHAPTER THREE

# COLLECTORS' SURVEY

Lorenz Helbling, founder of one of the leading galleries in China, ShanghArt Gallery, was working for a gallery in Hong Kong in the mid-1990s. At the time he “felt the rest of [the]future is more in China” and had the idea to open a gallery in Shanghai. ShanghArt Gallery was founded in 1996 and today it has outposts in three cities: Shanghai, Beijing and Singapore. Looking back on the two- decade journey of managing the gallery, Helbling believes that Chinese collectors experienced a major transformation:

“Now people start to understand what the art is about, so it will be much more [optimistic]. I think if things go smoothly, people will not consider art as a stupid hobby or a waste of time. Artists can be quite important to society and to make a big change. It’s like finding content in your life, a meaning in the world.”

Helbling also observed that a new generation of collectors is gradually shaping a different landscape of collecting in the country: “Local collectors are [now] much younger, much closer [to contemporary art]. They know the world they are living in and now local people can react much faster. It is getting quite diverse and interesting. [All these private museums] you didn’t have in Shanghai a few years ago.”

A senior executive who works for a Western blue-chip gallery who would like to stay anonymous, also recognized how a younger generation of collectors in China is making a difference in this art market: “They certainly are more open and more courageous to collect new things, try new ideas. They are bolder when making purchasing decisions.” He believes that the booming of the private museums in China in recent years sends a positive signal to the market. “The most fascinating thing of the emergence of private museums is that they want to be different from one another,” he said. “The pursuit of individuality will lead art collecting into a more mature stage, because the purpose of collecting is different from the past. In the old days, a group of collectors tended to buy similar works, but now they want to demonstrate different collections. As a result, the collecting scene is healthier.”

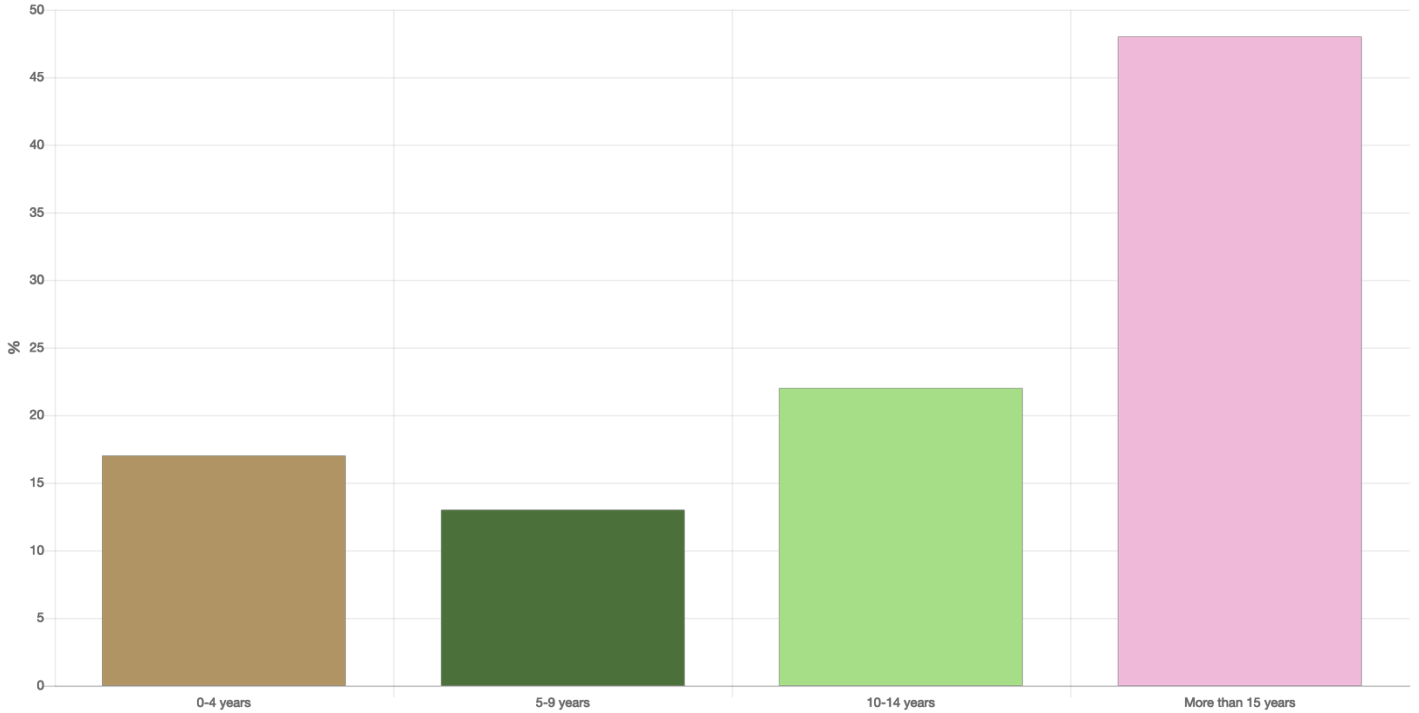
During the researching of this report, I conducted an in-depth survey of over 20 top collectors in the country. Some of them are private museum owners. What they have in common is that all of these collectors (interviewees) have dedicated a significant percentage of their financial resources to art collecting, and thus they represent the most serious group of collectors in China.

This chapter is divided into two sections. The first will review the survey results and explain how they demonstrate the collecting preferences of the collectors. The second section will highlight the report’s interviews with a few private museum owners and describe the current state of the development of private museums in China.

# THE SURVEY

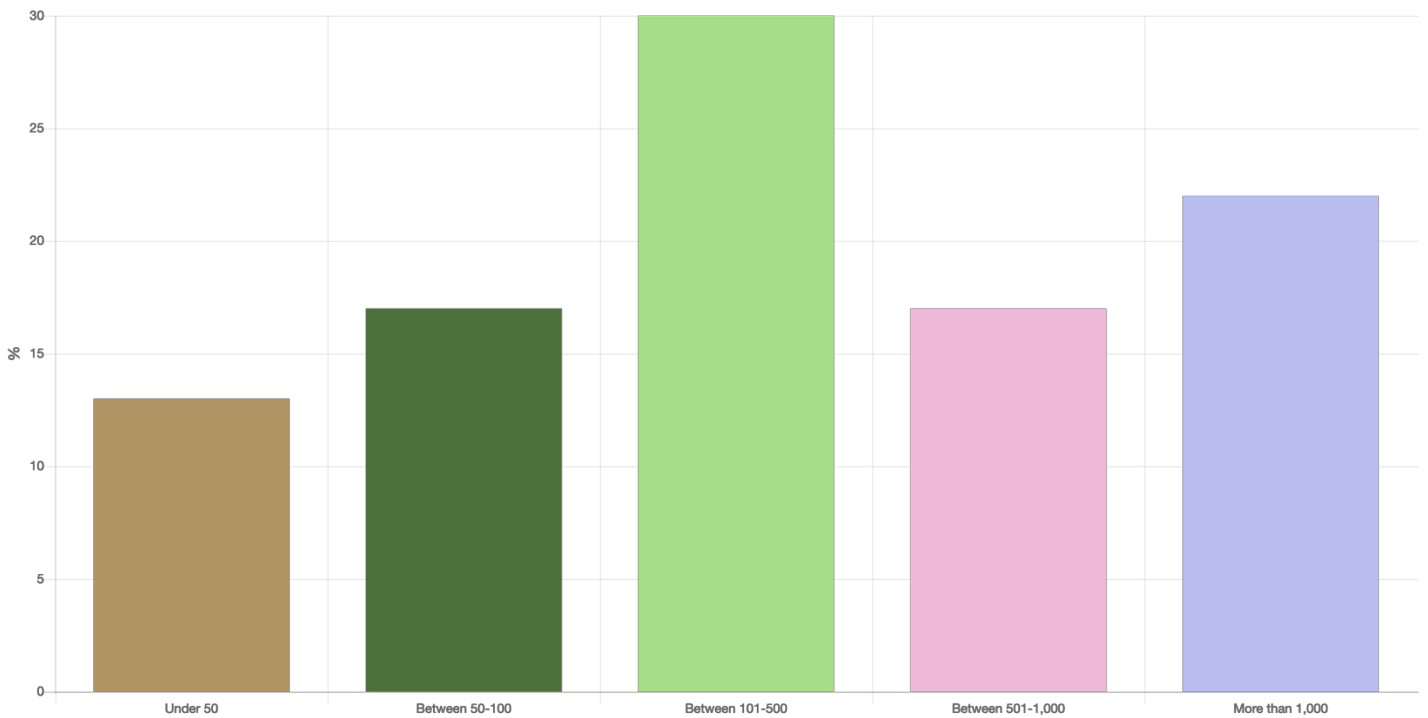
The survey with the top collectors closely examines their collecting behaviors, from the length of their collecting journey, collecting categories, to the capital they have spent and plan to spend in the future. All of these collectors are Chinese Citizens, were born in Mainland China, or currently reside in Mainland China. We will go through the results question by question:

## How long have you been collecting art?



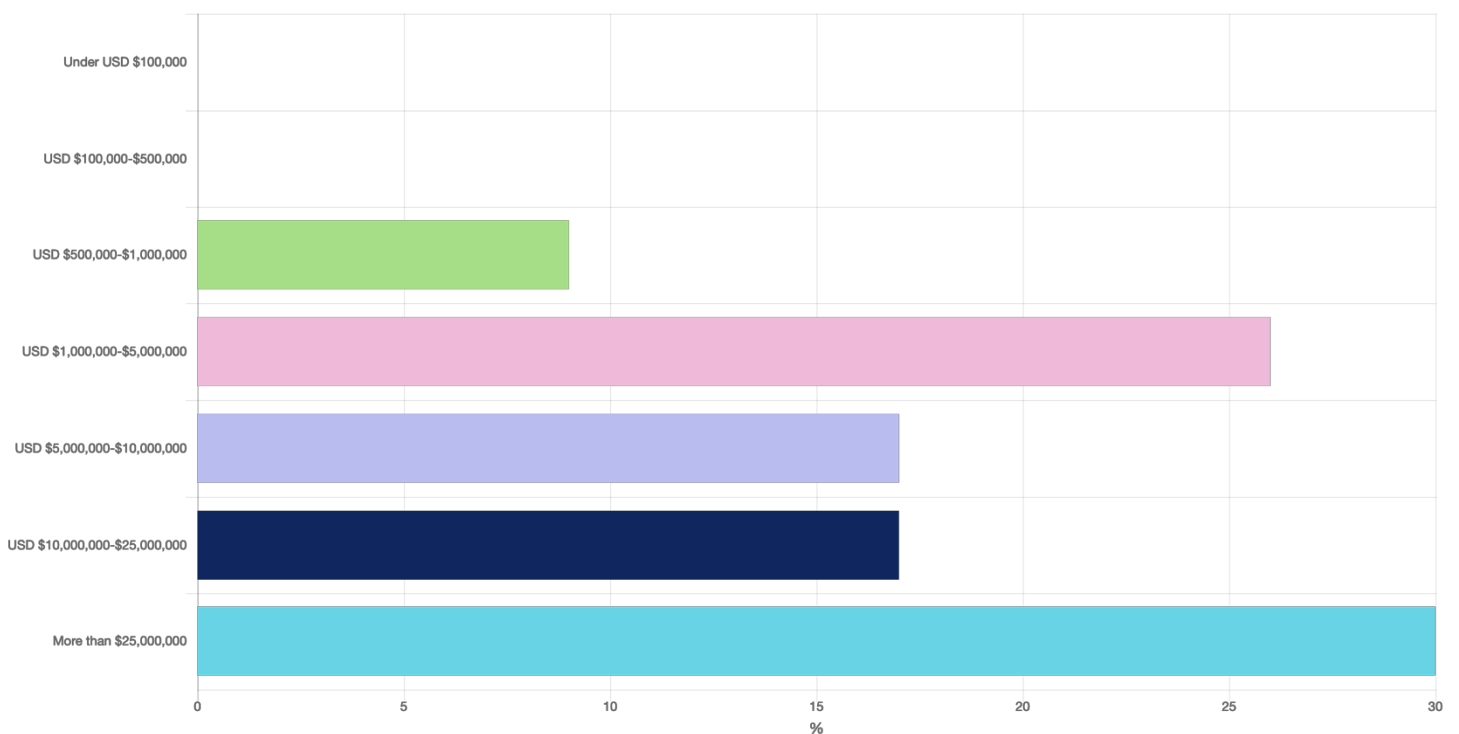
48% of the collectors surveyed have been collecting for more than 15 years. 22% have been collecting between 10 and 14 years. 17% are new collectors who began collecting in the past 4 years. In total, 70% of the people surveyed are long-term collectors who have been actively buying art for over a decade.

## How many pieces have you collected?



22% of the collectors surveyed own a private collection of more than 1,000 pieces. 17% of them have over 500 artworks and less than 1,000. 30% have a collection with the number of artworks ranging between 100 and 500. In total, almost 70% of them have a collection of over 100 pieces. This also reflects their commitment to art collecting for over a decade.

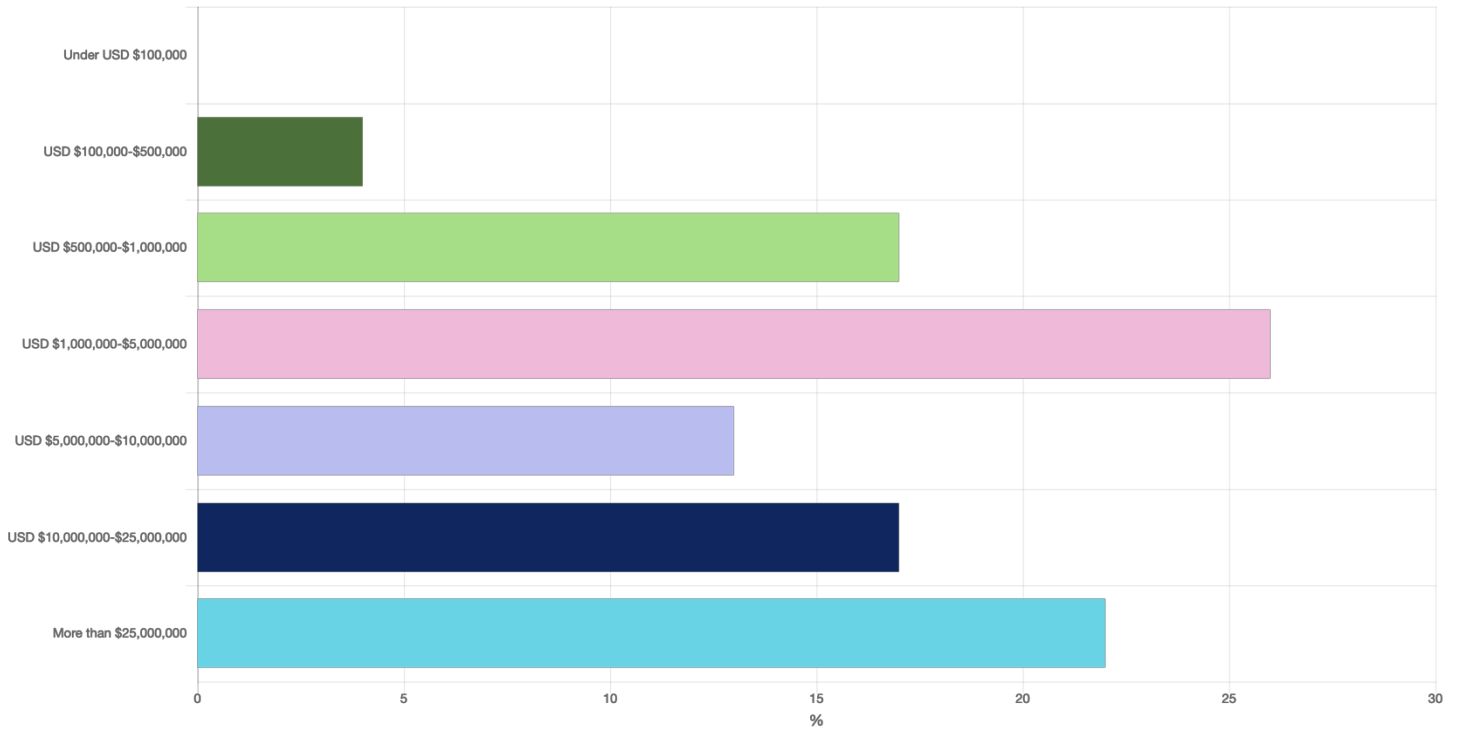
## How much have you spent on your art collection in total?



30% of the collectors surveyed spent over USD 25 million collecting art, 17% spent over USD 10 million (but less than USD 25 million) purchasing art, and another 17% of collectors spent over USD 5 million (but less than USD 10 million). A small percentage of people

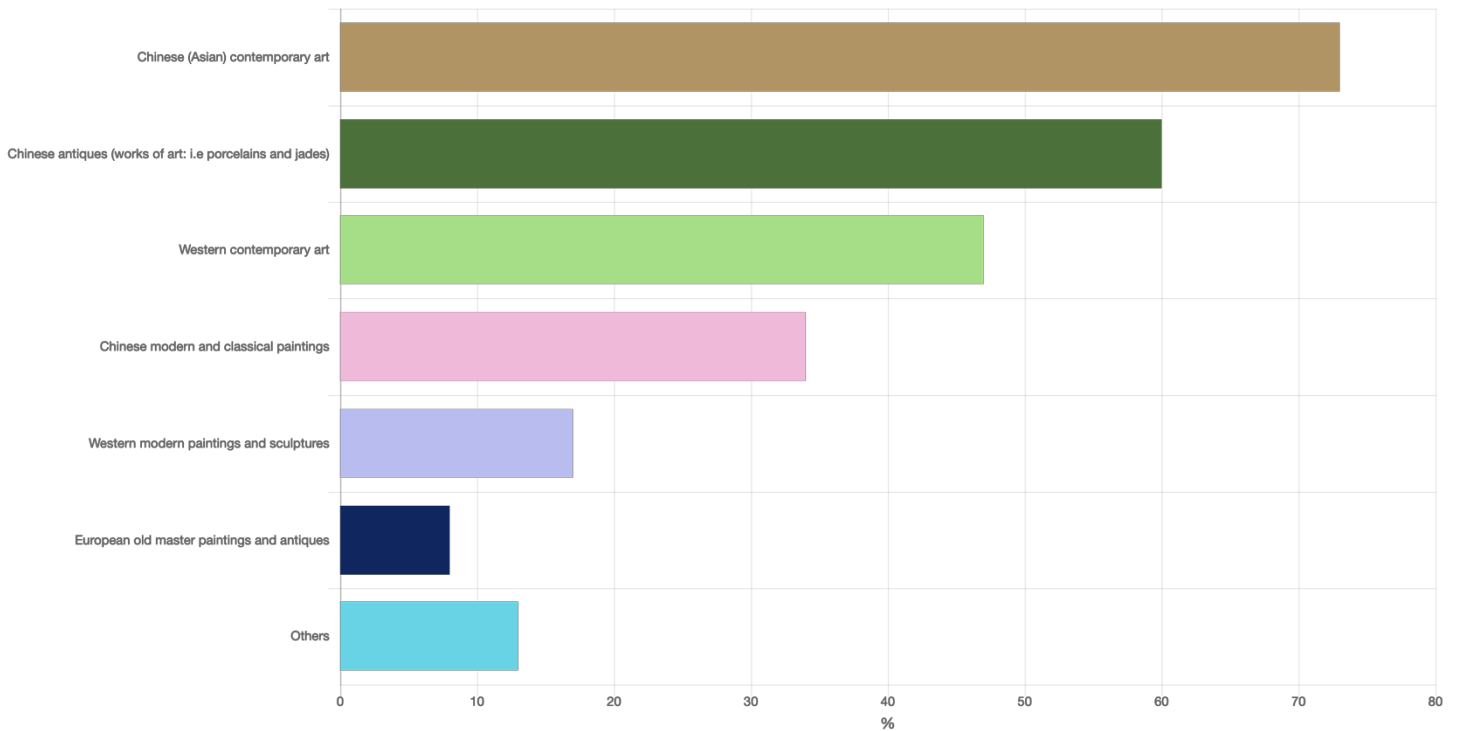
surveyed recently began art collecting and their capital spending was on the lower end (between USD 500,000 to 1 million).

### How much have you spent on your art collection over the past five years?



22% of the collectors surveyed spent over USD 25 million collecting art over the past 5 years. 17% spent over USD 10 million (but less than USD 25 million), 13% over USD 5 million (but less than USD 10 million) and 26% over USD 1 million (but less than USD 5 million). In total nearly 80% of the collectors in the survey spent at least USD 1million in the past 5 years. Only 4% spent less than USD 500,000 and no one spent less than USD 100,000 over the last 5 years. They have also stayed active in collecting art.

## What have you been collecting the past 5 years?



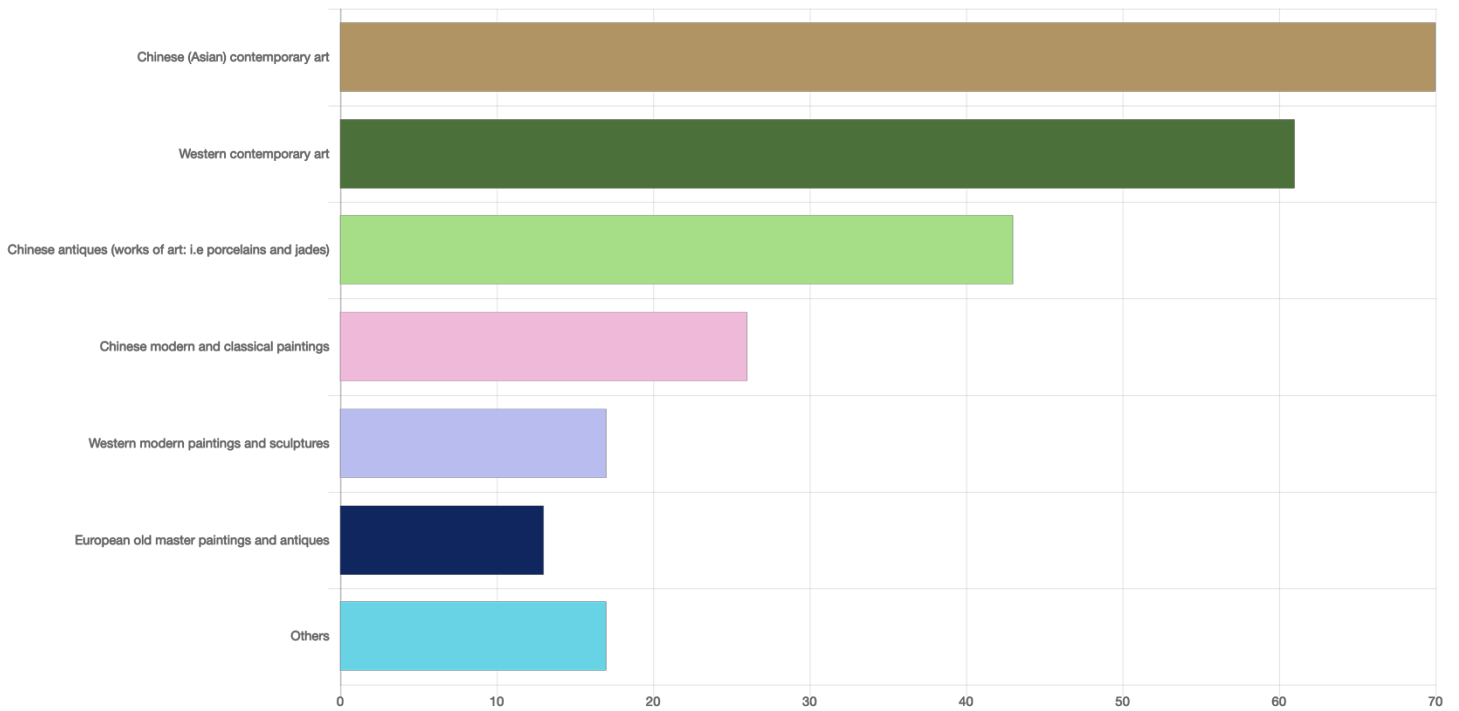
Over the past five years, the most popular collecting categories of the collectors surveyed are Chinese contemporary art, followed by Chinese Works of Art, Western contemporary art and Chinese modern and classical paintings. Less than ten percent of the collectors in the survey bought Western old master paintings and antiquities, which turned out to be the most unpopular collecting category of the collectors surveyed. The ages of the collectors surveyed ranged from mid-20s to mid-60s, and thus this group represents various generations of Chinese collectors.

A possible explanation to their low interest in Western old master paintings and antiquities is that the connoisseurship of this category requires profound knowledge on European history and religions and thus might be difficult for Chinese collectors to develop an expertise in the field.

It is important to note that this doesn't represent total dollars spent, only if they have purchased anything from this category.

When asked about their collections of Western decorative art, many collectors said they have had little access to this category and rarely see exhibitions of Western decorative art in mainland China or Hong Kong. Some have collected Western furniture but they admitted that they know little about this area although would like to learn more. From the large number of collectors I spoke with, it is clear that the lack of knowledge of Western decorative arts and limited exposure are two of the major hurdles facing collectors from more active collecting activity in this category.

## What do you plan to collect over the next 5 years?



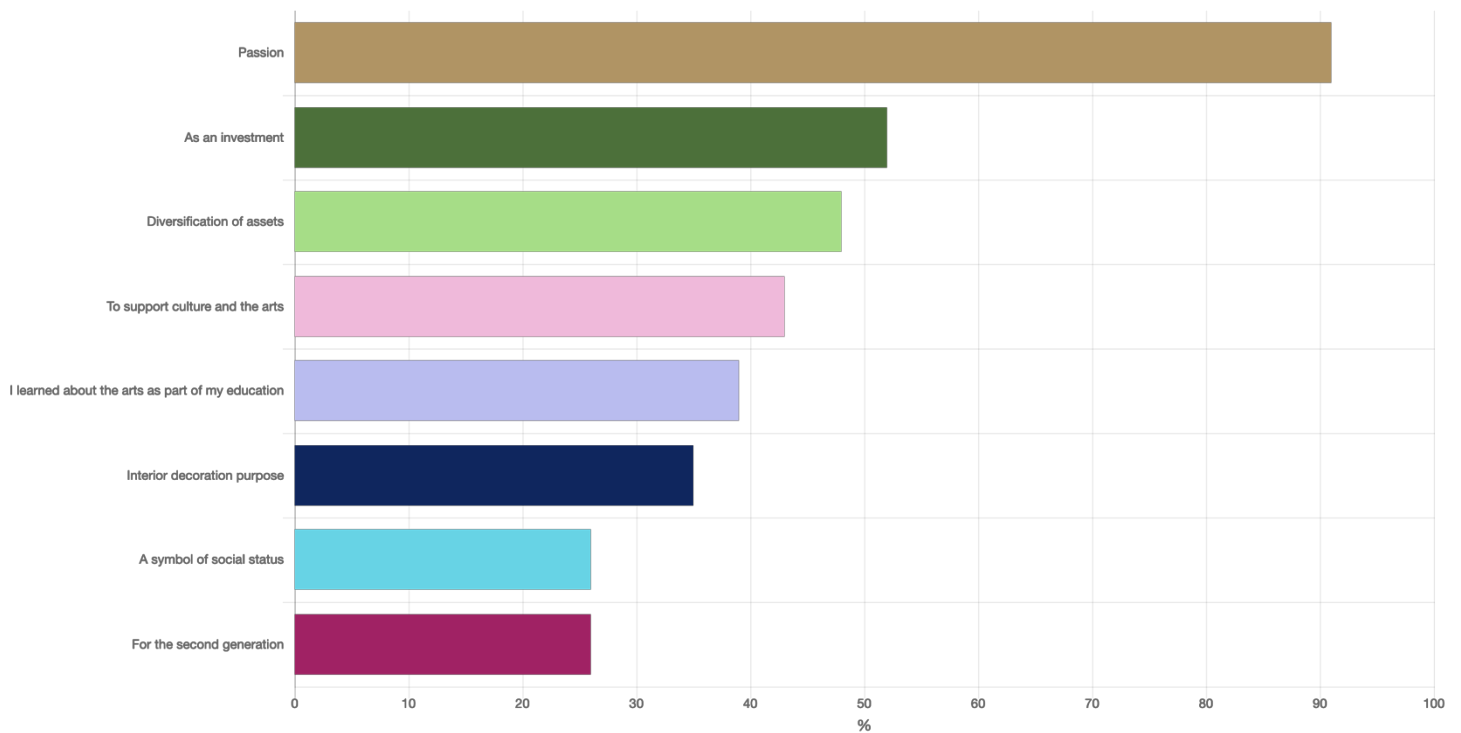
Looking ahead, Chinese/Asian contemporary art and Western contemporary art are the categories that the collectors surveyed are most interested in. 70% of respondents chose the former and 61% selected the latter (they are not mutually exclusive). Over 40% of the collectors surveyed will continue to buy Chinese antiquities moving forward. Again, their overall enthusiasm for Western old master paintings and antiquities remained low: slightly over 10% of the collectors are interested in buying in this category.

We also found that 17% of collectors who have acquired Western modern paintings and sculptures in the past will remain active buyers in this category.

When asked about their collections of Western decorative art, many collectors said they have had little access to this category and rarely see exhibitions of Western decorative art in mainland China or Hong Kong. Some have collected Western furniture but they admitted that they know little about this area although would like to learn more. From the large number of collectors I spoke with, it is clear that the lack of knowledge of Western decorative arts and limited exposure are two of the major hurdles facing collectors from more active collecting activity in this category.

Again, the answers to this question do not represent how much they intend to spend in each category.

## Why do you collect?



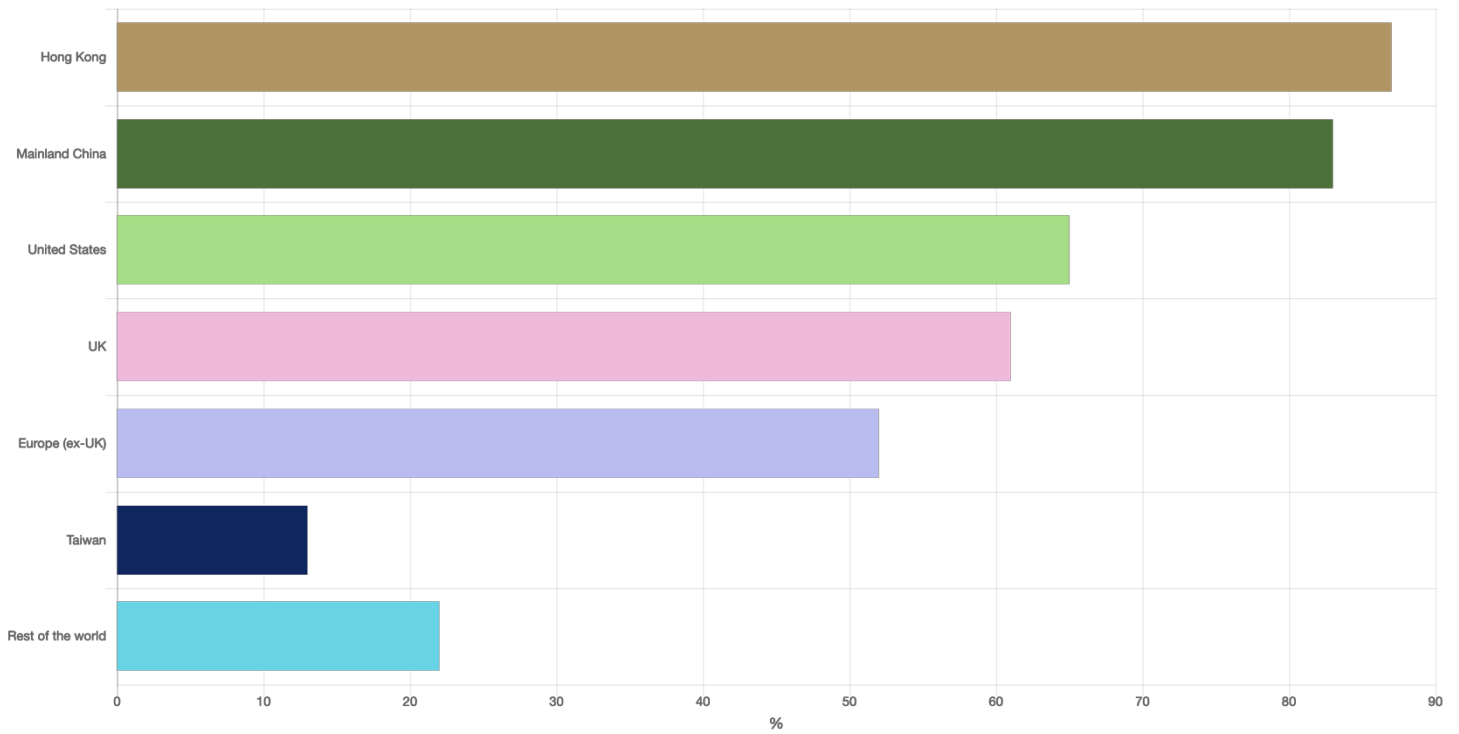
The primary reason selected by the collectors surveyed was passion--91% of them followed their enthusiasms when collecting. 52% of the collectors admitted that they buy art as an investment and 48% acknowledged they perceive collecting as a diversification of assets (the answers were not mutually exclusive). The answers demonstrated a common perception of art as an investment tool. As Lorenz Helbling explained "I think nobody wants to lose money. When you buy, you want to buy the right thing."

Not surprisingly, buying art for interior decoration purposes is still important: 35% of the collectors in the survey chose this reason.

Interestingly, although many dealers and art advisors interviewed believe that an important reason for the collectors to buy art is to show social status, only 26% of the collectors surveyed acknowledged this reason. Perhaps at the higher end of the market these collectors already have attained the social status they desire.

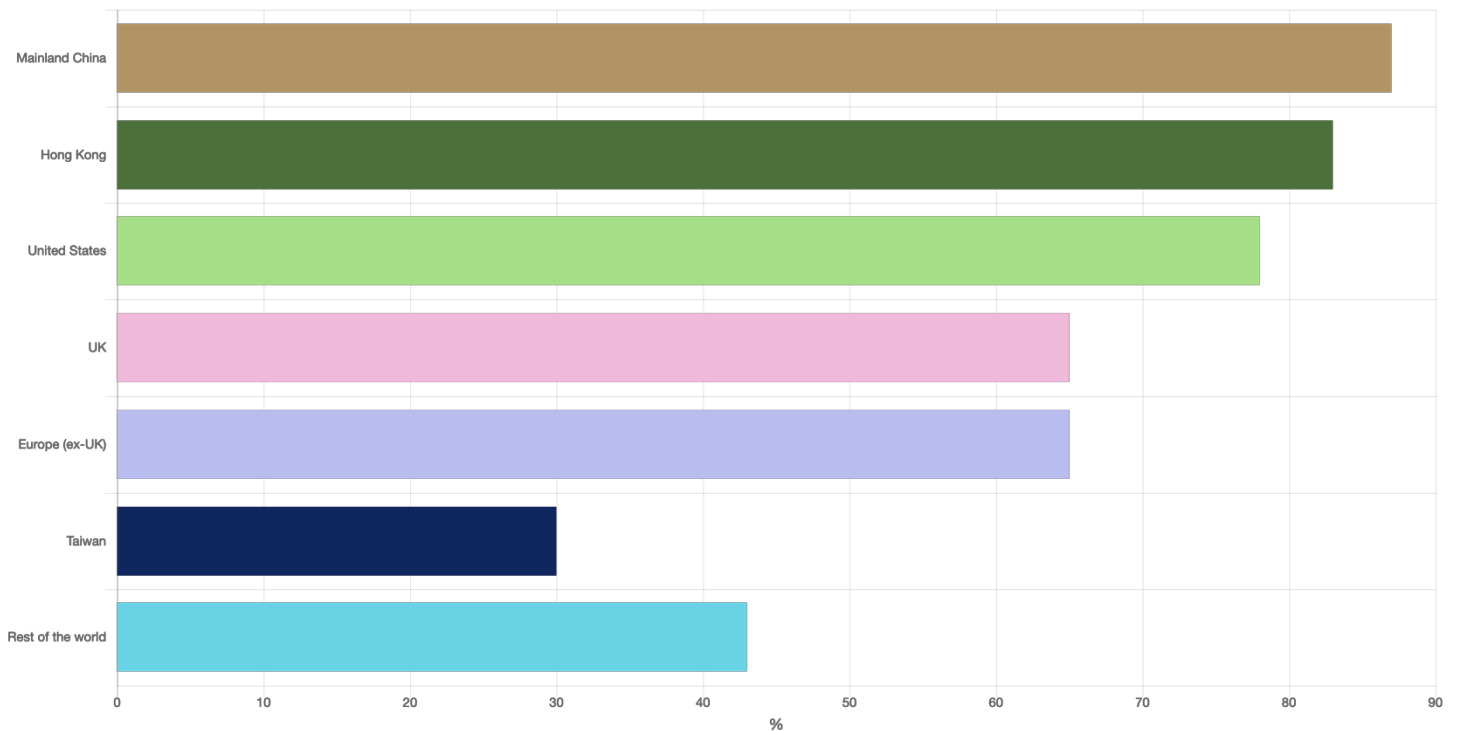
We also noticed that 26% of the collectors in the survey chose to buy art for their families' second generation. This shows that the value of long-term collection and estate planning has been recognized by some collectors in the survey.

## Where have you purchased art?



Understandably Hong Kong and mainland China are ranked as the most popular destinations for the collectors to buy art. They are followed by the US and UK. It is apparent that the collectors have been world travelers: 65% of them have traveled to the US to purchase art, 61% have traveled to the UK to buy art, and 52% to continental Europe. Taiwan is listed as the least popular destination for them to buy art. A potential explanation for this phenomenon could be that few auctions or art fairs are held in Taiwan and so art trade activities in Taiwan are relatively lower.

## Where do you plan on purchasing art in the future?



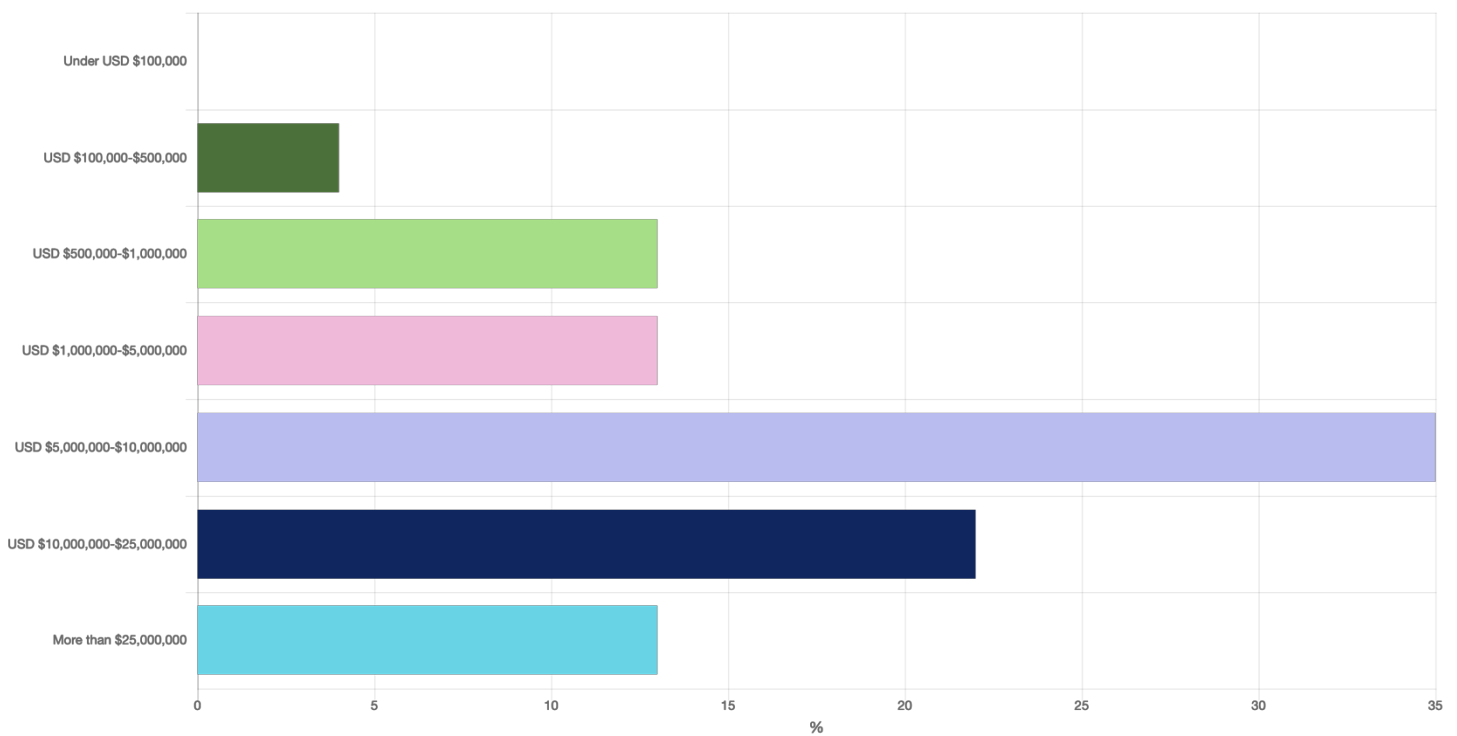
The answers to this question were almost identical to those of the former question, in which mainland China and Hong Kong remain

as the top choices, followed by the US and UK. The interest in buying art in Taiwan continues to be low compared with the other options.

In addition, however, we found that much higher percentages of collectors chose the US and continental Europe over the UK. Our observation is that the result is likely to be associated with the uncertainty concerning Brexit.

A subtle difference in the answers to this question versus those for the previous one is that mainland China, instead of Hong Kong, was ranked the most popular destination for buying art. This change could be based on a stricter regulatory environment in mainland China, making it harder for Chinese individuals who travel abroad to exchange their capital for foreign currencies. Zheng Hao, collector and founder of How Art Museum, said "Currently, liquidity is a big challenge. The Renminbi [official Chinese currency] cannot go outside easily." The expectation of these collectors may be that there will be liberalization in the future, or that perhaps as more Western galleries and works are shown and sold in mainland China, there will be less of a need to travel outside of China to be exposed to these artists.

