21st Century Chinese Art Market Boom

Ayca Deniz Ergin

University of Pennsylvania

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Abstract
This research paper provides a detailed analysis of how China has become the fastest growing art market around the world. How did the economic development in China led the country to the top in recent years, in contrast to its Western competitors? What is China’s role in the global art market scene? What changes have been made, in a socialist system, to accommodate foreign investors and what future changes should be made to sustain its growth?

Through focusing on the correlation between economic growth and art market expansions, this research develops the relationship through referencing various quantitative and qualitative factors. The characteristics of the art market boom in China during the last decade is closely related to social, political and economic dynamics accommodated and executed by internal and external stakeholders. With no doubt, China has become one of the top three art markets in the past decade, and it will keep its position if the standard trends of mature markets set by the West is considered, or perhaps altered, in the long term.

Keywords
art market boom, china, stakeholders, west, economic development

Disciplines
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Ayca Deniz Ergin
Faculty Advisor: Gizem Saka

September 23rd, 2018
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Introduction

What determines the presence of an art market? The answer to this question lies in the foundation of the term itself and how it became existent. The reason we have art markets is the reduction in importance given to the quality of an art piece and change in our understanding of aesthetic judgment as consumers. Today, art is rarely valued based on the quality of the work, mastery of its artist or effort put into the work produced. Declination in admiring art for the sake of art, is a debilitating yet growing trend in the commercial side of the industry.

In 21st century art market, art is approached as an “information good”, a commodity whose market value is derived from information it contains: more that it is consumed, more that it is desired (Robertson, “Understanding International” 3). Man is purely motivated by appetites and power (Robertson, “Understanding International” 3). If a man is powerful and has an appetite for a good, the other man who has the same level of power as the other, will want to acquire the same good to prove his existence and legitimacy power (Robertson, “Understanding International” 3). In our case, the good we are referring to is art. Which takes us to the case we have in China.

Until the beginning of 21st century, China was not a major player in the global economy, or in other words, wasn’t acknowledged by its Western counterparts. With its unexpected and undervalued growth in the past two decades, people who led China’s economic growth have acquired the same, or even more, monetary power as that of their counterparts in the Western hemisphere. The economic theory proposed by Karl Marx, economic determinism, argues that a society takes its shape by the economic structures and relationships in place (Economic Determinism). Economy is not just defined as the workplace, but also includes religion, family, law, and every other component of life at a particular time (Economic Determinism). In China’s case, as the economy grew, society and its components changed, and these shifts encouraged the country and its people to turn towards new interests and goods of consumption.

When nouveau-riche looked at their power equals in the West, they saw the lack of goods they didn’t own, although they were assured by various power levels they were competent in. This resulted in many newly rich Asians to consume in lavish ways: desire for expensive clothes, fast cars, big condos, and lastly, an appetite for expensive and presentable art.
1 Economic Growth

Economic growth of a country can be measured through various metrics and data. In our case, art is not a cheap good to acquire, which narrows down the group of people who can influence the economy of an art markets, and it is surely traded between rich and wealthy. Prior to analyzing China’s economic growth in the last two decades, it is necessary to identify certain metrics and data points that has to be discussed and are relevant to the case. Gross Domestic Product is a universally accepted metric in determining the economic growth of any market, which is further developed and justified through an analysis of yuan becoming a reserve currency, and how GDP and becoming a reserve currency influences the power of High Net Worth Individuals (HNWI’s) in China. An important factor, while discussing the GDP, is that this paper will evaluate GDP through annual growth percentages and purchasing power of parities of relevant countries and regions.

Correlation between wealth and culture is closely related to certain key macroeconomic conditions. These conditions include a politically stable government, economic prosperity, a well-managed economy and high standards of living. If these conditions are sustained, they will lead to having more power in setting the global standards of artwork prices, attract local and foreign buyers, compete in the international arena, arrange trade conditions and laws that can ease the trade to support investments in public and sectoral investments. This was the exact same timeline observed in China, a country still in the process of development.