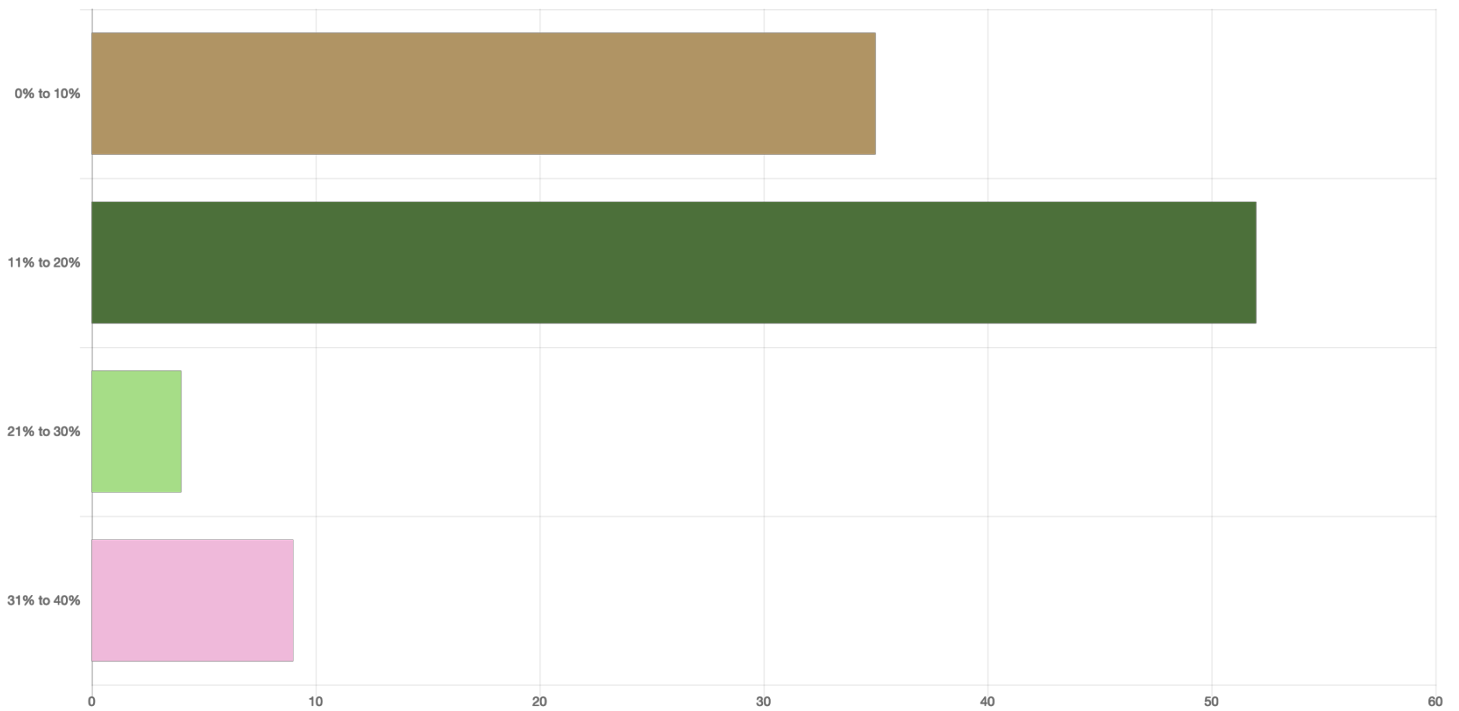
### How much do you plan to spend on your art collection in the next five years?



35% of the collectors surveyed plan to spend over USD 5 million (and less than 10 million) on art collecting in the next 5 years. 22% of collectors would like to spend over USD 10 million (and less than 25 million) on art collecting, 13% plan to spend more than USD 25 million, and 13% want to spend more than USD 1 million. In total 83% of the collectors in the survey want to spend USD 1 million and above buying art in the next 5 years. No one in the survey intended to spend less than USD 100,000 in the next 5 years.

Their enthusiasm as art collectors remains high.

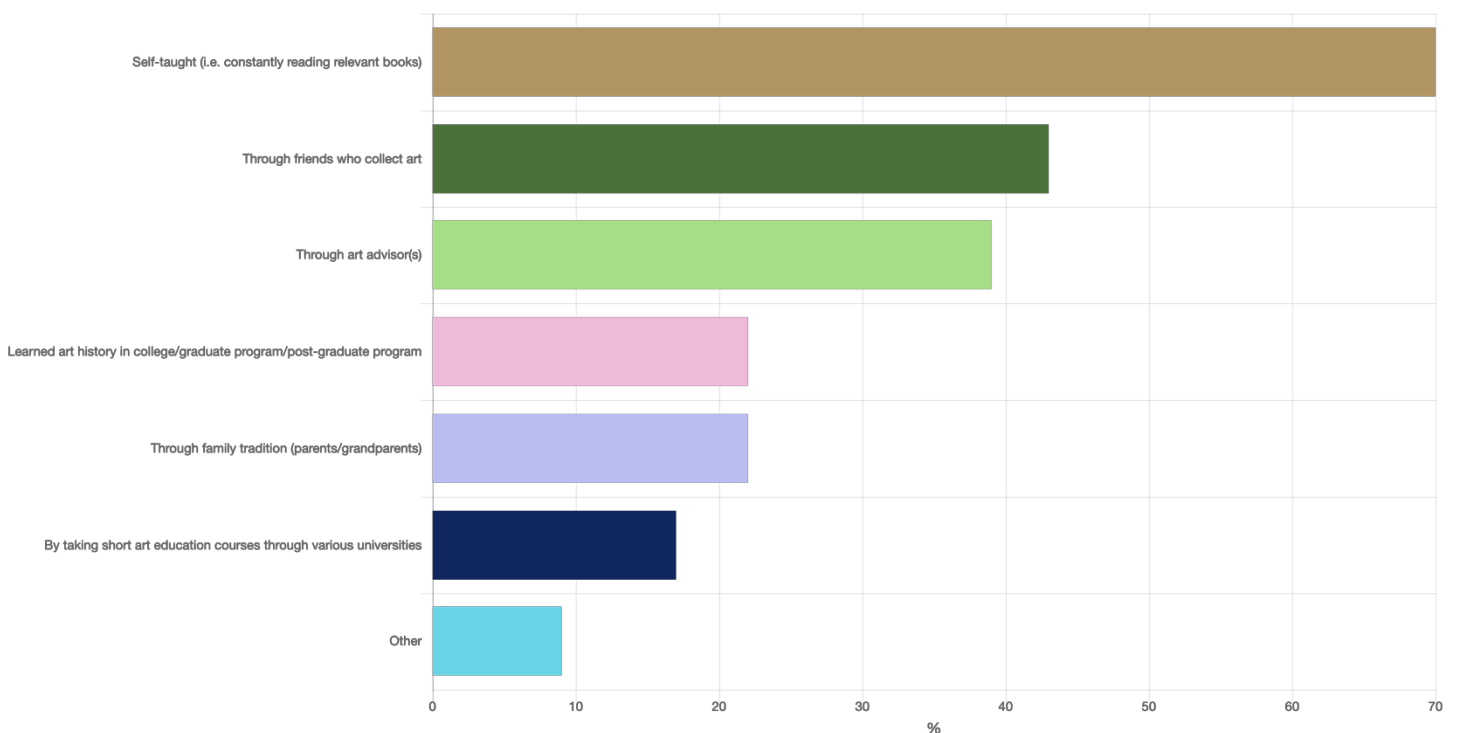
## How much of your art collection do you plan on selling over the next five years?



52% of collectors surveyed plan to sell less than 20% of their collection in the next 5 years and 35% of collectors would like to sell less than 10% of their collections. The rest are interested in selling over 20% (and less than 40%) of their collections. It is obvious that they are committed to most of the artworks that they have collected and are not eager to liquidate the works in their holdings.

As stated by Kou Qin, CEO of China Guardian Investment Holdings Limited, General Manager of Guardian Art Center, and Director of Guardian Education, "True collectors of art rarely sell from their collections to save their businesses."

## How did you learn about the art that you have collected? How did you develop an interest?



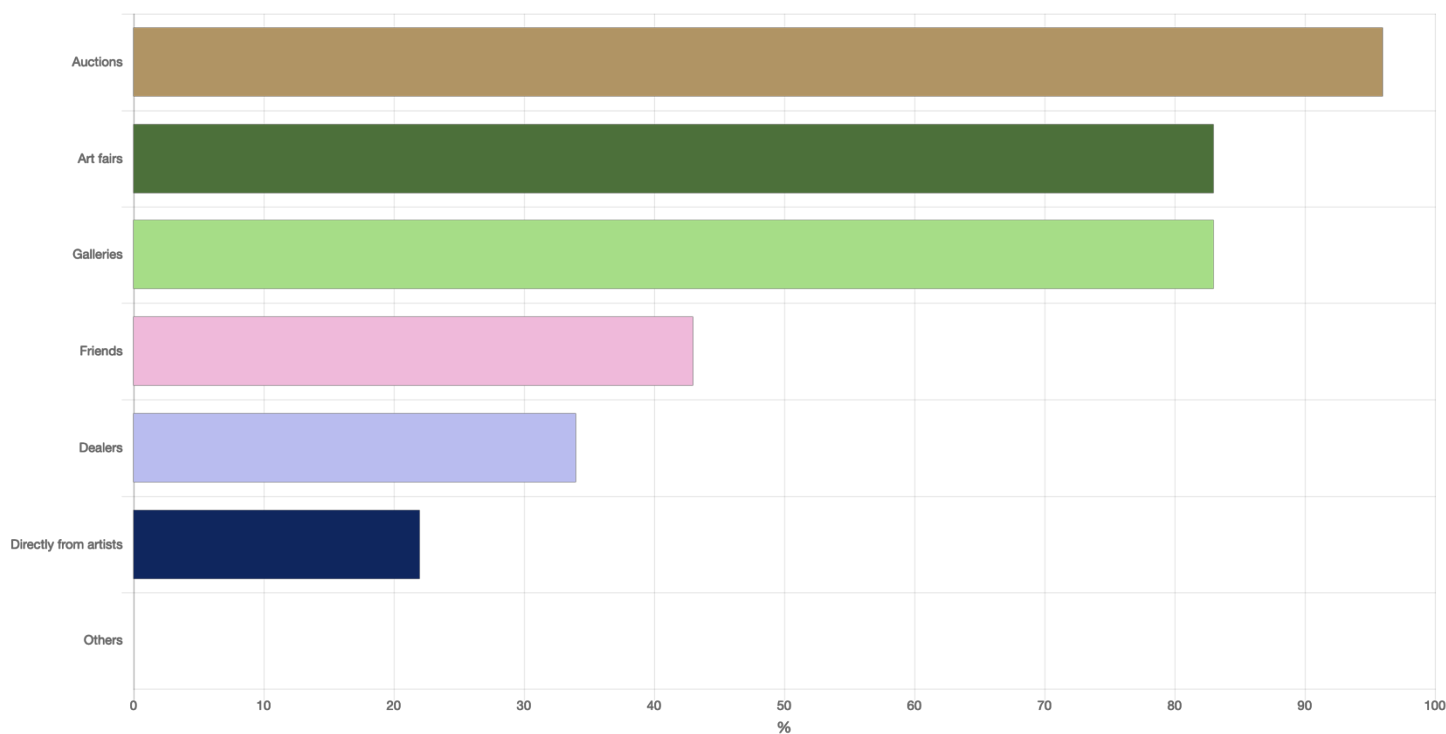
As observed by the Los Angeles-based Chinese antiquities dealer Clare Chu, the collectors in China are fast learners. "One thing I've noticed is the exponential learning curve of these collectors. For example, at first they liked jade simply because of the color of it, and then quickly they started to look at things like the carving and the style of an object. It is the same with paintings and furniture."

The survey results reflected Clare Chu's remark. 70% of the collectors in the survey admitted that they mastered the knowledge of collecting by teaching themselves. The influence from their friends has also been crucial (43%; the answers are not mutually exclusive). Although only 22% of the collectors surveyed had an educational background in art, they do not particularly favor taking art education courses as a preferred way of learning to collect: Only 17% of them have taken a short education program. Common feedback received during our interviews of collectors was that they were too busy managing their businesses to take art education courses. Besides, a lack of high-quality education courses also contributes to this situation.

Jenny Wang, Collector and Chairwoman of Fosun Art Foundation, said "I have not systematically studied [art collecting], which means I did not go to the classroom to study. I do not have such time .....I think it is the fact that practice makes perfect. You have to go out to understand more and learn more. First, you are learning when you visit the exhibitions. You communicate more with these artists, collectors, and gallerists. I think this is part of the process of learning."

Collector Liu Gang has had a similar experience: "I think the first thing is just going to exhibitions. Second is reading. I love to read, especially about abstract art. I read original English works. I find them very interesting." And Liu Gang is not impressed with the current art education courses offered in the art market: "I would guess that I probably already know most of the stuff they might teach in those courses."

### What channels have you used to collect art?



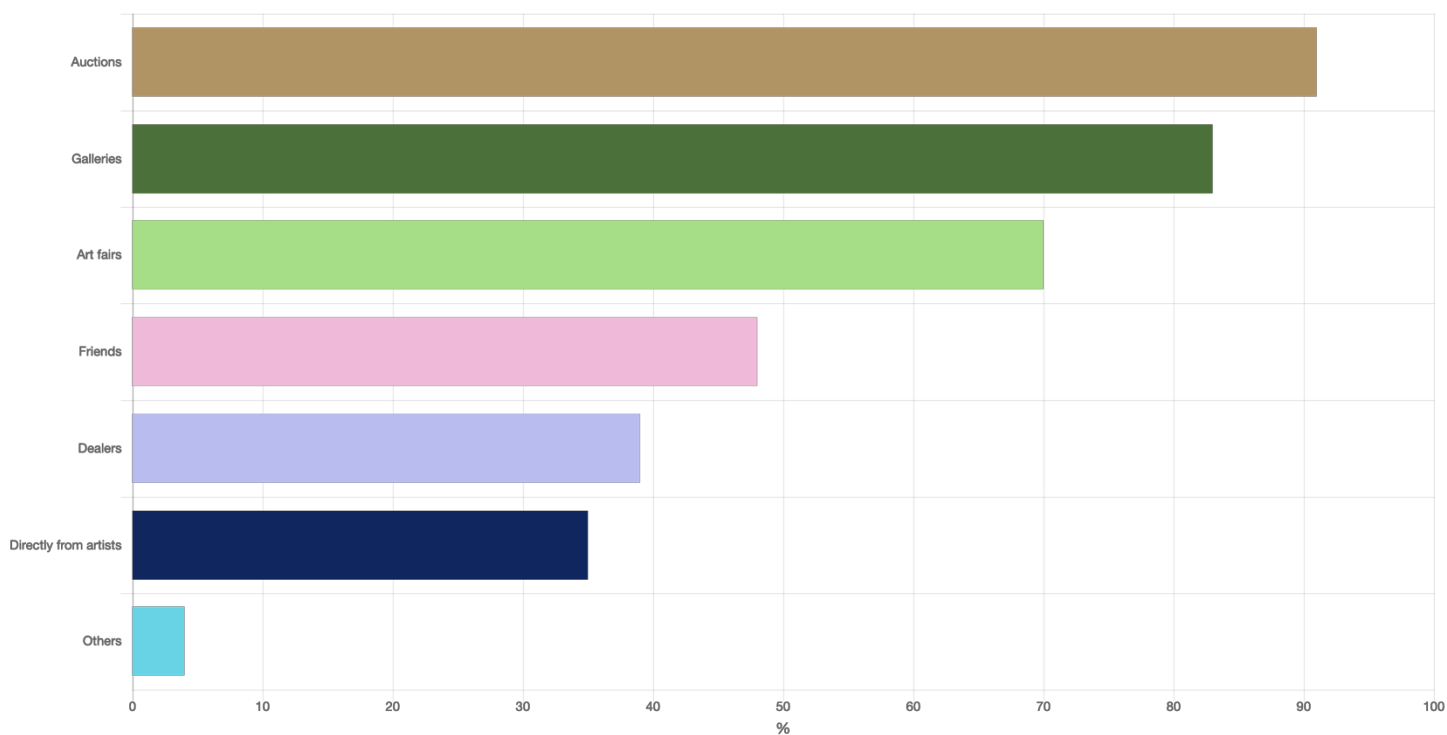
For the collectors surveyed, auctions were selected by 96% as a channel to collect art. Art fairs and galleries were chosen as the second most popular channel, preferred by 83% of the collectors in the survey (the answers were not mutually exclusive). Given what has been discussed in earlier chapters, that the development of the market over the past 25 years has been substantially driven by the domestic auctioneers, it is not surprising that we received such survey results. And the flourishing of art fairs has encouraged more collectors to collect through them and galleries.

Our survey discovered that trading art through friends has become an important channel for collectors to buy art. Trading appeared to be the third most-preferred channel after auctions and art fairs/galleries, with 43% of the collectors choosing it. 35% of collectors chose to buy through private dealers.

Our interpretation is that there is a strong cluster effect among the collectors in China. Not only are they influenced by their friends in their decisions to buy art, but they also like to trade artworks with friends. There is a level of trust that may exist among friends and perhaps a strong sense of social conformity that play roles in this unique situation David Norman, a private dealer based in New York who started working with Chinese collectors 10 years ago, said "I believe trust and familiarity with whomever selling to them is of key importance."

The Los Angeles-based dealer Clare Chu felt that the cluster effect among collectors can be a challenge for a dealer: "The challenge for me is the influence of their peers. If one person says 'Oh this is what you should be buying' then everybody wants that one thing, whereas I think collecting is a very individualistic thing to do."

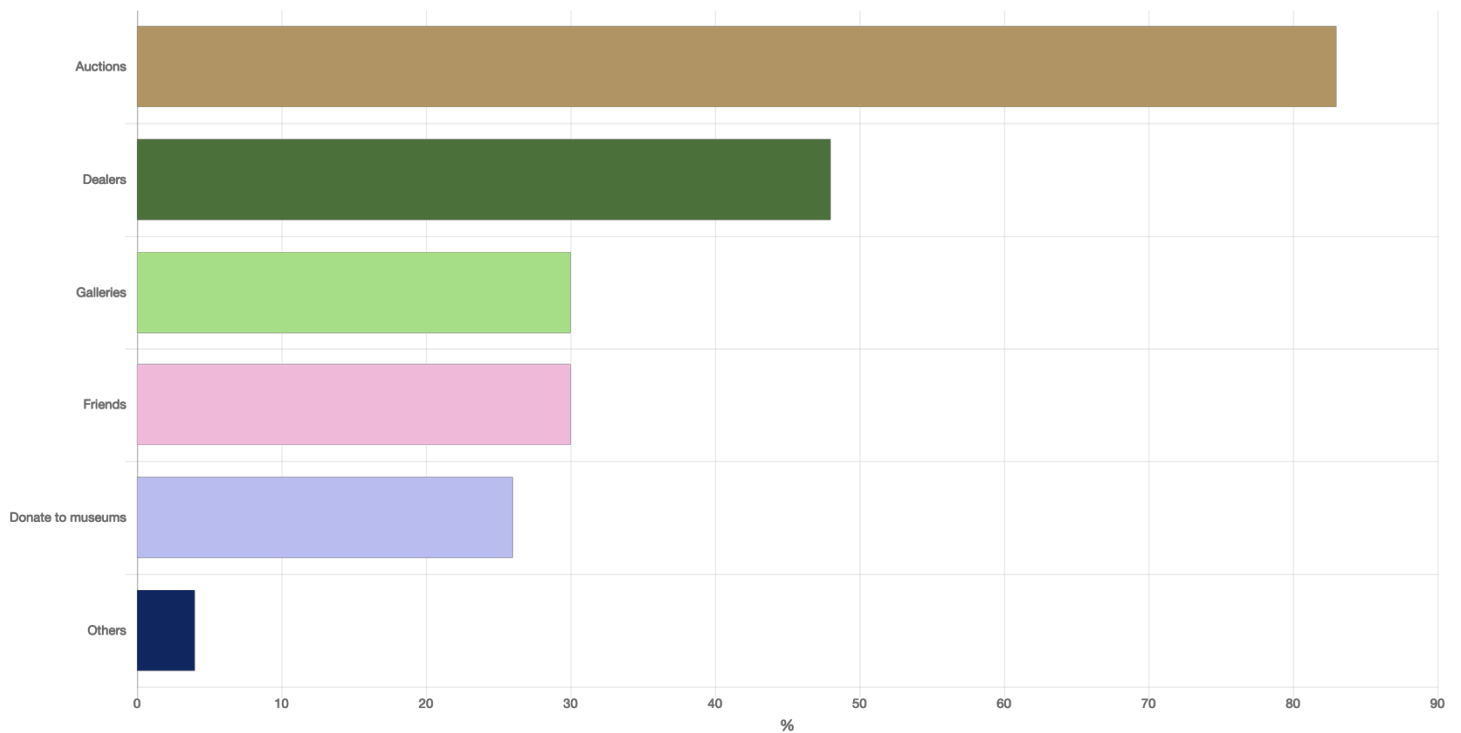
### What channels do you plan on using to collect art?



Over 90% of the collectors surveyed selected auctions as the most popular channel to buy art in the future. The price transparency of auctions and perceived likelihood of not buying a fake artwork seem to drive collectors to view auctions as a safe way to collect. Galleries have been chosen by 83% of the collectors in the survey (the answers were not mutually exclusive) as the second most-preferred channel. Art fairs are favored by 70% of the collectors in the survey. Our observation is that the collectors in the interviews often felt that buying through an art fair was the same as buying from a gallery. The survey result, therefore, demonstrates that other than through auctions, collecting through the primary market has become a pivotal channel for them to buy art.

We also noticed that 48% of collectors selected "trading among friends" as a channel to collect art moving forward, which was slightly higher than the 43% who chose that method in our previous question. This shows that buying art through friends has proven to be an effective and favored way for the collectors surveyed.

## What channels do you plan on using to liquidate your art collection?

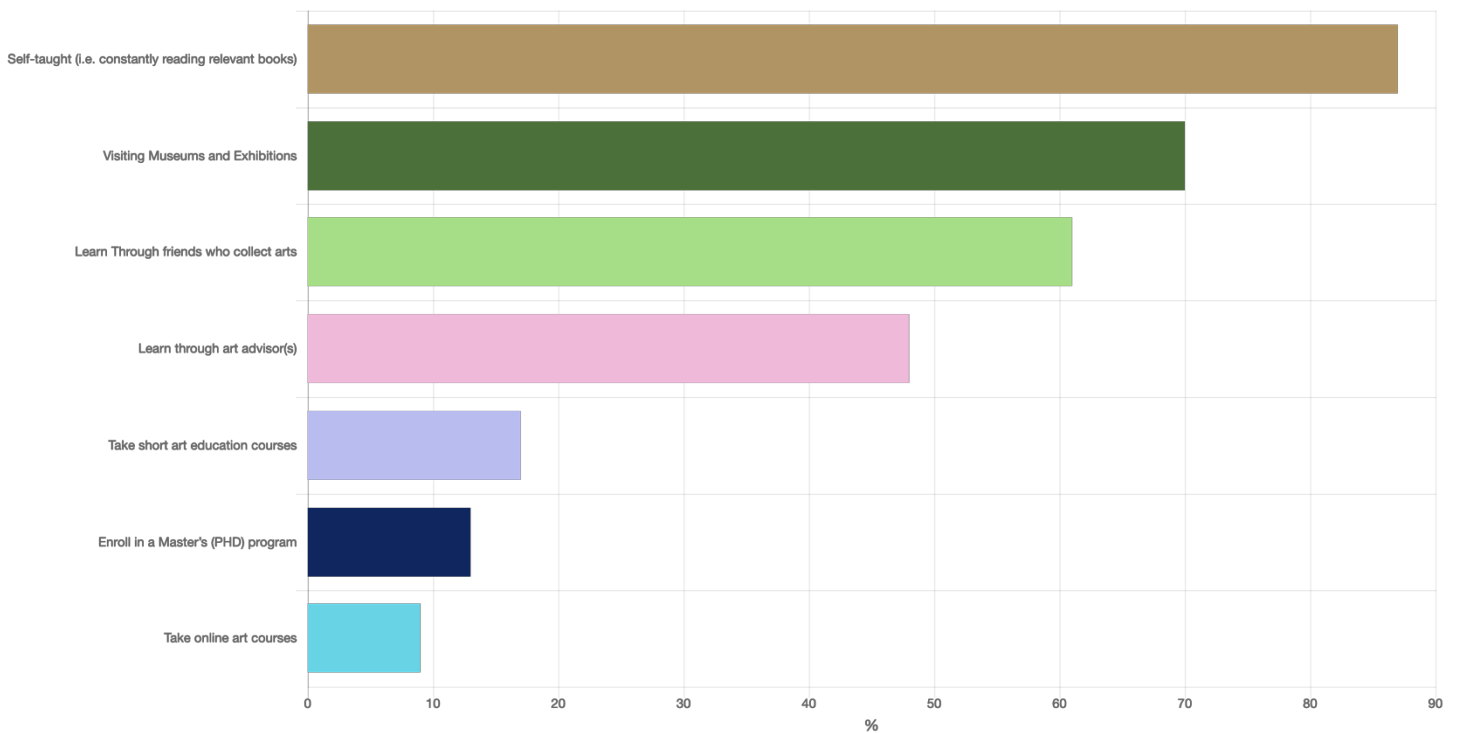


Auctions were selected by 83% of collectors as the most preferred way to liquidate their collections in the future. Dealers turned out to be the next preferred channel, with 48% of the collectors favoring that option (the answers were not mutually exclusive). Thus, auctions were significantly more popular than dealers as a selling. Given the fact that auctions could help a consignor maximize the price of an artwork sold through an opening bidding process, it is understandable that its efficiency is recognized by the collectors.

Interestingly only 30% of the collectors chose "trading with friends" as a channel for them to liquidate art, a lower percentage compared with their willingness to buy art through friends. Our possible explanation for this difference is that collectors acknowledge that auctions and dealers offer the opportunity for them to achieve higher prices when selling their art (versus through friends), whereas buying art through friends is likely to enable them to collect art at a lower cost. Also the large volume of works held by these collectors would make it very difficult for friends to be able to help liquidate all of it.

Only 26% of the collectors in the survey were interested in donating art to museums. Since the regulatory environment in China does not provide tax benefits for this type of philanthropy, it may explain why collectors have little incentive for museum donations.

## How do you plan to learn more about the art you would like to collect over the next three years?



Similar to how they mastered knowledge for their past collecting, the large majority, 87% of the collectors, chose to continue to teach themselves for future collecting, followed by 70% who preferred to learn by “visiting museums and exhibitions” (the answers were not mutually exclusive). Recommendations from friends will continue to be a critical learning channel for the collectors surveyed, as 61% of them selected this option.

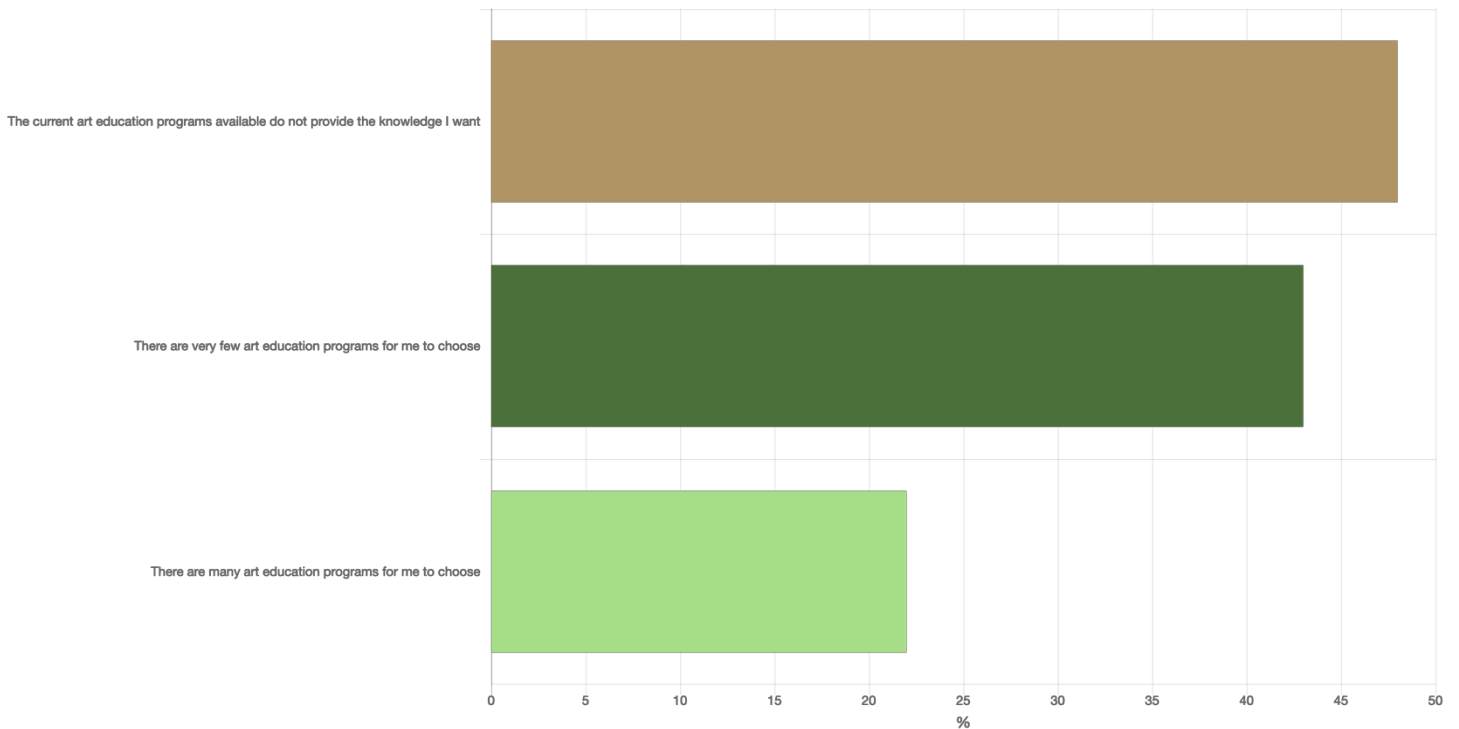
Meanwhile we have observed that a higher percentage of collectors chose to work with an art advisor in the future: 48% versus 39%.

The interest in signing up for an art education program remains low. Only 17% of the collectors in the survey plan to enroll in a short education program, and 9% are interested in an online course.

Meity Heiden, Deputy Chairman and Head of Global Private Sales at Phillips, offered her insight: “I think it [art education] will play a role if you are art buyers who buy art up to 1 million dollars and you have to be careful how you spend your money. For mega-wealthy people who could buy a Van Gogh for 40 or 50 million, I don't think so. I don't think they will pay for the time to educate themselves. They know what they want and they know what is good.”

Because most of the collectors surveyed tend to spend significantly more than USD 1 million in collecting art and only 17% of them chose to take art education (see earlier question), Heiden may be accurate in thinking that they are too busy to attend art education programs and in general “know what is good.” Heiden added, “Although I believe everybody should do that [take art courses].”

## What's your perception of the art education programs available to you?

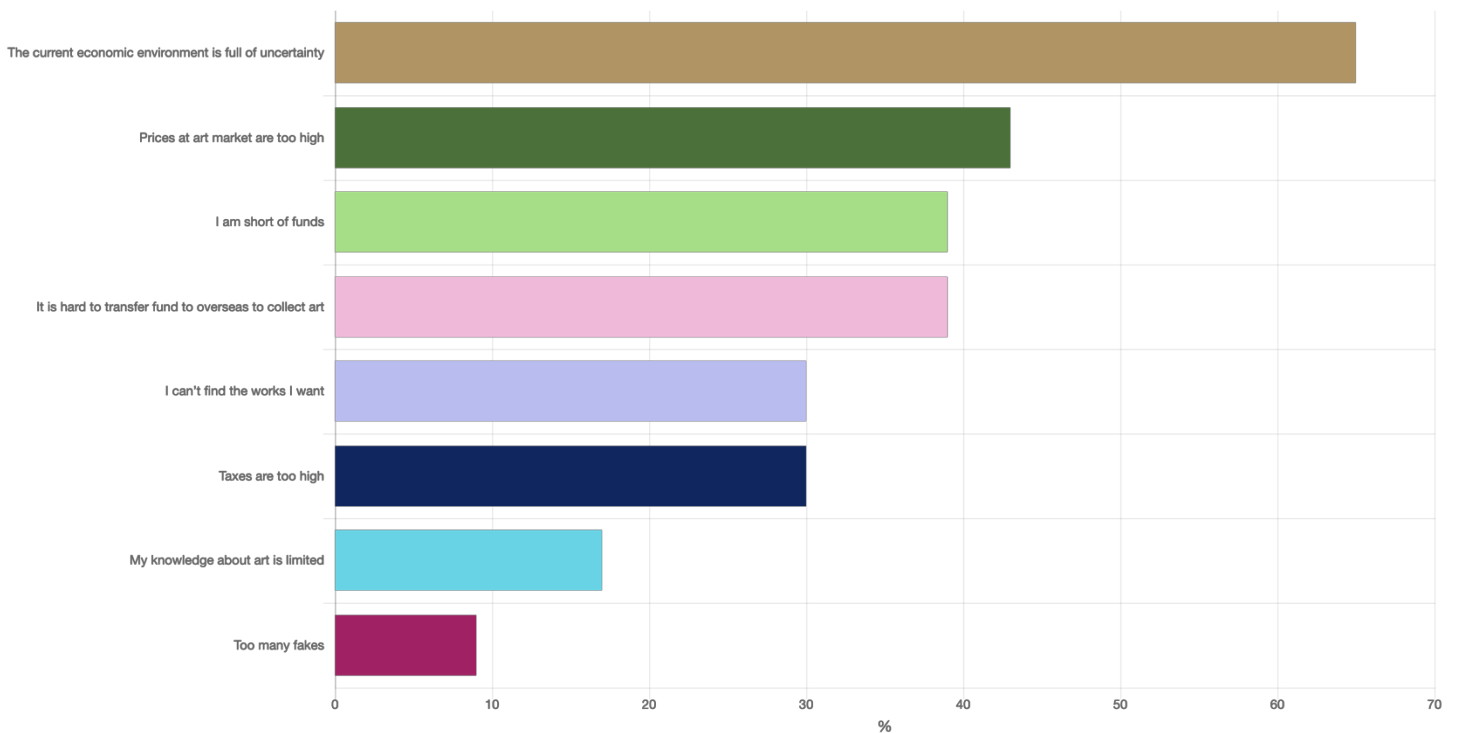


When asked more specifically about their perception of art education programs available, 48% of the collectors surveyed felt that the current programs are not good enough, not able to provide the knowledge they want. 43% of the collectors in the survey thought that the number of art education programs for them to choose among is too few.

Jenny Wang, whose collecting focus has been on contemporary art, believed that the lack of strong art education programs in this field is due to the category being underdeveloped and not attracting enough people's attention. "The most crucial thing for China's art market is to have good development. Then it may attract more people to pay attention to this field, and naturally its educational effectiveness will increase. But now I think the problem is that Chinese contemporary art is still relatively limited in popularity and has not yet come to have a larger audience."

Li Xuesong, Deputy General Manager of Poly Auctions, felt that the art education programs available are problematic. "For instance, in terms of the field of authentication of Chinese classical paintings, the current programs launched by the leading academies in China have effectively trained few experts, despite the fact that many people graduated from the programs. This shows that it is very difficult to train a real connoisseur with strong authentication ability. The skill set cannot be taught in a classroom but has to be harnessed through real-life practice."

## What are the major challenges for you to continue to expand your art collection?



When looking ahead to the challenges and risks of expanding their art collections, the majority of the collectors surveyed --65%-- chose the current economic environment as the top challenge. Many collectors specifically expressed their concerns about China's slower GDP growth and the uncertainty of the China-US trade war.

Collector and Founder of TANK Shanghai, Qiao Zhibing said "Last year, the United States government wanted to impose tariffs on art imported from China but did not succeed. Otherwise it would have been a fatal blow to the market. There is still a problem. Slowly, ideology is changing. . . In New York, to hold an exhibition of Chinese artists was a cool thing but no one wants to touch it now. In the future, it is likely that [to have a Chinese artists' exhibition] will be politically incorrect. Then there will be less opportunities for Chinese artists."

Zheng Hao, collector and owner of How Art Museum, was also worried about the trade war: "(It) definitely [has an impact on the art market]. We cannot judge what will happen over the long-term, but the current Sino-US relations and trade relations are not good for any country or any trade, which is not good for art as well. It is a problem of confidence and a problem of complexity."

In addition to their concern about the current economic outlook, 43% of the collectors in the survey felt that the prices of the current art market are too high. As observed by collector Liu Gang "I think the turning point was between 2003 and 2004 when it became difficult to find quality works in the auction market. Moreover, prices started to climb substantially compared with the past when good works were sold at reasonable prices. I'd rather buy more affordable works by young artists with good prospects."

39% of the collectors surveyed said the challenge was whether they could generate enough wealth for them to expand their art collections. Such uncertainty is closely related to the economic outlook. Collector and owner of Long Museum, Liu Yiqian, said "[In general] the art market is not that good now because it is related to the economy as a whole. However, good works are still sold for high prices, and there are new record-breaking prices coming from the market."

When reflecting on the biggest challenges for him to expand his art collection, he said: "One is whether I have the

opportunity of finding the [good] works [that I am interested in] and the other depends on how my personal wealth develops.”

Also, 39% of the collectors in the survey expressed their concerns about the difficulty of exchanging foreign currency to buy art overseas, and 30% felt that the tax load to bring artworks from overseas to domestic residences is too high. As collector and founder of TANK Shanghai, Qian Zhibing commented: “Import tax is a big problem. If it is solved, it will be easier for us to buy international artworks. China now wants to expand its free-trade zone.”

Only 17% of the collectors perceived that their limited knowledge of art collecting was a challenge for them to buy more art. Less than 10% of the collectors surveyed were worried that the market has fake artworks.

The survey results demonstrate that in general these collectors are confident about their knowledge of art collecting and connoisseurship. In further enhancing their art collections, the most commonly shared concern is China’s macroeconomy and the Sino-US trade war. Many of the collectors surveyed are private business owners, and therefore the prospect of their future wealth increase is closely related to the economic environment. Most importantly, how fast China’s GDP grows and whether the trade war peacefully concludes are the key factors that shape market confidence.

On the technical side, as revealed in the last chapter, buying art from the overseas market has become a new focus of the collectors in China. How much they can spend in the international market also depends on how easily they can convert their capital generated in China into foreign currencies. If they plan to bring the artworks they acquire overseas to mainland China, the current tax load will continue to impose a challenge for them. A number of collectors who prefer to stay anonymous said that they have not brought most of the artworks they purchased overseas into the country and do not plan to do so until the tax regime changes.

In addition, 30% of the collectors surveyed felt that it is difficult to find the artworks they want. Evelyn Lin, Deputy Chairman, International Director and Head of the Department of Asian 20th Century & Contemporary Art at Christie’s has also noticed this challenge: “I started to work in auctions from 2004 and many collectors have been collecting from 2004 until now. Since there will be less and less works of art that they believe are good enough, collectors will have less targeted [high quality] works [to choose from]. But they still continue to participate in this market and they are still here.”

# OWNERS OF PRIVATE MUSEUMS

When looking back on the transformation of the China art market, the Los Angeles-based dealer Clare Chu said: "Around 2010, the Chinese government promoted the idea of museum growth in China, because up until that point, China didn't have very many museums. Now it has almost 5,000 museums, of which I think at least 1,500 are private. The government has encouraged this growth, for example, by giving very good deals on real estate for private museums. Architects also push the idea of building private museums as it is a way for the public to become aware of their work. All of those things have actively helped the collecting market, in Chinese antiques and in Chinese contemporary art."

In November 2018, Liu Yuzhu, Director of the State Administration of Cultural Heritage, announced that the total number of museums in China is over 5,000 and nearly 30% are non-state-funded private museums. In 2017 the museums held a total of over 20,000 exhibitions with the number of visitors reaching 970 million.<sup>1</sup>

To better understand private museums in China, we conducted comprehensive interviews with five private museum owners in China. Despite the fact that these five museums represent only a small portion of the 1,500 private museums in the country, these select museums have attracted a substantial amount of international press coverage through the years and are considered to be in the top tier of private museums. Our interviews, therefore, offer great insight into how the private museum scene has developed in the country.

This section will closely examine a number of topics, including the collectors' stated motivations for opening private museums, the scope of works that the museums collect, the challenges the museums are facing, and the collectors' plans for the museums in the future.

## Why did you open a private museum?

"First, we have works of art; second, we have space; and third, we have a founder who has a relatively strong knowledge of art. Based on this we have the conditions to take on such an endeavor."

"We are in a special period of time. By that I mean private art museums answer the development needs of society. We chose this time to open an art museum and meet the demand from economic, social and art development. Where water flows, a canal is formed."

"In 2005 and 2006, we began trying out combining spaces and works of art. In 2007 and 2008, we experimented with putting Zhou Chunya and Chen Yifei's works in a hotel, so people could interact with them. In 2008, we started to create

different exhibitions in our hotel in Wenzhou, which included a Chinese sculpture exhibition, Dali sculpture exhibition, and others."

"Then we gradually developed from the art space to an art museum, with the desire to be a professional art museum. This was a process of shifting from an art space to an art museum."



**Zheng Hao**

Founder of How Art Museum

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"Because we feel we're on a mission. First of all, we have invested in a lot of real estate projects. At the same time, we found the connection between real estate and culture is very close, as commercial real estate projects attract crowds. When there is a crowd, there must be something other than buying, selling and renting. They need experience, so we feel that culture and art is a good way to help people find that extra something."

"Coupled with the fact that we have a Fosun Art Center designed by Thomas Heatherwick, we would like to use this art center as a way to develop art programs for Fosun Foundation. So we started Fosun Art Center with this building, making it a starting point to experiment with many art projects."



**Jenny Wang**

Chairwoman of Fosun Art Center

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"First of all, I feel I am ready to show the public my art collections. This is also a hobby of my wife, so the reasons are very simple. We want to show our collections and we want people to come and visit us. If no one comes to visit then it doesn't really make any sense."



Liu Yiqian

Founder of Long Museum

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"It was good for my collection. It is easier to acquire high-quality artworks as an institution. I love contemporary art and I am willing to promote it through this opportunity."



Qiao Zhibing

Founder of TANK Shanghai

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"[In the past] people wanted to hide artworks through collecting, while modern people hope to share them. This is what Confucius means by saying 'Curiosity is more important than knowledge itself, and interest is even more important than pure curiosity.' It's better to share [artworks] with the public and benefit of all."



Zhang Guiping

Founder of Suning Art Museum

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## What is the mission of your museum?

"For now, the mission of the museum is the mission of [Chinese] private art museums as a whole. I don't think a single art museum can complete a mission on its own, but it must have a significant role in making a better society."

"For example, there are only a few hundred thousand people who visit the museum each year. However, if there are 10 or 20 private art museums and each art museum has 300,000 visitors, I believe that you will have a sense of mission. You may have influenced tens of millions of people in terms of art, art education, design, and interaction. So I think this is the mission of our time, not my personal mission or the mission of the museum."

"In the future, we hope to become an important contemporary art museum in Asia."



Zheng Hao

Founder of How Art Museum

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"Our mission is still focusing on public art. I think we are promoting an aesthetic education in a big way. Through some of our practices, such as the many art projects and educational activities we do to influence more people, we can improve the aesthetic education of the people to some extent."

"From another perspective, it is our mission to support some artists, help them grow, and promote Chinese contemporary art."

"There are some private art museums that are more focused on promoting the owners' private art collections. (Different from those private museums) we don't emphasize our own private collection. Instead, what we are most interested in is the interaction between the content of our art programs and the public."



Jenny Wang

Chairwoman of Fosun Art Center

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"It is to promote contemporary art and help contemporary art influence more people."



Qiao Zhibing

Founder of TANK Shanghai

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“Throughout history, the spirit of the literati and their care for the public have influenced every descendent of Yandi and Huangdi Emperors. As General Secretary Xi Jinping said, “The development of culture is in line with that of a country and the inheritance of culture is connected with the future of a country.” To build a cluster of Suning Museums and establish Suning Museum Nanjing is to protect and manage the cultural relics that summarize the brilliant traditional culture of the Chinese nation. Meanwhile, we will strengthen research, inherit the achievements and glory of our ancestors, and enhance national self-esteem and self-confidence.”



Zhang Guiping

Founder of Suning Art Museum

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## How would you like to achieve the mission in the coming years?

"In Wenzhou, we will consider the relationships between art and technology, art and design, art and cross-border collaborations. We will do a lot of exploration and exhibitions in this area."



Zheng Hao

Founder of How Art Museum

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"[In Shanghai] we will continue to choose artists and projects with a more international perspective and to choose influential international artists. We need to face the local audience, because from the public's perspective they want to open up their horizons and interact with top level international exhibitions. The museum should be more flexible and engage with young Chinese artists' project-based works and project-based exhibitions."



Zhang Li

Deputy Director of How Art Museum

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"We have a few areas of focus: One is to organize exhibitions, another is to improve our collection system, and a third to develop public education programs. In addition, we also work with some luxury brands, offer some catering services, and offer art and design products (for our gift shop)."

"We may make some adjustments according to different locations (Shanghai, Chengdu, New York and Milan), but the overall positioning will be consistent with the principle of Fosun Foundation. That is, we care about contemporary art, and also about the interdisciplinary field between contemporary art and design, fashion, and some commercial real estate."



Jenny Wang

Chairwoman of Fosun Art Center

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"I don't have a plan for the next three to five years; in fact, we only have one for 2019. We are planning big exhibitions in two time periods, March and November, the most active time in Shanghai, when we have group exhibitions."

"Of course, there will be many programs taking place in between. Most of the programs will be in the contemporary art field, but not all of them."

"The group exhibition in March will be more focused on domestic [contemporary artists], and the best artists will all be included. The group exhibition in November will be more international, and many artists will be commissioned to create artworks tailor-made for the space."



Qiao Zhibing

Founder of TANK Shanghai

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“An art museum or [any] museum is like a university. Suning Museum Nanjing in the future will systematically sort out the historical and cultural heritage of various dynasties, vigorously explore new modes of cultural and technological integration and development, and promote the protection of cultural relics through systematic and smart exhibitions. Through cultural and technological innovation, it will become a smartly exhibited science and technology museum with the most advanced technology in Jiangsu [Province]. Meanwhile, we will promote collection exchange with the museums at home and abroad in the future.”



Zhang Guiping

Founder of Suning Art Museum

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## What areas of work has your museum been focused on?

“The first floor of How Art Museum is a large exhibition hall, which is the core of the art museum. The exhibits on the second floor usually are from the featured permanent collection of the museum. The third floor previously emphasized design, but we are doing more experimental projects that demonstrate interactions among Chinese, Japanese, and Korean artists, or dialogues between Chinese artists and European and American artists, or the latest works made by Shanghai, Beijing and other mainland Chinese artists. Since the space on the third floor is smaller, we can be more flexible and exhibit more avant-garde works of art and bring some new experiences to the audience.”

“The curator residency is a very unique way. The museum invites foreign curators so they can have some interactions with people in Shanghai or the surrounding area, so it is good for the local artists. Moreover, this results in the exchange of curators. The museum is well-equipped with curators. We have four younger curators who have been working for a while. Some of them are capable of taking the lead, and they also need some [more] opportunities. For example, if some organizations have the same types of projects as we do, we can exchange curators.”

“We mostly avoid hiring curators from outside the organization. Our projects are mainly done by in-house curators.”



Zhang Li

Deputy Director of How Art Museum

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“We have plans which we are now working on [in terms of academic research of our collections]. One is the relationships among our works, including [those of] Chinese artists and foreign artists. We can divide them with different themes. Of course, different media is also a research direction, such as videos; we can specialize in the works of video. We can also study the works of painting. Sometimes contemporary artists can be compared with one another, for example, comparing the topics in their artworks.”

“We do not have an advisory committee for the collection. We are stepping into the third year of the art center this year and we will work on the systematic research of the collection. [We will be] not only buying works but also having more consideration before buying. After you buy a work, you have to figure out where to place it and other considerations.”

“Our collections are distributed in different places. So the circulation of the exhibits in such public areas may also need a system of study: What kind of work is suitable for what kind of place, how to secure [works], how to maintain, how to organize. I think this is our work in the third year: First it is to study the collection itself, and second is how to display these collections better in public places.”



Jenny Wang

Chairwoman of Fosun Art Center

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“We are doing the research but have not begun conservation; we will do that in the future.....In terms of researching and organizing the permanent collection, [we leave this to professionals] because they are professionals and I think they put their

whole heart into the work. They are better able to do this than I am.

For example, we wanted to show the Chinese zither [a stringed musical instrument] and the inheritance of Chinese culture through zither music in an exhibition, using records from literati in history with texts and images. We also wanted to show zither music's development in modern society and how we make zithers now, which is a form of inheritance. We invited zither masters to play the instruments at Long Museum and basically all these masters we invited came."

"Why? Because they had never had the chance to play the ancient instruments we exhibited."

"As a result, a lot of people visited this exhibition. We were helping to communicate zither music culture through such live performances by the masters. Many other places won't be able to hold such an exhibition."

"The expert who helped us curate the zither exhibition has been on our team since Long Museum opened in 2014. He is a Taiwanese person who particularly loves art. I think he has done a good job. He planned and designed the whole exhibition and knew how to tell stories from a certain perspective."



Liu Yiqian

Founder of Long Museum

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"Our focus now is the construction: to complete building the museum. [Another focus is to organize exhibitions.] And the Central Academy of Fine Arts [in Beijing] wants to work with us to launch a research center, to be conducting research on art museums or on contemporary art."



Qiao Zhibing

Founder of TANK Shanghai

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"First, we are sorting out the collection and conducting academic research in the art museum. Second, we are collaborating with certain art schools for training in artwork appraisal and appreciation. Finally, we are organizing public education initiatives."



Zhang Guiping

Founder of Suning Art Museum

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## How much is your investment in the museum on an annual basis (not including the funding to buy art)?

“About 30 or 40 million RMB (USD 4 to 6 million) in addition to the rent.”



Zheng Hao

Founder of How Art Museum

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“The annual fee [to maintain the building] is 5 million RMB (USD 740,000). All of our current funding of operations is still from Fosun Foundation's annual funding. Our current goal is to break even in the near future.”



Jenny Wang

Chairwoman of Fosun Art Center

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“The annual cost is about 30 or 40 million [RMB] (USD 4 to 6 million). Since not every young staff member in the museum is volunteering, we need to pay salaries to the young people who are working here. They need to make a living. We have dozens of security guards, and they all depend on the salary for their livelihood. If we add all these expenses together, including organizing exhibitions, the annual loss is about [RMB] 40 million (USD 6 million).”



Liu Yiqian

Founder of Long Museum

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“Possibly tens of millions of RMB (USD 3 million and above).”



Qiao Zhibing

Founder of TANK Shanghai

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“At least 10 million RMB (USD 1.5 million).”



Zhang Guiping

Founder of Suning Art Museum

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## What are the challenges your museum is facing?

“The biggest challenge is sustainability. One aspect should be to keep the quality of exhibitions at the right and consistent level. I think this is a very important point.”

“The next challenge is how to complete the [economic] model and try to push for a break-even model. It can take a long time to complete this type of task, but you must gradually find the model.”

“The last challenge is talent. We need to keep cultivating the talent and keep giving them opportunities to curate independently.”

“These are all the things we want to do.”



**Zheng Hao**

Founder of How Art Museum

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“There is a problem of talent. Another one is how to break even. For an art museum, I think this is an issue that won't disappear. All the private museums face this problem. I think it is very hard.”



**Jenny Wang**

Chairwoman of Fosun Art Center

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“There is no challenge. I personally think that [since] nobody is forcing us to do this, everything is our responsibility, it is what we choose to do, so there is no challenge per se.”

“There are no second chances to make a choice in your life. You might buy a work of art and then regret it immediately. Or you might regret not buying that work; you only have one chance. Every challenge at the Long Museum is what we choose to live with and what we should bear. Nobody is forcing us on this matter, so there is no challenge.”



**Liu Yiqian**

Founder of Long Museum

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“Talent. We are recruiting now and we need more talented people.”



Qiao Zhibing

Founder of TANK Shanghai

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“The exhibition space and design of Suning Art Museum is positioned as a space for traditional Chinese painting and calligraphy. So when conducting international or inter-museum exchanges, activities have to be aligned with our current exhibition conditions. In the future, Suning Museum Nanjing will address these problems. There will be both permanent exhibition halls and various temporary ones in a more flexible manner.”



Zhang Guiping

Founder of Suning Art Museum

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## What is your plan for the museum moving forward?

“We have many plans for the future: We are planning a future experimental space for young people. In this process, we are paying particular attention to the cultivation of young people and the collecting of young [artists] works, which are complementary to each other. All of our ideas about the future will be related to visions of the museum.”

“We are slowly exploring, over the next 10 years, how to become an art museum that is based on an independent art foundation and achieve our financial independence. This is one of my personal goals. Now I am trying to help the museum become an important part of society.”



Zheng Hao

Founder of How Art Museum

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“Our current goal is to break even in the near future [over the next 5 years]. We have a lot of projects in parallel and are deepening the development of our work. We plan to have approximately three exhibitions per location.”



Jenny Wang

Chairwoman of Fosun Art Center

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“We want to create a public space within the museum and to borrow works to do exhibitions to offer the public a chance to experience the beauty of art. There are two points of focus for Long Museum and we have been working on these since we opened. The first is about the permanent collection, the other is about works from well-known artists. We have maintained these two points of focus, so we are doing all kinds of exhibitions for both the permanent collection and the works of well-known artists [both alive and deceased] in China and abroad.”

“We are still planning exhibitions, especially for our permanent collection, to sort out relationships among our artworks. We might have more interactions with artists.”

“There are too many [artists who want to exhibit at Long Museum] and we have problems with arranging exhibition schedules. Speaking about what the public wants to see and also from an aesthetics point of view, Chinese audiences are getting more and more interested in exhibitions of famous Western artists, because [Chinese people] might not get the chance to see their works even though they travel abroad.”

“We are also talking to artists like Zeng Fanzhi about holding solo exhibitions and we have all types of artists coming up. Well-known star artists from the West can create better publicity.”

“Museums in the West are not doing exhibitions of star artists very often, mainly because they cost too much money and museums cannot afford them. Museums are unwilling to do these kinds of exhibitions because they will lose quite a bit of money. Such exhibitions all lose money.”

"I think the loss of money is unavoidable if you open a private museum. [For exhibitions of famous artists] the first thing you need to consider is whether the artist wants to work with you. The artist will think about whether the space is large enough and satisfactory and also will think about your museum's reputation. There are two important issues playing out here: First of all, you need to be willing to spend money; and second, the artist [needs to] acknowledge your ability [reputation]. If it clicks, you can work together and make the exhibition happen."



Liu Yiqian

Founder of Long Museum

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"I don't think in that way [of the future]. I can't think ahead 5 years from now; I am only planning for next year. Often, it seems that there should be a plan for such a project. Actually, there isn't. If you look at a mountain and you stare up at it in all its glory, you won't dare to climb. If you only look at what's underneath your feet, and what is the next step, you can achieve your goal one step at time. This includes building art collections. I cannot think that far [ahead] and it's useless to plan that far."

"[To manage] an art museum is a long-term career, and in the early stage, I myself need to be willing to endure a tough period of time. I think it is a long-term cause. As long as it is still there in 5 or 10 years, I believe that things will gradually become more established and better. "

"We have signed a contract [with the landlord] for 30 years and hope that we can continue to run the museum for a long time into the future."



Qiao Zhibing

Founder of TANK Shanghai

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"We hope to establish ours as the best museum that exhibits ancient paintings and calligraphy in Shanghai and the most professional museum in East China or even across the country. Hopefully when people think of culture they will think of Shanghai."



Zhang Guiping

Founder of Suning Art Museum

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CHAPTER FOUR

# FUTURE OUTLOOK

When Swiss-born Lorenz Helbling came to mainland China in the mid-1990s and founded ShanghArt Gallery in Shanghai, it was not an easy start. "One year I was working in an artist's studio and I had the idea that I could open a gallery. Of course I needed money. I saw many restaurants open with no art on the walls, so I talked to them and said I could put paintings on their walls. I started to do exhibitions. It was the beginning of a new [era]. Shanghai had just opened up and the first modern-style restaurants opened, but you couldn't open a freestanding gallery."

Eventually, Helbling recalled, "I finally found a place in The Portman Hotel in Shanghai. It's a big hotel that had empty walls, so I asked whether I could use the walls to do exhibitions." In the early stage of his gallery business, he did not have to pay any rent to The Portman Hotel, which was a popular five-star hotel among foreign diplomats, journalists and expatriates in Shanghai. "The Portman was a special hotel back then. The Wall Street Journal, New York Times, all the newspapers' bureaus were there. Consulates, travel agencies, restaurants were all there, too, so it was more than a hotel. It was really kind of a center in Shanghai."

But generating even a single sale of an artwork was extremely difficult, recalled Helbling. "It was thought impossible. People said it was hopeless to do something there. But art is around and the hotel had empty walls, so somehow I started. They [Portman staff] were happy: I think the directors and managers of the hotel liked the art, and they said if you like it, you can start using it [the empty walls]. I had a desk and a table, that was it, and a few walls. My expectation was very low and everybody told me it was impossible to sell anything, so I was just trying to do a good exhibition."

Despite the challenge of starting the business, Helbling felt fortunate that competition was low: "I was here and nobody else was doing something. And the impact was quite big. Shanghai was small, and if we had a new exhibition, all the expats living here came, and the media made some reports." During the first month of opening his gallery, influential international collectors such as Guy Ullens began to visit and acquire works through Helbling.

Over the past 23 years Helbling has turned ShanghArt into one of the most well-respected galleries in mainland China, with three branches in Shanghai, Beijing and Singapore. When the Shanghai municipal government decided to develop the West Bund into a central area for local private museums, galleries and art fairs, they offered a special rental deal to Helbling to relocate ShanghArt from Moganshan Road to West Bund in 2016.

These days ShanghArt Gallery participates in about 16 art fairs worldwide per year. When looking ahead to the future of the art market in China, Helbling stays optimistic: "People here [in China] in the past liked nice things and collected art. They had generations of collecting things and collecting was a way to live. Now in Shanghai there are 26 million people, and we could do so much more here."

Helbling's optimism is shared by many other professionals who have been working in the market for a long time. Gallerist Ben Brown observed, "I think that more and more mainland Chinese collectors will appear on the scene and probably become a more important force in the world for contemporary art. I think there are certain people in mainland China who have a lot of money which they can put in contemporary art. Because there are many wealthy people who have not bought any art before, they will begin to buy. I'm optimistic that more and more mainland Chinese wealthy people will convert to collectors over the next few years."

Miety Heiden, Deputy Chairman and Global Head of Private Sales at Phillips said "There is still a lot of money floating around in the system and people are still very interested in buying great art."

However, the challenges created by the economic environment and the US-China trade war have also been recognized by many dealers and collectors. As revealed in the collector's survey in the previous chapter, the current economic environment in China, the slowdown of GDP growth and the uncertainty about the US-China trade war appeared to be the biggest concerns for collectors to continue expanding their art collections.

As noted by David Norman, a private art dealer, "The [US-China] trade war and falling market have already led to less buying by the Chinese at Western auctions. It was very evident in the last New York season of sales."

Los Angeles-based dealer Clare Chu predicted: "I think it's going to be quiet over the next couple of years, but then I think it will pick up. The top end of the market always remains strong, but I think the middle market will come back slowly over the next five years."

"If the mainland Chinese collectors are allowed to transfer their cash outside of China, then they can go and find art and antiques with good provenances to bring home. If these newly rich collectors can't spend their money outside China, then the only place they can buy is in mainland China."

Since 2012 the annual turnover for domestic auctioneers in mainland China has been about CNY 30 billion (USD 4.5 billion). Zhu Junbo, the first General Manager of Shanghai Duo Yun Xuan Auction House, observed “This amount [CNY 30 billion], compared with the tremendous personal wealth among the High Net Worth Individuals (HNWI) in China, is a tiny number. I think, therefore, [the fact that the market has hit a plateau] is not a monetary problem. Part of the reason is that many collectors were hurt during the market decline from 2011 to 2012 and are reluctant to bring their high-quality artworks into the market now.” Zhu Junbo believes collectors are afraid that the current market is not strong enough for them to achieve high prices if they sell artworks from their private collections.

Li Xuesong, Deputy General Manager of Poly Auctions, predicted that China’s art auction market will stay flat [at the CNY 30 billion level] over the next five years. He feels that the current plateau is caused by the lack of overall professionalism and connoisseurship of many staff members who work at the local auction houses. To solve this problem will take time and the transformation cannot be completed in a few years. In terms of the impact of the economic environment, Li believes that the influence will be more indirect and related to the confidence of collectors, many of whom are private business owners. “If the relationship between the US and China goes south, it will be a disaster for the world. Not only China’s art market but all industries will be affected.”

## Predictions of the market in five to ten years

The research and interviews conducted for this report have provided a strong understanding of what the top players are thinking and what has fundamentally been occurring in China’s art market. Based on these insights, we have developed a future outlook for China’s art market that while broad, provides a generalized view of where the market is going.

Overall turnover in the secondary market over the next five to ten years is not expected to resume the level last seen in 2011. There are two main reasons for this: First, in 2011 a substantial number of participants who were not interested in art and did not understand art actively participated in auction activities. During the market adjustment over the past eight years, this segment has mostly filtered out of the art market. Second, those participants often borrowed capital for their art trading. When that segment disappeared from the market, the associated capital and financial organizations supporting such activities also faded away.

In addition, transformative changes are not expected to occur in the regulatory environment over the next five to ten years. For example, an opening-up policy to allow Western auctioneers to sell cultural relics in China, so that they can compete directly with domestic auctioneers, is unlikely. And a change in policy to create a significant tax benefit for collectors to establish private museums or make donations (in monetary form or in artworks) to art organizations also is unlikely to occur.

Near-term future development of the art market will in part depend on the tax load of importing into mainland China artworks that were acquired overseas, and on the friction of conversion of RMB into foreign currencies. It is possible that the regulatory environment could be relaxed for these two factors, because the former (tax) is being driven by continuous lobbying efforts by domestic industry players like Chinese auctioneers, and the latter (currency) may be shaped by a potentially improving economic environment or substantial policy shift.

An increasing number of younger-generation HNWI’s will begin to collect art. They will become more active in the primary market than in the secondary market. The purchase of Western art will continue to expand.

The rise of a younger generation of collectors in China as a new driving force in the art market has been widely recognized by many professionals in the industry. Evelyn Lin, Deputy Chairman, International Director and Head of the Department of Asian 20th Century & Contemporary Art at Christie’s said: “A group of collectors born in the 1980s has emerged in this market, and they have very different ambitions and collecting interests compared with collectors born in the 1970s. Among those born in the 1980s, for example, a group of people are collecting works by KAWS. They could be under peer influence, like they might follow trendy things on Instagram. Many collectors born in the 1980s don’t have the language barrier [of speaking only Chinese], so they can connect with the international market and get information easily. This is a new trend now, because they are following (the) international market instead of the Chinese market.”

As collector and founder of How Art Museum, Zheng Hao said, “Whether they (the younger generation of collectors) are spending more than their parents’ generation, whether the newly rich are interested in contemporary art or not, I think they are still in the process of exploring. By the time they are age 40 or 50, new supply and demand relationships might emerge . . . .

Whoever controls the market of people born after the 1980s, 1990s and 2000s, will control the auction market and the overall art market.”

Many collectors in this youthful demographic have an overseas education and thus the English language is less of a barrier for them compared to an older generation of collectors (i.e. collectors in their 50s or 60s). The young tend to follow the news of the international art market closely and are well-connected on global social network platforms such as Instagram, Facebook and Twitter. Due to their educational background and cultural upbringing, they often find the collecting categories of Chinese antiquities (Chinese works of art and Chinese paintings) less appealing. They are more attracted to Western and Chinese contemporary art.

Qiao Zhibing, collector and founder of TANK Shanghai, observed that “Now when the new Chinese collectors enter the market, they immediately start to buy Western art, because their educational background is different. Many have lived abroad.”

Collector Yang Bin echoed this statement. “The younger generation in China, that has been educated abroad and then come back, definitely cannot understand traditional Chinese artworks anymore. China has become more open and more international. This trend cannot be stopped, especially when information travels so quickly through contemporary media and the Internet.”

This group of young Chinese collectors in general buys art from art fairs or galleries, their primary collecting channel. They also frequently trade art among their circles of friends. Art fairs are a popular collecting channel because they are event-driven and offer excellent occasions for photo posting on social media and status signaling.

Buying at auctions serves as a secondary collecting channel for young collectors. As Miety Heiden, Deputy Chairman and Head of Global Private Sales at Phillips, noted “[While] They’ve been far more active with the primary galleries than with the auctions, they do buy at the auctions, because sometimes they cannot get access to the primary galleries’ artists who are very hot and popular, like Richter, Nara, Kusama, Kaws and Gokita.”

Their collecting behavior is very similar to that of the same generation of collectors in Western countries. Heiden said “I see the Chinese buyers behaving in the same way as the Western buyers or other Asian buyers. Since they operate in an international market they hear and see the same as other collectors.”

Often their funding for art collecting comes in part from an earlier generation within their families. This makes the longevity of their collecting journey and the magnitude of their buying power dependent both on their family’s ability to continuously generate wealth and on the capital provided by the earlier generation for them to collect art. It is likely that it will take some time for this demographic to acquire an artwork at a cost above the USD 10 million or 100 million level, but their active buying activities through galleries and art fairs will help foster a healthier development of the primary art market in China.

More international galleries will enter China’s market. Local galleries will have a tougher time surviving the increased competition. With domestic galleries facing more challenges, a consolidation of local art fairs will take place.

The second chapter of this report identified that in recent years, particularly driven by the popularity of Art021 and West Bund Art and Design fairs in Shanghai, more Western galleries have begun to penetrate the Chinese market by either opening a space or participating in local art fairs. The trend is set to continue with an increasing number of international galleries recognizing the significance of capturing the growth of the Chinese market.

Due to the existing challenges of the heavy tax burden of bringing artworks made overseas into China and the difficulties of converting RMB into foreign currencies, the Western galleries who do not have a physical presence in China are likely to explore innovative ways to reduce these complexities and enable domestic Chinese collectors to buy art. For instance, Western gallery owners might have artworks produced within mainland China or partner with Chinese galleries for exhibitions or art projects.

Some Western galleries might start working with art finance service providers to design a collateral-based payment structure to help collectors clear these hurdles.

With more Western galleries aggressively expanding their influence in the Chinese market, domestic galleries will have an even tougher time surviving the competition. Some galleries might be forced to close their physical premises and generate sales revenue through participating in art fairs or online sales. Some are likely to seek collaboration with Western galleries to offer services to them to benefit both parties.

Such transformation will bring more challenges to Chinese contemporary art as a stand-alone collecting category. We do not expect that the turnover of the category will return to its peak period in 2006 and 2007. Prices of works by the Chinese contemporary artists who are represented by blue-chip galleries will remain steady. But those artists who sell directly from their own studios or are represented by domestic galleries under competitive pressures will have an increasingly difficult time in justifying the sustainable long-term market value of their artworks.

At the moment there are a number of art fairs in China that have a strong focus on Chinese contemporary art. When some domestic galleries have difficulties surviving and are forced to close their shops, the local art fairs dedicated to Chinese contemporary art will find it challenging to generate enough sales from rentals of their booths.

A consolidation of art fairs is expected to take place in China. A “winners-take-all” scenario is likely to happen. From our observation, most of the top-tier domestic collectors who buy contemporary art collect both Chinese and Western contemporary art. They are world travelers and tend to visit all the leading international art fairs. Their collecting territory is not constrained to mainland China and the domestic market. Therefore, the market in China is not big enough to sustain a large number of contemporary art fairs.

Domestic auctioneers will experience a transformation with diversified practices and increased international expansion.

The ambition of expanding into the global art market, which was fully expressed by the leading Chinese auctioneers over the past five years, will continue in the future. As Jiang Yingchun, CEO of Poly Culture Group, parent company of Poly Auctions, admitted “We are gradually developing in the direction of internationalization, but we are not an international auction house. We still cannot compare with Christie’s and Sotheby’s in terms of global revenue, categories of works, and the level of internationalization of our organization.”

“Internationalization means you need to think about who your clients are. Contemporary art is precisely about globalization, and this next step is important to focus on.”

“Over the next five years, we hope to transform ourselves into an international company, and offer all services that are available in the industry, including art dealing, art investment and consulting, etc... Over the next five years, it will really be important to focus on diversification. This includes Western works of art, especially in the field of contemporary Western art.”

China Guardian established a more diversified business starting in 2013. In addition to the core auction business, it has launched other practices including art investment, an art center, education, publishing and a hotel. It is also the largest domestic shareholder of Taikang Life Insurance, which acquired 13.5% of the stake of Sotheby’s in 2016.

It is expected that there will be more international acquisitions or efforts to establish a stronger global footprint by these domestic auctioneers. It appears that both leading auctioneers in China have begun tapping into the primary art market, art education, art finance services and the art investment field. Over the next five to ten years, it is conceivable that both houses will have more diversified auction categories (now they are mostly focused on Chinese works of art and Chinese paintings), an increased number of investment portfolios outside of mainland China, and a variety of business lines to generate and sustain corporate revenues.

To transform into truly global players, both of these auction houses face two challenges. The first is to create well-respected brands on a global stage. It will take a long time to accomplish this goal to win long-term trust from an international collector’s base; it cannot simply be realized by a few cross-border acquisitions. The second challenge is to recruit sufficient talent to follow international best practice and help the companies assimilate into the international art market.

Despite the fact that these Chinese auction houses have enjoyed a strong global ranking in terms of sales turnover, it will take some time for them to fully address these challenges and become real international players.

A number of private museums will not be able to break even and will have to close. Their collections might be sold in the secondary market, passed on to their families’ second generation, or donated to state museums.

Private museum owners reaching breakeven appears to be a common objective that they have found quite challenging. The annual operating cost for private museums varies from under USD 1 million to more than USD 6 million based on our small sample.<sup>1</sup> Although these museums could recover some of the costs by ticket sales, venue rental (i.e. to selected luxury brands for events), and corporate sponsorship, such efforts have been attempted and revenues have not been sufficient to enable the museums to break even. Most of the

operational funding still comes from the museum founders' own private enterprises.

The continuous, significant amount of spending to operate a museum has been recognized by many private museum owners as a never-ending challenge. As Jenny Wang, collector and Chairwoman of Fosun Art Center said "How to break even? For an art museum, I think this is an issue that won't disappear. All the private museums face this problem. I think it is very hard."

Some of these museums hope to create a nonprofit art foundation which would have a fundraising infrastructure moving forward. The biggest challenge for such an endeavor is that without a tax benefit and regulatory support, soliciting donations from the public is difficult.

Based on her own experience, Jenny Wang said "So many art museums plan to raise money through fundraising, but fundraising is very hard in China."

Jiang Yingchun, CEO of Poly Culture Group, commented "Building and operating museums is difficult work and we don't have a very complete museum system here compared with Western countries. There are fewer preferential measures like tax deductions that can be applied to the private companies with museums here in China. For example, Liu Yiqian (founder of Long Museum) built four museums in Shanghai, Chongqing, and Wuhan, and each year the costs are not small. Suning Group's museum in Shanghai has opened to the public already and another in Nanjing is under construction. All these museums, including other non-government operated museums, are extremely important to the development of Chinese society."

"We need to learn from the West about how they create supporting policies, including tax deductions and benefits, that should be given to these nonprofit institutions. We also need the support from society, so that these private institutions can have long-term stability."

"Right now, Liu Yiqian spends a lot of cash on his two museums in Shanghai each year. These institutions completely rely on the support of the individuals and companies that support them. This is not fair and will be difficult to sustain."

A tax-benefit system to support philanthropy, including operating private museums or making donations of money or artworks, will take more than ten years to be designed and effectively implemented in China. Therefore, without such a system in place, many of the 1,500 private museums in China will not be sustainable over the next decade. Their annual cost is too high and few private businesses can sustain such elevated spending over an extended period of time.

As observed by Zhu Junbo, the first General Manager of Duo Yun Xuan Auction House, "The most critical thing is not whether these entrepreneurs can launch a museum, but whether they can sustain it. I think in ten years a lot of the private museums will be gone." "But they [these private museums] have made their historical accomplishment. You cannot expect them to last forever. After all, operating these museums costs private money. For example, by establishing Long Museum, Liu Yiqian and his wife have significantly contributed to the private museum movement in China. Even if they decided to close the museum today, they have attained their lifetime achievement. You cannot be too critical of them or expect them to operate the museum for 100 years. It was their own money and they did not enjoy any tax benefit from the government. Such endeavors should be appreciated."

We foresee that when some of the private museums close due to financial pressure, the owners are likely to liquidate their collections on the secondary art market to generate capital or to pass on funds to their families' next generation as part of their inheritance. If the owners care more about their legacy as collectors, they might decide to donate the collections to the state museums.

Stronger collaboration among art, design, fashion, and technology industries will take place. Experienced-based art consumption will substantially increase.

In the global art world, in the next five to ten years there will be a stronger collaboration among art, design, fashion, and technology. Such interdisciplinary cooperation will mostly be driven by the private sector. In recent years to work with luxury goods or high-end fashion brands on exhibitions and programs has been a common practice among private museums.

Jenny Wang, Chairwoman of Fosun Art Center, said "For example, our venue is new, and some luxury brands like our space. They might ask, 'Can we rent your space for a couple of months? We want to have a jewelry show.' Such an exhibition to promote the luxury brand might give you a very good rental return."

"My current strategy is to have one such [luxury-brand] exhibition per year, but no more. They must have a good brand with strong artistic value. This brand has to have a legacy and a good story to tell."

“Last year we had a Cartier exhibition. It was not long, but it was very attractive. The number of public visitors was large, because Cartier showed the best jewelry from the company’s historic collection. On the one hand, the public can understand the legacy of the brand; on the other hand, they can also enjoy the aesthetics. Those are the issues that we consider.”

With China remaining an important growth market for many international luxury brands, we foresee an increasingly closer collaboration among art, fashion and luxury goods moving forward.<sup>2</sup> This is likely to be a driving force for substantial growth in the consumption of artist-licensed luxury or design products in China. To purchase such products generally costs considerably less than collecting an artwork and does not require much connoisseurship. Such products will appeal to a broad demographic of consumers.

In addition, we expect to see a deeper collaboration between art and technology. Many younger generation artists have been creating new media artworks or artworks produced on advanced computer science or artificial intelligence. This trend of art production will shape a new approach to art collecting. For this category, ownership of artworks, valuation and circulation could be substantially different from owning regular artworks like paintings.

Zheng Hao, collector and founder of How Art Museum, observed: “I think that artificial intelligence and technology will also have an impact on art in the future. I have talked to people about several examples and said that perhaps in the future AI robots may replace people. I think many interesting things will happen and a new structure will be formed. Perhaps the collectors and art museums will pay more attention to the relationship between art and technology, art and machinery, art and artificial intelligence.”

With the collaboration and integration of art, fashion, luxury brands and technology, a broader audience will become regular “art-experience consumers.” There has been a general global trend of consumers shifting more toward experiences (than ownership) of art, which has yet to become adopted fully in the art industry.<sup>3</sup> Some experience exhibitions have been quite successful including the MoMA Rain Room. Shanghai-based private museum Yuz Museum, founded by collector Budi Tek, acquired one of the editions of Rain Room and exhibited it in 2015, attracting over 200,000 visitors.<sup>4</sup>

When Pace Beijing held the Team Lab exhibition in 2017, the show attracted 400,000 visitors and helped the gallery generate USD millions of revenue from ticket sales rather than sales of artworks. The exhibition enabled Pace Beijing to explore a new practice of running a gallery business.

We expect to see art experiences to continue to increase, as they are not only less consumption based but also more socially shareable. More innovative art experiences, which combine art, technology, fashion, design, and performing art (including music, dance, cinema and theatre), are likely to become the impetus for further development of the art ecology in China. This field is expected to evolve with the most active international collaboration and attract new talents with multidisciplinary skill sets. In the next five to ten years the total consumption of experienced-based art is likely to achieve substantial growth because of its strong appeal to a broad public audience and more affordable prices.

As Jenny Wang, Chairwoman of Fosun Art Center, observed “I think contemporary art may have different categories. The Chinese audience can now accept a medium that is easy to understand and easy to express. It can be interactive with real feelings, so may be acceptable to Chinese audiences. But others, such as some conceptual art, minimalist art, I think they are difficult for the audience to understand.”

1 These numbers may be exclusive of a number of costs. We were unable to audit or verify these numbers.

2 <https://www.ft.com/content/e62f3e12-23e5-11e9-b329-c7e6ceb5ffdf>

3 Euromonitor International *Megatrend Analysis: Putting the Consumer at the Heart of Business*

4 <http://www.tanchinese.com/news/39314/>

CHAPTER FIVE

# INTERVIEWS





### Jiang Yingchun

Jiang Yingchun is the CEO of Poly Culture Group (Hong Kong Stock Exchange listed company), the parent company of Poly Auctions, the largest auction house in China. He spearheaded the establishment of Poly Culture Group's corporate art museums and acquiring Chinese antiquities (including bronzes) for the museums' collections.

#### **When Poly Culture Group decided to establish Poly Auction, what was the situation and reasoning behind the decision?**

Because Poly Culture Group is in the culture industry and the industry was developing in a specific direction such as fine art, we felt we were in a good position since we had a museum and had the right foundation to begin the development of an auction house.

There's also broader historical background behind this. We forecasted that a huge development would take place in the Chinese art market. Many people thought that China would go along almost the same path as American and European countries. There may be some differences in ways and stages, but the direction is basically the same. We started to make choices based on our judgment of the Western art market and we chose to develop the business of auctioning works of art.

#### **Speaking of the external environment back then, the entire market in general was quite good and some companies had already started businesses in this industry.**

It was after the SARS epidemic in 2003 that the Chinese art market really took off. After SARS we went head first into the market and grabbed the opportunity. At Poly we had our own foundation and at the end of 1998 we began developing a museum. In 1999 it opened, which gave us some relevant experience. Because we developed an art collection from sources both within China and abroad (for our Museum), we understood the art market, had a some connections and had a strong team of specialists, we all decided that the we should go in the direction of an auction – and at that time we wanted to do it.

#### **At that time the team of experts was mainly in paintings and calligraphy?**

No, we needed to build our own system, step by step, that worked for Poly. Under the conditions of Chinese market back then, the art market for Chinese paintings and calligraphy took off first, also Chinese styled realism oil paintings with were very popular. Therefore the first auction we held was traditional Chinese paintings and oil paintings. After two years of preparations, we began holding antiquities (Chinese Works of Art) auctions.

#### **If you look back on Poly's experienced at that time, how did you organize the sourcing of works? How did you find buyers?**

We brought together all the strength we were able to harness, including inviting industry experts and taking advantage of our own experts. When we were establishing our museum we developed relationships with experts both within China and abroad, and especially experts from museum systems. Secondly, we have always said that the ability to be the most competitive auction house relies on the ability of the organization to source good works that can sell well and inexpensive

works, this along with good market conditions.

For Poly's development we really have to be grateful for this period because it was easy to sell works. 20 years after China's Reform and Opening up period there were a large number of wealthy entrepreneurs, they all had money, and there was a love of art that emerged. This was the situation we were in. In 2004 after SARS, the market for modern and contemporary Chinese paintings took off, and this market boom lasted until late 2005, early 2006.

Subsequently, there were price arbitrage opportunities between Sotheby's New York and the domestic Chinese contemporary art market. At that time in China (the auction market), oil paintings were mainly realism (painting) and the market arbitrage quickly brought price parity between the two markets. The highest point of this wave of contemporary art was the charity auction we organized for the 2008 for the Wenchuan earthquake victims. Fortunately, we were able to ride along with the soaring markets in the categories of Chinese modern paintings, oil paintings, contemporary art, etc.

Regarding the Chinese contemporary art market, before the financial crisis, the signature auction for Chinese contemporary art was the charity auction we did for the Wenchuan earthquake, after the crisis, all the prices went down.

Later on, the market for Chinese classical paintings gradually recovered. As early as 2005, works by many artists from the Eight Eccentric of Yangzhou were sold for prices cheaper than works of artists living in the contemporary era like Fan Zeng and others. Sometimes a Li Shan only sold for 100 thousand RMB, which is still cheaper than many living artists. We thought that the situation like that was kind of impossible to continue so we believed the market for classical paintings would absolutely go up relatively quickly. Then, the market really took off after the economy began recovering from the financial crisis.

#### **Was it related to the auction of the Ullens collection?**

I think the auction of Ullens drove up the market and boosted market confidence. After the financial crisis of 2008 there was a rebound period for the art market in China and the auction of Ullens was a representation of that period. Especially market developed starting in Autumn 2009 and later 2010 and 2011. The main reason behind the development during this time was the liquidity brought by the 4 trillion RMB (from Chinese government) and the general price increase of commodities.

European and American countries were particularly pessimistic about the market after the financial crisis and we just at this special time when China had confidence for the future development, so China overcame a difficult situation at that time.

Some unique characteristics of the market appeared after 2012, the first one was balanced development across categories and the beginning of distinguishing between high quality works and common works. Secondly, many institutions began to collecting on a large scale. The third characteristic was globalization which enabled the Chinese market to more closely link with the Western market.

The price difference for works sold within China and outside of China has narrowed. Some works are now selling at higher prices in China than similar works in countries outside of China. The price difference used to be quite obvious, why has this situation inverted? Because many collectors had been going to auctions in Europe and the U.S. to buy works and then they would engage in price arbitrage back in China. For example, a collector could buy a jade seal in France

at Sotheby's and then immediately he would sell it in Hong Kong at a price at multiples of the original purchase price, the price could go even higher if they waited for few more years and sold it in mainland China. Now it would be very difficult to buy antiquities in Europe and flip them to make a quick buck, not to mention flipping the work to receive a multiple of the original price.

**Can you elaborate more on the trend of internationalization? So one part of this is globalization which makes the price differences in the market became smaller and the other part is opening an office in Hong Kong to attract more international buyers, right?**

We are gradually developing in the direction of internationalization, but we are not an international auction house. We still cannot compare with Christie's and Sotheby's (and the differences are quite obvious) in terms of global revenue, categories of works, and the level of internationalization of our organization.

Opening an office in Hong Kong had to be our first step, because we had to test the waters. If you cannot succeed in Hong Kong, then it would be impossible for you to expand to London or New York. The tax issue in China was another important factor back then. Hong Kong is a freeport which has more advantages in dealing with tax issues when compared to Mainland China. Moreover, Hong Kong is located next to Mainland China, and we are more familiar with the city, so basically that's what we were thinking.

Nevertheless, if we want to see a real internationalization process, it is not just about where you hold your auctions, it is how you operate that matters. Many people went to Japan to open auction companies, but most of them are selling Chinese works of art instead of local Japanese works. Such an effort is not so meaningful. We are still working hard on it, but the degree of doing it is quite difficult and it requires systematic thinking.

Besides, internationalization means you need to think about who your clients are. Contemporary art is precisely about globalization, and this next step is important to focus on. If you want internationalize the company and the company's influence from customer to auction, many components need to be fully integrated.

This (to integrate China's art market with the global art market) had great prospects, but relying solely on auction houses is not enough. For example, if Western works of art were to be introduced to China a few large questions needed to be addressed. First of all, we need to understand the value system: Where does the value of the art and the academic value sit? The establishment of a system needs an organized and systematic introduction to the values of the system in the Western art world. The second question is about the pricing system. Many Chinese people are wealthy, but this situation (the valuation of Western artworks) was very difficult to explain clearly to everyone. For example, some reporters came to ask my opinion when Wang Jianlin bought *Claude et Paloma* by Picasso in 2013. I said I really don't know how to answer you. If he bought a work by Qi Baishi or Zhang Daquan, I might have something to say, but he bought a Picasso and it is really difficult for us to talk about the academic value of that work, and what the role of that work was in Picasso's career. I really think it's difficult for us. The judgement about value and price didn't even touch on the issue of authenticity.

There's one more special thing about the Chinese market, and by that I mean investment. Thinking from the perspective of investing, to whom shall we sell these Western works of art would be a complicated question. Therefore, Poly Group started to operate a chain of museums, and using this system we hope we can introduce Western artists to a Chinese audience.

### **What's view on the future development of the art market in China?**

The trend of (Collecting) Western art and contemporary art will absolutely continue. I previously mentioned that China will go through mostly the same path as Western countries, but we might take less time than they did, and we might only need 3 to 5 years to finish what they took 30 years to complete. Because the times are changing and information travels at a much faster speed now.

About Chinese contemporary art from an academic perspective, I think it requires a process of communication to understand how the Western world sees Chinese contemporary art or Asian contemporary art. I really admire the work done by international galleries like Pace and Gagosian. These galleries and art fairs have continually working on putting various exhibitions. Apart from the business side, we need more communication and understanding, something that can reflect the artists' thinking about existence and really contemplate about these things.

For the future, I think the Chinese market's competitiveness relies on professionalism and service. This includes exhibitions, research, publications, etc.... I believe that the Chinese market's future has great opportunity, because after all we are young, only 20+ years.

### **Looking back over the past 10 years, what were the bottlenecks or difficulties that Poly Auction faced? How did you overcome them?**

For the bottleneck part, since the art market is a niche market of a small scale, it is heavily influenced by the environment around it. Of course the market has its own uniqueness and features and it has a small scale, but surely it is closely related with the economic environment.

### **How do you see the current trade war between China and the U.S.? How is the art market influenced by China's economy?**

The trade war surely has impacted the Chinese economy, but the impacts are not fatal. One of the impacts is that the cost of companies has gone up, so there will be more lay-offs and companies might reduce their size. Every company has an instinct to protect itself and they know how to get past this type of situation, this problem is actually not too large.

The key is to look at China's economy and how to further reform and open up. This really is the next step and the main direction going forward.

Chinese private companies and the private sector account for a large portion of the economy and have been playing an indispensable role in China's economy, including employment. If this becomes a problem, then there really will be a big problem.

### **The Chinese art market reached its peak in 2011 and then there were some adjustments. What changes have you experienced since then?**

The most gratifying part has been the increasing number of collecting institutions. Many people during this period started to build private museums and donate to museums.

Although these practices are commonly seen in Europe and America, they are quite new to China. In fact, building and operating museums is difficult work and we don't have a very complete museum system here compared with Western countries. There are fewer preferential measures like tax deductions that can be applied to the private companies with museums here in

China. For example, Liu Yiqian built four museums in Shanghai, Chongqing, and Wuhan, each year the costs are not small. Suning Group's museum in Shanghai had opened to public already and one in Nanjing is under construction. All these museums, including other non-government operated museums, are extremely important to the development of Chinese society.

**After the establishment of a museum, will the scale of purchasing decrease after they have been built?**

Every museum has mission when it is under construction, and during that time buys a large amount of works of art. This includes the time when we were collecting bronze wares for our Poly Art Museum, those two years was the most tiring time for me. Nevertheless, after the collection reached a certain scale, you still need to make improvements and fill in gaps across different categories in the collection. Although the frequency of acquisitions might go down, you will not stop collecting. You will work to create a more perfect collection and categories will become enriched.

When working in this direction, for every stage the museum owner will have a different type of task, this is completely normal. Another very important item of importance is that we need to learn from the West about how they create supporting policies, including tax deductions and benefits that should be given to these non-profit institutions. I want to express my admiration to these founders of private museums. They have been contributing a lot to the development and progress of society.

We also need the support from society, so that these private institutions can have long term stability. If they are unable to survive - like what you saw in New York when Fujita Art Museum sold some of their collection through Christie's to do renovations. So how society can enable support over the long term? Right now Liu Yiqian spends a lot of cash on his two museums in Shanghai each year. These institutions completely rely on the support of the individuals and companies that support them, this is not fair and will be difficult to sustain.

We need to encourage this and we need to create a system and mechanism. Japan started to work on this before us and many collectors in Europe and America countries choose to donate their collections, which is another way of support.

**Let's return to a previous question, from 2011 to today the involvement of institutions has made this market more rational, have there been any other changes?**

I would like to elaborate more on what I just said. Some of the works were purchased by institutions as investments, but the collecting practices by these institutions is a welcomed phenomenon, because they established their museums and give back to the society, and they also donate works to museums.