1.1 Historical Development and Gross Domestic Product

It was in the last 30 years that China has started investing in becoming the world’s largest economy. The success analysts have seen in China was the product of a hybrid economy of limited capitalism within a command economy controlled and directed by its socialist government. Chinese government invested significant amounts of capital into its economy, owning various powerful public firms including the big three energy companies of PetroChina, Sinopec and CNOOC (Carpenter).

When the government decided to open its economy to external players, it set strict regulations that would enforce inclusion of its own people in business operations of foreign companies investing in its territory. If these foreign companies wanted to sell to Chinese people, they had to open factories in China, hire Chinese factory workers and share technology they have developed with Chinese people (Navarro).

Technology and techniques foreign companies shared with China has allowed Chinese people to develop their own products in the long-run. This important clause that applies to all foreign investors lead China’s image of being “the country overseas, where cheap and unreliable products are produced” to evolve to “a center of competitive yet cheap technology”, due to its large and industrious population. This evolution, happened in the last thirty years, justifies the
explosive growth of powerful technology and e-commerce companies in Mainland China, including firms like Alibaba, Huawei, Xiaomi and China Mobile.

Chinese nation’s central bank, The People’s Bank of China has been another important player in controlling the exchange rate of China’s competitors. It has been strictly controlling the yuan to dollar value to be able to always sell products manufactured in China cheaper than those produced in the US (Lee).

Although country’s GDP/capita is lower than its competitors, China’s growth has reduced its poverty. According to the World Bank, in 2017 less than 3.3% of Chinese population was living below the poverty line (“Population Below Poverty Line”) [Figure 1.1].

![Figure 1.1](image)
People Living below National Poverty Line, China, 1990-2017
World Bank

Today, China is home to almost 20% of the world population (“Countries By Percentage”). This is critical to world economy since as Chinese population gets richer and richer they will consume more, and world has to produce according to the Chinese consumers’ taste. It’s crucial in understanding the shift of art investments to China as well.

Although overall growth has brought more advantages than disadvantages, there has been several social and economic problems too. One of the relevant social issues is related to the ultra-rich running the largest companies, who want more economic and social liberty. Yet, the main issue China has to resolve if it wants to sustain its growth is to propose adjustments that will alter the low domestic demand. According to Kimberly Amadeo’s article for “The Balance”, in the 80s only 20% of China’s population lived in urban centers but in 2017 this number was nearly 60%. China doesn’t provide social offerings to those who move from rural to urban centers which causes many to save resources. To be able to boost the consumer market, country has to start relying on a more market-based economy (Amadeo, Kimberly, “China's Economic Growth”). In definition, a market-based economy is an economy that relies less on government-owned resources and companies, and more on privately owned companies which will encourage market
competition and relieve the savings problem that the population is currently struggling with ("Market-Based Economy").

China has already started working on these specific issues to achieve success through a slow and manageable process. As it’s seen in Figure 1.2, it is visible that Chinese economy has started slowing down since 2013 ("Real GDP Growth"). This slowdown is the product of China’s President, Xi Jinping’s considerably-new released (2013), long-term economic reform plan “Made in China 2025.” Jinping’s new plan is based on shifting China’s command economy to a mixed economy that will open the market to new liberties which has already started improving the social, economic and political issues previously mentioned (Amadeo, Kimberly, “China's Economic Reform”).

When we look at GDP of annual growth percentage of China and its competitors around the world [Figure 1.2], from 1990 until 2018, it is clear where Chinese economy stands today ("Real GDP Growth"). It is way ahead of other developed economies for the past two decades.