Another change would be to try to start auctions of different categories of work. Sotheby's and Christie's are selling Western works of art in China, some Chinese auction houses like us and Guardian also started to sell some works from that category.

The difference between high-quality and ordinary Chinese works has become much more pronounced, high-quality works are getting more and more expensive.

**It is the same situation in the Western art market, Impressionism is similar.**

Yes, and that's what we talked about regarding the trend of globalization, it's all the same. China's development is a little quicker.

**The macro economy has been growing rapidly.**

Yes, and just think about how much we have experienced, our salaries have increased a huge amount, 30 years ago when I started working I made 80 RMB a month (21 USD), how could I make it through the month, I don't dare think about that. At first it was difficult to feed ourselves, but now we are worrying about high blood pressure and cholesterol, the situation is different now.

**What challenges do you think the market will face if it further develops?**

The Chinese art market has been developing through to the present day, especially in the context of globalization. The Chinese government has brought some serious challenges to the art market. From the 30,000 foot view from the Chinese government and supervising the industry, the government supports and encourages the development of the industry. However, taxation, customs, including the support for private art museums, there are many aspects that need to keep pace with the times.

For example, Chinese government encourages the practices of purchasing Chinese cultural relics abroad and bringing them back to the country, especially for those works of great importance. Although the customs duties have been reduced, there are high tax rates for trading. You need to pay about 20% in tax in order to bring back a work of art to China from a foreign country and I'm afraid that is not suitable. Moreover, the payment in foreign currency is another problem, so we need a complete set, entire review. This includes collectors encouragement and support.

**What are your expectations for Poly's future development?**

This is the question that I have been stopped grappling with. Speaking from the auction house's perspective, the revenue for the Chinese auction market remains at about 30 billion RMB over the past few years, the scale of the market is limited and it is hard to make a breakthrough, so the top priority is to passionately work together to make the cake bigger, I hope the market can be reach the scale of 100 billion or 200 billion RMB. Furthermore, Poly Auction must learn from other auction houses and improve ourselves, not only to become a big company in the industry, but also to become a respectable company and become a great company.

**How do you do that?**

We will work on two things in the future, one is to bring more Western works of art into China, and the other is to develop contemporary art sector. These are the two very important parts that everyone could see.

Moreover, the development of private sales depends on several factors, for example, galleries, but China doesn't have a very complete gallery system. Therefore, an effective art ecology must be initiated in the future.

Poly Culture Group is a vertically integrated company, in addition to auctions; our business includes art education, galleries, art investment consultancy, art finance, etc... Over next 5 years, we hope to transform ourselves to an international company, and offer all services that available in the industry, including art dealing, art investment and consulting, etc... Over the next 5 years,

it will really be important to focus on diversification, this includes Western works of art, especially the field of contemporary Western art.

Chinese art market has missed a lot in terms of representing different categories of art, so we need to promote the cultural and creative industries, photography and print making.

### **How do you see the collectors' community changing?**

The community of collectors are getting younger and more diverse in China. It has been 40 years since China has opened up. The first group of entrepreneurs have begun to plan for their retirement after their success and they are handing over their companies to their second generation or the third generation. This new people are very different from the older generation in terms of educational background and experiences they had growing-up. All these differences will be reflected in their art collecting behaviors and they are related with different preferences and taste, so this will bring big changes to the art market.

Furthermore, some of Chinese collectors buy works of art for investment, because Chinese people limited channels for investing their money, so this is understandable as it can be another way for them to protect their wealth.



### **Kou Qin**

Kou Qin is the President and Chief Executive Officer of Guardian Investment Holdings, General Manager of Guardian Art Center, and Director of Guardian Education. He is one of the founding members of China Guardian Auctions and is a board member of China Guardian Auctions.

### **In what context was China Guardian first founded? What were the market conditions?**

The founding team was a group of ambitious and educated individuals, with a real feeling for the market.

Having just ventured into business, we were all considering what to do and looking for opportunities in the market. During that time transactions of art and antiquities were intermittent, and marketization hadn't occurred. Strongly inspired by Sotheby's and Christie's, we wanted to build China's own top-notch art trading platform.

Had Sotheby's and Christie's dealt only in Impressionist works or Western art back then, it wouldn't have given us as strong an impetus. However, both houses were selling traditional Chinese art and antiquities (such as ceramics).

### **Looking back at the Chinese art market at that time, transactions at antiquities stores dominated the market, right?**

Back then antiquities exports through antiquities stores, mostly to foreign tourists, were the

primary type of art transaction. Another major responsibility of these stores was to source and collect for the State. People came to the stores with objects, some of which might be quite valuable but the people who brought them in had no clue (and therefore sold to the stores at low prices).

Antiquities stores usually acquired pieces at very low costs or by direct allocation from the government. These shops served two purposes. The first was to amass items for the state collection and the second was to earn foreign exchange in one of the very few ways allowed by the state during that time, i.e. by selling to foreign tourist groups.

(For the store employees) it was a job, but not necessarily a career. There wasn't much pressure to perform. No one gave a thought to how to grow the art and antiquities market or how to increase the value of artwork.

During that period of time, the flow of Chinese art and antiquities was one-way – out to the overseas market with few things coming back in. Individuals couldn't afford works. In very rare cases the government would intervene. In short, antiquities shops back then engaged mainly in over-the-counter transactions, which were controlled by the government instead of the free play of market forces.

#### **Speaking of the founding of the company, what was the structure of the initial team?**

This is precisely a unique feature of Guardian. None of the founding members had any background in art. Chairman Chen's arrangement was that he and Ms. Wang Yannan were the General Manager and Vice General Manager, respectively. Mr. Gan Xuejun was also Vice General Manager. I was the Office Manager, handling administrative and legal activities as well as all the logistics.

(Of the first group of specialists hired) Ms. Gao Yuan studied German in school. She was in charge of organizing the Oil Paintings and Contemporary Art Department. Artists back then sent their works directly from the studio to the auction house. Authenticity was not an issue. Therefore, the Oil Paintings and Contemporary Art Department at Guardian remained strong for a long time.

(Also hired were) Mr. Chen Lianyong, Mr. Tuo Xiaotang and Ms. Hu Yanyan, in charge of Ceramics, Rare Books, and Classical Paintings and Calligraphy, respectively. Mr. Chen was the head of the Ceramics Department at the Beijing Art Museum. Mr. Tuo was a project leader at the Rare Books Department of the National Library. Both were academics. Ms. Hu worked as an editor for the Beijing Yanshan Press which is affiliated to Beijing Bureau of Cultural Relics. None of them were familiar with the market.

During Guardian's early days, there were two crucial components in the company's organizational structure. One was our "internal brain" (i.e. executives and in-house specialists), and the other was "external brains" (i.e. outside experts). Back then we had an Appraisal Committee composed of experts on categories such as classical paintings and calligraphy, ceramics and others. We had another Art Committee consisting of professors of modern and contemporary art from art academies.

The functioning of these two "external brains" was crucial. First, they provided clues for sourcing, as the experts knew the whereabouts of specific items. Second, because of the trusting relationships we cultivated with the experts, we gained credibility by association. Moreover, when conducting appraisals, we always had the pieces inspected by them again after the in-house assessments. A typical example of such experts was the late Mr. Xu Bangda (a renowned

expert who worked for the Palace Museum in Beijing). Many paintings and calligraphy used to be delivered to his house for review. For ceramics, our go-to expert was Mr. Geng Baochang. When it came to appraisals and valuations, these two “external brains” were essential.

In short, when Guardian was first founded, the executives were responsible for setting the direction and structure of the company, but they had no background in the field. The mid-level employees only had relevant professional experiences. In combination with the two “external brains,” the company was launched. It was the “right time, right place, right people.” Plus, the market had not yet grown large.

### **What was the source of lots for your first auction in 1994?**

Our first auction in the spring of 1994 was of Chinese modern Paintings and Calligraphy as well as Oil Paintings. We didn’t dare to include other categories, because to be honest we weren’t so sure. We wanted to see how things would turn out and then prepare accordingly.

Works came primarily from two sources: the network of antiquities stores affiliated with the Administration of Cultural Heritage and the circle of veteran cadres and old collectors. (Public) sourcing didn’t play as much a part for the first auction.

### **Targeted sourcing**

It was after the first auction that the society began to react more actively to our public sourcing efforts. As the number of consignments from the general public increased, we began to organize traveling exhibitions and local procurement events. That’s how sourcing from the public gradually became a main source of inventory for us.

### **How did you set the prices (e.g. estimates) for the auction lots back then?**

We consulted two types of experts for valuation. The first type knew everything about the object except the price. A good representative is Mr. Gong Qi. When we showed him an item, he might say “This is a wonderful piece.” Then we asked “How much is it worth?” “I don’t know,” he’d reply. However, it is precisely such idiosyncrasy that made his opinion even more valuable.

The other type of expert were those with the experience of working at antiquities stores, who ran around sourcing and selling for the stores, or retrieving cultural relics for the state. This group provided us with the most useful information because they were well versed in the fundamentals of valuation.

### **On the demand side, how did you find buyers to participate in your first auction in 1994?**

In terms of attracting buyers, Guardian was in an advantageous position. China’s Economic Reforms since 1979 had let some people get rich first by the early 90s’. Some entrepreneurs who had already made a decent profit from the first wave of economic growth now had the energy to collecting art. There were not many of them and Chairman Chen happened to know these people well. So he invited them over to attend the auction.

In retrospect, we were already proposing the concept of art as investment. In some sense, it was a new field for investment. The idea of art as an investment was helpful in nurturing the market. After 1994, the value of art became evident, when people saw what had once cost ten yuan was

now selling for several hundred thousand yuan.

The auction industry back then was not as complicated as it is now, where Sotheby's and Christie's have introduced many new strategies such as third-party guarantees. It was very simple: People consigned items to us for sale and we delivered the payments right after the auctions. Authenticity was not a problem. Payment default and delay rarely happened.

**Let's go back to the spring sale of 1994, how did the company persuade buyers to participate? It wouldn't be easy to persuade an entrepreneur who had never attended an auction before, right?**

Guardian's first auction in 1994 was a huge success. I think two factors motivated buyers' involvement. The first was a pursuit of beauty and demand for the arts that did exist among this group of people. These early entrepreneurs grew up after the restoration of the National College Entrance Examination in 1978. They were well educated and thus more receptive.

The second factor was trust and comradery. The word was out that Guardian had set up a shop, selling cheap but good stuff. Tian Yuan and Lu Jian, for example, who were working at the China Futures Company, had made a fortune in the futures market. They came to the auction and were immediately hooked. They liked oil paintings and bought almost one-third or even half of the lots at the first auction. The paintings were sold for several ten thousand yuan per piece back then.

In addition to individual buyers, we also caught the attention of antiquities stores. Auctions became a platform of sourcing and inventory exchange for them. "This is a good piece, and I should be able to flip it for a profit." They thought of the auction floor as a resale marketplace.

Also, there was a strong positive reaction from the market regarding our marketing and promotional efforts prior to the auction, which certainly helped (to attract buyers).

**So overall it was not hard to bring in interested players, right?**

Well, of course we were nervous and not one-hundred-percent certain of the outcome. Luckily, the market responded enthusiastically. Additionally, Guardian had been developing the overseas clientele since the very beginning.

**How did you find buyers from abroad?**

First of all, overseas collectors inevitably socialized in the so-called "Chinese circle." At the time, the majority of the circle had frequent contacts with antiquities stores back in China. These collectors were already involved in our first auction. For example, a group of galleries and antiquities dealers came all the way from Taiwan. With some of these Taiwanese galleries, our relationships have been ongoing for some twenty years. In addition, some dealers from Hong Kong participated in the sale as well.

**What was the proportion of overseas versus mainland buyers during that time?**

In the beginning, buyers from abroad were the majority, accounting for about 50 to 60 percent. This has now declined over time.

**Nowadays more than 80 percent of auction buyers come from mainland China, is that right?**  
Sounds about right.

**Is it because the prices for Chinese art are so high that overseas buyers can no longer afford them?**

Not necessarily too expensive for them to afford. It's more complicated than that. The overseas collectors circle has also been evolving. Among those who used to deal in traditional Chinese art and antiquities abroad, some carried on, while others are no longer in business.

**How did you plan and organize the details of the auction back then?**

By adopting an international perspective. Before the auction, we travelled to Hong Kong to study how Sotheby's and Christie's set up their sales, including the display of previews, marketing strategy, catalogue design, and even the format of consignment agreement. That was a lot of "borrowism" happening back then.

When I went to London that year, I took note of the design of the auction block and the electronic bidding display as well. We were the first in China to introduce the display. I had it custom-made to display prices in Chinese Yuan, Hong Kong Dollar and US Dollar.

We also closely studied the rules of auction adopted by Sotheby's and Christie's, identifying the underlying purpose of each term and condition. Given the absence of Auction Law in China at the time, we diligently studied the policies of the two houses, held discussions, and reworked the provisions one after another, discerning between those we thought to be applicable to the auction industry at large, those specific to other countries, those in compliance with the Chinese laws and regulations, and those that required further modifications.

The turnover of our first sale, I still remember vividly, was 14.23 million yuan. We charged both buyers and sellers a 10-percent commission, which was directly copied from Sotheby's and Christie's.

The 1994 spring sale was a sweet first victory. It felt incredible.

As for what we should do for the coming fall, the opinions diverged.

**During that time the entire Chinese economy was booming.**

One side held that we shouldn't be too aggressive for the Fall sale. Did the market truly reflect China's economic conditions? If we failed, would the market suffer? Maybe we should just stick to the two categories (i.e. Classical Chinese Paintings and Calligraphy and Oil Paintings). Eventually, everyone agreed that we shouldn't miss the opportunity. Also, we happened to acquire an extraordinary collection of fans paintings from Suzhou, which seemed to us constituted the perfect opportunity to scale. In the fall of 1994, we added three sales: Fans paintings, Ceramics and Rare Books and Manuscripts. Since then, we have been working non-stop in our efforts to develop the Rare Books segment, which hasn't been an easy undertaking.

The change made a huge difference. Compared to some 10 million yuan achieved by the first auction in spring, the fall sale generated over 40 million yuan. We sold more than 60 million yuan in year one, which felt surreal.

In hindsight, Guardian's growth was a relatively objective reflection of the Chinese market at the time. Our sales consistently brought in 60 to 80 million yuan year after year, until the fourth anniversary of the company when we hit the 100-million-yuan target ahead of schedule.

**How many employees did the company have back then?**

The company for a very long time had only about 40 to 50 employees. Besides, we launched our Hong Kong office at a relatively early stage, which has laid a good foundation for our overseas expansion.

**Looking back at the company's growth, what challenges did you encounter? How did you overcome them?**

It was perhaps in 1997 or 1998. All of a sudden auction houses were popping up everywhere in China. The market was getting chaotic. So many auctions were taking place that scheduling conflicts became almost unavoidable.

Another challenge – or contribution made by Guardian, depending on how you see it – was the development of laws and regulations governing the art market in China. Over the course of Guardian's development, the company's promotion of industry regulation has increased its influence in the field. When China set out to establish its first auction industry standards and procedural guidelines for arts and antiquities auctions, I was created the first draft. In fact, the current national standards are based on Guardian's bylaws with some simplification and adjustment.

**In such a fiercely competitive industry, what are Guardian's success factors?**

Endless competitions force a business to progress and improve. For example, the antiquities-store-turned-auction-house Hanhai used to be our biggest competitor.

So we analyzed it to identify the differences between the two companies. Hanhai's greatest strength is its inventory, since it used to be an antiquities store. A second advantage it has is its affiliation with a so-called "traditional cultural network" of such people as antiquities dealers.

On the other hand, our unique strength lies in our special alertness toward profitable market opportunities. Let me put it this way, a domesticated animal and a wild animal vary greatly in survival skills. With our ability to read the market, client services, company culture and business integrity, Guardian has an edge over Hanhai when it comes to client acquisition and retention. People trust that selling and buying through Guardian is a safer choice. It is all about the psychology of the transaction, about instilling the belief that our business is not a scam but trustworthy. This perhaps is our greatest advantage.

**Looking back at the company's history, how would you divide the past 25 years into different periods?**

The years of 1993 and 1994 was the critical starting point, from which up until 1997 or 1998, auction market participation had steadily increased.

As far as I can remember, the year 2003 was a critical time, for reasons I still don't quite understand, for which I might need to consult some economists. 2003 witnessed the outbreak of SARS. Before SARS and since 1994, the company had grown at a steady pace, but there had been no big jump in revenue.

But right after 2003, we experienced a big boom. By the time of 2008 and 2009, everyone in

China was following art investment with great interest. The entire society was engaged in some kind of art carnival, from banking institutions to various organizations across the society. Funds were raised and partnerships formed to invest in art, because people witnessed the market explosion after 2003. During that period, it was also the time when we were most frightened. We found that the situation was completely out of our control. The prices climbed too high, and the transaction volume grew too large. The expansion seemed unstoppable.

**A wave of new buyers emerged around that time, some of whom the auction house might have never heard of. Was it unnerving?**

Everyone was in for money. It was a bit like the stock market that year, which was a terrible thing. People panicked. The worst market fall happened soon after.

I think the downfall was a normal phenomenon. First of all, the overall art investment objective became distorted, chasing after quick cash, fast profit and high transaction volume. In addition, funding sources became unstable. Some short-term funds flew into long-term investments in art. Art, though easy to transport and carry around, is not easy to liquidate.

It is exactly what many people neglected at that time. They bought and already tried to sell the second year. Once their cash flow was interrupted, it they were in trouble. I've personally met with clients who ended up in disputes. One of them didn't have the money to pay Guardian. So I asked him what had happened. He said that, for starters, they knew nothing about art. They were several brothers, putting in some ten million yuan to buy art. Things went awry when they found themselves in the situation where the artworks they had sold were not paid and thus they were not able to pay the new works they bid at the auction. That was what caused conflicts.

**The auction market downturn was probably due to a couple of situations. The first was the difficulty in sourcing lots, and the other was the difficulty of selling. Which one do you believe caused it?**

It was mostly the latter, which was essentially a decline in purchasing power.

The supply side was also somewhat affected, but it was the buyers who felt the most pressure due to funding problems. Moreover, among the works that increased in value over those years, the price tags for some of them were not justifiable. The value for high-quality art spiraled skyward, lifting the prices for works of lesser quality in the process. The scale of price inflation was so large that it kept stretching the market. Ultimately, the market reacted.

The sharpest price drops happened to those works that had ridden the rising tide of inflation but were of lesser importance or low quality. The entire market was affected and experienced a significant downward adjustment.

**To sum up the situation back then, first of all, many people were experiencing cash flow problems. Moreover, after the market price correction, people started to realize that the high prices were not reasonable, so many buyers pared back their spending.**

The market was filled with irrational investments that did not reflect the real market demand at the time. Short-term funds entered long-term art investment products, which not only violated the principles of capital allocation but also exceeded the market capacity.

But people had to unload, because they ran out of money and had to undersell and cash out. It

was not uncommon to see people sell what they bought at 1 million yuan for half of that price.

This is what differentiates true collectors. True collectors buy high-value works and let them be. They don't make a fuss over their purchases. The money they spend on collecting art and antiquities is disposable and will not affect their businesses and careers. All in all, the years of 2011 and 2012 were tumultuous. What followed has been a period of adjustment. The worst moments have passed, I think.

Now quality items rarely come cheap. Over the years, people in China have come to see one thing more clearly than ever: when it comes to what to buy, go for the high-quality and high-value.

### **When did Guardian start to expand the business beyond auctions?**

In 2013. As I mentioned at the 25th anniversary of China Guardian, The past five years have witnessed a significant transformation of Guardian. The auction house has expanded and restructured to become more diversified, while holding onto a single shared and unified vision. It's a new turning point.

Auction remains our core business, complemented by other areas of business, including investment, an art center, education, publishing, and a hotel. Some operations focus on the short term, while others set their sights on the distant future. For instance, Guardian's investment in Taikang Life Insurance has generated a decent return so far. Small fluctuations in the art market will not affect our confidence in Guardian's overall strategy.

Take education for example, the company has more than 100,000 clients, holding a huge potential for the development of professional and continuing education as well as specialty training.

The launch of the Guardian Art Center also helps to increase our involvement in the primary market. In the past, due to a variety of reasons, the integration of the auction business with the primary market was difficult. Now many people who have been interested in collaborating with Guardian in forms other than auctions have the channels and opportunities to do so. I think this type of partnerships is valuable, because it introduces more players to the stage, which is without a doubt beneficial to Guardian's long-term development and an appropriate diversification of our business.

### **What's your outlook for the Chinese art market?**

I think the prospect for the Chinese art market in the next ten to twenty years is bright. With the growth of Chinese economy in recent years, despite occasional hiccups, the Chinese art market in the long run shows a positive trend. When a society has accumulated enough wealth, the pursuit of arts and culture naturally ensues.

### **What are the implications of the current geopolitical situation and China's economic slowdown on the Chinese art market?**

The US-China trade war and concerns over China's economic outlook will not have too much impact on the art market. The market is more concerned with the total amount of wealth within the Chinese society, since most of the significant transactions take place domestically. Moreover, true collectors of art rarely sell from their collections to save their businesses.

Besides, the next generation of wealthy Chinese already have an interest in and knowledge of art. They will be our next focus, but our cultivation of this clientele is still at its beginning.

**How do you think the collecting method and preference of Chinese collectors will change in the future?**

First of all, there may be an adjustment in proportional terms, where traditional categories of Chinese art might account for a smaller percentage of the total volume. From the perspective of the auction market, while traditional Chinese art now accounts for 70 to 80 percent of the sales, that number may soon drop to 60 or even 50 percent. The future generation may increasingly collect art categories that are more relatable to the new lifestyle and educational background, such as Contemporary Art and Western Art.

However, the turnover of the traditional segment may not necessarily decline from its current level, as the market's capacity to absorb traditional Chinese art and antiquities remains strong.

In addition, there will be more non-profit art initiatives. One obvious sign is the growing number of private art museums across the country. Many owners have expressed the intention to donate their museums to the society or to operate as non-profit foundations.

**What is your opinion on Taikang taking a stake in Sotheby's?**

Taikang's stake purchase in Sotheby's is an independent action of Taikang Life Insurance as a separate legal entity and bears no direct relation to Guardian.

I personally think the investment, whether from the perspective of our original intention or the current situation, is a good move. First, the entry of an insurance company into a world-class auction house will introduce many internal financial controls, including new ideas in areas such as investment. More importantly, Taikang is a Chinese insurance group representing China – an economy at the center of global attention. Its views and perspectives matter more to Sotheby's than mere financial support.

Second, in terms of social impact, Taikang's stake purchase has not attracted any negative comments, because of its cultural implications. It is more about participation and integration than possession. Although Taikang is the largest shareholder of Sotheby's, the ownership is dispersed.

The primary point of contact between Taikang and Sotheby's is the Independent Director recommended by Taikang to Sotheby's Board. In a public company, such a director has to play by the rules.

**In terms of daily operations, are Guardian and Sotheby's sharing tips and wisdom with each other?**

I think, for one, the two companies are like family now. We have had some degrees of exchanges on the condition that there would be no violation of the business principles of each firm. We are certainly not engaged in any kind of client or consignment swaps. It is not happening and, as a matter of fact, not allowed.

So far both parties have been satisfied with the partnership. From the perspective of investment, Sotheby's stock rose immediately with Taikang's investment, which is a win-win for both Taikang

as the investor and the shareholders of Sotheby's. Most importantly, it's a boost in confidence for the market.



## Miety Heiden

Miety Heiden is the Deputy Chairman and Global Head of Private Sales at Phillips. She has over ten years of experience working with collectors in Asia in the field of contemporary art.

### **When did you start interacting with Mainland Chinese collectors?**

If you look at Chinese contemporary, then you are talking about 2004 or 2005 when they started buying it and it grew big very quickly. If you look at Western art, it's more from 2010 onwards (when I was at Sotheby's).

### **If we look at the category of Chinese contemporary art, for Chinese collectors buying through international auction houses, what has been the trajectory of the past 14 years?**

I would say that you saw very little activity in 2005 and 2006, and you started (to see) a small group (which) grew bigger up until 2008 and the market collapsed. Then you saw it becoming active again in 2010 up till now.

The Mainland Chinese collectors were active in 2014, 2015 and 2016, mainly in Impressionism and Modern art categories. I think they follow the international buyers: their buying behavior very much follows the international market, i.e. in observing what the American buyers or European buyers are collecting.

So when you see a downturn in the Western market, you see that Chinese (collectors) also show less activity.

### **Based on your experience of working with mainland Chinese collectors for the past 14 years, what has been your observation in terms of their collecting behavior?**

Well what I've seen is that, I am speaking on behalf of my clients and I generalize very much (here): they want trophies, not that they necessarily had all that tradition around it or that they want to build a collection. They like to have that Picasso, Modigliani or a Van Gogh. It's less (because of) that they want to build a collection with garden views or with horses, or I want paintings from early 1920s or something, it is more probably to have trophies and that status as the rich person.

### **Other than that, what's your observation of their collecting taste?**

I think my observation of the taste is that it is shaped by what they see in museum shows, and what they see when traveling around the world, what they read about and what their opinions are of the trophies of Western art history.

**Can we say, in that sense, the Western auction houses are tastemakers for these collectors?**

I think so, yes. I think that the museums are even more powerful tastemakers, when they see Van Gogh and when they see that it's printed on glasses and bags, and they feel that they are spending money on super paintings.

**I guess this also shows their trust in Western auction houses and blue-chip galleries, right? They listen to them and buy through them.**

Yes. But I have to say it's not necessarily different to when the Russians started to buy or the Japanese. They've gone the same trajectory with status and they wanted trophy works that won't be laughed at.

If you look at the end of the 80s when the Japanese were buying, they were also going after Van Gogh or Picasso and Renoir. Maybe they were more specific about certain artists, but it was also the big names of Impressionists in art history they went after.

**Do you think they are quite different from American and European collectors that you work with?**

Let's put it this way: I think if the American and European collectors were willing to spend that sort of money, they wouldn't spend it the same way. I think the European and American collectors grew up in this culture, so they are more used to it. I think it also has something to do with the division of wealth. I mean especially for Europeans, the wealth (distribution) is far more equal, so chances that a European collector will spend a hundred million dollars on a painting is much smaller than if you are newly rich and want to buy status and trophies.

**It's a very fascinating observation, so do you agree it's the same for American collectors?**

I think if you see an American collector, he/she will spend the same millions. I think it's human nature to do that, and maybe you can see that the American collectors are a little bit more educated because they have grown up with it, he/she has seen a great deal.

For the newly rich (i.e. the Mainland Chinese collectors), if you become wealthy within your own generation, and having earned it for yourself, it's also easier to spend for yourself. If you make 2 billion in 10 years, then it is not that much to spend 50 million on a painting.

I don't see much difference between a typical Mainland Chinese and a typical American collector, they do exactly the same thing. For me the only remarkable thing is that the Asian or Mainland Chinese buyer is far more influenced by fashion. They will follow trends of what the American or European collectors are buying.

**How do you think they gradually shape their collecting taste of Western art?**

It's what they have seen in auctions, museums, on their travels or in newspapers. They all want the big names, I mean the big names for auction buyers.

**Do you feel that Western culture or the knowledge of art history has been a barrier for these collectors?**

I don't think so. I think they educated themselves very quickly.

**Do you feel art education programs play a role here?**

I think it will play a role if you are an art buyers that buys art up to say, one million dollars and you have to be careful how you spend your money.

For these mega-wealthy people who could buy a Van Gogh for 40 or 50 million, I don't think so. I don't think they will pay the time to educate themselves, they know what they want and they know what is good.

**Also because probably they don't have time to go to classes.**

No, exactly. Although I believe everybody should do that.

**What is your observation on why they collect?**

I think it was very hard to say that they collect because they love the painting, but I think it is also (because of) the status. I think it's to show the world that they are educated, they are rich, they have good taste. Therefore you see that with everybody, and especially with newly rich people.

**In terms of Western contemporary art, what kind of artists are they interested in?**

Famous artists like Richter, Baselitz, Damien Hirst or young and hip artists, KAWS, Nara, and Kusama. That's what we see a lot of interest that Mainland Chinese (collectors are) heading towards.

**Do you feel that's because a lot of art fairs and galleries are promoting those artists?**

Yes, because you see that in Shanghai and you see that in Hong Kong. That's probably where they get the knowledge and that's where they see it.

**Do you feel that younger generations of collectors are becoming more active?**

Yes they are, and I think because of the Internet, Instagram and everything, they have far more knowledge and it's much quicker.

**In terms of locations, where would they like to travel to buy Western art?**

They go to Basel in Switzerland and auctions in New York, but I think the most important part is still Hong Kong. I find that they learn very fast and you see more and more of them coming to art fairs, both in Switzerland and in America.

**In terms of collecting channels, from 2010 till now, what has been the transformation that you have observed, between auctions, galleries and art fairs?**

They've been far more active with the primary galleries than in the auctions. They do buy at the

auctions, because sometimes they cannot get access to the primary galleries' artists who are very hot and popular, like Richter, Nara, Kusama, Kaws and Gokita.

**How about art fairs?**

Yes, my feeling is that they are becoming more comfortable buying at art fairs.

**Why?**

Because I think it's like going to the supermarket, you have access to a lot. They see it in Hong Kong, where they feel comfortable with the setting, and then they see the same setting in Miami and Switzerland. Again, through Internet and Instagram, people can get connected very quickly and they know what everybody wants, it goes through very fast.

**Based on your observation, how long do they normally hold artworks they acquire before they sell them?**

It really depends but normally not that long, in my opinion they are real traders, they like to trade art. They see buying art as another form of investment.

**In terms of the number of years, what's your observation?**

3 or 4 years, it depends on how the market moves. I actually would say it's between a year and 3 years.

**How you compare them (the holding time) with your typical western collectors?**

I have to say that you see the younger generation will do exactly the same. They buy and sell and they like it. You can see the collection on your wall, and they can upgrade and sell it again if they want.

**Based on your experience, what is price level they have been collecting most actively?**

Super buyers, of course we know who they are because of the press, are different, but I think in general it's up to 500k dollars.

**From your observation of the past 14 years, what has been the major transformation of the art market in China?**

The major transformation in my opinion is the interest in Western art and their purchases (sometimes at very high levels), their attendance at art fairs in Miami, Basel and HK, as well as the Biennales like Venice.

**What has been the major challenge for you to work with Chinese collectors?**

To gain trust

**The market has gone through a volatile period of time since 2011. What has changed since then?**

I think the same things have changed for both Chinese and Western collectors, the only major change for the mainland Chinese collectors is that it is much harder for them to buy in a foreign country. I see the Chinese buyers behaving in the same way as the western buyers or other Asian buyers. Since they operate in an international market they hear and see the same as other collectors.

**What is your market forecast for the next 5 years?**

In the short term, I expect that the market will be flat (I don't expect a crash) and in the longer term it will really depend on the economic situation in the world. There is still a lot of money floating around in the system and people are still very interested in buying great art.



**Evelyn Lin**

Evelyn Lin is the Deputy Chairman, International Director and Head of Department of Asian 20th Century & Contemporary Art at Christie's. Before joining Christie's in 2018 she worked for Sotheby's in Asia for over a decade and launched the first Chinese contemporary art auction in 2004.

**How did you start the Chinese contemporary art auction in Hong Kong?**

My first experience working for the auction of contemporary Chinese art was in October, 2004. Basically, all of the lots were acquired from the secondary market, none of the works came directly from artists. At that time I wasn't very familiar with any of these artists. It was after the first auction that I gradually came to know these artists and become better acquainted with them.

At first, Sotheby's and Christie's held Chinese oil paintings auctions in Taiwan. Later, probably because of tax-related reasons, they all withdrew from the Taiwan market. Hence the center of the auction market has changed to Hong Kong, and the auctions held in Hong Kong were focused on modern artists, like Wu Guanzhong, Zao Wou-Ki and Chu The-Chun, even artists whose painting in the realism style like Chen Yifei were included.

Because of my personal interests, I began to pay attention to artists working in this field and my interests were inspired by many large exhibitions, like those curated by Jonson Chang (Hanart Gallery), and these exhibitions gradually guided me to pay attention to contemporary Chinese artists. When I was working in the department of modern oil paintings, I observed that some collectors had already begun to collect Chinese contemporary art. Therefore I felt there might be a room for development in this market and we could try to conduct auctions with these artists' works. So that's how the first auction in 2004 started.

**How long did it take you from having this idea to starting source artwork?**

About 6 to 12 months. At first we thought we could start sooner, but in fact, it was not easy to source works back then, since we didn't know where to find the works. Then when I was sourcing works for the oil painting auctions, I discovered these collectors already had some Chinese contemporary art in their possession. That's how it started. So in order for the entire auction to happen at that scale it took about 6 to 12 months. I remember the works were originally estimated at 5-7 million HKD then they were sold at more than 20 million HKD.

**The result was really good.**

Yes, the first auction was a success. Because of this success people started to pay attention to Chinese contemporary art.

We did more auctions in 2004 and 2005 and the results were all very consistent. In 2006, Sotheby's decided to hold an auction dedicated to this category in New York, which was done by Zhang Xiaoming.

Sotheby's started to hold more auctions of Chinese contemporary in New York after 2006, since the first one did quite well and drew a lot of attention from the media and international collectors. The auction took the market to the next level which attracted more people to participate in it. A work by Zhang Xiaogang achieved nearly 1 million USD in New York, which was the first time for the artist.

**Were most of works sourced from overseas collectors back then?**

Let's put it this way, when we are talking about the structure of Chinese contemporary art market---at the end of 80s and 90s, many contemporary Chinese artists were creating works of art without thinking about the commercial values, and this was quite different from many Western contemporary artists who created artworks with a very different purpose.

At that time they never thought that being an artist could support their livelihoods, because the commercial art market didn't exist back then. These artists were creating with purer intentions at that time, so they gathered in some places in Beijing like the old Summer Palace and Beijing's East Village.

Because of this situation, Johnson Chang held a lot of exhibitions overseas. In the early 90s, most of the buyers were overseas collectors. Many American and European collectors were buying contemporary Chinese art during the 90s when the market first started. I remember that most of the sellers of the first few auctions were Western collectors.

After 2006, Chinese collectors began to focus on this market and they realized how interesting the contemporary Chinese works of art were. Of course when the works were sold for over a million-dollar and the press started talking about it, many people began to pay attention.

**Back in 2004 and 2005, the people who bought at contemporary Chinese art auctions in Sotheby's Hong Kong were mostly overseas collectors, right?**

The majority was overseas collectors. At the beginning, because of the relationship through several important overseas galleries including Johnson Chang's gallery, in the early 90s a steady group of collectors (of Chinese contemporary art) formed in the international art market. In my earliest auctions most of the buyers were overseas collectors.

However I remember when we had the first auction in 2004, a Chinese collector bought a Liu Xiaodong's work, so Chinese collectors had begun to participate at that time, but overseas collectors were the majority.

**How do you view the transformation of this market after 2004?**

The market of Chinese contemporary art has reversed. I think after 2008, the collectors mainly come from China and other Asian countries. SARS broke out in 2003 and after that, China's economy started to take off.

I remember that besides the first auction of contemporary art doing quite well, Chinese modern ink paintings were also doing really well at auction in Hong Kong. Many collectors began to participate in auctions in Hong Kong and eventually they become regulars. Not only were the oil paintings and modern ink paintings doing well, antiquities and Works of Art were also selling very well. The rise of China enabled the prosperity of the whole market.

The market reached its peak in 2008. Most of the buyers were from China, who outnumbered overseas buyers. This was a totally different situation compared with what we had had in 2004.

**The domestic auction houses in China also said that the biggest turning point came after SARS.**

Yes, I think that it might be because China changed its domestic economic strategies after that or it was a booming period after a long period of wealth accumulation, so I remember all the auctions were doing very well.

**It has been ten years since 2008, do you feel there has been any transformation over the past ten years?**

The market has changed a lot. At the beginning, many people didn't know Zhang Xiaogang, Yue Minjun or Zeng Fanzhi, they didn't know what Chinese contemporary art was. But they participated in the market anyway because the auction prices back then drew a lot of attention.

Some people might have bought these works for 10,000 USD in the early days and then discovered that they could sell them at auction for millions of US dollars. The huge jump in price attracted a significant amount of attention.

Back in 2008 the Chinese contemporary art market was in a relatively unhealthy condition, because many people came to the market just for investment, not because they wanted to know more about the artists' works, nor were they really interested in these works or had an interest in collecting them. Investment and speculative practices were commonly seen among people who just entered the market at that time, but later a market adjustment occurred.

After the downfall of Lehman Brothers, in 2009 the market price experienced a considerable decline. In 2011 Sotheby's held the Chinese contemporary art auction of Guy and Myriam Ullens' collection. I was working on this auction back then, however, I found out the market didn't know these artists very well. Ullens had a very comprehensive collection with strong art historical context, and it provided us with high-quality works to work with. I designed the auction catalogue in a chronological format, and I hoped this auction could give an overview of the development of Chinese contemporary art to collectors in China and overseas.

If you go over the catalogue, you will see we did a lot of academic research, and the result turned

out to be beneficial for this auction. That auction was a milestone for Chinese contemporary art market: many record-breaking prices were achieved, and most importantly many Chinese collectors realized that Ullens' collections had many museum-quality pieces which were very important for Chinese contemporary art history. The auction results were excellent. I remember it reached over 700 million HKD, which was, and still is, the auction with highest turnover from a single owner.

**For the auctions in 2011, the demographics of buyers were also very international, right?**

Yes, many international collectors participated in the sales.

A very interesting phenomenon started in 2011: some collectors in China decided to open their own private museums. When we held the auctions of Ullens Collections in 2011, many Chinese collectors who planned to launch their private museums participated in the sales.

You can see how the market has transformed from 2004 to 2008. In 2004, collectors didn't know the artists and their works, just followed the market trend and didn't have their personal preferences. In 2008, they started to learn about the academic positions of the artists and their creative process. You can see how things changed within just 4 years.

I think the (Chinese) art market had a unique feature which you won't find in any other market in the modern time. They (the Chinese collectors) have compressed the learning process: in the past, there was no professional market practice. But within the past decade, many buyers have become true collectors.

Such a learning process in general takes a long time in the West to establish, but it took a short period of time in China: you can transform a person within such a short timeframe.

After these buyers become true collectors, their mentality is different. This phenomenon is very different from that in the Western countries.

**An antique dealer also told me about the quick-learning process of Chinese collectors, that's something you didn't see among Western collectors.**

Yes, you cannot see that (among Western collectors). It is because of the fast learning process that the market experienced drastic changes.

Just think about it, from buyers to collectors, a lot of art-related issues were involved in the process, like how they developed their personal taste. From 2004 to 2008, you can see a huge change in the names of artists that showed up in the auctions held in Asia, especially for those held in Hong Kong.

In 2004, you could feel that anything would sell. It was mainly because most of the clients didn't know much about the works or the artists, so they couldn't differentiate the quality of artworks. In 2008, they started to be selective, and they wanted to buy important works in art history. I think that four-year was a very short period of time, but a quick change took place and many artists disappeared.

**This is a very interesting observation. I have two questions on this comment. First, in your opinion, what empowered this compressed learning process?**

I think the first was related to the rise of China's economy: once the new wealthy people had cars and houses, they wanted another way of allocating their assets, and works of art is an

option.

Secondly, works of art can represent their identity and social status, which could convey to other people that he or she has taste.

### **Representations of identity, status and taste.**

Yes, something that differentiate them from other wealthy people.

Thirdly, Chinese people have the tradition of collecting. The market for traditional Chinese ink paintings, antiquities and works of art has been developed for quite a long time. For many people of younger generations, contemporary art connects with them, because these artists create works based on their daily lives, so they can link closely with these works. That's how the market of contemporary Chinese art attracted a group of young collectors.

This group of people come from what we called "the newly rich" class.

### **How did they learn?**

The market was really a bit chaotic at the beginning. Instead of reading books and researching related information, many people made judgments based on what they've heard of or based on suggestions from so-called experts, as I always said, they were learning with their ears.

Therefore, the prices were very unstable back then. As you could see, there was no explanation for why these works were sold at such prices. This is quite different from the market now. After all these years of (knowledge) accumulation, the Chinese collectors now understand the value of a work in terms of its importance and uniqueness, and they know how much they need to spend on each type of work. So I think the market is much more rational now.

### **In general, you mean that they are not just learning with their ears, they also go and visit exhibitions.**

Yes, and that's because the price has reached a new height. I remember when the market was at the highest point, a work by Zhang Xiaogang was sold at USD 10 million. When you are about to spend USD 10 million, you have to be very careful about choosing works of art and you must think about why you spend 10 million on an oil painting. When the price reaches a certain level, collectors need to be more rational when purchasing. That was how they started to learn.

### **I think it is a very interesting observation. Many Chinese art academies and museums cannot give a narrative for the history of Chinese contemporary art, so the collectors have to find clues from other channels.**

Yes, it is very interesting. In an interview I had in 2008, I said that in the old days Chinese families wouldn't allow their children to apply for art academies as an option of college application. But I remember that there was a record-breaking number of students who decided to apply for art academies in China. So you can imagine how many people wanted to become artists after hearing about the development of art market in 2008.

The social status of artists is different now, hence many parents have changed their opinions and they know that their children can make a living as an artist. If you became a successful artist, you

could be very wealthy.

**Back to what we just talked about regarding the chronological order, how do you think the market has transformed from 2011 to 2018?**

The Chinese contemporary art market has developed very fast. Art Basel (Hong Kong) has changed the Asian market, because some international galleries were introduced to the Asian market through Hong Kong International Art Fair (which was acquired by MCH Group and rebranded as Art Basel Hong Kong).

At the beginning, the art market in Hong Kong was dominated by auction houses, so for many collectors, they could only buy and see works of art through auctions.

Hong Kong International Art Fair (which later became Art Basel Hong Kong) has opened the door for bringing works of many international artists to Hong Kong, and to the doorsteps of Asian collectors. So Asian and Chinese collectors have broadened their horizons in this way, and they have had more choices. In recent years, some Chinese collectors began to pay attention to Western contemporary art, and some of them only collect works of Western contemporary art. This is a trend you could not see in 2008 and 2009.

**So this turning point came around 2012?**

The change took place when Hong Kong International Art Fair was rebranded as Art Basel Hong Kong in 2012. It was an official statement to the world that the Hong Kong art market had become international enough to support a fair like Art Basel. The internationalization of the market was directly related to Art Basel.

Then the market of Chinese contemporary art has faced a challenge after this change, which I think is quite interesting. Because these collectors only collected Chinese contemporary art at the very beginning, and then they were presented with more options. So in recent years, you can hear many people comment that there are fewer collectors who buy Chinese contemporary art but I don't agree with that. Since the market of Chinese contemporary art was formed in a very short period of time, the list of artists is not very long, so a lot of space has been taken by these names within the market. Many Chinese collectors already had collections of these artists, but they still hope to expand their collections. Therefore, it is very natural for them to turn to Western contemporary art market since the options they have within the Chinese market had become limited, and now they could choose from a wider range of works in the contemporary art market of the West. Many Chinese collectors have started to collect Western contemporary art, and this has become a trend over the past years.

**Over the past two years, it has become more difficult for local galleries to survive in China.**

Yes, the situation is quite different now. The past few years were really challenging for galleries representing Chinese contemporary artists. More options and choices were offered to collectors, so there are more challenges for both galleries in China and Chinese artists.

The biggest challenge for Chinese artists is that, they used to only compete with other Chinese artists, but since his or her works have entered the international market, now they are competing with other international artists of the same age. This can be both good and bad for the artist. The good thing is, if you can demonstrate and highlight your personal style on such a big (international) stage, you have better prospects. Of course this can be a huge challenge as

well - if you just copy the Western artists, you will get lost in the market.

**Speaking from the perspective of auction houses, when more international artists come into the market, what kind of transformation can be brought to Sotheby's and Christie's in Hong Kong?**

I stayed with Sotheby's until 2017. I already included works of Western artists in our regular sales for the two auctions held before my departure, and we began to sell works of Basquiat and George Condo in the evening sales. We also observed that the structure of the market was changing with collectors' preferences. In order to cater to the market changes, we added works by Western artists to the auctions.

**So in terms of auctions sourcing works, the proportion of Chinese contemporary art works has decreased. Is this because you need to balance the Asian collectors' interest in Western contemporary art?**

Yes.

**If collectors' interests change every 3 to 5 years, in your opinion, what kind of challenges are going to be faced by auction houses during this process?**

For auction houses, you must follow the interests of collectors closely, since Chinese collectors have had a very short learning process, their attention to each artist can only be kept for a short time. It would take a lot of time for you to attract his or her attention and lead him or her to understand an artist. Now they have more options, so the biggest challenge for the auction house is, to figure out how to make collectors follow an artist for a long time? How do you keep his or her attention on the artist and grow with the artist? This is what galleries and auction houses are both working on.

**How do you overcome these challenges?**

I worked in the way of nurturing the market when I first started, which was probably totally different from the way that Western auction houses have in the US and Europe.

Because I have my personal style, I don't just sell works by those artists who can sell well. When I first began to work on the auctions, the galleries didn't help me that much, because most of the collectors' attention focused on auction houses.

This led me to discover that there were other spaces that auction houses could expand into. At that time, the gallery system hadn't been established with standard operations in China, so this gave me some opportunities to do auctions with an academic perspective. I would even introduce some works from young artists that I thought were worthy of attention to my collectors in the auction market. This might not be commonly seen in Western auction houses outside of Asia, but the uniqueness of the Chinese market gave me opportunities to do things like that.

How to overcome these challenges? To put it simply, you should be able to cultivate some new market segments while following the trend of the market. I think just following the market trend is not enough for auction houses, maybe you also need to expand the business in new spaces and introduce artists working in different spaces to your collectors.

For example, I think some of the artists are undervalued among all these Chinese contemporary

artists, so there is a lot of space to develop, and this is what I continue to focus on doing. I want to bring more artists with original ideas to the market.

Besides, I hope to have a good interactive relationship with galleries and together we can develop an art market based on co-existence, and we can foster a group of collectors together. I hope we can bring stability to the art market.

**Do you feel that the undervalued artists who were in the middle of their career development have the potential for future growth in the market?**

Yes. In recent years, there are galleries working on nurturing the market for these artists. Since auctions are fast-paced, people often only pay attention to artworks of high prices.

So I think this is the area worthy of working on.

**Besides what you just talked about, is there any space left to be discovered in this market?**

Many people are interested in younger generations of Chinese contemporary artists – those who were born in the 70s and 80s. Now there is another trend, many international galleries are representing Chinese contemporary artists. For example, Hauser and Wirth represented Zhang Enli and Zheng Fanzhi, Liu Xiaodong is represented by Lisson gallery, and in March, Jia Aili will be exhibited in Gagosian New York.

You can see a really interesting phenomenon here. For artists who are performing better within the Chinese contemporary art market, or for those who have ambitions for the international market, he or she might have one more option now, which is to join an international gallery.

I think this is a positive, mutual learning process. Because these international galleries can bring their years of experience of managing the Western art market to China, and as a result, this will transform the Asia market.

In addition, the difference between primary and secondary markets will become more obvious.

**From your perspective, how is the market going to develop over the next 5 years?**

The fact that Western works of art have their place in the Asian market cannot be ignored and I believe more Chinese artists will be represented by international galleries in the future. This is a very obvious trend.

**Based on your observations of Chinese collectors, besides Western contemporary art, what are their collecting tastes and preferences like in terms of Western modern art and decorative arts?**

It just occurred to me that there is one more special thing in Chinese market, which is that collectors don't distinguish between modern and contemporary art. They are basically collecting what they like and feel interested in. Therefore, they don't feel they are collecting Impressionism works of art, and they don't feel there is much of a difference between buying an Andy Warhol and buying a Monet.

This has been happening to Chinese collectors: a collector might collect Monet and Andy Warhol at the same time. So they do not distinguish between impressionist and post-war contemporary categories. Fundamentally, they want to achieve two objectives: first, the value of the works they

collect do not go down; second, they collect what they like.

**Do you feel that auction houses are tastemakers based your observation of the changes in terms of collector's tastes and preferences?**

Yes.

**Do you feel that collectors are switching their major collecting channels from auctions to art fairs since Art Basel has been opened in Hong Kong and art fairs began to play a more important role?**

Yes, and you can see more Chinese collectors participating in Art Basel, which is unprecedented.

**Do you think their ways of collecting are different from Western collectors?**

They mainly collect based on their personal preferences and they don't distinguish between different categories like Post-war or Impressionism, they aren't concerned with and have no concept of the nationalities of the artists.

For example, when some collectors began to collect Western art, they might start to buy African American artists' works, and they don't distinguish different segments of Western art.

**In your opinion, how do they form their collecting taste?**

Western galleries have been playing a pivotal role in the Asian market. They brought many international artists to Asia and a two-way interactive relationship developed.

Moreover, many Chinese collectors started to show up in different large art fairs like TEFAF, FIAC, and Frieze, and they have visited basically all of these fairs. So Chinese collectors have broadened their horizon and began to understand more things at different levels of the market.

**There are many artists and schools in Western art history. For Chinese collectors, did the quick-learning process of Western art knowledge happened through galleries or art advisors?**

I think it was mainly through galleries. The percentage of collectors who have hired art advisors is not that big, but I think the percentage might go up in the future.

**Do you think art education played a role in this? Since the collectors learned and updated their knowledge pretty fast?**

Art education more or less played a role here. Many collectors are sending their children to study at Christie's Education or Sotheby's Institute of Art. They probably won't all be directly involved in the art industry (after graduation), since many of them would help manage their parents' collections. So I think art education has some direct influence on the younger generation of collectors.

**We talked about their reasons of collecting, for example, asset allocation, representation of identity, status and taste, etc. Do you feel there are any changes regarding their reasons for collecting during the past decade?**

I don't feel there has been any change in that. I started to work in (Chinese contemporary art) auctions from 2004 and many collectors have been collecting from 2004 till now. Since there would be less and less works of art that they believe are good enough, collectors will have less targeted works. But they still continue to participate in this market and they are still here.

**Do you think establishing institutions has become one of their collecting goals?**

Yes, that's a very good point.

**Geographically speaking, do you feel that Hong Kong remains as a major art trading center?**

Yes, because of the tax issue.

**And they also collect in places like Europe and North America? Yes, correct.**

**Based on your observations over past 10 years, what is their average holding time of the works?**

3 to 5 years, that's a general number. For some people it would be 5 to 7 years, and of course some of them, a small number of collectors, have never sold a work.

**What is the price range they mainly collect within this category based on your observations of the past 2 to 3 years?**

The price range for the Chinese contemporary art market is about between 10 million HKD (1.3million USD) to 20 million HKD (2.5million USD). Only very few important works can go over this price range.

**In your opinion, for those mid-career artists who still have potential for further development, what's their price range like?**

About 5 million HKD (630,000 USD).

**From your experiences over the years, what is the biggest challenge of working with Chinese collectors?**

They change their interests very fast. You need to follow the market trends very closely, and I learned a lot from the process.

Now a group of collectors who were born in the 80s has emerged in this market, and they have very different ambitions and collecting categories compared with collectors born in the 70s. For those born in the 80s, for example, a group of people are collecting works by KAWS. They could be under peer influence, like they might follow trendy things on Instagram. Many collectors born in the 80s don't have the language barrier, so they can connect with the international market and get information easily. This is a new trend now, because they are following international market instead of the Chinese market.

**So would it be challenging for you to convince this group of new collectors to accept your views about the art market?**

Yes, it is a challenge for me, but it is this challenge that makes me love my job, because this is a

great learning process. For this group of collectors there is no difference in artists' nationalities. Therefore, the most difficult thing for an auction house is to figure out how to curate an interesting auction to attract the collectors' attention. Since there are so many auctions now, how to plan an auction with unique features remains a big challenge for all the auction houses.



## Zhang Rongde

Rongde Zhang is a Senior Vice President and Senior Specialist in Chinese Classical Paintings Department at Sotheby's. Rongde started his career in Chinese paintings over forty years ago at Duo Yun Xuan, a former state-owned antiquities store which became the first auction house in China. He served as the General Manager of Duo Yun Xuan during the 2000s.

### **You started working in 1976, didn't you? What was the state of (the Chinese art market) back then?**

I graduated from high school in 1976 and officially started working at the beginning of 1977. Back then, the Cultural Revolution had just officially ended. Mainland China was not yet opened up, and the nation's economy remained centrally planned. The private sector did not exist; there were no private companies. The common people, including civil servants, had similarly low salaries. Barely covering their daily expenses, people had no spare money to spend on art. Therefore, the art market was virtually nonexistent.

### **Where did you work at that time?**

I worked for Duo Yun Xuan Art House, a century-old store specializing in selling Chinese calligraphy and painting supplies such as brushes, ink, paper and ink stones, as well as original works of Chinese painting and calligraphy, authentic rubbings and books of rubbings from various dynasties.

### **What was the state of the art and antiquities trade back then?**

After the nationalization of private enterprises, Duo Yun Xuan was converted into a state-owned *danwei* (work unit). The store purchased its stock of traditional calligraphy and painting supplies wholesale from their respective producing regions in the provinces of Jiangsu and Zhejiang, while it procured original works of art and rubbings mainly from private collections.

The paintings, calligraphy and rubbings acquired by Duo Yun Xuan usually had two destinations: They were either sold in the store at a profit or stored in the warehouse. On the one hand, the in-store sales were further divided into export and domestic sales, taking place in the foreign visitors' reception room and at the inner counter, respectively. In the 1970s and '80s, art and antiquities stores such as Duo Yun Xuan all set up designated reception rooms for foreign visitors, offering goods specifically to customers from abroad. This part accounted for the majority of the store's sales at the time. In comparison, the transactions at the inner counter where traditional works of art were available to domestic buyers were scanty in terms of volume

and revenue. On the other hand, years of acquisitions continuously enriched and expanded Duo Yun Xuan's inventory and collection, in the process of which a great many classical paintings, calligraphy and rubbings came to be preserved.

In addition to the business operations, Duo Yun Xuan also had the honor to provide items for the collections of state-owned museums. During the late 1980s, after the Committee for the Authentication of Ancient Works of Chinese Painting and Calligraphy completed the appraisals of Duo Yun Xuan's inventory, the store at once offered almost two hundred pieces of painting and calligraphy to the Shanghai Museum and the Liaoning Provincial Museum.

**Can you please describe the social context right after the Cultural Revolution and before the Reform and Opening Up?**

Before the economic reforms, private trading was prohibited, including that of paintings, calligraphy and rubbings. Private collectors could only sell their collections to the state-owned art and antiquities stores; these companies, besides the domestic sales at the inner counter, sold mainly to foreign visitors. Such export sales were subject to time period restrictions.

**What were the time period restrictions on art exports?**

There were two thresholds for the export of painting and calligraphy: One was the sixtieth reigning year of the Qianlong Emperor (1795), and the other was the year of 1949. Anything predating 1796, regardless of the artist's stature and the work's quality, was strictly prohibited from leaving the country; among the works produced after 1795 and before 1949, those by lesser known artists and of average quality were permitted for export; works produced after 1949 were generally exportable.

**At the time, Duo Yun Xuan sourced its inventory primarily from the public?**

Yes, primarily from the public. Private art dealing was forbidden at the time. Items circulating in the market fell into the category of lost cultural relics and had their origins in private collections.

**From 1977 until you went to study abroad in Japan, how long did you work at Duo Yun Xuan?**

For ten years.

**Can you please tell us more about your experiences during those years?**

The Cultural Revolution had just ended. Auctions did not exist yet. The art market was not fully opened, and only a few people were involved in the field. With the implementation of the cultural relics policies, the antiquities that had been confiscated during the Cultural Revolution were returned to their former owners by the relevant department of the cultural relics administration. The restitution process lasted for years. Years of political turmoil combined with a planned economy resulted in the harsh and impoverished living conditions of the common people. Hence, many owners chose to sell the returned art and antiquities to state-owned antiquities stores in exchange for cash, thereby improving their lives.

As a result, state-owned organizations such as Duo Yun Xuan and other antiquities stores acquired a considerable amount of artwork from private hands in those years. Throughout the process, we who worked at the store handled plenty of paintings, calligraphy and rubbings. For

me, all the actual appraisals, valuations and cataloging constituted rare opportunities to accumulate work experience and develop professional expertise.

**Your main responsibility at work was to procure artwork for the store?**

Yes. I worked at the acquisition division where I was responsible for acquiring classical paintings and calligraphy. Some clients brought their works to Duo Yun Xuan to sell, while others called to schedule appointments at their own residences. For all acquisitions, we conducted appraisals, made offers, closed the deals, and went through all proper procedures on the spot. As for the scope of collections, in addition to items suitable for in-store sales, we also collected at our discretion such works, though unsuitable for selling in store for the time being, that nonetheless possessed high artistic value or could be offered to museum collections. For example, once a collector from Suzhou brought in a total of one hundred pairs of unmounted calligraphy couplets by Hufan Wu. Each pair was valued at two yuan, hence a total price of two hundred yuan for the one hundred pairs. At the time, it was prohibited to openly sell Wu's works, so the store could only keep the couplets in storage after acquiring them. To cash out, the collector also had no other choice but to sell to state-appointed state-owned organizations such as Duo Yun Xuan.

Another example is Master Hongyi, also known as Shutong Li. Although he was a highly respected Buddhist master and accomplished calligrapher, back then it was forbidden to publicize his religious contributions and the fair market value of his calligraphy works was not yet established. It was the son and daughter of one of Master Hongyi's favorite music students who brought his calligraphy works to Duo Yun Xuan piece by piece. The store ended up acquiring fifty to sixty works in total, for a few tens of yuan per piece. In such an environment, similar cases were not uncommon. Duo Yun Xuan acquired these works by virtue of their artistic merit, in effect serving a selective and protective function.

**Now that we have discussed the buy side of the store's operations, how about the sell side?**

As I mentioned earlier, most sales happened in the reception room for foreign visitors. All export art, including paintings, calligraphy and rubbings, went through inspections by the Cultural Relics Administrative Commission; only items with inspection stamps could then be put up for sale. A handful of museum-quality items were offered to the museums for their selection. The Palace Museum in Beijing, the Shanghai Museum and the Liaoning Provincial Museum have all acquired items from Duo Yun Xuan.

**How about the sales to individuals?**

The sales to individuals took place mainly at the inner counter, which was small in scale. The buyers consisted of a small group of professionals in the field, painters, calligraphers and art lovers including some retired veteran cadres. In addition to the actual buyers, some experts and scholars also frequented the acquisition division at Duo Yun Xuan for the purpose of collecting primary sources and researching. Regular visitors included Mr. Guozhen Xie, an expert on the history of the Ming Dynasty from the Chinese Academy of Social Sciences, Mr. Zhenbai Lyu and Mr. Congzhou Chen from Fudan University, Mr. Zhecun Shi from Shanghai Normal University, and Mr. Tinglong Gu from the Shanghai Library. There was also a young man whose last name was Yuan. He was a former rings gymnastics national champion. He was so fond of reading old rubbings that he took the train from Suzhou to our store in Shanghai almost every Sunday, always coming in early and leaving late.

**How did you learn to appraise painting and calligraphy?**

I developed an interest in calligraphy at a very young age. When I was in middle school, I had the honor to participate in the Calligraphy Exhibition of Shanghai Elementary and Middle School Students. My love for painting and calligraphy has lasted ever since. After joining Duo Yun Xuan, I had the opportunity to handle a large number of original works of painting and calligraphy and study them in depth. Meanwhile, I was under the attentive mentorship of the senior employees who had extensive experience in appraisals. Through continuous practice, I gradually expanded my professional knowledge base. I think personal interest, mentorship and practice are three indispensable conditions for the study of professional painting and calligraphy appraisal.

**How old were you in 1977?**

1977 was the year in which the National College Entrance Examination was resumed. I joined Duo Yun Xuan prior to the resumption, so I was eighteen years old then.

**During the ten years from 1977 to 1986, did you sense any changes in the market?**

During that period, as China normalized its diplomatic relations with various countries, foreign tourists visiting the Chinese mainland increased notably. The reception room for foreign visitors at Duo Yun Xuan received an ever-growing number of customers, mostly from Singapore, Japan, Hong Kong and Taiwan. The prices of paintings and calligraphy works naturally inflated, especially those intended for export.

**Before you went to Japan, when it was in the late '80s, private collections remained the primary source of supply for Duo Yun Xuan, right?**

Yes. Except for the old stock, all paintings, calligraphy and rubbings at Duo Yun Xuan came from private hands. Private collectors back then either continued holding onto their collections or sold to state-owned antiquities stores; they had no other options. It wasn't until the emergence of auction houses in 1993 that private collectors had more channels to liquidate works.

**So, to summarize Duo Yun Xuan's source of supply: After the Cultural Revolution, the government started to return seized art and antiquities to their former owners, those owners then sold their recently reacquired items to the state-owned antiquities stores in exchange for cash. Correct?**

That is correct. Just one more thing to add, Duo Yun Xuan had already built up its inventory before the Cultural Revolution, which had also been procured from private individuals. After the Revolution, the numerous paintings and calligraphy works that the store acquired were chiefly restituted properties. At the time, most private collectors with liquidation needs ended up selling their collections to the state-owned antiquities stores.

**Duo Yun Xuan began to conduct auctions in 1993. Until then, the public had no other channels to trade and liquidate their collections other than through antiquities stores, had they?**

No, they had not. Only state-owned art and antiquities stores such as Duo Yun Xuan which had the special permission from the State were legally allowed to deal in art.

**Back to the late '80s before you went to Japan, when the demand came primarily from foreign tourists, where were the biggest buyers from, besides Japan?**

Singapore, Hong Kong and Taiwan had some of the biggest buyers. Japanese buyers had a particular interest in works of calligraphy.

**You once told me that during your apprenticeship, you spent most nights in the store warehouse, didn't you?**

Yes, I did. Back then, all employees had similar wages and benefits, and prestige or authority was not much of an incentive. The acquirement of professional knowledge was motivated purely by passion. My workload was quite heavy during the day, leaving me with no free time to sit down and study, so I decided to move into the company dormitory so that I could continue studying after work. Living in the store, I could enter the warehouse anytime to access all the paintings and calligraphy works and even take them out to the office for *linmo* (imitating or copying). In retrospect, such hands-on learning opportunities are almost impossible to come by nowadays.

**Which year was it? In the late '70s?**

Yes, around 1978 or 1979. I lived in the store for about two years. Not having enough time to study during the day, I utilized my time after work to carry on learning either in the warehouse or in the office.

**Before you went to Japan, there were not many domestic buyers, were there?**

No, there were not. Limited by the general environment and personal financial situations, there were some domestic buyers, but not many of them. Foreign visitors constituted the majority of buyers. The real growth of domestic buyers occurred along with the emergence of auction houses in mainland China. The reinstatement of private cultural property ownership rights and the freedom to trade at auction created a market. Before that, the individual buyers only consisted of a small circle of professionals in the field, such as painters, calligraphers and university professors, and retired veteran cadres. It was the emergence of auctions in 1993 that gave rise to open and market-based modes of art transactions in which everyone could participate.

**It is a very good point you just made that auctions infused liquidity into the market.**

Yes. I personally think, fine art auctions are more market-based compared with other industries. The very first art auctions in 1993 studied and emulated the operating models of Sotheby's and Christie's: The sourcing of auction lots, announcements of upcoming sales, pre-sale exhibitions and auctions themselves were all open to the public; everyone could bid at the auctions, and the highest bidder won the lot. Such auctions were apparently more market-oriented than any other industry, which was perhaps an essential factor for the rapid growth of auction houses after the opening of the Chinese economy. Fine art auction in China adopted a relatively healthy model since its inception and hence grew fast afterwards.

The rise of auctions in mainland China, on the one hand, provided the public with opportunities for market participation and improved the market position of Chinese art. International and domestic buyers attended the same auctions, filling the price gap between the overseas and domestic markets. Prior to 1993, the same work would fetch completely different prices

depending on whether it was sold at Duo Yun Xuan or in the international art market. Buyers from Japan, the United States and Southeast Asia who purchased works of art in mainland China had potential arbitrage opportunities to exploit once they returned overseas. The appearance of auctions quickly eliminated such regional price differences and significantly raised the market prices. On the other hand, works of art that fell within the strict time period limits were permitted to enter the market. Their artistic value became fully recognized, and meanwhile they helped satisfy the diverse demands of collectors.

**So, before 1993 even the newly rich didn't really have any channels to collect art, did they? No.** Before the rise of auctions in 1993, only state-owned antiquities stores could deal in art, which constrained the circulation and the pricing of art. Open participation and open bidding at auction encouraged buyer engagement and a returned to rational pricing, which significantly boosted the art market. Some of the newly rich also gradually transformed into collectors through their participation in auctions.

**Why did you decide to go to Japan? What was that experience like?**

With the further opening of the country, studying abroad became trendy. Japanese customers constituted the majority of foreign visitors to Duo Yun Xuan and often arrived in groups. Japan has a long history of appreciating and promoting the study of traditional Chinese calligraphy. Traveling abroad and studying Japanese scholars' findings about Chinese painting and calligraphy was the original intent behind my decision to study abroad in Japan.

**You stayed in Japan for almost twelve years, didn't you?**

Yes, for more than a decade. After completing my undergraduate degree in Japan, I worked there for several years. Because of my personal interest, I found jobs related to Chinese painting and calligraphy and continued my professional development during my time in Japan

**You went back to work for Duo Yun Xuan in 2000, didn't you?**

Yes, I went back to Duo Yun Xuan in 2000 to oversee its auction business for four and a half years.

**What was the state of the market then?**

After the outbreak of SARS in 2003, the auction market experienced dramatic growth where the number of auction lots offered for sale increased exponentially and the hammer prices skyrocketed. International and domestic dealers, art lovers, experts, scholars, and corporate collectors among others all attended auctions enthusiastically in their respective ways. The art market started to flourish. Small- and medium-size auction companies popped up one after another.

**You joined Sotheby's in 2013. It has been more than forty years since you entered the profession. In your opinion, how has the market of Chinese painting and calligraphy transformed (and developed) over these years?**

In the forty years after the Cultural Revolution, the market of Chinese painting and calligraphy has developed rapidly in terms of business model, volume and price. Despite occasional ups and downs, the overall market has experienced explosive growth in stages.

After the end of the Cultural Revolution and with the opening up of the country, the Chinese economy has grown continuously, leading to the revaluation and repositioning of Chinese art. The ever-growing demand from both inside and outside the country raised the prices of painting and calligraphy. In addition to satisfying the demand of international buyers through export sales, the need to meet the domestic demand also became increasingly urgent. The rise of auctions in 1993 broke the monopoly of state-owned antiquities stores on the trade of art, bringing new business models to the painting and calligraphy market. Private collections got to enter a more rational and free market. One after another record prices for painting and calligraphy was achieved and then broken. From dealers, collectors to art professionals, a lurking passion for active market participation was stimulated on an unprecedented scale.

In the past four decades, in terms of price, price per lot increased from several hundred to several thousand, ten thousand, hundred thousand, tens of millions, up to hundred million yuan; in terms of volume, from only a few sessions such as Painting and Calligraphy, and Ceramics and Miscellaneous, auction houses now set up multiple, simultaneous sessions across a wider range of categories including Rare Books and Manuscripts, and Oil Paintings and Sculptures; in terms of collectors, their motivations and modes of art collecting shifted from personal interests and hobbies, to investment and value appreciation in the early days to category-specific collecting, to collecting on such a large scale that warrants the building of their own museums. The development and growth of the market has been remarkable indeed. Already at such a scale, the market of Chinese painting and calligraphy is stepping into a more mature and rational stage of development.

**You think the market will become more rational in the future, don't you?**

Yes. The market always progresses towards maturity, so does the painting and calligraphy market. The pursuit of high market prices will return to the appreciation of artistic value. Such a shift holds true for collectors, buyers and auction houses as well as intermediaries. The overall increase in sophistication will give rise to a more mature market.

**What challenges do you think auction companies will face in the future?**

In an increasingly mature market, I think the sustainable development of any company depends on two factors: One is business administration and management, and the other is expertise enhancement. On the one hand, the professionalism of employees, excellent customer services, optimal and standardized operations, as well as accurate market forecasts are all essential components of the administrative competitiveness of an auction house. In addition to administration and management, the ability to procure high-quality consignments with strong market appeals is another important aspect of business competitiveness. Over the past several decades, tens of thousands of works have been offered for sale on the market. To this day, people have gradually lost interest in average and common objects, while increasingly chasing after high-quality, unique and rare items, which undoubtedly propels auction houses to make more accurate professional judgments when selecting lots for each session. To some extent, a company's expertise in selecting proper lots outweighs the overall administrative management of the company.

Besides the two aforementioned factors, macro trends also play a part. Changes in different realms and directions will impact the market in different ways, and the companies should respond accordingly.

### **What is your view on the transformation of Chinese collectors over the past few decades?**

After decades of continuous growth, Chinese collectors have come a long way and gradually developed their own models of art collecting. The emergence of a market for art, especially with the introduction of auctions, played an unprecedented role in the formation of an art collecting community in China. The early participants were primarily driven by business opportunities and/or personal interests. Through continued engagement, the buyers in general became more sophisticated. As they acquired more expertise and collected with more awareness, the buyers gradually evolved into collectors. As the private collections continued to expand, private museums emerged in response. In some sense the transition from mere participation in auctions to art collecting and from private collections to private museums, signaled the transformation of the nature of art from commodity to art to public service.

Public and private, museum collections shoulder social responsibilities. The promotion and education provided by museum collections are not for profit but in service of the public interest. In recent years, China saw the opening of more private museums than any other country. Hopefully, these new museums, with their infrastructure and art collections, will live up to their expectations.

### **How do you think the market will develop over the next three to five years?**

The art market over the next three to five years will continue to grow and adjust itself towards maturity. If we divide works of art into high, medium and low ends for the sake of simplicity, the demand for high-end works should remain robust; the middle tier may experience some adjustments; while low-end works will become hard to sell. Facing a nice-but-not-necessary purchase decision regarding a low-end item, the buyer will not buy; when facing such a decision regarding a medium-quality item, the buyer will choose to buy if the price is low and not to buy if the price is high; high-quality and rare items, as long as their prices are not unreasonable, will remain coveted.

### **In other words, the demand for low-end (painting and calligraphy) will continue to drop in the future, right?**

Yes, I think this is the trend. As the market becomes mature and rational, the price bubble will burst. Where will it hit first? Those works of low value or of unjustifiable high value. The art market bubble is concentrated on its low end.

### **A lot of people have been discussing how Chinese collectors tend to buy art as an investment. What are your thoughts on this?**

I think such a view applies to some but not all Chinese collectors. Surveying the behavior of art collecting, it is hard to separate the market from the collecting of art; nor can the artistic value of a work exist independent of its market value. Whether a collector merely pursues immediate investment returns or awaits the natural value appreciation is perhaps a good indicator of the collector's level of sophistication.

When auctions first appeared in mainland China, the rise of domestic buyers and the decrease of international buyers were undeniably driven by the market (investment opportunities) in China. The prosperity of the mainland Chinese art market has also contributed to the massive repatriation of Chinese art in recent years.

## **What's your view on the relationship between public and private museums in China?**

Because public and private museums have different types of ownership and lengths of history, both types of institutions have their own strengths and weaknesses. If they can build on their strengths and avoid their weaknesses, complementing each other in their endeavors to serve the public, they can make better contributions in their respective ways.

Most of the state-owned art museums in China have enjoyed the best resources available since the founding of the nation in 1949. For the past seventy years, they have followed predetermined plans and developed steadily. Some museum collections have a history of more than seventy years; one could say that these museums sit on bountiful riches. In contrast, private museums in China have been around for just over a decade on average. In terms of museum collection and history, they cannot be mentioned in the breath as public museums. Long history is the greatest strength of state-owned museums in China, while the unique advantage of private museums lies in their greater autonomy due to the nature of their ownership.

Private museums rely on themselves for funding, collection procurement, operations management, and exhibition planning, while their activities and programs are designed to serve the general public. Because private museums do not seek to generate a profit through their expenditure, every penny they spend carries more weight and responsibility. Given the pressure and social responsibility, private museums have to go all out. In recent years, Shanghai has witnessed the opening of some great private museums, and their regularly-changing international exhibitions have won both critical and public acclaim.

Long history and abundant-funding from the State are the two advantages of state-owned museums. Private museums' advantage is their private ownership which provides them with strong autonomy. I hope in the future the private and public museums in China will support each other's efforts and cultivate a mutually-beneficial relationship.



### Calvin Hui

Calvin Hui is the co-founder of 3812 Gallery, which has spaces in London and Hong Kong. He was Co-Chairman of Fine Art Asia, an art fair based in Hong Kong. He recently launched Ink Now, a contemporary ink art fair in Taiwan.

#### **When did you start to work with Chinese collectors?**

I have been working with Chinese collectors since 2008, when the art market started to take off in Hong Kong. After that I was operating my own gallery in Hong Kong, I was also working as the co-chairman and director of some art fairs, so I also have had many opportunities to work with Chinese collectors in these various roles. In recent years, there have been more chances to work with them as well, because many Mainland Chinese collectors came to Hong Kong for Art Basel and auctions here, so there have been more connections and interactions among Asians collectors, including those from mainland China, Hong Kong and Taiwan.

#### **What have been their collecting patterns, tastes and preferences? Have you seen any changes over the past 10 years?**

I think there are two main factors that influence the Mainland Chinese collectors' tastes and preferences. The first one is the art auction market. Collectors in mainland China prefer to buy at the auctions so they pay particular attention to the trends in the auction market, which affect the collecting decisions they make at auctions and outside of auctions.

The second factor is that many western galleries have opened branches in Hong Kong and Shanghai. Moreover, there are an increasing number of art fairs held in Asian cities and with that significantly increased marketing activities.

Mainland Chinese collectors are more likely to follow the trends of the Western art market, which influences their decisions when it comes to art collecting.

#### **What do you think their preferences are for different categories of art?**

Because my gallery and I are more specialized in modern and contemporary art, with a specific focus on Ink, so I think my answer will be a reflection of my day to day experience as opposed to other areas like antiques. If we are talking about mainland Chinese collectors, I think they are more focused on Chinese artists.

#### **How is their collecting behavior different from a typical Western collector or other Asian collector?**

I think Mainland Chinese collectors tend to follow the market trend. And I just mentioned, I think they prefer to buy what is trending in the market or collect what's in fashion during that auction season.

The trend in the auction market can be observed in two groups of artists, one group is the most well-known 20th century top-tier artists, like Wu Guanzhong, Sanyu and Zao Wou-ki; another group is some middle-aged, younger generation artists. The market of these artists is known by collectors through auctions and big-name galleries that represent the artists.

If artists do well in these markets, then the collectors will be more likely to be in favor of this group of artists. I have one example for demonstrating that Mainland Chinese collectors tend to follow the market trend here. In recent years, the auction market, especially Sotheby's and Christie's in Hong Kong, has been promoting a category called Post-war Asian Art, so all of sudden you see the price of some artists' work, like Hsiao Chin, increasing by many times over. I think that shows how auction houses are directing Mainland or other Asian buyers' choices.

**For many Mainland Chinese collectors, Hsiao Chin might be a relative new name to them, so that is something new they have to learn about versus Wu Guanzhong whom they are already likely to be familiar with... What are your thoughts about this dichotomy?**

Yes. They started to be interested in and collecting these works, not because they went to museum exhibitions nor learned about the post-war art history, rather, it is because they see auction houses are promoting these artists and their works' prices have increased so much, so that is what facilitates their collecting interest in this category.

Of course not all collectors are collecting for this reason, but generally speaking, this is a common situation (among Mainland Chinese collectors). I think some of the collectors study the artists carefully, talk to gallerists, learn from exhibitions and artists' profiles, but they also notice the market prospect in terms of future value growth. I think in terms of art collecting, especially Chinese art collectors, it is the market that plays a directional role.

**Do you feel that art education programs have played a role here?**

Yes, I think if they are interested, they will learn quickly.

We didn't used to hear much from the Chinese art market, but over the past 10 years, Chinese collectors have been learning very quickly and they learned with a positive attitude. I would say that's a positive sign for developing the art market.

I mentioned that they like to catch the trend, especially the developments in the auction market. This is really a phenomenon, but I'm not saying that in a negative way. I think they are also learning (by following the trend) and it is a learning process.

If I speak purely from the aspect of modern and contemporary art, Chinese collectors haven't focused much the academic side, that's also a problem Chinese art market is facing.

**We surveyed a number of top collectors. Many of them don't really read books to educate themselves. They go to exhibitions and listen to their friends and advisors.**

Yes, but if I speak from the aspect of modern and contemporary Chinese art, there is no encyclopedic literature which specifically focuses on this category for them to read. The museum system in China is still quite immature, so knowledge of collectors in China has been limited by lacking art education, museum establishment, academic applications, research and archives in China. They may only access such information in auction catalogues and learn through these channels. There are some more sophisticated collectors, who might travel abroad to UK, France, Switzerland, New York, for example, to see more museum exhibitions and learn about the developments in international art market. But compared to the large pool of Chinese collectors,

this is just a small group.

**Based on your observation, why do they collect?**

I think everyone collects for different reasons. Some might think they possess a certain amount of wealth, some might want to enter the art collecting field, while others might want to enhance self-cultivation, especially for the new rich.

Of course personal taste is also involved; the desire to enhance the personal image might be another reason because art-collecting reflects wealth and social status after all. Through art-collecting, they have found a way to stand on the peak of the pyramid, and they are invited by galleries and auction houses to different social and VIP events around the world, so I think what I mentioned above might all be the possible reasons of why they collect.

They might collect for their personal needs, or they want to network with others, so I don't think I can stereotype Chinese collectors here. I cannot say they collect just because of this or that reason. I think the Chinese population is large, and they don't collect art for a single reason at the moment. They might consider art as an investment as well, but everyone does, be they Chinese or western collectors. So they are similar in that sense.

**I want to compare what you just mentioned at the beginning, where you touch upon one specific behavior, their taste and decision making are shaped by auction houses, at least in this category. In addition to all the reasons that you described, like social status and personal enthusiasm, do you feel to have art as a way to diversify their investments or art as an investment is a very important part of this?**

You know how the economic situation in China can change in a very short period of time, so mainland Chinese collectors have a different economic climate to deal with compared to Western collectors. I think some of them do treat art as an investment, but they don't have too much exposure to the experience of how to regard art as an asset class in investment. They are more focused on what they can see on the market as a short-term trend, which maybe directed by auctions, and this could influence their collecting choice.

For example, if somebody said something about the price of this artist' works would increase in the future because of various reasons, they would invest their money (in the artist's work) if they see any type of investment opportunity. Some of them will combine the investment they make with their desire to collect for their enthusiasm or home-use, and then some of them will be purely for investments, which I also believe is a large portion of collectors.

**Where do they like to collect, geographically?**

I think there is a lot of internal consumption of art within Mainland China, because when the collectors are have difficulty touring outside Mainland China, they will buy at Mainland Chinese auction houses or through other avenues in the country.

Of course some of them are still buying outside China, but based on our observations, over the past 2 or 3 quarters (as of December 2018), buyers from Mainland China have decreased in Hong Kong during the auctions or even during the art fairs because of different reasons, politically and economically.

**You mentioned their preferred buying channels are auctions. Do you think it is still the most**

### **important collecting channel for them?**

In my category, yes.

Some of the collectors will go for high-end, top-tier works, some of them will collect upcoming artists' works. For the artists in the mid-range of the market, they are probably at a relatively unstable stage in terms of the prices of their works and career paths.

I think the distribution of Chinese collectors on the market is wine-glass shaped - the top part takes a large space, then the middle part, just like the middle part of any wine glass, is very thin and fragile, which can be easily influenced by factors from the market; at the bottom you see a very large group of new collectors, and they collect works of art that are less expensive and more accessible for them.

So if collectors are buying top-tier works, their collecting channels are mostly auctions or private dealing, but I would say auctions (are) more obvious. Some upcoming artists have also shown in auctions, but I think it is the middle-range market where the development is relatively slow. Collectors are not very interested in those artists in middle-range market in such volatile economic environment, because the development of the art market in China is still an on-going process, and the ecological environment of art collecting is incomplete as well.

### **How do you define the top-end, middle-range and lower-end in terms of a price range?**

I think the market needs to find some star artists whose works are sold between 5 million to 10 million HKD. If the price goes over 10 / 20 million HKD, you would begin to enter the top-tier range, which is good. I will take Zao Wou-ki as an example. You cannot buy a good work of Zao Wou-ki with 10 million HKD now, so between 5 million to 10 million HKD, there is a blank space yet to be filled.

I think if there are going to be more artists moving to top-tier from this price range in the future, there will be a lot of opportunities within this gap. There's also the price range of 1 million HKD and below, which I think is an awkward one.

Many new collectors are buying in this lower-end market, between 100k to 500k HKD, but for those works around 1 million HKD there are more... what I want to say is that either lowest or highest, there is almost a blank area in the middle, so there are quite a large number of artists which belong to this range, they are actually at a very difficult moment in the market.

### **Which artists belong to this mid-band, if I may ask?**

There are a lot of them and you will know when you open an auction catalogue. I think there is another thing that when we talk about some high-end and high-value artworks that are of 10 million or 20 million HKD, so not necessarily everyone can buy at this level, because the price of artists like Zao Wou-ki is already very high, so they are still looking for some artists with the prospect for future potential growth.

So I mentioned 5 million to 10 million HKD, because at this price range, it seems some artists carry the potential to break through and increase over 5 or 10 years. I think there will be collectors who are keen to collect this type of artist, because they will expect to see future investment growth. This is purely based on my observation and experience, because I don't have the statistics to do the analysis, so I am just trying to share what I have observed and what I feel

is surrounding me and my collectors.

**Yes, I think from my observation, what you said about this mid-band, it is probably about 500k to 1million USD price range.**

The key is how they get the information. For example, recently post-war Asian artists and I use Hsiao Chin again as an example, that have a proven achievement and contribution in art history, but then comparatively, Hsiao Chin's price is just 10% or 5% of Zao Wou-ki, and that's why when the market really picks up - collectors will say "hey I will not be able to spend 50 million or 70 million HKD, or within 10 million HKD, so I definitely cannot buy a Zao Wou-ki now, but then I will buy a Hsiao Chin."

If Hsiao Chin's enthusiasts become another new generation of Zao Wou-ki's (followers), then the growth could be very big, that's why they are looking for this type of opportunity---artists with historical background and proven records. That's why I would say now the market is still looking for some rising stars, but then collectors will become more rational, I would say.

Before this it's more like, the artists and galleries would create marketing promotional noise then they (the collectors) would just go to spend, even though the artists have not been sufficiently been exhibited in museums, major collections, publication history, they still try to catch the trend but then it didn't really prove to be successful.

But now there's the new trend so I think they will focus on modern 20th century master artists, because they can read the history, they can see a lot of proven records, which will favor investing in those artists.

**How long did the Mainland Chinese collectors normally hold the artworks they acquired before selling them?**

For those who collected for investment purposes in China, 3 years may be long enough to hold the works before reselling them. However some institutional collectors are committed to building collections as a cultural asset.

**What have been the major challenges for you to work with Chinese collectors?**

The Central government policies have imposed major impediments on the development of modern and contemporary art market in China. Challenges may come from liquidity of cash, regulations of artwork import and export, as well as taxation issues are the main factors which both dealers and collectors have to be aware of.

**The market has gone through a volatile period of time since 2011. What do you feel has changed since then?**

Collectors have become more cautious, this period of volatility may also provide collectors time to re-examine the way an art collection could be considered as investment; however China is a vast country, there are always new riches in the second-tier and third-tier cities to enter the market like what the first-tier cities have experienced. But in general, I found collectors may become more cautious. Such a change in mentality and behavior may also be caused by social and economic factors driven by the nation's political climate and policies.

**What is your forecast of the market over the next 5 years?**

Political ideology and cultural policies continue to intervene in the art market. The type of artwork which is promoting Chinese cultural understanding may become more and more relevant, particularly Chinese Ink.



## David Norman

David Norman is a private art dealer and advisor. Before his current role he worked for Sotheby's for thirty years and was the company's worldwide Chairman of Impressionist and Modern Art.

### **When did you start to notice the collecting activity of Western art by Mainland Chinese collectors?**

Ten years ago (in 2009) when an individual collector bought a Picasso for around \$5m in an evening sale and then bid on a large number of works in the day sale.

The biggest single purchase that brought our attention to what would be the future impact of Mainland bidding was at the Christie's Kruger sale, when China's richest man (at the time), Mr. Wang Jianlin, bought a Picasso for around \$28m. An interesting note was how much he was criticized at the time in China for spending so much on Western Art.

### **What has been their collecting pattern, taste and preferences?**

In Impressionist/Modern art (category), the top names of Impressionist & Modern Art. Well above all else is Monet & Picasso

### **How's their collecting behavior different from your typical Western collectors?**

When the Chinese bidders entered the market, they mostly started on the high-end Evening sales.

In the past, new buyers often began in the Day sales or lower level Evening sales. After that and developing their taste and experience they would step up to the higher valued pieces.

Many Chinese bidders began right away at the top levels

### **How did they shape their collecting taste?**

I can't answer how they 'shaped', but I would say in my field there is a reciprocal interest in the other's art. The Impressionist reacted to the art of the orient (mostly Japan though) which they began to be imported in to France. I think during the Meiji restoration in the late 19th century.

There was also a lot of Chinoiserie so the arts of China were influential, and then even more so with the abstract expressionist artists. So, they perhaps see the affinities created by a history of

exchange of artistic styles.

**How did they get over the Western art history knowledge barrier?**

Probably the newly wealthy began to travel and see museums around the world and become more familiar

**Why do they collect?**

Rising wealthy classes in most countries first buy their own art and cultural heritage, but then as they get exposed to foreign cultures and the activity of art collecting by the wealthy throughout the world, they migrate in to western art which is both universal and has proven value.

**What has been their preferred channel of buying?**

For my period mostly at auction

**How long did they normally hold the artworks they acquired before sold them?**

Again for my period, I haven't been noticing any rapid flipping for profit. I think they see the classic Impressionist/Modern art as long-term investments. Could be different for contemporary

**At what price levels have they been collecting most actively?**

Initially mostly \$2-8 million roughly, but in the past 5 years, \$10m and over. Their bidding was not on a high number of lots, but the level of the combined purchases could be 30-40% of the value of the sale, sometimes more. So their buying was at the top end.

**What have been the major challenges for you to work with the Chinese collectors?**

I believe trust and familiarity with whomever is selling to them is of key importance. As a single art dealer, without the ability to speak the language or gain many introductions it is hard to ever interact directly. Often trying to rely on intermediaries is very difficult.

**What is your forecast of the market in the next 5 years?**

The (US-China) trade war and falling market has already led to less buying by the Chinese at Western auctions. It was very evident in the last NY season of sales.



## Clare Chu

Clare Chu is a Los Angeles based Chinese antiquities dealer and scholar. She has over ten years of experience advising Chinese collectors.