![GDP Growth (annual %)](image)

[Figure 1.2]
GDP growth based on annual percentages, 1990-2018
IMF

GDP/capita expressed in Purchasing Power of Parity (PPP) is also another good indicator of changes in currency strength, and helpful in comparing different currencies, which can be used to value the same commodity bought and sold in different currency rates and to compare the income levels in different countries. In Figure 1.3, 2013 has been an important year for both US and China, where both countries held, almost 15% each, of the world’s GDP/capita (PPP) percentage ("GDP Based on PPP"). Since 2013, China has surpassed its competitors and is steadily increasing its global portion in GDP/capita (PPP) percentage.
1.2 Renminbi as Reserve Currency

On November 30th, 2015, The IMF approved the Chinese yuan as a major world currency and put yuan on the list of top reserve currencies. The importance of Chinese yuan joining the list of world’s most exclusive monies meant that yuan was now meeting the requirements of a currency that would be freely usable (*China’s Yuan*). Reserve currencies are widely used to negotiate and smooth international transactions (Bunker). At the time, only dollar, euro, yen and pound sterling were official currencies of Special Drawing Rights (SDR).

There are two reasons why reserve currencies are important:
1. It eliminates issues that arise with currency exchange rates between two countries that use different currencies, which might cause the price of a good being exported/imported change drastically (Bunker).
2. If the currency used by the importer isn’t used much outside of its territory, this might lead to trading difficulties for the exporter (Bunker).

In case of Chinese yuan, this will bring various advantages to it, including an increased demand for yuan itself, signifying increased liquidity since the currency will be used more. As discussed before, China is currently struggling with providing benefits to its citizens moving from rural to urban. Increased liquidity of Chinese yuan can give hope for the future, considering central bank of China can price financial assets much more easily and loans will be easier to provide (Bunker). It is in favor of Chinese people, yet it also depends on Chinese governments regulations, which are still in the process of being reviewed and installed. Yet again, China has taken the benefit of this in the past three years with an increase in commodity and real estate prices. Chinese companies now have easier access to capital due to increase in yuan’s reserves.
Furthermore, Chinese yuan becoming a reserve currency means that U.S., or other countries where reserve currencies are issued, are not the only markets to lead the global economy. In other words, there is an alternative market with enough power to compete with the U.S. Governments that distribute reserve currencies “need to provide large and open financial markets where foreign investors - including central banks - can buy and sell assets in the currency freely and quickly. China is slowly moving in this direction” (McDowell).

As previously mentioned, China’s already been working on opening its domestic financial market to new foreign investors, these investors including auction houses, art investment funds and foreign collectors of Chinese art, which will be discussed later on this research paper.

So how did Chinese renminbi become a reserve currency? It was the product of highly discussed socialist approach the country had taken during the economic growth of China, which resulted in increased share of international trade and global GDP. As the economy grew, so did renminbi’s value. In 2013, according to IMF, it became the 4th most used currency around the world in contrast to its position as 13th in 2012 (Amadeo, Kimberly “How the Yuan”). After renminbi became a reserve currency, China’s central bank communicated that it will let the currency’s value move between 3 to 5 percent (2016) and set its value to its closing value on the previous day, and these new decisions eliminated critiques coming from the U.S. and Europe (Amadeo, Kimberly “How the Yuan”). Renminbi is now officially a useful weapon for global power China who can compete with, and even surpass, other major markets, if it sticks to Jinping’s reform plan.

1.3 High Net Worth Individuals

Indomitable increase in HNWI’s in China and Asia has been another driving factor for growth of art markets and rise of capital in the region. Upper portion of any population in major markets always represent the demand side of luxury goods, including art.

While China was economically growing, HNWI’s living in China were also growing in number. According to UBS and PricewaterhouseCooper (PwC)’s 2017 Billionaires Insights report, there are more Asian billionaires than American billionaires for the first time. Asia’s economic growth has also seen, on average, a new billionaire every other day (Billionaires Insights 2017, 8) [Figure 1. 4].
As for China, Credit Suisse estimated that there were 580 billionaires in 2017, up from 221 in 2016 (“China Rises”). Art economist, Clare McAndrew stated that “China’s appetite for art is related closely to a more than doubling in the number of dollar billionaires in the country last year” (“China Rises”). After several interviews with billionaires in China, it was revealed that the boost in wealth was related to a joint contribution of increase in geo-political stability in Greater China, rising Chinese real estate prices, infrastructure spending, the growing middle class and buoyant commodity prices (Billionaires Insights 2017, 12).