**When did you start working with Chinese collectors?** I think, actively, about 11 years ago in 2008.

**What has been your observation of their collecting pattern, taste and preferences?**

Throughout the past 10 years, I see that their taste is primarily influenced by the major auction houses. Works of art, furniture and paintings that sell well in auction are what they are motivated to collect. Since 2010 there have been more and more museums opening in China. Both dealers and collectors go to see what objects are in these museums, and that raises their level of interest in collecting also.

**What is the other collecting behaviour you have observed in general?**

Since 2004, mass consumerism has become more acceptable in China. Newly rich Chinese have to have somewhere to spend their money, and art and antiques are appealing areas of expenditure for the wealthy.

At that time of course, the government was also positively promoting culture which they hadn't done since before the advent of the Cultural Revolution.

In addition to wanting their heritage back, there were other influences that affected collecting behaviour in China. For example, over the last 10 to 15 years, Chinese TV has presented numerous programs about collecting, or how to spot fakes and authenticate objects, so in effect the media was, and still is, also pushing the idea of collecting as a positive activity or life-style.

Additionally, around 2010, the Chinese government promoted the idea of museum growth in China, because up until that point, China didn't have very many museums – now it has almost 5,000 museums, of which I think at least 1,500 are private, and the government has also encouraged that, by, for example, giving very good deals for real estate for private museums. Architects also push the idea of building private museums as it is a way of the public becoming aware of their work.

All of those things have actively helped the collecting market, in Chinese antiques and in Chinese contemporary art.

I think one of the reasons that the Chinese art market growth has declined a little, is that although the wealthiest Chinese are very rich, they are now interested in Western art too. I think that change of direction has impacted the Chinese art market in the last 5 years.

**Based on your observation, how do they shape their collecting taste?**

I think they shape their taste through what the auction houses offer, through acquiring the high value lots in a sale and particularly, the front and back cover lots of an auction catalogue. Time and time again, somebody says "oh look I bought this!", and they open a catalogue to show their

friends which lots they've bought.

I've noticed a big difference, at the height of market in 2011, if I published a catalogue of works of art, the mainland Chinese would be more likely to buy a piece than if it wasn't in the catalogue. I think what shapes their collecting taste, to a certain extent, is the ability to show their peers how and where they collect – through education, through publications, and through what the auctions houses and major dealers offer.

**How do they acquire the knowledge of connoisseurship?**

One thing, I've noticed is the exponential learning curve of these collectors. For example, at first they liked jade simply because of the color of it, and then quickly they started to look at things like the carving and the style of an object. It is the same with paintings and furniture.

Their learning curve is just so fast and is helped by going to places like the Palace Museum in Beijing and other important museums like the Shanghai Museum. There are many large cities in China with major collections of art. That's how they've learned. They have also learned a lot from coming to the West at a time when there were some good art and antique fairs, and auctions to attend. Locations like Asia Week in New York, where there are so many museum-quality objects, furniture and paintings available in the auction houses, in the museums, in galleries, everywhere in fact. The idea of travelling around the world and enthusiastically soaking up knowledge has, in itself, generated a greater amount of knowledge in China.

**Do you feel that the art education programs have played a role here?**

I think at first it didn't, but now it does very strongly.

At first there was a bit of a feeding frenzy over Chinese works of art, furniture and paintings, and much of the time, it was investors buying to turnover, to 'flip' the pieces, but now I think it's quite a different game.

Now the mainland Chinese collectors recognize the value of art education programs. For example, you can't open a private museum without educating yourself. So you have to go through these programs in order to do that successfully. These days there is a move from the investment-type collector to the collector who has an affinity for the pieces, and an eagerness to learn more about them. I think that's very evident when you look at auctions when some of the old books about Chinese art, or some of the early 20<sup>th</sup> century books about collectors in the West, are sold for huge prices. This makes it clear that collectors are invested in their education and in the programs that are offered to them these days.

**In terms of education, when did you see the transformation take place?**

I would say from about 2010 onwards, when the market reached its peak – when the market was at the highest, and before it began to settle down. In 2011, people would sometimes throw money at Chinese art without enough thought, but I think from then onwards they realized they had to educate themselves.

**Based on your observation over the past decade(s), do you think that their collecting behavior could be divided into different phases?**

I think there was an early phase which would be from the early 1990s, when the Chinese government lifted the restrictions on the selling of cultural relics. That has to be a starting point, but at that time, there were very few mainland Chinese collectors. I mean there were some, but very, very few.

From about 2003/2004 would be a second phase where collectors and investors started to appear, at a time when the mainland Chinese collectors had access to large amounts of money.

Starting from 2009, when the mainland Chinese collectors were everywhere in Europe and America, buying art and antiques – everything they could find, buying the top lots at the auctions and from dealers, would be a third phase; a “peak phase”, which was relatively short, and which has started settling down in the last 5 years. We are now in a time where the Chinese government has restricted the amount of cash going out of China, which has a huge effect on the collectors’ buying power. I think also, the Chinese are now interested in Western art just as much as Chinese art. We could call this the fourth phase of collecting.

**Speaking of Western art, what categories are you referring to?**

Well, Western paintings, artists such as Picasso –those modern and contemporary artists at the highest level. And apparently, Western furniture. I read that the mainland Chinese collectors are becoming interested in Danish furniture at the moment, which is intriguing.

**Do you feel that the whole movement of establishing private museums rationalized their collecting behavior?**

Yes, I think that is true to a certain extent. In 2010, the Chinese government made museum growth a 5-year plan so they started promoting museum growth very actively. It’s very different in China, because in the West, particularly in America, you get a tax deduction if you donate art to a museum, so collectors are keen to donate if they have good pieces in order to take favorable tax deductions. They don’t get those in mainland China. I think that’s why the Chinese government gave very good real estate deals to collectors who wanted to have a their own private museum.

**In terms of why they collect, what’s your observation in general?**

I think primarily it’s to show wealth, status, education – those kinds of things. I think there is also an inherent love among mainland collectors of certain materials like jade and imperial porcelain, for example, and also of the traditional high-arts of China, like painting and calligraphy. Jade, especially, is close to the hearts of Chinese collectors.

**Geographical-wise, where do they like to collect?**

All over the world. I think there was so much art lost during the Cultural Revolution in China, and prior to that, so much looting of Chinese artefacts by the West that the Chinese collectors have searched globally to recover their cultural heritage.

It amazes me that somebody who cannot speak any English, French or Spanish, will just get on a plane and go and look for Chinese art in many different countries. They are brave collectors, they seem to be like the early explorers, going around the world to find their art, and that’s something I really admire. I see that as a great asset when you are a collector.

**Do you feel Hong Kong and mainland China are still the biggest location where the largest amount of transactions happens?**

I think Hong Kong is. I think it's difficult in mainland China to get an accurate gauge of what the art and antique market actually looks like, because there is such a difficulty for example with things like non-payment at auction which makes an object look as though it has sold, whereas ultimately it has not.

**In terms of antiques, what do you think is their preferred channel of buying, among auction houses, art fairs and galleries?**

I think auctions are the first preferred channel for sure, because as I have said, mainland collectors and dealers like pieces that have been published, where the recognition of provenance plays an important part.

Between art fairs and galleries, I don't think there is much difference. Over the last 2 or 3 years, there has been a decline in Asian antique fairs in the West both in terms of quality and quantity, because most of the Western dealers, unless they are very well-established, can't find high-quality pieces so easily anymore.

Everybody loves auctions, because there's always a chance that an object is going to fetch a much higher price than its estimate. I think collectors who are selling these days prefer to put works of art to auction and take the chance that they will achieve a great result. Of course that is not always the case, but it is part of the thrill of auctions.

**Based on your observation, how long do they normally hold the art works they acquired before they sold them?**

I think for the mainland Chinese collectors, this has been part of their education – certainly at the height of the market, they were not holding onto their art long enough. They were doing a quick turnaround with pieces, which is not sensible in any art market. Sometimes it would be dealers buying something at auction when they've already got collectors interested and then 'flipping' it immediately, or dealers buying for collectors who themselves want to sell too soon, hoping for a quick profit.

I know many situations where mainland Chinese dealers have put together collections for mainland collectors, and then they want to sell it after 2 or 3 years, and that just doesn't work to anyone's benefit. It doesn't work in the international market at all, and I don't think it works in a domestic market either, in any part of the world.

I think now that the market has settled down, many collectors are holding onto works of art much longer than they were before. You also have to remember that, at the height of the market, some of the mainland Chinese collectors were getting high-interest loans in order to buy so they had to move pieces on quickly to pay off the loan, because it is not good business to hold a high-interest loan for too long. I think that the investment side of the market was fueling that, but now that's settled down, making the market quieter (except at the top level).

**When did the transitional time start--2012? 2013?**

Yes, I would say around that time.

**Based on your observation, what are the price levels they have been collecting most actively?**

Originally at all price levels, but now the market overall has definitely declined. Other than the top 0.5% lots at auction, which is still strong, the market has gone down steadily and has declined at least 12% overall since 2011, which is quite a big downturn.

I think the top level of the market is still active, while the middle level has declined and the bottom level has more or less disappeared. In fact it would be a good time for collectors to buy if they can afford to while the market is still a bit weak.

What I've noticed is that it's brought some Western collectors back into the middle market, because they know this is a time they can get good quality pieces with good provenance at a lower price than they would have been able to five years ago.

**Do you have any other observation of the current trend of the (Chinese antiques) market?**

My feeling is that the market is starting to balance out again. I know that in 2017 and 2018 the market started to pick up a little bit. I think if China relaxes its restrictions on currency, the market will recover quickly.

**What's your outlook of the market in the next 3 to 5 years?**

I think it's going to be quiet in the next couple of years, but then I think it will pick up. I have been an international dealer and a collector for over 35 years and have seen this cyclical pattern before. The top end of the market always remains strong, but I think the middle market will come back slowly over the next 5 years.

**Why is that?**

Because of the lack of available cash in the world, and especially in mainland China. If the mainland Chinese collectors are allowed to transfer their cash outside of China, then they can go and find art and antiques with good provenances to bring home. If these newly rich collectors can't spend their money outside China, then the only place they can buy is on the mainland. I think the collectors have educated themselves to understand how important the provenance of an object really is. Provenance is something that cannot be emphasized too strongly.

I think a lot of it is also dependent on how the art market is eventually regulated in China.

**Based on your experience, what has been your biggest challenge of working with Chinese collectors?**

I think initially the biggest challenge was some frustration in a way, that I could sell a piece just because it was jade and it was white, rather than the collector wanting to understand more deeply the artistic or historical aspects of the object. However, I have really admired how the mainland Chinese collectors have taken on the idea of education and to such a degree that nowadays they really want to learn.

Perhaps the other challenge for me is the influence of their peers. If one person says "oh this is what you should be buying" then everybody wants that one thing, whereas I think collecting is a very individual thing to do. As a trusted dealer you can help people develop their taste and their

collections – this is one of the aspects of being a dealer that I find exciting.



## Lorenz Helbling

Lorenz Helbling is the founder of ShanghART Gallery, one of the leading contemporary art galleries in China. He established ShanghART Gallery in 1996 and today the gallery has three outposts in Shanghai, Beijing, and Singapore.

### **How did you decide to establish ShanghART in 1996?**

I was working in Hong Kong, in a gallery, so I came here [to Shanghai]. Before that I was studying art history and history, and I felt the rest of [the] future is more in China.

**How did you make up your mind? Was it difficult for you to get funding?** I had no funding.

**So how did you do it?**

This type of business does not require money.

**But you have to have a space and artists on your roster, right? A little bit of money to start off?**

Some. But the bigger problem was that you couldn't just come here and open a gallery, you needed a work permit. So one year I was working in an artist's studio and I had the idea that I could open a gallery. I saw many restaurants open with no art on the walls, so I talked to them and said I could put paintings on their walls. I started to do exhibitions.

**So you started showing works in restaurants?**

In some restaurants, because that was the beginning of a new [era], Shanghai just opened up and the first modern style restaurants opened, but you couldn't open a freestanding gallery.

**How did you get the paintings?**

I was going to artists' studios. In Hong Kong I had worked 2 or 3 years in a gallery, so I knew some artists. I was looking for other artists and finally found a place in The Portman Hotel in Shanghai. It's a big hotel, had empty walls, so I asked whether I could use the walls to do exhibitions.

**But you didn't have to pay the hotel. No.**

**That's pretty good.**

It was a different time, and I knew it was believed to be impossible. People said it was hopeless to do something there. But art is around and the hotel had empty walls, so somehow I started. They [Portman staff] were happy: I think the directors and managers of the hotel liked the art,

and they said if you like it, you can start using it [the empty walls]. I had a desk and a table, that was it, and a few walls.

**And how did that go? When you had work on the walls back then, did people come and try to buy something from you?**

First it was just to show good art. My expectation was very low and everybody told me it was impossible to sell anything, so I was just trying to do a good exhibition.

**Whose works, if I may ask?**

Ding Yi. There were 15 paintings. The Portman was a special hotel back then. The Wall Street Journal, New York Times, all the newspapers' bureaus were there. Consulates, travel agencies, restaurants were all there, too, so it was more than a hotel. It was really kind of a center in Shanghai.

**Were the first group of clients the expats?**

Yes it seemed so at the beginning: expats who were living here. Some people were not living here but were interested in Chinese art, so they came here pretty early.

**How did you discover the artist Ding Yi?**

Ding Yi was already in [the] Venice Biennale in 1993, and I started in 1996 so [by then] he was already a big name in the art world. Just this art world was very small.

**Was it hard for you to persuade him to put his work on the walls of the hotel?**

He's [Ding Yi] a nice guy. At the time nobody was doing anything in Shanghai. Many artists were more interested in having shows overseas because at the beginning nobody here [in China] understood [the artworks].

But I was here and nobody else was doing something. And the impact was quite big. Shanghai was small, and if we had a new exhibition, all the expats living here came, and the media made some reports. In Shanghai [art-related activities] were very rare. Beijing was different.

**You didn't want to go to Beijing because you felt Shanghai had more opportunities at that time?**

In the 1990s, everybody told me to go to Beijing, because more artists lived there and all [the] diplomats were there.

[For me], I studied here [in Shanghai in the 1980s], so I knew the city. [In the 1990s], the artists in Beijing had already developed their own sales channels. I saw the galleries in Beijing and I thought [Beijing was] not a good place to open a gallery.

Shanghai in the 1990s started to open up: Pudong [the eastern district] started and [the] ring roads just started at that time, so I could feel it was a new city.

Also in [the] 1930s and 1940s, Shanghai was the center of the world. It was one of the great cultural centers and it had a movie industry. A lot of the collectors were here and it was a very

active place.

### **Why did you feel Beijing was not a good place to open a gallery?**

Beijing was mostly [attracting] artists that came from all over the country. They moved to Beijing to make a living so they had to be kind of smart to deal. They developed their own network of friends and lived together. If a collector came, they told the collector to buy directly [from them].

[The artists] had to survive, so they came to be more businesslike.

But in 1995 or 1996, if you came to Shanghai, you saw these artists, [but] nobody was eager to sell their work. Nobody had to make a living, all of them were teachers, they had a life, so there was not a lot of pressure [for them to find someone to] work with them.

### **So it was easier to work with the artists in Shanghai?**

It was important to show [works] here [in Shanghai] because your neighbor would also see [your works]. There were five artists in Shanghai who were already in Venice Biennale in 1993, and they lived in very small places with studios full of paintings.

Perhaps overseas their work had sold for quite a fortune but here [in Shanghai], nobody cared. At the beginning, people said it was crazy, that some people just didn't understand.

We had to [organize exhibitions for these artists]. It was kind of showing locally but selling internationally. Collectors like Ullens came to the gallery during the first few months after it opened.

### **How did collectors come to you? How did they know you had a place to show works?**

It's a small world. If you met someone who went to China for art, you knew there was a place to see.

### **I think it's a pretty fascinating process. How did you find the buyers?**

I didn't have pressure to find buyers and I knew artists didn't either. It was more of just going to these studios and trying to figure out if these artists were serious because [some artists] didn't know what they were doing.

If the artist was serious, I showed their works, and perhaps people came [to buy]. It was always a long-term [process]: Perhaps in 5 years or 10 years, sooner or later, something would work out.

### **So the buyers were coming by word of mouth?**

In Shanghai it was a small world, you had one bank and one journalist, two banks and two journalists. You needed the expat community to find out the exhibition was happening.

It was a small world and people were very happy to find these exhibitions.

In Hong Kong, between 1992 and 1995, there were several galleries and there was an art market, so people from Hong Kong--Chinese and foreigners--would go back and forth, so perhaps they also looked in Shanghai.

Somehow I had to finance the exhibitions. I didn't want to borrow money from anyone. I was happy with the free space and I didn't want to have any constraints.

[But] many artists were against selling. That was a big trouble with the exhibitions. They came and said "Don't sell my work." They had this very strong thing against the market and many artists here didn't want to sell.

In 1996 when I started, some artists just painted for the market. They sold to the foreigners, Taiwanese and Europeans, everything that the market wanted. [At least] that is what many of the other artists thought and said [they] didn't want to be [like that].

So I think a gallery not selling anything was quite good for the gallery. If you sold a few works by an artist, you could live. As a gallery, if you put on an exhibition and sold out, then many people started becoming very critical [of you].

#### **When did you make the first sale after you opened the gallery in 1996?**

It was strangely very quick and very early. I think an artist who lived in Shanghai bought something. I thought it was a donation.

We didn't have to sell many things: Selling one work a week or a month was enough to keep the gallery running. I think I lived on 2,000 RMB a month, so if I sold a Ding Yi for 10,000 RMB, then I could make it go on.

#### **When did you have your stand-alone space?**

We moved to Fuxing Park in 1999. That's the first time we had our own space.

#### **That was 3 years later, that was very fast.**

It feels like [the] Middle Ages, like a very long time ago, extremely long. In 2000 we went to Art Basel with a project by Zhou Tiehai.

#### **Who were you representing when you had your own space in 1999?**

Mostly the same artists we started with, mostly Shanghai artists. That was the idea, showing artists who were not internationally famous.

I think in 1995 or 1996, Zeng Fanzhi and Yue Minjun were already kind of [well-known]. People didn't want to see [their works] anymore because everybody had already seen too many.

But Ding Yi was not so busy. Ding Yi helped us start, and we looked for other people like Zhou Tiehai, Yu Youhan, Li Shan, Xue Song, Pu Jie---basically trying to find our position here in Shanghai.

After 1998, we started to look outside of Shanghai. In Nanjing [we found] Tang Guo, in Hangzhou

[we found] Geng Jianyi, in Beijing [we found] Zeng Fanzhi, [and in] Wuhan [we found] Wei Guangqing, so we had [artists from] all over China. Then after 1999, [we showed] the younger generation of Shanghai artists, Yang Fudong, Xu Zhen, [and] Yang Zhenzhong.

**Over the past 22 years, did you ever feel you were stuck? What were the challenges?**

Money. To have money to do things. We never took money from outside, so we only could grow relatively slowly.

**May I ask if there was a 50% split when you worked with those artists back in the 1990s?**

It depended. At the beginning, I didn't care much, because artists all started from the studio. The prices were mostly very low.

**For example, CNY 5,000 back in the 1990s?**

Yes and lower.

**You didn't have to sign an exclusive contract with them?**

It was just talking, we always talked with [one another]. For me, I always was trying to work [with them over the] long-term, not just do an exhibition and sell.

I thought if the artist was good, they would develop anyway, but perhaps together we could develop a little bit more steadily. So it was long-term with artists with many conversations.

I was avoiding Beijing. I wanted to establish a stable relationship [with the artists] and there were no contracts.

**So you didn't buy inventory from them?**

The best way for me was to develop with these artists. Many galleries in Hong Kong and Taiwan went to the artists' studios [in China], put CNY 5,000 down and got the artists. [The artists] took it, mostly, and galleries got a good deal, but I didn't see any of these relations lasting for a long time.

We didn't work that way. We've been working with most of our artists for over 20 years, because we wanted to do something more long-term.

**In addition to money, what were the other challenges?**

We didn't have a warehouse here [in our West Bund gallery]. [Elsewhere there is] a huge warehouse of 3,000 square meters, which is full of artworks that don't belong to us, but we keep [ours] there.

Artists have a lot of ideas and nobody finances their production, so we financed certain things [for them]. If we had had more money, we could finance much more to create more artworks, which would be good for China.

The other big challenge I think was that nobody looked at art. A lot of people buy art now, but not so many people really try to understand what the artist is trying to say or what they could learn from the work. In particular, nobody is curious [enough] to take the artists serious[ly], so the whole job of explaining the work is not done.

Selling is just one part of our job. Helping production, preserving artworks, and keeping the community of the art world together---[all of these activities that] help to develop art in the city is also our job.

Of course I would be happy to sell more, as I feel we only do a small part of what we could do. [There is] so much more to be done.

In 20 years we survived and we have a good name here, but we haven't become an empire. [Our gallery in the West Bund] is not a commercial space. It's part of the [West Bund] development, so we got kind of a good deal to do things. It still costs us money, but we don't have to pay the same amount as the market price, otherwise we couldn't survive.

### **Have you considered opening a gallery in Hong Kong?**

We thought about Hong Kong and Singapore, and looked at some spaces in Hong Kong. There [in Hong Kong] we would have direct competition with McDonald's and Cartier. You need to be able to pay the rent, [it] doesn't matter what you are doing.

If we talk about Singapore or here [in Shanghai], they [government officials] will look at it differently. They will look at what you are doing and your reputation, and what opportunity you have to add to property development or even to a district. It's not direct support. [But] it's still something.

### **Managing a contemporary gallery in China is hard. Many galleries had to close in recent years.**

So our expectations are not high. We know it's difficult, and I think nobody is here just to make quick money.

I think some galleries have opened and closed because they thought it was easy. It is a lot of hard work. You really need people working for [the gallery]. I thought about the expectations, the people, and the precious support from the surrounding artists, which many people thought was a good thing. So we keep it going.

### **During the past 22 years, did you have a challenging year financially?**

We never had an easy year. There is never an easy year.

### **Which year was the most difficult?**

SARS [the epidemic in 2003]. It was kind of a difficult time, nobody came.

### **So how did you get through that year?**

By cutting costs: no catalog and [many other things]. But at the same time, the art was still good.

In 2003 there were a lot of good artworks, [because] artists stayed at their studios during that time, and everybody started to work again. So it was a good and bad year.

**Did you have to fire people?**

We were really small then, so no, I think. We never fire people because of these things, like [the financial crisis] in 2007 and 2008.

There was a big art [scene] booming in China then, but we didn't participate during the art boom. [Because] we did a lot of installations, a lot of things were not easy to sell. So it was kind of the same for us before and after [the boom time]. It was almost the same.

**2007 was a peak time because of the Chinese contemporary art auctions in New York.**

I read in the newspaper that it was peak time and then it went down. But it was not a big difference [for us].

We had beautiful exhibitions with many good artists, but nobody bought anything. So it was a bit sad. For us, we didn't expect to sell, although that would have been nice. We had beautiful works and many other artists there. It was just the moment when nobody was looking at our artworks and that was a pity.

Of course now my moving here [to West Bund] is a big step, from Moganshan Road to moving over here. On Moganshan Road, the office was part of the gallery, so you walked to the gallery to see [exhibitions], and to be in the office. Now it's a big step separating [gallery space and the office]. We have to plan things much more in advance. I think last year was pretty tough.

The first year here [in West Bund] was not easy, figuring out how to use the space. It's totally different, much more planning.

**When did you open the gallery in Singapore?**

5 or 6 years ago.

**What are the differences in managing galleries in Shanghai, Beijing and Singapore?**

I am not [too] involved in Singapore, but there is a difference. My job here in Shanghai is more [like creating a garden framework] putting the work overlay and letting the plants grow.

In Singapore you create this [framework or] overlay, nothing happens; you put the seeds inside, nothing happens; you pour the water in, nothing happens; and even if you set the temperature right, [nothing happens]. Or perhaps something happens, but here [in China] things [happen] much faster.

It's just like nothing wants to grow there [in Singapore]. Here [in China] you create this overlay and plants come [out], because the seeds are already in the ground. Perhaps there were snow and ice over it, but you don't have to put the seeds in [first]. I don't know what the seeds are doing--

- that's their job.

**Are you frustrated with the business in Singapore?**

It's not a good place. There is no growth, nothing happens.

**But since you have a business there, do you want to continue, slow down or close it?**

It's not a good place. There is no growth, nothing happens.

**But you have a business there, do you want to continue, slow-down or close it?**

In Singapore you have East and West, old and new, but you also have Malaysian, Singaporean, Indonesian, Chinese, and Indian cultures. So many cultures come together, and each one has its old and new, its relation with the West, its relation with China. So Singapore is much closer to the world of today.

In the future, we will have many more cultures and they will have to find a way to talk to each other, so I think it's a very fascinating place to be.

**Why not Hong Kong? Because it's expensive?**

Were we to open a gallery in Hong Kong, we would have to open it as a business. We would have to see how we could pay for that rent, and that would be difficult for us.

We have some high-earning artists, but maybe not enough to pay for the rent in Hong Kong. And if we pay the rent, then we wouldn't have the money to support the young artists.

Basically here [in China] there are some artists for whom we pay for the production of their works. But if all that money goes into paying the rent, then perhaps we could save even more, who knows.

We need to have a business mind and to think, "Okay it will make sense if we pay the rent for 3 years and then we become bigger," but I don't think we can compete directly with the Western galleries which are much more professional in selling. I don't think we will be at that level.

**In Singapore you face less competition and you can wait a bit longer?**

Singapore is a bit [of] the same. Yes there are commercial advantages, [but our] aim is not just selling works. Somehow we should build something there, [we] just have to bring all the different communities together.

**Which means even if sales in Singapore are slow, you would do ok, because you don't have that pressure in terms of high rental cost?**

It's a government project [in Singapore], so we got some support in terms of rent, and I think it will be interesting to figure out how to bring the different scenes together.

**I guess you have to wait and see when things will happen, when the "plants" will come out?**

I think really we have to sow the seeds and then we have to take the collectors [to our gallery there]. Here [in China], basically we didn't have to find collectors, we put on an exhibition and people came. But in Singapore, you have to find them, talk to them, and each of them talks a different language. Here [in China it's easier, because] people just talk, past and present.

Some [collectors in China] like traditional paintings, and some are more [interested in the contemporary], but it's fine and we can talk to each other. But in Singapore it's more difficult. They [collectors] cannot talk to each other at all. Singapore has so many different cultures, and each of them has its position between past and future. Many of them looked at the West, and of course it's always [about] relations with the West. [Within] many of the relationships there's a strong link to China also. [There are] very interesting networks of powers and influences. If somebody could find a way to see it, then it would be quite interesting. We still have to find the way.

**I guess you feel that the behavior of collectors in China is very different from those in Singapore.**

Here [in China] our collectors can talk. They might not be everybody's fan, but they can talk to each other, like: "Now you told me about this museum, but I didn't know about that museum."

But [in Singapore] nobody knows what you collect or I collect. If your collection is different from mine, then we have nothing to talk about. If you have a big collection of anything and I have a collection of the same, we have nothing to talk about, [because] there is no common language.

**Sounds like a tough market to operate in.**

It's a hopeless market, but it could be interesting. We get some contacts and some links, so if we can do differently, we will see.

**If you look back over the past 22 years, how do you feel the art market in China has transformed?**

There was no market and now there is a market. Now we have [a] bigger art market in Beijing and Shanghai. I don't know how big the market was, but when I started, perhaps the art market in Shanghai was USD 10,000 a year, or at least [that's] my feeling.

[But] it's still the beginning. How many collectors and museums [do] you have here? [Even] Shanghai is just a part of a big land with billions of people.

**How many art fairs are you participating in every year?**

[We take part in ]16. Two or three years ago we had 16 art fairs, so nobody can travel anymore.

We have to [participate in] Chinese art fairs. For art fairs overseas, like Art Basel, it's been 18 or 20 years [since we started participating]. It's more to 'be in the game.' People know and take you seriously if you are in Art Basel. It costs a lot of money to go there but we still do it. FIAC [in Paris], Hong Kong, Singapore, Taipei we do sometimes, but not so often as in the past.

We don't really depend on the art fairs to make the gallery thrive. [Art fairs] for me is more about making the artists known in two places [China and overseas]. We show in both places, so people

can follow them. The thing [about] art fairs is just to be able to work in two markets, avoiding just being local. Now we do many fairs, so the aim is to break even and not lose too much [money].

Last year art fairs became more important, especially Art Basel Hong Kong. It became an important fair for sales, so you have to sell there, to become more known. If you go to the fair, the aim is to break even and raise your profile.

**What is your forecast for the art market over the next 3 to 5 years?**

I think it's still the beginning. Now people start to understand what the art is about, so it will be much more [optimistic].

Now in Shanghai there are 26 million people, and we could do so much more here. I think if things go smoothly, people will not consider art as a stupid hobby or a waste of time. Artists can be quite important to society and to make a big change.

People here [in China] in the past liked nice things and collected art. They had generations of collecting things and collecting was a way to live.

It's like finding contentment in your life, a meaning in the world. I don't think people in the next 5 or 10 years will just consume and throw things away. I think more and more people will want to find a way to live with some content [and meaning,] and art can help.

**So you feel over the next 5 years more people will start collecting art?**

I think gradually they will learn. I have no idea about this, but yes [I think so].

**At least they will understand the value of art in their lives.**

Right. It will become more a part of [their] lives. Now if you want to buy something, you go to the shop; it is not too much of a thing, it is a habit. If we need clothes, we go to the clothing shop. Perhaps people will do the same thing with art. If you need art, perhaps you would go to the museum. So it becomes part of your life. We can talk about clothes, but we can also talk about art. Such as what somebody in the movies is doing or what an artist doing, it becomes content for our lives.

**Compared with the early days when you opened the gallery, do you have more collectors from mainland China?**

More local [Chinese]. There are local collectors who are [now] much younger, much closer [to contemporary art]. They know the world they are living in and now local people can react much faster. It is getting quite diverse and interesting. [All these private museums] you didn't have in Shanghai a few years ago.

For overseas [collectors], the speed is too fast for them. In the past they had time to look at the work, like they looked at Ding Yi's works, they went back [home], and the next year they would come back and say, "I want to buy one, this is a good artist." [The market] was so quiet and nobody was competing 20 years ago. It was [a time of] luxury, when we would say "Ok, we will keep it for 2 years, you can come back, it will be here." Time like that no longer exists.

In [the] early years, we had the expat [collectors] living in Shanghai. These people traveled a lot

and we lost some of them. I think some of them are still here and they are still buying art, but not so much in our gallery. Then we had those overseas people who started buying in the early days. They came to China and they were the biggest collectors. These people disappeared also.

**Based on your observations, why do people collect?**

Motivation, it's very difficult to say. People buy art because they have discovered an interest in art and where it comes from. Being part of our time. We don't sell antiques and things from the past, we sell things from our time. The idea of collecting is that once we are exposed to our time, we will figure out what time we live in.

**Do you feel that art as an investment is also a motivation?**

I think nobody wants to lose money. When you buy, you want to buy the right thing.

The right thing is something which always stays with you and which you [feel you] cannot dispose of. Paintings can stay [with you] for 50 years or 100 years, which is much better than any fancy cars or houses, right? I think people who just want investments don't come to us. We don't really know how to speak to each other. I think people are smart, and for investing you can invest in so many [other] things and make so much more money than in art.

I think Ullens [a major art collector from Belgium] made some money with his art. He had good eyes. He was surely taking a risk, but he was also a guy who could see a good painting. He could buy some scrolls for a million dollars and people thought he was crazy, and 2 years later he sold them for more. You cannot do this without an investor's mind. I don't know how he did it.

When I see other people investing, they close their eyes, they don't look at the artwork. It's not the best they are buying, it's the worst they are buying.

**How do you describe the demographics of your collectors in China?**

They can be any age, some are young, some are old, but surely people involved in society and engaged in our time. Sometimes they can be scholars, but really they're the people who know the work of today and who are curious. Also people who know what we are doing, who are happy to support that and want to be part of something in the [now].

**How do they learn about art?**

Traveling, most people travel a lot. A lot of Chinese people go to museums all over the world. If they travel to Paris, they go to see museums, they expose themselves, and then they go to galleries and art fairs.

Of course we have people who over the years come to our gallery, or they meet as collectors since they have art at home. They talk and discover together and see more things.

You have to just go to more modern museums and get a feeling of our time. Sometimes just seeing good works can educate your eyes.

Perhaps people started asking, who said art should be beautiful? It was a very strange idea, but it's also a valued thing. If you go to a museum, you see that beauty is changing over time, and

your beautiful person is not the same as mine. So this kind of process started.

You travel and you see a collection from somebody built in the 19<sup>th</sup> century, and you come back to China and think perhaps it is time to do something [to establish personal collections] here, too. [All these private museums] you didn't have in Shanghai a few years ago.

**Do you feel art education in China has been effective?**

I don't know. Universities now have postgraduate programs. People start work for few years and go back to university and study art history. This kind of thing is not very efficient but this educates a lot of people.

**When you work with Chinese collectors, what have been the major challenges you've had to deal with? Late payments?**

My personal problem is more of communication. The language is still kind of a problem.

I think late payment is not specifically a Chinese problem. We are not a money-making machine. Some people pay quick or slow. It is not a big problem [for us] at all.



**Ben Brown**

Ben Brown is a gallerist who has a contemporary gallery under his name in London and Hong Kong respectively. He is on the board of TEFAF.

**How did you make the decision to open a gallery in Hong Kong?**

I decided to do a couple of shows there, so I contacted some of my friends, Dr. Johnson Chang and Hanart TZ Gallery. He loaned me his gallery and I engaged in group shows in his gallery to try and test the market and work out which of my artists on the primary level or on the secondary level would be positive in Hong Kong, and it went very well. I did it once and then I did it again, after that I decided that it would be interesting to open a gallery.

We finally opened the permanent gallery in 2009. It's been interesting, and there have been periods that were very tough and periods with a lot of sales.

**Looking back, it has been almost a decade since you opened the gallery in Hong Kong, how has the experience been?**

I would say it had its ups and has its downs. The very fact that I'm still there is because the experience is essentially positive. I'm sticking there and I'm extremely happy so let's see what will happen.

**What do you think is the biggest difference between managing a gallery in London versus Hong**

## **Kong?**

The most obvious difference is I am essentially living in London and it's easier to manage a gallery from a place you spend the majority of time in.

Secondly, in London, you have many years of experience dealing with the Western art and therefore you have a large pool of personnel on whom you can easily rely. A lot of ex-Sotheby's and ex-Christie's people, a lot of gallery people who know how the system works and they know what to do. You can always fill your gallery with staff who have local experience working in the art world.

In Hong Kong, that's a lot more difficult, because quite simply the art world per se in Hong Kong is different from the Western art world. It is brand new or it's pretty damn brand new and therefore it was much more difficult to find staff.

Now it's much easier to find people who have experience, which is better than it was before. I think the major difference and problem is managing a gallery with the eight-hour time difference and with a fairly new team.

## **When you started off in Hong Kong, was it difficult to get local clients to start buying art regularly through your space?**

Well it happened reasonably quickly and I think it was easier than I expected it to be.

## **Based on your observation, what has been the major transformation of the art market in Hong Kong?**

I think there has been a huge expansion of buying from the rest of Asia and especially, obviously from the Mainland China, which when I started I think was virtually non-existent. (Mainland Chinese collectors coming to Hong Kong and buying Western art in Hong Kong).

In 2008/2009 they were virtually non-existent, and my experience at the very beginning was terrible, and I always said it will take them five years to start being an important force in the worldwide art-buying community and I think I was more or less spot-on.

## **How did you come up with that forecast back in 2009?**

Well it just made sense, because they weren't ready to do it. The Chinese collectors started to buy, and then they would disappear and then they would not pay. And all that has got immeasurably better, and they've got immeasurably more sophisticated. From when I started in the private sector, it took 4 or 5 years before it happened. I think it isn't thanks to me, it's more thanks to the auction houses, and thanks to their desire to buy more art.

## **When you look at the auction houses, both Sotheby's and Christie's had already been operating in Hong Kong for quite a long time in 2014. So why all of a sudden was there a strong demand for collecting Western art?**

I think it's the shift of the price of things. When you have the suddenly so-called great contemporary Chinese artists costing the same as a Picasso, mostly the collectors started buying "Picasso" instead of the local artists.

**When they started engaging with your gallery, how did they gain the knowledge of the artworks?**

They asked questions. They found people like me at the art fair and they came in and started talking.

**How much of the growth of your gallery in Hong Kong has been driven by Mainland Chinese collectors?**

25%.

**What's the most comfortable price range when they collect through you?**

We have a big local business in Hong Kong. 20,000 to 100,000 dollars and we do a lot of things at that level for local Hong Kong collectors. Then we have a couple clients, who occasionally spend 7 figures, over a million dollars.

**Is it fair to say that most of your collectors from Mainland China would be quickly making decision between 25k to 200k dollars range? With few people willing to spend a lot more than that.**

Totally agree with that statement.

**Through your experience, what types of works do they like to collect?**

I think it's a bit of everything - sculptures, paintings, photography, it's abstract, it's figurative. If I had to narrow down to one section, more paintings than photography, that was probably the most likely to succeed in China. And I'd suggest it would be more, they're more for big names, less for little names.

**Based on your observation, moving forward, which categories are they interested in collecting?**

Given the arrival of Chinese private museums I think they'll have more space to put things and begin to buy more sculptures and installations. But I think fundamentally the taste in China is all unique in oil or acrylic paintings on canvas, wood, metal. At the same time, we've done very well over the years, selling photography in China.

The growth will be seen in all volumes works of art. They will buy more and more different works of art. And I think the growth potential is very big, that's why we continue to do Shanghai art fairs and Hong Kong art fairs.

**Based on your observation, why do they collect?**

I think they collect for the same reason as everyone else collects. They got involved in the scene, they loved it, they got addicted, and they want to leave a legacy.

**In terms of how they learn about Western artworks, how did they develop the knowledge and continue to buy through you?**

Like everybody else did. They go to auctions, talk to other gallerists, they talk to me, and they are

gaining experience through mistakes, through just talking to you and expanding what's good and bad, what's the right value.

**Do you feel if art education is important to educate these collectors?**

I think it's very important. The concept of education in art is very important and I feel the presence of many more museums in Mainland China and Hong Kong would definitely help with that process.

**In terms of collecting behaviors and preferences, do you feel the younger collectors are different from the older generation of collectors?**

I do feel the difference. Each person is different. Each individual is different. And of the younger generation, they are more likely to buy younger, funkier artists than the older group.

**Which means they are less religious about the brand recognition in terms of whether the artists is a blue-chip artist or not?**

Yeah, in a way, yes.

**When you work with these collectors, do you feel any major challenges?**

They all want a huge bargain to make sure they are getting it as cheap as possible. This is what I keep saying to Chinese collectors, they need to look more at the quality of work.

**Other than pushing for a bigger bargain versus collectors from Europe and US. What are the other challenges you feel when you work with them?**

Getting them to understand the quality of certain works versus other works, getting money out of country, and persuading them to buy art like everybody else.

**If you look ahead for the next 5 years, what's your forecast of the market?**

I think that more and more mainland Chinese collectors will appear on the scene and probably become a more important force in the world for contemporary art. I think there are certain people in Mainland China that have a lot of money which they can put in contemporary art. I think America is blooming at the moment and will continue to bloom for a couple of years, and then it might get more difficult. I think in the next 5 years we are going to have ups and downs. We might have a slightly more difficult time and there are signs towards that.

The inability for Chinese collectors to get their money out of China, I think that is their major problem. There's plenty of liquidity in the market.

**The financial media has been talking about the economic slow-down of China. So why are you so optimistic given the current economic challenge of the country?**

Because there are many wealthy people who have not bought any art before, so they will begin to buy. I'm optimistic that more and more Mainland Chinese wealthy people will convert to collectors over the next few years.





## Qiao Zhibing

Founder of TANK Shanghai

Qiao Zhibing is a Shanghai-based collector and the founder of Qiao Space and TANK Shanghai. TANK Shanghai has been transformed from a former oil storage facility to a contemporary art exhibition and performance space in the West Bund part of Shanghai and will open March 2019.

### **When did you start the collecting art? What were you thinking about at that time?**

It was the end of 2006. At that time, I had a lot of walls that I needed to hang works on, so I started.

### **What areas did you focus on at that time? What kind of work did you buy to hang on the wall?**

I didn't understand art at the that time. As I didn't have an idea of contemporary, I was exposed to everything. I bought works from the people I met and the works I was exposed to. It was a long time ago and I visited the Chongqing and Sichuan Academy of Fine Arts to acquire work.

### **So you were mainly buying works from artist's studio?**

Not really, I went there to visit. I bought works through galleries but at that time, galleries were just emerging.

### **Looking back now, it has been 12 years. Have there been any changes in your current reasoning for collecting art?**

Of course. Because I am now operating an institution and running an art museum, the current collections are often intended for exhibitions. How you could possible show this work better? You want to collect a few pieces of the artist's works to give him/her an exhibition.

### **Which genres are you interested in? Chinese contemporary or international art?**

In fact, I pay attention to both Chinese and international because I have all the most important Chinese (artist's work) and I am familiar with all the important galleries. The most important thing is that I haven't contemplated the schools and trends I like to collect. (I) only collect contemporary art. Recently I have been enjoying conceptual works. I have both Chinese and Western, and do not care about nationality.

### **How many works do you have in your collection? More than 500.**

### **What is the main channel for collecting?**

Mainly through galleries. Art fairs bring the galleries together but actually it's through the gallery.

**How did you gain your insights of collecting during the collection process?**

Going overseas to see exhibitions and art. I visited a lot of artist studios. (Sometimes) I may see a work of an artist I don't know. In that case I will definitely buy the work if I like it. But if you really like an artist, you will want to go to their studio.

If I am going to New York, I will want to visit an artist's studio. It is also possible that the gallery has arranged the visit. The odds are I will probably like it after the visit and then buy the work. I visit artist studios everywhere I go.

Mostly I buy the work first and then get to know an artist. I don't have to understand a work before purchasing it.

If you like the work of the artist then you are more willing to get in contact with them. Most of the time I visit the artist after I buy the work.

For example, if you buy through a top gallery, they have good artists and you will get good works.

**What do you like about different art media?**

I don't really distinguish mediums.

I collect video works. The last exhibition of Martin Creed moved me when I saw the first video and as a result I started collecting his work.

**How long do you keep the works in your collection?**

I haven't really sold any works

**How do you research and analyze your collection?**

Yes, this is a big problem. This is something I'm thinking about and I have yet to begin. I think it's still early and I'll hopefully begin in a few years.

**Will you keep collecting more works in the coming three to five years?**

Yes, of course.

**Still in contemporary?**

Yes, only contemporary.

**If you further expand your collection, what will be the main challenges expect to see?**

Of course, funding will always be a problem. If you have more money then you will have more choices and you can buy more important works.

To a large extent, the challenge is about how you can buy important works. Buying as a museum may make it a bit easier, especially when important artworks have a waiting list.

**Will some of the works be sold in order to increase funding then the new money will be used to buy new works for the structural adjustment?**

For now, no. I feel I haven't spent enough time collecting.

**Do you think the state of current art education is effective?**

There are more and more quality exhibitions. The audience is also increasing their understanding of high quality aesthetics.

**How do you see the relationship between Qiao space and TANK?**

Qiao space is the predecessor of TANK. In the future, there may also be a space inside TANK called Qiao Space. I haven't thought about how to do it in the future, because I have just started exploring. If TANK opens a Qiao space, I can do more to support young curators and support young artists.

**Why did you want to establish this institution at the time?**

It was good for my collection: it is easier to acquire high quality of artworks as an institution. I love contemporary art and I am willing to promote it through this opportunity.

**What is the mission and positioning of TANK?**

I haven't put too much thought into this.

I am still exploring how to build a not-for-profit art organization. The positioning of the museum is creating a place full of energy and excitement.

**The direction of mission and position?**

It is to promote contemporary art and help contemporary art influence more people.

**For the positioning of TANK, because the space is very special, what is its artistic direction?**

There are infinite possibilities and there are no artistic limitations. Many artists are now looking at the venue and the programs and they are particularly good.

**What is your plan for TANK for the next three to five years?**

I don't have a plan for the next three to five years, in fact, we only have one for 2019. We are planning big exhibitions in two time periods: March and November, the most active time in Shanghai, when we have group exhibitions.

Of course, there will be many programs taking place in between. Most of the programs will be in

the contemporary art field, but not all of them.

The group exhibition in March will be more focused on domestic (contemporary artists), and the best artists will all be included. The group exhibition in November will be more international: many artists will be commissioned to create artworks tailor made for the space.

In the future, all of our exhibitions will have curators. Unlike Qiao Space, which I had been curating myself, we are trying to operate more professionally because it is now an art museum.

**In addition to exhibitions, what other responsibilities will TANK focus on?**

The Central Academy of Fine Arts (in Beijing) wants to work with us to launch a research center, the areas of focus could be conducting research on art museums or on contemporary art.

Our focus now is the construction: to complete building the museum.

**How do you maintain the balance between special exhibitions and permanent collections in the future?**

The museum will not have a permanent collections.

**Will your personal art collection become part of the collection of TANK?** I don't know.

**What is the main challenge operating TANK?**

Talent. We are recruiting now and we need more talented people.

**How much do you plan to invest in TANK every year?** Possibly tens of millions of RMB.

**Everyone realizes that running an art museum is costly, it is the same in the United States.**

It is very expensive to run a museum. Actually I haven't thought this out that far. Otherwise, I might not have the guts to do this.

**The common opinion is that the Chinese are in general not interested in donating money to other institutions.**

Actually, many people have started donating to other institutions. For the exhibition: the "Art patrons" that I organized, people were willing to loan art works to my exhibition.

People are gradually beginning to provide patronage to other institutions, and they will benefit from these institutions.

**Many civic museums in the United States have a board of directors, an endowment fund, and are run by professionals. Each year, 5% of the endowment fund is used to support operations. A significant amount of other funding is raised by the board of directors. Are you planning to set up a board for TANK in the future?**

At the moment I think it's manageable. We're still exploring. It's all possible in the future.

**In terms of sources of museum income, I imagine that one is the tickets, venue rental and you plan to have some patrons?**

Yes, these three parts. In general, everyone is doing these things. I think many companies are interested in sponsoring art.

For example, some companies have allocated charitable funds, which must be donated. Such funds could be donated here. Of course it is not easy.

(To manage) an art museum is a long-term career, and in the early stage, I myself need to be willing to endure a tough period of time.

I think it is a long-term cause. As long as it is still there in 5 or 10 years, I believe that things will gradually be more established and get better.

**So you have a high requirement for the team: some staff is dedicated to business development, some on curation, and others to fundraising.**

At the moment, I am doing all these myself. I am gradually building the team. It is easy to say I want somebody and they will appear – but that's not the reality.

**What are your goals for the next five years?**

I didn't think in that way. I can't think ahead five years from now and I am only planning for next year.

Often, it seems that there should be a plan for such a project. Actually, there isn't.

If you look at a mountain and you stare up at it in all its glory, you won't dare to climb. If you only look at what's underneath your feet, and what is the next step, you can achieve your goal one step at time.

This includes building art collections.

I cannot think that far and it's useless to plan that far.

**When did you start planning the project of TANK?**

About 4 years ago, the construction started 2 years ago. It was all formalities (getting all sorts permits done) before, and the construction started in January 2017. It is now completed.

**Was the Shanghai government supportive?**

Of course, the government supported the project, but we also found many opportunities, once the Huangpu River, Pudong Puxi cut-through was completed, then the construction sped up. And also when the World AI Conference ended, we were able to catch some good timing, which enabled it to be especially fast.

**What do you think about the current art market?**

I feel that it is very difficult for Chinese galleries to survive. People know that if you want to buy contemporary art, you have to go to the galleries. The 2008 financial crisis it was a very difficult situation and international (buyers) were decreasing, but Chinese collectors grew and many people moved from auctions to galleries. Now they are in a more difficult situation than in 2008.

**Why is this? Because of competition?**

Yes, one of the reasons is that the international (galleries) have entered the market. Many collectors are collecting Western art. Unlike the past, there was a transitional period: at first, (Chinese collectors) bought Chinese art for a few years and then began to buy international works. Now when the new collectors enter the market, they immediately start to buy Western art.

**This observation is interesting, why?**

Because the education background is different: many (younger generation of collectors) have lived abroad. There is another reason, the service is different. In the old days, in Western blue-chip galleries, no one cared about you. Now when the owners of the galleries visit China, they will take you out for dinner. It is not the same.

For example, at Hong Kong (Basel) art fair, Chinese galleries are all located in the corner. That means you are not that important. Western blue-chip galleries always have the biggest and the most important location. The location of a booth is very important in the Basel system, many (Chinese galleries) locations are marginalized and thus cannot compete with Western blue-chip galleries

**From your personal experience, have you acquire more Western art over the past two years?**

In fact, there is not a large difference in quantity but Western contemporary artworks are relatively more expensive, so I spent more money on them.

Category wise I care for both. For example, I bought a few pieces of Chinese contemporary last month.

**Do you feel that a new generation of collectors, like those born in 1980s and 1990s, tend to buy more Western contemporary art?**

Correct. This shouldn't be construed to cause antagonism between the West and China. If you look from a global perspective and certainly there are many good artworks on the international market: how can you compare one country with 100 countries? Art collecting requires an international perspective.

**Do you think the China-US trade war will have an impact on the art market?**

Last year, the United States government wanted to impose tariffs on art imported from China but did not succeed. Otherwise it would have been a fatal blow to the market.

There is still a problem. Slowly, ideology is changing. I think it is quite dangerous. In New York, to hold an exhibition of Chinese artists was a cool thing but no one wants to touch it now. In the future, it is likely that (to have Chinese artists' exhibition) will be politically incorrect. Then there

will be less opportunities for Chinese artists.

If there are fewer exhibition opportunities, American collectors will not feel it a cool thing to buy Chinese artists' works. They may say that I buy African American art, buy South American art, Mexican art, which is more fun. They won't want to touch Chinese art.

Chinese artists are aware of the change, and now they are going abroad to create art, trying to become more international.

**What do you think of the current tax regime on art?**

Import tax is a big problem. If it is solved, it will be easier for us to buy international artworks. China now wants to expand their free trade zone.

**For the market to further develop, what is the potential that could be cultivated?**

I hope there are more institutions that will establish art collections.

The most important thing is that if there are more institutions that collect art, then the market will be less chaotic, because in general institutions will not easily (sell works). They will not (easily) sell work even when they see an artist's work is getting expensive. When more institutions start to collect art, it will be good for the market.

**How do you plan to further expand your knowledge of art and connoisseurship in the future? I**

rarely read books. I mainly visit exhibitions around the world.

**Do you plan on having a design store or other supporting facilities at TANK Shanghai?**

We will have a bookstore, a restaurant, a café, and will offer educational programs and artist residency programs.

**How long do you plan to operate TANK?**

We have signed a contract for 30 years (with the landlord) and hope that we can continue to run the museum for a long time into future.

**Jenny Wang**

Chairwoman of Fosun Art Center

Jenny Wang is a Shanghai-based collector and the Chairwoman of Fosun Art Center and Fosun Art Foundation. Fosun Art Center and Fosun Art Foundation have been founded by one of China's largest private conglomerates, Fosun Group, who owns or has ownership stakes in an international portfolio of companies including Club Med, Cirque du Soleil, and Lanvin.



**When did you buy your first art work?**

It was for the purpose of decoration. We started to collect works by contemporary artists and collecting in 2010.

**Was it related to the decoration of an office space or home?**

Yes, it was related to office space and our home. In fact, it was used for decoration.

**At that time, was it Western or Chinese contemporary art?**

The first piece I bought was a Chinese, the painting from a Chinese contemporary artist.

**Over the past eight years of collecting, what is the scale of your collection?**

We have about 300 pieces.

**In which categories?**

We cover all the media and mediums of contemporary art. There are paintings, photography, decorative sculptures, videos, as well as VR works, and many more.

**Does your collection include both Chinese and Western contemporary art?**

Yes, both Chinese and the Western.

**What do you think is complementary about the two categories of Chinese and Western contemporary art?**

I think with regards to the trend of contemporary art, Chinese contemporary art is more and more similar to the international expression, including the artist's thinking and thoughts. The

difference is not too big, I think it is almost the same now. Sometimes you can't really tell the nationality of the artists.

**Looking back at the eight-year of collecting, what have been the stages you have gone through?**

At the beginning, it was my personal collection. I wanted to decorate an office or a living space. But later, we had the Fosun Art Foundation, so we started to engage in more professional art development. That is, to incorporate art into the entire scope of the Fosun Art Foundation, thus we have this art center in Shanghai.

After this, our collection went under the foundation. In addition, our collection leans towards public art. We are not considering personal preferences when we collect a new piece, but how

much influence it has on the public. Because we are now mainly engaged in public art projects, some of our collections are basically exhibited and displayed in public areas, we have to consider the public's reaction when collecting these artworks.

**How did the transition happen in the past years?**

We have been gradually moving towards becoming an organization since 2013. In 2013, our collection basically started to establish some foundational systems. We began to think about the question of collection as an institution, like under the framework of the Fosun Art Foundation, what should be the direction of our collection. At the same time, the Fosun Art Center project was launched in 2013 and the Art Center was officially opened in 2016.

**So now your collection is more focused towards the institutional perspective, right?**

It's completely an institutional perspective and there is no personal perspective.

**So what are the channels you collecting through now?**

We are mainly buying through galleries, the primary market, and a few are through the auctions.

**The art fair is part of it, right?**

Yes, the art fair, the art fair is also through the gallery. Art fairs and galleries are the main channels of collecting. We also commission artists to create works, where we are communicating directly with the artist and of course it's also through the gallery.

**Over these eight years, how did you gradually master the knowledge of art collecting?**

I think it is the fact that practice makes perfect. You have to go out to understand more and learn more. First, you are learning when you visit the exhibitions. You communicate more with these artists, collectors, and gallerists. I think this is part of the process of learning.

Also, you may browse more related information and read the history and trends of the entirety of art development. I have not systematically studied, which means I did not go to the classroom to study. I do not have such time. But we may encounter something from different stages of our work. When you are looking at these things you do not just look at the state of it today, you might go back and do a little bit of research, linking to other things, and then you sum it up. I think this process itself is a learning process.

**More than 300 pieces is quite a large number of works. How do you plan to academically organize your collection?**

We have plans which we are now working on. One is the relationship between these works, including Chinese artists and foreign artists. We can divide them with different themes. Of course, different media is also a research direction, such as videos, we can specialize in the works of video, we can also study the works of painting, but sometimes contemporary artists can be compared with each other, for example, the comparison of the topics in their artworks.

We did not have an advisory committee for the collection. We are stepping into the third year of

the art center this year and we will work on the systematic research of the collection. Not only buying works but also having more consideration before buying. After you buy a work, you have to

figure out where to place it, and there will be more considerations. So, we may also ask a consultant. Ask a consultant or two consultants, or have an advisory committee, we will develop in this direction, and then carry out some in-depth research, this is our plan for the collection.

Our collections are distributed in different places. Like the Shanghai Fosun Art Center, now they are in office buildings, in the doorways, and on rooftops. We have a hotel in Sanya, Hainan, where we have done an exhibition of our collection. We left most of the exhibited works in the hotel: many of its suites and public areas are decorated with many contemporary artists' works. So the circulation of the exhibits in such public areas may also need a system to study: what kind of work is suitable for what kind of place, how to secure, how to maintain, how to organize. I think this is our work in the third year: first it is to study the collection itself, second is how to display these collections better in public places.

**Over the past eight years, what is the average hold time for all the art works ?**

We basically haven't sold any works.

**Looking forward, will you continue to collect over the next three to five years?**

Right.

**Will the ideas of collecting be different from the past?**

They will be the same.

**On behalf of the institution? What about the collecting categories? Is there a proportion of the distribution that will go to Chinese and Western contemporary art?**

Yes, in an institutional way. Our focus is on the contemporary art, there will be no change. There is no proportional distribution, it is all about opportunities: what comes across.

**If you plan to further expand your collection, what do you think are the main challenges that you will be experiencing?**

I think the biggest challenge is talent. Good works are appearing all the time. This market is also changing rapidly, including changes in its content and value, which are happening all the time, but I feel that the Chinese art market lacks talent and lacks professional talent.

**Which aspect do you specifically refer to? Curatorial team?**

In fact, it is missing in all areas. We lack in operations staff. You cannot find professional staff, this is a real problem. Systematically researching the collection etc, and the fact it is difficult to find the right people.

I don't think it is hard to find a good artwork, but it's difficult to find a good talent. If you go to art advisors (consultants), I feel that their (tastes) are not as good as mine. You can't find a particularly suitable one. In fact, I think I have figured it out. I can't solve this problem with one person. I can have a committee or a few teams to tackle the issue.

**But managing a committee also takes time.**

Yes, it takes time. These people are also particularly unreliable. You think they are okay today, then they give you a report another day, and you will feel something is not right about it. Moreover, I feel that Chinese art practitioners may be different from foreign ones. They are not so pure. Foreign art practitioners may think simpler. First, their professional quality is higher. Second, their ideas are more straightforward. Chinese art practitioners have a lower professional quality, and their ideas are complicated, so it is difficult for you to have a deep and long-term cooperation with them.

**Do you think that art education in the industry is useful for cultivating collectors' tastes?**

For example, an education organization like Sotheby's Institute, is quite mature in the United States, but in China it is at an experimental stage. The number of people they train is limited -

there are not a large number of students every year, so the impact will not be great. The most crucial thing for China's art market is to have good development, then it may attract more people to pay attention to this field, and naturally its educational effectiveness will increase.

But now I think the problem is that Chinese contemporary art is still relatively limited in popularity and has not yet come to have a large audience.

In China, I believe, the focus of art collections is still Chinese antiquities or traditional works of art. Contemporary art still has limited audiences.

The interest of the crowd, including younger people, their preferences for culture and the arts has made a great progress in recent years, such as their love of fashion, literature, music, films, and performances. I think there is a lot of progress and improvement, but contemporary art is still a very small field.

I believe that contemporary art is not only about art, not just painting, but also involves many questions about philosophy, humanities and the overall quality of the social environment. But it is still relatively minor. I don't know what the issue is or have a way to expand the scope of interested people.

But you can't find talent. This is also the problem. If the market is big enough, there will be many more people working in the field. Because the market is so small now, the number of practitioners is limited.

And in such a limited and narrow scope, these practitioners may not get the professional development that he or she needs, and will immediately pivot to do something else, so it will be even harder to find people, so this is not a positive cycle.

**Art education needs to focus more on nurturing connoisseurs, not art management professionals.**

Yes, yes, we have a room of people studying art management. But learning management is easier.

(To become a connoisseur is much harder.) You have to look at things from a young age or you have to have a deep foundation of knowledge (of art history).

(In China), there has been no such environment since childhood, so when someone grows up, then what do they do? They can only learn art management, it is impossible to go back (to younger age) to learn how to handle objects.

**You have organized many exhibitions over the past years. From the audiences' reaction to the exhibitions, do you feel that they have a difficult time interpreting contemporary art?**

We have done a variety of different types of exhibitions, we also have had to do some of the more general appeal type exhibition. The first show we did was a group exhibition of 20 Chinese contemporary artists, all of whom can be written into the history of Chinese art. The works of these people are very representative. I found that the audience at the time was relatively cold, because they did not understand most of the works.

But we later showed Tomás Saraceno's " Spider Net ", Qiu Anxiong's "New Classic of Mountains and Seas" video, and now the photography exhibition of Cindy Sherman. The audiences found these exhibitions were more acceptable and the works easier to understand.

I think contemporary art may have different categories. The Chinese audience can now accept a medium that is easy to understand and easy to express. It can be interactive with real feelings, so these things may be acceptable to Chinese audiences. But others, such as some conceptual art, minimalist art, I think they are difficult for the audiences to understand.

**Why did you want to open Fosun Art Center?**

Because we feel we're on a mission. First of all we have invested in a lot of real estate projects. At the same time, we found the connection between real estate and culture is very close, as

commercial real estate projects attract crowds. When there is a crowd, there must be something other than buying, selling and rent. They have the need of experience, so we feel that culture and art is a good way to help people find that extra something.

Coupled with the fact that we have a Fosun Art Center designed by Thomas Heatherwick, we would like to use this art center as a way to develop art programs for Fosun Foundation. So we started Fosun Art Center through this building, making it a starting point to experiment with many art projects.

**To engage with the public ?**

Yes, it is in a central location in Shanghai, and in this area we (Fosun Group) have office workers, shopping malls, hotels, supermarkets, so it is a mixed use area, and we can be the first to learn what our audience needs.

**Where does your funding of operation come from?**

All of our current funding of operation is still from Fosun Foundation's annual funding. Our current goal is to break even in the near future.

Because the cost of our building is very high. The annual fee (to maintain the building) is 5 million RMB. For this one building, it costs so much money. When we open the door, we have to spend more than 10,000 yuan a day, because that is what you have to pay. Our goal now is try to recover the daily 10,000 yuan cost. Of course, there are other expenses, personnel, exhibition.

How do we subsidize it? We rent some space out to luxury brands, we have a catering service, we have an art and design shop, then there are exhibition tickets, as well as some sponsorship. My goal is to break even, I don't want to lose money.

Our team is very small: the office has a total of 12 people, we don't want to spend too much on personnel. Some of our work is outsourced, such as graphic design, and our catering service. We try to get third parties to assist, instead of increasing our personnel.

### **What about the budget for collecting art?**

The budget for us to collect art is definitely not included in the cost of operations. That is additional.

### **Do you plan to attract donations in the future?**

Fundraising is very hard in China. So many art museums plan to raise money (through fundraising).

### **How do you see the mission of the art center and its positioning?**

Our mission is still focusing on public art. I think we are promoting aesthetic education in a big way. Through some of our practices, such as many art projects we do, educational activities, to be able to influence more people, we can improve the aesthetic education of the people to some extent.

From another perspective, it is our mission to support some artists, help them grow, and promote Chinese contemporary art.

### **So what about positioning ?**

We still emphasize the promotion of public art. There are some private art museums that are more focused on promoting the owners' private art collection.

(Different from those private museums) we don't emphasize our own private collection. Instead, what we are most interested in is the interaction between the content of our art programs and the public.

### **What is your plan for the next three to five years in order to achieve your mission and positioning?**

We have a few areas of focus: one is to organize exhibitions, another is to improve our collection

system, and develop public education programs. In addition, we also work with some luxury brands, offer some catering services, and offer art and design products (for our gift shop).

Over the next three to five years, these streams of work won't change, but we will make each piece bigger and stronger.

For example, in terms of exhibitions, next year we will open some parallel pavilions, in addition to the Shanghai Fosun Foundation, there will be a Fosun Foundation in Chengdu, and a Fosun Foundation in New York. On the one hand, we could have traveling exhibitions between these institutions, and on the other hand, we can identify some art programs tailor-made for the local audiences in each city. Therefore, the Fosun Foundation in different cities might have different positioning.

For instance, Shanghai Fosun Art Center is more international and will organize a lot of international exhibitions. In March 2019, we will open a solo exhibition of Kusama. Fosun Art Center in Shanghai also targets the education level of the Shanghai audience. The public education programs of Fosun Art Center in Shanghai will be more international and we will place more public artworks here.

In Chengdu, the art programs and exhibitions will be not as international. Instead, we will show something more fashionable/trendier, more design focused or favored by young people.

We may have some adjustments according to different locations, but the overall positioning is consistent with the principle of Fosun Foundation: that is, we care about contemporary art, and also the interdisciplinary field between contemporary art and design, fashion, and some commercial real estate.

### **What is the approximate timetable for Fosun Art Foundation in Chengdu ?**

It is planned for March 2020.

### **How big is the estimated size?**

The exhibition area is about 2,000 square meters.

### **For your exhibitions, how do you maintain the balance between special exhibitions and your permanent collection?**

In Shanghai, our Foundation does not show our permanent collection, because we don't have enough space. We only have slightly more than 1,000 square meters of exhibition space, so we are only doing special exhibitions (e.g. Cindy Sherman show) in Shanghai.

Except for the public art work on the rooftop created by Tatsuo Miyajima, we don't have any artworks in our permanent collection on display. Last September we held a photo exhibition in Shanghai of artworks in our permanent collection. We chose some photos and videos in our collection, as well as some VR work. It was in conjunction with the Photo Shanghai (art fair). Through this exhibition, we systematically organized our collection of photographs and videos.

### **In the future, for Fosun Foundation in Chengdu and New York, you will organize special**

**exhibitions, rather than works in your permanent collection?**

Correct.

**Do you plan to display the works in your permanent collection once a year ?**

Right.

**How many exhibitions do you plan to hold on an annual basis?**

Approximately, three exhibitions per location.

**What do you think are the main challenges the art center faces? You mentioned that there is a talent problem, what about other aspects?**

Yes, there is a problem of talent. Another one is how to break even. For an art museum, I think this is an issue that won't disappear. All the private museums face this problem. I think this it is very hard.

For example, our venue is new, and some luxury brands like our space. They might ask, "Can we rent your space for a couple of months? We want to have a jewelry show." Such an exhibition to promote the luxury brand might give you a very good rental return.

Then you have to think, "do I want to do it? I do this, will it affect my brand and the reputation of my museum?" But this revenue might cover my annual expenses. Then will you do it? I think this is an issue we try to balance appropriately.

My current strategy is to have one such a (luxury-brand) exhibition per year, but no more. I will give a brand more than one month of trial, but I will emphasize the brand's attributes, that is, what is the brand. It shouldn't be a random brand that gives you money and you make it happen. They must have a good brand with strong artistic value. This brand has to have a legacy and a good story to tell.

However, I have strict restrictions on the schedule of such exhibition. You can't exceed the time period. We also have requirements on the content. We have the right to say what the exhibition will be, whether it is free to the public or if we should sell tickets, we need to have all the requirements for its operations, and then we will sign an agreement.

If there is another brand that comes to you after this collaboration, we have to turn it down. It's not that we do not have room for them on the schedule. In fact, we do, but we have to plan some contemporary art exhibitions that are not making money, but we think are attractive to the public.

We still need to maintain the tone and tenor of Fosun Art Center and will not be influenced by the commercial value. I think this can be one of our challenges. That is to say, how to balance the commercial value and the academic value, because you can't lose too much money. It also won't work if you only structure it as an academic exercise. Therefore, when we emphasize the academic strength, we emphasize through the exhibition. When the academic part reaches a certain level, we select the elements that are most attractive to the public.

From the point of view of commercial value, we can't be supported by no brand at all in a year. We have to have it, but we have to be selective, and be restrictive on the schedule and the frequency. We cannot have too many luxury brands.

Last year we had a Cartier exhibition, in fact, it was not long, but it was very attractive. The number of public visitors was large, because Cartier showed the best jewelry from the company's history. This is what I meant. If you want to have an exhibition of Cartier, it cannot be a selling exhibition. It must offer an artistic feeling, and the public can participate. On the one hand, the public can understand the legacy of the brand; on the other hand, they can also enjoy the aesthetics. Those are the issues that we consider.

**What is the plan for Fosun Art Center in the next five years ?**

Like what I just said, a lot of projects in parallel and deepening development of our work.

**Including your spaces in Chengdu and New York ?**

Yes, we also have a space in Milan. Our Milan space has been reserved.

**What is your observation of the development of the art market in China? And what's your prediction for its growth in the next five years?**

I think China's entire contemporary art market is still developing, including the number of collectors. The number of people who like to visit exhibitions and like to visit galleries is constantly increasing. From the point of view of operating Fosun Art Center for two years, the number of visitors has been increasing, but of course now we are quite famous so are likely to draw more visitors. To a certain degree we see more and more people coming on weekends to visit exhibitions as a way of spending their leisure time.

I believe this is a great phenomenon, especially in first-tier cities like Shanghai and Beijing, where a culture for such activities is more mature. I also think Chengdu is a great market, because the public appreciates the value of an exhibition as they do for a music concert.

I think this may be one thing that more people in China will do in the next five years. This is the first step. First of all, you want to see an exhibition and then you try to understand art, you learn about the artist and then start to buy art. I am very optimistic. I think the art market will go up.

**Do you feel the art market will be influenced by current geopolitical environment?**

I don't think so. People have to eat, people want to read books (these are desires and needs which won't disappear).

**What is your take on the potential of the second and third tier cities in China?**

The market in those cities is slowly growing, but it takes time. For instance, when international luxury brands first entered Shanghai, in the 1990s, 2000s, buying a Gucci bag was a very luxurious thing to do. But after the HNWLs in Shanghai bought many luxury products, they began to purchasing paintings.

The transition will be the same for the second and third tier cities. In fact, the consumption power for luxury goods in Chengdu is the strongest in China now. I read the reports provided by some luxury brands, and they believe that the market in Chengdu is very good and those who have opened stores there are doing extremely well.

**More so than other second and third tier cities?**

Yes, the next step (for HNWI in Chengdu) is to buy paintings and artwork. These HNWI parents will influence their children, so it will happen gradually.

**What is the potential for further stimulating the growth of the art market?**

I think the fundamental drive (of growth) comes from education. Education is not so simple. You can't just take a two-day class. Art education has to become a part of life. You need this type of aesthetic education.

**Should there be less educational focus on art management and more on aesthetics?**

Yes, more on art history or vocational training. That is, you learn to paint yourself and do some creative thinking.

China has a lot of management talent and so-called art management professionals, but the amount of academic research talent and true artists is quite limited.

**At present the major fine art academies are training artists and art management personnel. Do you think there is a big gap in art education programs?**

Yes, we lack art scholars, especially curators. These academies haven't been cultivating enough curators, good curators.

**What is your view on the relationship between the state art museums and the private art museums in the future?**

I believe the state art museums are quite different from the private art museums.

Now I think more and more of an approach like ours, a corporate foundation with artistic passion that creates a private museum. It has an ambition to do something that gives back to society, and meanwhile enrich our art collections, to give back to the community. I think this is positive thing and good for the development of private art museums in China.

Of course, we have the pressure to operate, but the pressure is not that big, we are not an entity without financial support. From the perspective of the Fosun Group, this is a cultural investment, and even though Fosun Group has to give money every year, it feels it is something that should be done.

Of course, this institution (art center) has its own means to generate revenue and we hope to be responsible for our own profits and losses. If we are not financially successful, there will be at least some support behind us. I think this approach leads to positive results.

State museums should have the financial support from the government and should focus more on

research of Chinese traditional art.

In fact, contemporary art is more suitable for private art museums. I think state art museums should take on more responsibility to study and restore traditional art. They should make great efforts to cultivate professional talent, to engage in the study of art history, and to nurture curatorial talents.



## Zhang Guiping

### Founder of Suning Art Museum

Zhang Guiping is Chairman of Suning Universe which is associated with one of the largest retailers in China, Suning Group. He is the founder of Suning Art Museum, which owns one of the largest private collections of Chinese classical paintings in the country.

#### **Mr. Zhang, when and how did you start to collect works of art? What motivated you to collect them?**

At first, collecting artworks was only a hobby. I have several friends who like collecting things and they told me what was suitable to buy. It's been over 30 years since I started collecting artworks. At that time, Suning was in its initial stage and started to develop. As for myself, as a graduate of the School of Architecture at Southeast University, I had experience in drawing architectural renderings, so I have a certain understanding of drawing. Meanwhile, I like reading history books and poems, and appreciate our ancestors' idea that "care for the people when you are rich". Gradually, I developed an interest in painting and calligraphy, which then developed into the habit of collecting works of art. In short, the biggest motivation is my enjoyment of the work.

#### **How many items do you have currently? What are the main categories? Are they complementary to each other?**

My current collection system is relatively large, with over 3,000 pieces, which include paintings, bronzes, rhinoceros horn carvings, seals and many other categories from the dynasties of Shang, Western Zhou, Song and Yuan to modern and contemporary society. Among all the collections, paintings and calligraphy of various genres are the most outstanding pieces, presenting a brief history of ancient Chinese painting and calligraphy.

#### **How many stages have you undergone over the period in your collections? How did you shift into a new stage?**

Four stages in general. In the early stage, I merely depended on my personal preference. I would buy whatever I was attracted to. I didn't have much planning or organize the works systematically. As the volume grew, my friends began to encourage me to do some sorting, clarifying the primary and the secondary categories. This was a decade ago when I began to consciously sort works collected according to the history of art and ancient painting. As the volume continued to grow, some experts suggested that I should build a museum. And it was also when China began to vigorously advocate the cultural industry and put forward some beneficial policies. Actually, whoever makes collections has a dream of opening a museum. That was also my third stage when I began to collect works for the system of future museums. So far, we've seen Suning Art Museum Shanghai, and next year, Suning Museum Nanjing will be open. Now I'm basically in the fourth stage, trying to collect representative works throughout history that we don't have yet.

#### **What's your main sources of collection?**

I usually purchase works of art from the auction market, where sources of works are usually

traceable so that I can tell originals from fakes. Basically, the purchasing channel is the open market.

**How did you acquire the knowledge of and taste for artworks while collecting them?**

As I said, I read history books at first and then read about the history of ancient painting to know the background information about each dynasty, schools of art and social connections. The more I read, the more interested I felt. I also talked with experts, listened to their professional analysis, constantly verified the questions raised by myself and looked for answers. That was how my method for appreciation was developed.

**Among various types of art media, such as painting, sculpture, photography, video, installation, what do you like best?**

I prefer paintings, especially ancient paintings, and I also like relics. The government has been advocating intangible cultural heritage, so I also started to collect them with the aim of supporting the passing on and development of traditional cultural craftsmanship, especially supporting the spread of intangible cultural heritage.

**How long do you keep a piece of work after purchase in general?**

I haven't sold a piece yet. I've kept everything I've purchased.

**How do you study and sort out those works of art after purchase?**

In line with the internationally accepted art foundation model, we work to strengthen art conservation, systematically categorize and research all artworks collected. We've established a special curation department and an academic research department to sort out the collections and set up a special public education department, successfully conducting and promoting relevant academic research. In addition, we've cooperated with universities and publishing houses so that academic research can be published and applied to the teaching system.

**Will you collect more works of art in the next 3-5 years? If so, do you have some particular focus?**

Building up a collection is work that lasts for a generation or many generations and will continue indefinitely. Of course, there are always opportunities and challenges in the process, so sometimes I just let nature takes its course.

**If you plan to expand your collection, what are the main challenges you are facing?**

The biggest challenge is the lack of resources; there are fewer and fewer quality artworks available. In addition, the cost of collecting is increasing accordingly.

**Do you think the current state of art education is useful for cultivating collectors collecting tastes?**

Definitely. China is developing rapidly. It possesses strong national power and collecting is gaining popularity among people. After satisfying the basic needs of life, people gradually enter the era of cultural and art consumption. Although there are many problems in art education

nowadays, it is indeed still pushing the whole of society forward. The ultimate goal of building the Suning Art Museum and Suning Museum is to cultivate the artistic taste of the public, improve their appreciation and help them become more cultured. However, it is a long road before a person can finally become a collector.

### **Why did you establish Suning Art Museum?**

Ancient people wanted to hide artworks through collecting while modern people hope to share them. This is what Confucius means by saying "curiosity is more important than knowledge itself and interest is even more important than pure curiosity". It's better to share them to the public and benefit all of society.

### **What is the mission and positioning of Suning Art Museum?**

Throughout history, the spirit of the literati and their care for the public have influenced every descendent of Yandi and Huangdi Emperors. As General Secretary Xi Jinping said, "The development of culture is in line with that of a country and the inheritance of culture is connected with the future of a country." To build a cluster of Suning Museums and establish Suning Museum Nanjing is to protect and manage the cultural relics that summarize the brilliant traditional culture of the Chinese nation. Meanwhile, we will strengthen research, inherit the achievements and glory of our ancestors, and enhance national self-esteem and self-confidence.

### **What's your plan to achieve the mission and positioning?**

An art museum or a museum is like a university. Suning Museum Nanjing in the future will systematically sort out the historical and cultural heritage of various dynasties, vigorously explore new modes of cultural and technological integration and development, and promote cultural relics protection through systematic and smart exhibitions. Through cultural and technological innovation, it will become a smartly-exhibited science and technology museum with the most advanced technology in Jiangsu. Meanwhile, we will promote collection exchange with the museums at home and abroad in the future.

### **What areas are Suning Art Museum mainly working on at present?**

First, we are sorting out the collection and conducting academic research in the art museum. Second, we are collaborating with certain art schools in the area of training of artwork appraisal and appreciation. Finally, we organize public education initiatives.

### **How will the special exhibitions and permanent ones strike a balance in Suning Art Museum in your plan?**

The operating mechanism of the Suning Art Museum is relatively flexible compared with that of the state-owned museums. At the beginning of each year, we do some planning, which includes permanent exhibitions, special exhibitions, and exhibition exchange.

### **What are the main challenges Suning Art Museum is facing?**

The exhibition space and design of Suning Art Museum is positioned as a space for the traditional Chinese painting and calligraphy. So when conducting international or inter-museum exchanges, activities have to be aligned with our current exhibition conditions. In the future, Suning Museum Nanjing will address these problems. There will be both permanent exhibition halls and various

temporary ones in a more flexible manner.

**What is the goal of the Suning Art Museum over the next 5 years?**

We hope to establish it as the best museum that exhibits ancient paintings and calligraphy in Shanghai and the most professional museum in East China or even across the country. Hopefully when people think of culture they will think of Shanghai.

**What do you think about the development of China's art market over the next 5 years? Will the current geopolitics have any impact on it?**

The market will continue to undergo further adjustment. It will become more segmented with more professional collectors and people will hold a more rational attitude towards the market.

**What do you think are the potential growth drivers of China's art market?**

As the number of people who collect grows and their ability of appreciation constantly improve, China's art consumer market will become more dynamic, which will open more possibilities.



**Liu Yiqian**

Founder of Long Museum

Liu Yiqian is a Shanghai-based collector and the founder of Long Museum, which has four branches: two in Shanghai, one in Chongqing and another in Wuhan. He holds the record of acquiring the most expensive Modigliani painting through an auction (USD 170million at Christie's New York in November 2016).

**How did you start to collect works of art?**

When Duoyunxuan (the auction house) 's building on Nanjing Road was to be renovated, I bought a Chinese painting album in 1997. It was the best album by the artist Wu Hufan.

**How much did it cost back then?**

More than 1.9 million RMB and that work was also the most treasured one at Duoyunxuan. Their building had to be renovated so they had no choice but to sell the works. An album of paintings by the artist Fu Baoshi was also available back then and the price was 1.2 million RMB but I didn't buy that one; now I really regret the decision since the album was the best of Fu Baoshi that Duoyuanxuan ever possessed. Duoyunxun still has that album, but they won't sell it now (because it's very precious).

The album failed to sell at the auction in 1997 and Duoyunxuan asked me whether I wanted to buy it after the auction. I said no since I'd already acquired an album (by Wu Hufan). Art-collecting is sometimes predestined.

Later Duoyunxuan exhibited the album by Fu Baoshi, but I didn't dare to look at it, because I was afraid that the album would judge me and say "why are you visiting me now if you didn't want me back then?"

**So was that your first - time purchasing a work of art?**

I bought some paintings and calligraphy before then.

**Back then, what was your major collecting channel?**

I purchase my (art) collections mainly through auction houses. I feel auctions are more open and transparent: everyone sees the price and the market is relatively more open to the public compared to other channels. Unlike today, auctions were not as complicated (back then). Today, I guess China might have hundreds of auction houses.

**Why did you start to collect?**

I feel it is hard to explain the reasons behind (my initial purpose).

**Were you influenced by some of your friends or experts?**

I'm not afraid of taking risks, I started to buy works from well-known artists and I talk to a lot of people. It is difficult to say that my journey of collecting was influenced by certain people or recommendations. I entered this field first then I met experts and friends in the field, the same pattern still works today - I go to see exhibitions and works of art, I ask my friends about their opinions, and as a result we learn things from each other.

In fact, after buying works of art for decades, I can sense other people's abilities and whether they have a good eye for authenticating Chinese paintings and calligraphy.

I feel many people think of themselves as experts. It is necessary for people to take a good look at the work sometimes but how can you authenticate a work just by comparing it with others, given that the artist has been dead for a thousand or few hundred years? It is an unscientific way and makes it difficult to be truly convinced of a work's authenticity.

Compared with what we have now, the technology was less advanced and the information was not that completed back then. How can we believe the words by those old "experts" just

because they have seen more works of art? It is difficult to say. Now we have many more experts because people know a lot more information and they think they are knowledgeable.

**A lot of people claim to be experts.**

Yes, I barely ask opinions from "experts" when I buy works of art.

**How many pieces do you have in your collection now?**

I don't know, maybe few thousands of pieces.

**In terms of categories? From classics works of both China and Western countries to contemporary art, and art during the revolutionary period?**

I have works from all these categories.

**When you look back at your collecting journey of more than 20 years, can you divide them into different phases?**

There is no such thing as a phase of art collecting. I think life is hard to plan ahead for any one, so it is difficult to plan ahead for a collecting journey which is of more than 20 years. Whoever said they had plans is talking nonsense.

The same thing applies if you look back. You should go with the flow, after you reached a certain point, your consciousness, your viewpoints might change accordingly.

**You used to focus on ancient paintings, calligraphy and antiques. How did you become interested in contemporary art?**

Because contemporary is about the culture of what's happening now. I have been interested in this category for over 10 years.

**What about collecting the Western art?**

I have been collecting works from the West for about 7 or 8 years.

**What's your focus on (collecting artworks from) the West?**

Mainly on modern and contemporary works from the West.

**What is your major collecting channel for Western works of art?**

All from auction houses and galleries.

**How did you acquire the knowledge of art collecting and connoisseurship in terms of collecting works of art from the West?**

I didn't feel it is necessary for me: art collecting is a relatively easy thing to do now. Collecting is a process. I don't think it is that difficult to do. You can go to well-known galleries to see Western and contemporary works. They will all gather around you and talk about how many good works they have.

**Then how can you make a judgement?**

I look at the work of art, look at the price of the work and try to understand whether it is reasonable. There's nothing complicated about it, collecting is a simple thing.

I definitely will look into other things, like whether the painting was well painted, whether it is famous, the market price for this type of work (is reasonable). I don't think it's that complicated at all.

**Some collectors hope the price of artworks in their collections can go up in the future. What's your take on that?**

What you wish for is different from reality. Don't you think that a wish is too good to be true? I think collecting is a totally different concept from the market. It is impossible for you to be successful in selling works from your collection with high prices in the market and collecting great works of art at the same time.

How many people (collectors) are still reading books besides looking at auction catalogues?

I think the investment mentality you just said is the main reason that caused the art market in China to become abnormal. Works of art have become commodities. One of my friends shared a quote from Robert Chang in WeChat moments today, which says, "Choose a good work for your collection and wait for 50 years", and I commented with "how many people are willing to wait for 50 years?"

Some people are planning to sell works of art that they recently added to their collection within 3 months. If they really do something like that then they are not treating them as works of art. This might sound unflattering but they are doing the wrong thing under the name of collecting artworks. Their practices have nothing to do with collecting.

**In terms of collecting channels, do you collect from art fairs as well ?**

Yes, I also collect from art fairs. I go to art fairs in China and in foreign countries, including Art Basel (in Hong Kong and in Basel), and I have bought some works from art fairs. More than 90% of my collections were still bought through auction houses.

**Since you have numerous museums, how do you manage your collection?**

We divide them into two parts, one is our permanent collection, the other is what you just saw (special exhibitions like the solo exhibition of Louis Bourgeois).

The current exhibitions of our permanent collection include artists like Wen Zhengming (Chinese classical painter) and the we have a Chinese zither exhibition which shows art works with the theme of zither over the past hundreds years. The earliest of these works can be dated back to Southern Song dynasty and our permanent collection also includes some tea sets and porcelain.

We want to create a public space within the museum and we borrow works to do exhibitions in order to offer the public a chance to experience the beauty of art.

There are two points of focus for Long Museum and we have been working on these since we opened. The first is about the permanent collection, the other is about works from well-known artists. We have maintained these two points of focus, so we are doing all kinds of exhibitions for both the permanent collection and the well-known artists (both alive and deceased) in China and abroad.

For the solo exhibition of Taiwan artist Tu Hongtao we presented his works from the perspective

of our museum. We are still planning exhibitions, especially for our permanent collection, to sort out relationships among works. We might have more interactions with artists.

**I imagine there are many people want to do exhibitions in your space.**

There are too many of them and we have problems with arranging exhibition schedules. Speaking from what the public wants to see and also from an aesthetic point of view, Chinese audiences are getting more and more interested in exhibitions of famous Western artists because they might not get the chance to see their works even though they travel abroad.

**What about Chinese artists?**

We are also talking to artists like Zeng Fanzhi about holding solo exhibitions and we have all types of artists coming up. Well-known star artists from the West can create better publicity.

In fact, museums in the West are not doing exhibitions of star artists very often, mainly because they will cost too much money and museums cannot afford that. Museums are unwilling to do these kinds of exhibitions because they will lose quite a bit of money.

**It must cost tens of millions Renminbi to do exhibitions like that?**

Yes, and such exhibitions all lose money. I think the loss of money is unavoidable if you open a private museum.

First thing you need to consider is whether the artist wants to work with you, since the artist would think about whether the space is enough and satisfactory for him or her, and also he or she will think about your museum's reputation. There are two important issues playing out here: first of all, you need to be willing to spend money; second, he or she acknowledges your ability (reputation). If it clicks, you can work together with the artist and make the exhibition (of a renowned artist) happen.

You cannot ask an artist about whether he or she would like to do an exhibition at your space out of nowhere, the artist might not accept that, so it is a question of mutual agreement.

**Compared with what we have in Shanghai, it seems that private art museums in Beijing are less active?**

First of all, Beijing doesn't have better private art museums, secondly, even if they have spaces, they couldn't afford to hold exhibitions, I think the reason is simple as that.

It is a very easy thing to do. It depends on whether you are willing to spend the money and if you do, they (renowned Western artists) will come. All of the well-known artists from the West want to come (to China) and have exhibitions here. The key is whether you have enough money to support the exhibitions.

Since I already opened this museum, I must hold good exhibitions. When you are in Long Museum, you feel like you could be in a great museum anywhere in the world, both to foreign visitors and to Chinese audiences. Most of our visitors are interested in contemporary Western artists, more than one third of our visitors are foreigners and the majority of our visitors are young people. Very few old people visit: the older generation of the visitors prefer traditional Chinese (art).

**So you are more focused on younger generation of visitors.**

I think that's the development of history. Much of art history has developed and been decided. The people, including the public, have already decided who is a star artist and who is not. The only thing you need to decide is whether you want to hold the exhibition or not and whether the artist would accept your invitation of working together.

Besides holding exhibitions about art, we also have exhibitions of architecture, which is also a form of art. For example, IM Pei is a well-known international architect and ethnically Chinese. If he wanted to hold exhibition here, like a retrospective of his works, he would have my full support.

**There are different types of media in your art collection, which type do you prefer?**

I think in contemporary art, people are changing from being interested in paintings to photography and videos. It will be a process for the transformation to happen and for the public to accept it. I think it is difficult to say how people will accept this transformation. Maybe people would still prefer to have art on the walls after 100 years or 200 years, since it is related with people's living environment and conditions. If you don't have a big house and you put a large sculpture in there, then where can you live? A painting doesn't take much space, so I think (the choice of medium) will continue to accommodate the living experience of people in the future.

**How about speaking from your own collecting experience?**

I think paintings are still more popular today. Of course some sculptures are very expensive, but those expensive ones are of small proportion. The number of well-known sculptors is fewer when

compared with the number of famous painters both in China and abroad, which is also caused by the preferences of the public.

**Do you buy video works?**

Yes, but only a few.

**What is your holding time for works in your collection, approximately?**

Basically all of the works I acquired are still in my collection; I have barely sold any of my works.

**In the future, will you spend less money for buying art since you have several museums to run?**

We hold several exhibitions in our museums on an annual basis, and the cost is manageable.

**How much do you spend for Long Museum on West Bund on an annual basis?**

The annual loss is about 30 or 40 million (RMB). Since not every young staff member in the museum is a volunteer, we need to pay salaries to the young people who are working here. They need to make a living. We have dozens of security guards, and they all depend on their salary for

their livelihood. If we add all these expenses together, including organizing exhibitions, the annual loss is about 40 million (RMB).

The other two museums are smaller, so the major loss comes from operating Long Museum on West Bund.

**So will there be less money for buying and collecting works of art?**

Not really. What I invested in the museum since it was opened is just a small proportion of the money I spend on buying works of art. Good works are really expensive these days, they can easily go for 100 to 200 million RMB, Western works of art are even more expensive, so how much I spend on buying is on a different level compared to how much I spend on operating the museums.

**Over the next 3 to 5 years, what will be the major focuses of your art collection?**

I think I will expand the collection in both Chinese and Western works of art. We have many antiques in the Long Museum as part of the permanent collection. But we live in today, and I feel contemporary art including both Chinese and Western works of art, is what we are going to collect.

**Do you still want to buy the best works including the best works of art from the West?**

For works including paintings, calligraphy, porcelain, Western art, we all want works of high quality, this is a basic principle (of my art collecting).

**Are you facing any challenge in terms of expanding your collection?**

One is whether I have the opportunity of finding the (good) works (that I am interested in) and the other depends on how my personal wealth develops.

**Do you think the art education nowadays is effective?**

Speaking from the perspective of running a museum, I think the art education is effective.

First of all, compared to several years ago, we have more visitors these days. Secondly, there are more and more young people who are starting to appreciate traditional Chinese art.

**What do you think about the current art market?**

(In general) the art market is not that good now because it is related to the economy as a whole.

However, good works are still sold for high prices, and there are new record-breaking prices coming from the market.

**Best artworks are sold for high prices, but the overall volume of transaction is lower compared to several years ago.**

Liquidity will go down if the economy gets worse, so it is not a surprise that the prices went

down.

Good works will always have demand. It can be seen as a phase and people are waiting for the right time (to sell their best artworks), so it is normal that they are not willing to sell (now). Good works from Qi Baishi, Zhang Daqian and Fu Baoshi, they would never be sold for cheap prices.

It is normal that you cannot sell average-quality works for 3 million RMB now even though you bought them for 5 million RMB years ago. Many people still think 3 million RMB is too expensive because the artist painted that something randomly.

I believe that not being able to sell average works is normal, you cannot sell everything. A cheap work can be bought only with hundreds of thousands RMB, but at that price you are just messing around.

**Back to the question of sorting the permanent collection of Long Museum, how do you carry out that work?**

We have professional staff in the museum for this kind of work. For example, we want to show Chinese zither, the inheritance of Chinese culture through the zither, and records from literati in history through texts and image for our zither exhibition. We also want to show zither's development in modern society and how we make zither now, which is a form of inheritance. We invited zither masters to play the instruments at Long Museum and basically all the masters we invited have come.

Why? Because they had never had the chance to play the ancient instruments we exhibited.

As a result, a lot of people visited this exhibition. We were helping to communicate the culture of zither music through such live performances with the masters. Many other places won't be able to hold such an exhibition.

The expert who helped us curate the zither exhibition has been on our team since Long Museum opened in 2014. A Taiwanese who particularly loves art curated the show and I think he has done a good job. He planned and designed the whole exhibition and knew how to tell stories from a certain perspective.

**So you leave the job of sorting and reviewing the permanent collections of Long Museum to the professionals, right?**

Yes, because they are professionals and I think they put their whole heart into the work – they are better able to do this than I am.

**How do you train your eyes for appreciating and collecting works of art?**

I once talked about “to rob somebody of something they cherish” (heng dao duo ai), I think there must be a reason for having this saying to be in the dictionary. Why?

First of all, these works must be treasured, otherwise why would we have this word? Many people might not think of this expression as a neutral one because you are taking away treasured things from other people. This artwork must be good, so people want to take it away. I like to buy the star lot on the cover of auction catalogues, because if you think about it, there are hundreds of works in a catalogue, so why has this work been selected to be on the cover? Basically the

auction house and the market think that this work is unique and the market recognizes it. So this becomes very simple, you just need to buy the cover lots.

From the process of buying works of art, I've learned a lot of things which are useful for living a better life and you also have the chance to know more about different parts of history.

**So you mainly collect in Beijing and Hong Kong?**

Yes, also in the US and Europe.

**What is your main goal of establishing art museums?**

First of all, I feel I am ready to show the public my art collections, and this is also a hobby of my wife, so the reasons are very simple. We want to show our collections and we want people to come and visit us. If no one comes to visit then it doesn't really make any sense.

**Is Long Museum working on research and conservation of artworks?**

We are doing the research but have not begun conservation; we will do that in the future.

**In your opinion, what are the major challenges faced by Long Museum now?**

There is no challenge. I personally think that nobody is forcing us to do this, everything is our responsibility, it is what we choose to do, so there is no challenge per se.

There are no second chances to make a choice in your life. You might buy a work of art and then regret it immediately. Or you might regret not buying that work, you only have one chance. Every challenge at the Long Museum is what we choose to live with and what we should bear, nobody is forcing us on this matter, so there is no challenge.

**Will there be more famous international artists' exhibitions in the coming years?**

Yes, we are talking with them and working on that.

**How long do you hope that Long Museum can last in future?**

We will continue like this for as long as we can go.

**Have you thought about giving the Long Museum to your children to operate after your retirement?**

I haven't thought of that.

**Have you come across any obstacle in terms of appreciating works from the West?**

I am capable of appreciating that category. I think it is the same case with social trends. Some people can appreciate this one while others like other things. I think it is reasonable for them to accept and appreciate various things, so I am appreciating those things from my perspective and if I am capable of understanding, then I will learn to appreciate that.

## What is your focus of collecting? decorative arts or fine arts?

I have bought some works of decorative arts, but my collection is mainly fine arts (paintings and sculptures).



## Zheng Hao

Founder of How Art Museum

Zheng Hao is Chairman of the Board of Wanhe Holding Company and Founder of How Art Museums in Shanghai and Wenzhou. How Art Museum is dedicated to collecting and exhibiting contemporary art and design works. Zheng Hao owns the largest collection of Joseph Beuys' works in China.

## What was your plan when you started collecting works of art?

I have an academic background in arts and crafts, so I have a special feeling towards works of art. Much of the intangible cultural heritage we are protecting now is related to craftsmanship. I started to be interested in everything related with crafts, whether it was vessels, ivory carvings, cloisonné, Chinese silk tapestry, etc. Later, I began to feel that cloisonné was a very important treasure of our country and it was also a very important example of combining Chinese and Western cultures. Therefore, I paid special attention to cloisonné in 1999 and 2000, and began to make cloisonné the focus of my collection.

I started to collect Contemporary art in 2003 and 2004. Because I had commercial entities including hotels and other real estate projects operating back then, I felt that combining contemporary (art) and my projects would be particularly interesting, so I began to pay attention to contemporary art.

## You started collecting just because you like it?

I have an academic background in related fields. From my point of view, I have learned so many things (within this field), so I pay particular attention to crafts.

But for contemporary art, such as Andy Warhol, that's what we learned at the university, so contemporary art meets the demand of "the scene"; arts and crafts answer to the psychological demand.

I have travelled to foreign countries several times and visited museums there, like the British Museum and V&A in UK, and after I visited some other museums, I began to pay more attention to this aspect.

**You just talked about collecting contemporary art, it was because you had a commercial hotel complex. Can you elaborate more on that?**

Starting to collect contemporary art was a natural process to me, when you have the need to decorate the space, you will pay attention to this need. I looked at some of art academy students' works (Zheng Hao graduated from China Academy of Art, CAA hereafter), and started buying from students of CAA, then paid attention to some other famous artists' works.

**What is the current size of your collection?**

There are nearly 200 pieces of cloisonné and silverwares, and more than 1,000 pieces in my contemporary art collection.

**So what are the categories of your art collection?**

I have a wide range of collecting categories. The majority of the collection is crafts. I collected silverware and cloisonné made in 17th, 18th and 19th centuries, they have conversational and linear relationships with the Eastern and Western cultures.

Secondly, I used to collect what I liked. After I had an art museum, a corresponding plan was set up, so our collections include videos, installations, and paintings, so basically we have a rich depth in these categories.

**Do you think crafts and contemporary art are complementary?**

There is a spatial relationship. There is not much that is complementary between the two categories of art collections themselves.

**Are you still collecting silverware now?**

I rarely collect now, and the main reason is the price of good silverware is too high, unlike before.

**What kind of collection plan does How Art Museum have in the future?**

We have many plans for the future: We are planning a future experimental space for young people. In this process, we also pay particular attention to the cultivation of young people and the collecting of young (artist) works, which are complementary with each other. All of our ideas about the future will be related to visions of the museum.

**What is your main collection channel?**

It is mainly through galleries, art fairs, sometimes through auctions, and also commissioning artists (to create artworks).

**The collecting process requires a lot of knowledge, especially for the contemporary art. How do you did you acquire this information?**

I feel that there is a lot of information that can be acquired in an industry if you work hard and spend a lot of time in that industry. This is very important for gaining knowledge and you can't

stop during this process. It's like going for a long run, you can see quite a lot of scenery while you are running. This is a process of accumulation.

I started painting at the age of 7 and was professionally trained. Perhaps everyone has a different level of understanding. I am very capable of analyzing the artist based on the components of their work. This might be some innate ability, I don't know how to express it, but I am very clear about how I look at the components of the artists work. This is very important.

Secondly, I think is that everything can be complementary, and is nurtured in all directions. Sometimes it is an academic lecture, sometimes it is what you read in a book, or the knowledge you get from auctions. These are all complementary and together create a more rich and complete view.

**For different types of media, such as paintings, sculpture, video, photography, decorative, which do you prefer?**

I have broad interests because of the design major that I studied at University. From the designer's point of view, you should take everything within sight into consideration for inspiration.

In fact there are advantages and disadvantages; perhaps the collection will be extensive, but it's difficult to say if I'll really like everything.

This may have something to do with my own academic qualifications and my courses of study. Because I studied visual arts and learned about arts and crafts, I am interested in more categories.

In addition, this may have something to do with the art museum. For example, we have a relatively large warehouse, and thus we have the ability to hold (large-scale works). We were quite early in our thinking by having a warehouse. We collected dozens of Lu Lei's works when he first started, and because of that we needed a big space to hold them.

**What is your average holding time for your art collections now?**

In fact, from collecting works of art to founding a museum, we have already started to change our methods. Because the future development of the museum needs financial resources to support it. We will gradually sort out the relationships among our collections in the future. If there are works that don't fit with the museum, we will definitely replace them, and maybe in 10 years or 20 years, we can make the collections become relatively systematic.

For example, we have a collection of works by Joseph Beuys already, so if there is a good work from Beuys to be collected in the future that can increase the weight of the collection, we would definitely liquidate works of other artists to increase the collection we have of Beuys to make his collection more complete. This is a transformation we do with strong purpose.

Secondly, the institution also needs nurturing because the museum system in China is only partially supported by the public welfare system and other corresponding systems such as the legal system are not fully developed. What I am saying is that, the society can give you plenty of support; however the biggest power source is yourself.

We are not showing off by doing this, it is mainly because we need it, and when we need to change, we change. This is a project of public benefit, we don't need to bear this responsibility,

we are not looking to develop a memorial. We do what we think is right and I'm happy with that.

This is has always been very individual effort, and we have been working to create it. As for how we evaluate this effort, I think that would be another matter.

**If you look back on your collecting journey for 19 years, almost 20 years, would you say that you have rarely sold works from your collection?**

I have sold some, but the percentage is very small.

**How do you think about your collection over the next 3 to 5 years?**

The idea of collecting depends on (How Art Museum's) museum director and curator in the future, because I am gradually handing my responsibilities over to them.

I hope that a professional team will replace me in the future, this is very important. But I have my own requirements, for example, I'd like them to pay more attention to certain points or aspects. I hope my position: the positions between the founder and the director can be separated, completely and thoroughly.

I think this is of great significance. There are many museum Directors that are founders, but for me I think it is not something I should be doing. The founder should be the founder and the Director should be the Director.

In fact, they (the director and curator of How Art Museum) are also under great pressure, because compared to other directors of museums, I have a better understanding of the art world, so I have higher requirements for professionalism, and the conversations I have with them go deeper. Therefore, in this situation I can sometimes be more suitable for this position and that will leave them with a larger space to work.

How Art Museum accomplishments really depends on how far they can go, because we need a lot of people's help to achieve and realize our ideal state.

**If you further expand your collection, what are the main challenges you will face?**

The challenge is how to present a good exhibition and collect good-quality works of art at the same time, because this is related with the operating model.

As previously mentioned, anything we do for expansion impacts our entire collecting process. That said, if we believe an artist is really excellent, we will add their works to our collection.

For expansion, we need to complement the collection. We will systematically review the current collection and increase works in certain areas and reduce in others. The management of incoming and outgoing works is an important relationship point.

**I also spoke with Jiang Yingchun (CEO of Poly Culture Group) the other day. What he observed is that, institutional collections, including all those private museums, are the major driving forces of the market. He said that in the future, because private art museums are going to focus on the content, the industry will be different compared with previous years. It used to be a process of finding collections for museums, now it is a process of sorting and researching the museum collections.**

In fact, he is right, this is the current situation. I think the distribution of the museum collection is also closely related to the development of the company. Therefore, we are slowly exploring, over the next ten years, how to become an art museum that is based on an independent art foundation and achieve our financial independence. This is one of my personal goals, so now I am trying to help the museum become an important part of society.

I have slowly begun to limit my participation in the planning of exhibitions and often do not express opinions at all. I am rarely providing comments and in the future I will not intervene in the decision making process. The organization needs to become more mature and so do I. They need to be able to judge the future, I also need to understand the future to plan for it, this works in a complementary two-way system, which is very important.

In the past 5 or 6 years, I have seen the development of our young curators, and I am very happy to see that they can curate independently. We don't need to judge whether he or she is the best or the best at X, I know it is not easy for them to achieve this goal. It is our own curatorial team who is planning everything in each exhibition: writing articles in person and having personal

communications with the artist. The team executes each detail and makes sure it gets implemented. I feel that it is already a great blessing for a young art museum.

**We just talked about how to research and sort these artworks after collecting them, is that what Mr. Zhang Li (the Deputy Director) is doing right now?**

Yes, researching and sorting is part of his job. They not only research and sort out for each exhibition, they are also doing the same work for future collections. Therefore, if we have a strong five-year or ten-year plan, we can do a lot of things.

**In the future, which part of the collection is personal and which belongs to the museum?**

Many people are discussing this issue. In fact, I don't think it is an issue worthy of too much discussion. Why? None of the work can be taken away, so that's why I said in the future, I want to operate the art museum under a foundation, and to be separated from any single individual or enterprise. This is the future.

I cannot take away any work of art with me, people will die, but these works don't necessarily die. This is very important to understand, the life span of a museum cannot be decided by a single person.

Maybe when we have developed a successful operating model, the museum can last for a hundred years or even longer, but if the model is incomplete, the museum might only last for very short time, like a shooting star, it is possible. Regardless it is still a blessing if you can be part of it.

Someone might get confused because of the problems between individuals and businesses. For example, I could have personally collected rent for the space where the museum sits, instead I am using that space for the art museum, in fact I spend tens of millions of dollars every year to support the museum. If I was purely a collector, I could have used the money to buy more works of art. Instead I really want to help others and share this culture with everyone.

Things like these are difficult to explain clearly. Some people might ask why I am willing to do

these extra things and support a team. Therefore, it depends whether you want to shoulder the responsibility at this stage, and in fact, this is the mentality we have now.

How Art Museum is still very young and we need at least 3 to 5 years to finalize our positioning. We are still trying to figure out issues like how to organize the collection, what are the potential future collections of the museum, and what we may want to remove from the collection.

I believe that curatorial team will be better than me (in terms of academic study). My current role is to think about how to make more money to support them to go further.

**You talked about setting up a foundation in 10 years, can we understand that mean that you wish for the How Art Museum to be financially independent in 10 years or at least to break-even?**

Yes, like the model we have in Wenzhou. The museum's total area is over 2,000 square meters and it has more than 1,000 square meters of exhibition space. It has a coffee shop, a great photography gallery, plus an outdoor garden, all of which are complimentary to the five-star hotel we operate next door. We hope that the museum could achieve its financial independence by developing a series of lifestyle-related activities (business lines).

**What do you think about the current state of art education? For people to learn and increase their knowledge of art, how much help can art education provide?**

Art education has subtleties. The key issue for art education is sustainability. Since September 2017 How Art Museum has had over 220,000 visitors and organized 77 public education activities. For a young museum this is very difficult to achieve. We have integrated exhibitions, such as our recent jewellery exhibition which we use to help kids and families with creativity through jewellery. They can understand the materials; they can study and learn through these exhibitions. As a result of these experiences a relationship is formed, which is very useful, but it is impossible to change a person over the course of a single visit.

After we opened the museum, students, including those from Sotheby's Institute of Art, Rhode Island School of Design and other art academies, came to visit our exhibitions like the jewellery one now. Additionally, Jewellery schools from various regions and other types of students come to visit in groups. I believe this will have an influence on many people.

This is the real support for education we provide: we gave away a million membership cards to support students, so that they can really understand contemporary art and design in Wenzhou, in particular cross-border collaborations really help people absorb the feeling and power of art and culture. This program was launched in January, 2019.

We are, in fact, an institution that places a great emphasis on education.

**The following questions will be focused on Museums. How did you come up with the idea of opening the museums? Why did you want to do this?**

From our perspective: first, we have works of art; second, we have space; and third, we have a founder who has a relatively strong knowledge of art. Based on this we have the conditions to take on such an endeavor.

We are in a special period of time, by that I mean private art museums answer the development needs of society. We chose this time to open an art museum, which also meets the demand from

economic, social and art development. Where water flows, a canal is formed.

### **How long have you been contemplating this?**

In fact, in 2005 and 2006, we began trying out combining spaces and works of art. In 2007 and 2008, we experimented with putting Zhou Chunya and Chen Yifei's works in a hotel, so people could interact with the works. In 2008, we started to by creating different exhibitions in our hotel in Wenzhou which included a Chinese sculpture exhibition, Dali sculpture exhibition, and others.

Then we gradually developed from the art space to an art museum, with the desire to be a professional art museum. This was a process of shifting from an art space to an art museum.

### **What's the mission and positioning for How Art Museum?**

For now, the mission of the museum is the mission of (Chinese) private art museums as a whole. I don't think a single art museum can complete a mission on its own, but it must have a significant role in making a better society.

For example, there are only a few hundred thousand people that visit the museum each year, however, if there are 10 or 20 private art museums and each art museum has 300,000 visitors, I believe that you will have a sense of mission. You may have influenced tens of millions of people in terms of art, art education, design, and interaction, so I think this is the mission of our time, not my personal mission or the mission of the museum.

We talked about the future development of How Art Museum. We have a very professional team. I hope that they will develop while watching and learning during the process. We cannot aim too high, but we cannot aim too low either, we will move forward and develop.

We hope to do an excellent job executing every exhibition and executing each year's exhibition plan.

For example, after 20 exhibitions, we have accumulated a substantial amount of experience. This experience has gradually formed our organizational culture, our understanding of the market, our core audience - gradually a baby bird can grow and learn to fly. This is a very important cornerstone for our future development. First we needed the cornerstone and then we could talk about development, so that the first three to five years we were making the cornerstone. It had to be very comprehensive, after that we were able to do things like international exchanges and many other types of projects.

### **So what is your plan for How Art Museum in the next 3 to 5 years?**

In Wenzhou, we will consider the relationships between art and technology, art and design, art and cross-border collaborations. In Wenzhou, we will do a lot of exploration and exhibition in this area.

### **What about Shanghai?**

I think for the next 3 to 5 years, we will continue to choose artists and projects with a more international perspective and choose influential international artists.

We need to face the local audience. Because from the public's perspective they want to open up their horizons and interact with top level international exhibitions. The museum should be more flexible and engage with young Chinese artist's project based works and project based exhibitions. This should be a complement to the museum and in fact is already happening.

The first floor of How Art Museum is a large exhibition hall, which is the core of the art museum. The exhibits on second floor usually are from the featured permanent collection of the museum. The third floor previously emphasized design, but we are doing more experimental projects that demonstrating interactions among Chinese, Japanese, and Korean artists, or dialogues between Chinese artists and European and American artists, or the latest works made by Shanghai, Beijing and other Mainland Chinese artists. Since the space of 3<sup>rd</sup> floor is smaller, we can be more flexible and exhibit more avant-garde works of art and bring something new experiences to the audience.

**What are How Art Museum's major tasks now? Exhibition, academic research, education, and residency projects - mainly these four aspects?**

The curator residency is a very unique way. The museum invites foreign curators and they can have some interactions with Shanghai or the surrounding area, so it is good for the local artists. Moreover, this results in the exchange of curators. The museum is well-equipped with curators. We have four younger curators and they have been working for a while, some of them are capable of taking the lead, and they also need some opportunities. For example, if some organizations have the same types of projects as us, we can exchange curators.

In addition, when we do a curator exchange, they bring some of their projects and introduce us to their previous work. We will invite them to do lectures to strengthen interaction and communication at the curatorial level.

We mostly avoid hiring curators from outside the organization, the projects are mainly done by in-house curators.

**How does How Art Museum maintain a balanced relationship between special exhibitions and permanent collections?**

Our space in Shanghai only has 7,000 square meters. We don't want to take up too much space with the permanent collection. We can have a travelling exhibition for our permanent collection in the future. For example, we have exhibited Joseph Beuys for a year and a half, we may do some exhibitions and lectures at various universities and colleges.

I believe that having a fixed way of thinking for solving problems has limitations, so we must be flexible when solving problems. For example, if the exhibition space is only 4,000 square meters. And we placed our permanent collection in the space, it would take up more than 1,000 square meters, which would result in us having a difficult time developing good exhibitions.

In fact, the biggest problem in the museum is still education. You have to be useful for the audience, so we will do different exhibitions with our permanent collection, but we will do it in different forms. Additionally, we will not take up the whole space and we will not do exhibitions of our permanent collections that extend for long periods of time.

**Special exhibitions will still be a relatively large component, more than 70%?**

Yes, for sure.

**At present, what is the size of your investment in the art museum every year?**

About thirty or forty million RMB (*USD 4-6million*) in addition to the rent.

**That doesn't include the cost of buying works, just maintenance?**

Yes, just maintenance.

**What is your budget for buying and collecting works in next 3 to 5 years? Millions of US dollars?**

I guess it will probably be the case.

**What are the main challenges you have in terms of operating How Art Museum?**

The biggest challenge is sustainability. One aspect is to keep the quality at the right level, the quality of exhibitions should be kept within a consistent level. I think this is a very important point.

The next challenge is how to complete the (economic) model and try to push for a break-even model. It can take a long time to complete this type of task, but you must gradually find the model.

The last is talent. We need to keep cultivating the talent and keep giving them opportunities to curate independently.

These are all the things we want to do.

**What is the vision you have for How Art Museum over the next 5 years?**

In the future, we hope to become an important contemporary art museum in Asia. That is for sure.

**Both Shanghai and Wenzhou museums are included, right?**

We are now managing two museums with double-layered and dual-level vertical management system. One management team is in charge of both museums, this allows us to be consistent at all levels and all of our projects can be synergetic.

**How do you see the development of Chinese art industry over the next five years?**

The primary market will flourish, like galleries and art fairs. In the secondary market, I think there are some very important works still needed to be enacted and to develop through the secondary market. This is all closely related to the economic situation.

Secondly, I think that the intervention of artificial intelligence and technology will also have an impact on art in the future. I have talked to people about several examples and said that perhaps in the future AI robots may replace people. It is possible that 500 or 1,000 AI robots that are

constantly working and painting and accurately filling all orders based on your requirements of delivery time, place and quality might overturn the industry in the future. I think many interesting things will happen and a new structure will be formed.

Perhaps the collectors and art museums will pay more attention to the relationship between art and technology, art and machinery, art and artificial intelligence.

**So based on your observation, the role of the secondary market will be weakened, and the primary market including art fairs will be more active in the future?**

I feel that it is related to the relationship between supply and demand all the time. It is also related to the development of art galleries. When the auction houses were strong, galleries did not have strong resources or good talent. Without the creation of good galleries, many things were concentrated in the auction house. Perhaps many collectors are still new to art-collecting or staying in this initial stage.

If they gradually increase their collections, there will be a subtle change in the relationship.

So I don't think we have to compare the primary market with the secondary market, I think there is a balanced relationship within everything's development and the thing that balances the relationship is demand.

**Do you think that the majority of future demand will be met through art fairs or galleries?**

It is not necessarily the case. If there is a problem with the output of the primary market, there are no good artistic works, production is too fast, or there is no work to supply the primary market, the secondary market will prosper.

I think there is a complementary relationship between primary and secondary market. The important thing is to buy good works of art based on your needs.

**In your opinion, what are the potentials of this market to be further explored for future development?**

I just talked about artificial intelligence, which can have a very large potential.

**Besides this one?**

Besides that, I feel that it has a lot to do with the economy. The economy certainly influences the future. I think that art is very closely related to the economy.

**What do you think of the potential of the younger generation of collectors?**

Whether they are spending more than their parents' generation, whether the newly rich are interested in contemporary art or not, I think it is still in the process of exploring. By the time when they are 40 or 50, new supply and demand relationships might emerge.

We are now still mostly talking about the older generation of collectors.

Whoever controls the market consisted of people born after 80s, 90s and 2000, will control the auction market and the overall art market.

**Do you think the macro economy will still have an impact on the art market?**

Definitely. We cannot judge what will happen over the long-term, but the current Sino-US relations and trade relations are not good for any country or any trade, which are not good for art as well.

It is a problem of confidence and a problem of complexity. Currently liquidity is a big challenge. The Renminbi cannot go outside easily, and foreign currency cannot be easily taken in either.

**What do you think of the relationship between state-owned art museums and private art museums in the future?**

I think this question is difficult to answer. In fact, we have not studied the government-supported (art museum) thoroughly. Because the state museums may bear more pressure, they undertake a lot of national projects, and their responsibility is much larger than ours, of course the state also gives a lot more subsidies.

I think the priority for a private museum is to focus on the content. How do I make a profound impact on these 200,000 visitors, and slowly affect 300,000 visitors? The audience numbers are growing and the quality of exhibitions is growing - I think this is the most important thing. Why do we think "deep cultivation" is very important? Because that means there is a real impact.

There is a complementary relationship between private art museums and state-owned art museums. The private art museums may be more forward-looking, more avant-garde and more flexible, but we will all coexist under a complete ecological system.



**Yang Bin**

Yang Bin is a Beijing-based collector. He served as a member of the advisory board of Hong Kong International Art Fair, which was acquired by MCH Group and rebranded as Art Basel Hong Kong in 2012.

**18 years ago, how did you start collecting works of art?**

I bought a villa in Shanghai in 1998/1999. After I bought the villa, I felt that the walls were empty, so I wanted to find something to decorate the walls, but the traditional Chinese paintings and calligraphy didn't fit with my villa. I saw a gallery near the real-estate sales office when I was buying the villa and the owner of the gallery was from Beijing. We got along very well, so I gave him 1 million RMB and asked him to pick something good for the villa and also my office. I spent 1 million RMB to buy dozens of paintings, mainly realism (paintings), and there were some works of popular style of that time period as well. Later, I got rid of them all.

**How did you start collecting Western art?**

Later, I gradually came into contact with contemporary artists. I have been going abroad every year and the first time I travelled to a foreign country was in 2006. I travelled to visit museums, art fairs and galleries, then I started to buy some works of art. In 2006, I went to Art Basel in Switzerland for the first time.

**What was the price range of the Western art works you acquired back then?**

I didn't have any plan. I started with USD 1million, a work by Jörg Immendorff.

**How did you make the decision at that time? You just felt you liked it or did you study the artist and art history?**

I didn't do any research. Some friends recommended the work. Also, people who like art are all kind of impulsive. I like it then I bought it because I have some cash to spare.

**When I talked to Ben Brown several days ago, he said Chinese buyers are relatively faster in terms of making purchase decisions.**

Yes, I feel the same, within one second.

**You haven't done any research on art history, you just like it?**

I am more influenced by my friends instead of doing the research. For example, people (around me) often talk about collecting art and we often see this topic in magazines and exhibitions. Sometimes I read books about art history or see what's on view at museums.

For example, I bought a work by William Kentridge, it is a projected video with cut paper. I saw a work at the K21, a German art museum about 10 years ago, and I was very touched by that work. I saw the video, music, and sound. I saw the waves came up to the beach and return. The visuals were like somebody drew them in sketches, like the effect of the paper-cutting you see in anime. (I heard) the music of Africa, which is a sad music (in the background), and I saw the waves come and go on the screen. I had certain feelings towards the work. I said this video work is good, I am interested. After two years, I saw a similar work at Art Basel, and I bought it. The decision was made within one second.

**If you spend 1 million US dollars to buy a work of art, will you think about its investment value or at least would you hope that the price will not go down?**

Yes, of course, I hope that the work is still valuable in the future. Nobody wants to see the value of their collection decline.

**Will there be a price range, say less than \$100,000, that you would not care whether the price will go up or not?**

No, I don't have this price range. I hope the price can go up for more. But I have not sold any pieces from my Western art collection yet.

**So how do you see the future development of the Chinese art market?**

I think this market will definitely change a lot in the future. For example, the realism (style) is definitely not working.

I think the market will be more and more influenced by the West, because contemporary art originated from the West. If Chinese traditions are incorporated within this trend, then the contemporary art might also develop well in China, and perhaps the Western countries will gradually like such things.

**Do you mean contemporary ink painting?**

It is not necessarily contemporary ink painting. You can also see some elements of Chinese culture in oil paintings, since Chinese culture is also a part of the global culture. In the future, culture will develop and contemporary art will develop along with it. If there are some Chinese elements in it, they would also be a sort of development. Some people are trying to do this, and the results are not bad. There are some people working on contemporary ink paintings, but I have not purchased contemporary ink works of art.

**What do you think about the market for Impressionist works?**

Impressionists are too expensive. It's always a few rich people who are buying impressionist and the number of people is not going to increase. In China, it's just those people (who can afford), but maybe there will be some new faces.

Cheap (Impressionist works) are not worth it. The best and the most important impressionist works are all in museums. If they are not expensive, they might not be good. You can buy a work for the same price that has potential for huge future growth. Why you would buy an inferior impressionist?

I don't think it's worth it and there won't be many people buying in the future. Maybe in the future, a small group of rich people will buy these works, a top tier work – perhaps this is the only way.

**Do you foresee any other trends?**

The younger generation in China, who have been educated from abroad and then came back, they definitely cannot understand traditional Chinese artworks anymore.

China has become more open and more international and this trend cannot be stopped, especially when information travels so quickly through contemporary media and the internet.

**Many people are talking about the economic slowdown. Do you think it will have an impact on the art market?**

Of course, the auction market has declined, but good things can still be sold at high prices. People are (just) not as fanatical as before. Everyone is more cautious about spending money.

**Do you mean the category of contemporary art?**

All categories, people are tight with cash in their hands now, and everyone forecasts that the economy will not be good in 2019. Everybody is saving more and spending less, some people have transferred their money to somewhere else, so there are some effects, more or less.

**In the long run, what is the potential of the market that can be further cultivated?**

It seems that only 10% of the rich people in the West buy works of art. The rich people in China have a second generation: the wealthy second generation, many of whom are involved in collecting art. Once they inherit the family wealth, they may be more willing to buy art than their parents.

Now I see a lot of parents encourage their children to go overseas to travel. I see many parents and children visit museum exhibitions and art fairs together.

**So you think that, compared with the West, the proportion of China's HNWI's who collect works of art will be higher, right?**

Yes, especially for these children who have been educated overseas. When they return to China, it is more likely for them to collect art.

China has a tradition of collecting and China has been collecting things for thousands of years. For example: calligraphy, painting, porcelain and many other collectibles. The collectibles have been circulating in the society, so we have this awareness of collecting.

Personally I think only contemporary art is worth collecting because I see traditional things like porcelain as crafts.

**Do you think the current international geopolitical situation has an impact on the art market?**

The geopolitically situation will more or less influence the market. China will become more and more open. If the US-China relationship deteriorates, China may get closer to Europe and Russia and be more open towards them. Maybe more Chinese will visit those places because of that, so I think there is definitely an influence on the market.

Now China's economy is declining. People are pessimistic about the future so they stop investing and spending money, the non-spending attitude will affect all aspects of economic activities, including the art market.

When the economy was growing fast, people had a lot of disposable income and were willing to buy art. Now the stock market in China is not doing well, so many people don't have much spare money for art.

**What do you think of art education nowadays?**

There is no high-quality art education now. There might be some education programs on art history, but very little regarding contemporary art. Contemporary art is only active at galleries or at auctions. Most university programs are still focused on traditional art.

**What is your take on the development of private art museums?**

Shanghai's (private) art museums are much better than those in Beijing. Last year I saw some good exhibitions which were of world-class quality in Shanghai. Those big exhibitions are very good. Also there is an exhibition of Louis Bourgeois that recently opened (at Long Museum) - the exhibitions there are all excellent, but we cannot see (the same quality of exhibitions) in Beijing.

**Do you think that private art museums can be a good complement to the art ecosystem, including art collections and public education?**

Yes, but the development in the future should be directed by public (civic) museums rather than private museums, like Ullens Center for Contemporary Art. I am on the board of Ullens Center for Contemporary Art, and I have always supported this institution, and then I found that this type of institution has been well developed in the West.

The museum is not affiliated with any individuals nor the government, it has its own patrons. It could be a private museum in the past, but (the private individuals who founded it) may not be able to support it, so now we have a group of people to sponsor it and a board is formed. Therefore, the board members are supporting this museum together, through organizing some charity auctions, commercial events and selling tickets to visitors to raise funds to keep the museum running. So I think this should be the future for public museums.

A private museum is more or less affected by personal influences and preferences, it can also be affected by an individual's financial situation and things related to that, so it may not last long. It is impossible for a person to live an immortal life. What should be done if that person dies?

Some people might feel that they must open an art museum or do something like that at the end of their collecting journey. In fact, it may not be necessary to run an art museum. You can donate your collection to whoever can run a museum well. If you really want things going well, you can support someone who is really good at it.

I am donating some of my collections in succession. I am going to donate some works to Hong Kong M+ Museum. I have also talked to Shanghai Chinese Art Palace, and I will donate some works there also. I have already donated works to National Art Museum and Suzhou Art Museum.

**Do you think the government should provide more preferential policies to private museums?**

This is exactly the case in Shanghai. The government gives art museums great preferential policies, such as cheap real estate prices and sometimes even financial support. The government gives money to these art museums and supports them, so you can see the private museums there are doing pretty well.

**Do you keep most of your high-quality Western art collection in Hong Kong?**

Yes, my best art collections are in Hong Kong.

**If you further expand your collection, what are the main challenges you are facing?**

Actually, I have barely sold any of the works in my collection. (The money to buy works of art) mainly comes from the annual dividend from my company. Once I receive money in my account, I will turn it into works of art relatively quickly. Besides covering my personal expenses each year,

all the money I have left will be used to buy works of art, so I always feel the money is not enough.

**The proportion you spend on buying works of art is relatively high as a percent of your disposable income.**

Some people may spend 10 thousand to collect if they earned 1 million. If I earned 100 million, I would spend 1 million on myself, and the remaining 99% will be used to collect art. My personal consumption isn't very much.

**Over the next 3 to 5 years, will the direction of your art collecting change?**

I don't think so. Just like the past, I will travel more, see more, and listen more. I still like those younger Western contemporary artists that are about 40 years old. Basically everyone feels comfortable about buying their artworks and they feel these artists have the potential for future growth.

**What about Chinese contemporary art?**

It's hard to say and we shall see. I can't judge it. This is the choice of history and the choice of time. The earliest group of artists who went to the Venice Biennale (Liu Wei, Zhang Xiaogang), they are better artists, at least by the standard of Venice Biennale which is better established and more objective than ours.

In fact, most Chinese collectors listen to these professionals' opinions and I listen to the professionals as well because professionals can influence the art world. Some of them who are from art museums, dealers and curators are playing an active role in it, and they can direct the trend. Many collectors bring dealers/advisors to auctions, and dealers/advisors will provide them with help and guidance. I also listened to their opinions when I bought works in my earlier collecting career.



## Liu Gang

Liu Gang is a Beijing-based collector and one of the leading lawyers in Asia and the field of capital markets. He is a member of the council for new art at M+ Museum in Hong Kong.

**When did you begin collecting art? What were your initial thoughts and intentions?**

I bought the first item for my collection in 1993. I had worked with several Partners in founding a law firm the year before, in 1992, when it had just become legal for lawyers to start their own law

firms. The law firm was founded in June of 1992, and the next year each of the partners received more than 100,000 yuan in dividends, which was a large sum of money at the time.

**At that time what made you contemplate buying art?**

I was quite happy to have received the money. I had the cash with me and I was riding my bicycle home. On my way home at Scitech Plaza in Beijing, I came around the northeast corner of Ritan Park, where there were a few galleries.

One of the galleries had *The Harvest* on display. This painting really moved me. It echoed my emotions, as the light shone on it at dusk. So, I went in and asked the price. It was 3,000 yuan. That is how I bought the first piece in my collection. At that time I was driven purely by my feelings.

**You weren't actively looking for a painting to hang on the wall to decorate the home? You just felt compelled by your emotions?**

Yes, but it was not entirely about emotion. When I visited England in 1989, I went to many museums and viewed the collections of some wealthy families. One distinguished royal residence in particular left a deep impression on me. A big castle stood in the center. Inside, paintings hung on all of the walls. So there were many factors that led me to start collecting art, but the most important factor was my relationship to the work.

**After this, how did you start collection more art works?**

I had some spare money, so I bought a few dozen pieces of art.

**What areas were you focused on?**

Decorative paintings from Panjiayuan (The Antique Market in Beijing).

**Any famous artists?**

At that time, I had absolutely no idea who was who, who was famous, I really had no concept at all. I simply bought them and hung them on the wall. That's it. I learned that from my trip to England: paintings should be hung on the wall to enjoy. Handle Lee launched Quart-yard gallery in 1996 and I participated in many of his projects. Zeng Fanzhi and Zhang Xiaogang held solo exhibitions then. I visited but left emptyhanded because I did not find anything interesting. It wasn't until 1999 when I was attending a meeting. In the same hotel, an auction house held its auction preview and I walked in.

**That was China Guardian?**

Yes, China Guardian.

**Most of your purchase at the time were realism paintings?**

Some were realism but not all. Some of China Guardian's auction items had works of historical importance. I started to think that maybe I should collect some well-known historical works of art. I also learned a little by reading. For example, I bought a work by Wu Guanzhong at China Guardian in 2003.

**So you were quite active in the secondary market through China Guardian?**

Yes, in most cases went through the China Guardian. Occasionally, I would purchase works at Huachen Auctions.

**How big is your collection now?**

I have over 300 paintings now.

**Including all mediums, e.g. decorative art, what do you think the total number is?**

Between 2,000 and 3,000 pieces if you include decorative works, antique books, and maps. I have almost 600 antique books. I collect a wide range of paintings, including realism, modern, contemporary, and abstract art.

**Do you think the various categories are complementary to one another?**

Yes, they are complementary in the sense that I know about ancient books and ancient script, so I bought a classic piece at Sotheby's along with a few maps from Sotheby's London.

**Do you think modern and contemporary art is complementary to ancient art?**

Sure. Since I started collecting paintings, I have purchased excellent works from all periods. Art collecting is about history and the history of art.

**You have been collecting art for two decades now. Can you split that time into different stages?**

I would divide it into three stages. The first stage would be from 1993 to 1999. That's when I first had the urge to collect art and to learn. The second stage would be from 1999 to 2010. That's when I started to focus on history-related works, in particular modern works of art. From 2010 to 2015, my focus shifted to Chinese abstract art and expressionism. Since 2015, I have also been collecting some Western contemporary works. For example, I purchased a work by Tomas Saraceno at ARCOMadrid.

**Do you still collect early modern works and pieces related to history?**

I'm always looking but I haven't bought any recently because good works are rare in the market. I will buy early modern and contemporary works provided they are of high enough quality.

**Currently what are the main channels you use for collecting?**

I would say currently 95% of my collection come from galleries.

**That is a huge change. How did that happen?**

It is a huge change. I think the turning point was between 2003 and 2004 when it became difficult to find quality works in the auction market. Moreover, prices started to climb substantially compared with the past when good works were sold at reasonable prices.

**Are good works very expensive nowadays?**

I'd rather buy more affordable works by young artists with good prospects. Except when there are very special works like the one I purchased by Zhao Bandi; this cost me 27.6 million yuan, it was really expensive.

**According to some surveys, on average, the world's high net worth individuals spend about 0.5% of their disposable income on art. You, however, spend a major part of your disposable income on your collection.**

Yes, probably 50% to 60% of my disposable income.

**We just talked about the sources of your collection. You said 95% is from galleries. So, the remaining 5% is from auctions?**

Private deals and art fairs. Those could also be considered as galleries.

**How have you developed your knowledge and taste for art as you accumulated your collection?**

I think the first thing is just going to exhibitions. Second is reading. I love to read, especially about abstract art. I read original English works. I find them very interesting.

**There have been short-term art education programs offered. Have you enrolled in any such courses?**

I would guess that I probably already know most of the stuff they might teach in those courses.

**When you visit exhibitions or museums, you may not find the works of artists you are interested in.**

I usually choose a direction. For example, I might follow a dozen Chinese artists and attend as many of their exhibitions as possible. As a collector, you must look at the artists and the market in a different way from amateurs. The key is your own personal taste, which ultimately determines the works you add to your collection. As a result, you will enjoy and appreciate your collection.

## AUTHOR

### Kejia Wu

Kejia Wu is a Member of the Faculty at Sotheby's Institute of Art in both New York and Los Angeles. She is a columnist for The Financial Times Chinese, co-authored the Global Art Importation and Exportation Tax Report commissioned by the China Association of Auctioneers and the Chinese Ministry of Culture, and is an expert on the art market.

Before joining Sotheby's Institute, she oversaw Asia projects and strategies at Sotheby's in the Office of the CEO while based in New York. Prior to Sotheby's, Kejia worked in China for more than a decade advising various art organizations on projects including the British Museum, the Victoria and Albert Museum, the first Gerhard Richter retrospective at the National Art Museum of China, the Chinese Pavilion at the 53rd Venice Biennale, Art Dubai and ArtSingapore. She was a co-founder of the East Modern Art Center (EMAC), the first nonprofit contemporary art center in Beijing, in charge of its contemporary art programs and operations. The art performance created at EMAC, *Dancing with Farmers*, was featured at the Chinese Pavilion of the 56th Venice Biennial in 2015.

Kejia is a graduate of Yale University and Renmin University and is a trustee of the New York Studio School of Drawing, Painting and Sculpture as well as a board member of the nonprofit organization Elimu Strive.