Looking at the top 200 art collectors list for 2016, it is clear that ultra-wealthy have the upper hand when it comes to global flow of capital into art sales and investment. In 1995, there were 28 billionaires on the list but in 2016 they accounted for the majority of collectors with a total of 72 (Billionaires Insights 2017, 22). Although US collectors dominate the list, in 2006 there was only one Asian collector on the list but in 2016 that number rose to 14 (Billionaires Insights 2017, 22). 12 out of 14 of these Asian collectors were based in China: 9 in Mainland and 3 in Hong Kong (The Art Market 2018, 295) [Figure 1.5.] On one hand this shows the distinct power and wealth of Chinese collectors in comparison to other Asian art enthusiast, and on the other hand it also highlights the persistent interest of Chinese collectors when it comes to collecting art, since an increase in HNWI’s doesn’t necessarily mean that art collectors should increase too.

Most of art collectors are HNWI individuals since they have money to purchase art, but not all HNWI’s have to collect art. It is interesting to see the strong correlation between HNWI’s and art collectors, specifically in China. It can also be argued that China had the highest economic growth for past decades and that it is one of the biggest economies around the world, but Japan is another strong economy in the region and it hasn’t shown as much interest in art as an asset of investment. Furthermore, these arguments provide a different perspective over the topic solely based on quantitative evidence, yet it is globally accepted that Chinese have a cultural inclination of investing in luxury goods of all fields, due to years of absence of luxurious goods during stricter ruling of its government body and persistence in proving their wealth in the global arena.
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© Arts Economics (2018) with data from ARTNews

[Figure 1.5]
Location of Top Collectors (Based on Primary Residence), 2017
“The Art Market 2018”
Art Basel & UBS
2 Art Market Growth

2.1 Concept of Art Markets

Without supply of art, legitimacy and competency of art markets would be impossible. Yet, it is indisputable that art has become a commodity and if there is a commodity then there always is a distribution network connecting the supply side to the demand side (Robertson, “Understanding International” 13). Point of origin is an important factor when it comes to valuing art. A painting created in London has a different value compared to a painting created in Uganda. The reason for this is that artworks created in developing economies have less added value and this leads too little to no growth of smaller markets (Robertson, “Understanding International” 15-16). It’s the reason why art markets being international is important. As a country develops, it has higher chances of opening up its economy to outsiders and promote international trade of artworks.

In case of China, the most important factor has always been economic growth, yet this economic growth didn’t only open up its own economy to the outsiders but also allowed Chinese people to become wealthier, travel around the world and experience various luxury goods and see their values. A good example of this has happened in the nineties, when Japan surpassed the world leader of visual art importer U.S. (4.3%), as it experienced surprising increase in wealth (Robertson, “Understanding International” 16).

Art markets are built on a hierarchical structure. First comes the primary art market, where art that was never sold, or shown, before is sold either by the artist himself or through a broker. Price margin is usually very low for these pieces. Secondary markets are considered as prominent galleries who sell rising or acknowledged artists, where the pieces are usually presented to prospective buyers during art shows held by galleries. Once these art pieces become appealing to wealthy collectors, mostly through word of mouth, they move to the tertiary market to be resold at auctions. Tertiary market is made up of auction houses (Robertson, “Understanding International” 18). In case of China, growth in supply side of the market was formed through this hierarchical structure, with a heavy emphasis on auction houses. According to Art Basel and UBS’s report in 2017, roughly half of the global sales were transacted privately, and China was the only major market that contradicted this concept. Auction houses had accounted for almost 70% of all sales in 2017 (The Art Market 2018, 38).

Art markets are frantically volatile. Prices are usually set and stabilized by established dealers, yet the most aggressive and destructive prices come from auction houses, where predicted worth of many art pieces surpass the expectation of many bidders; this caused by auction houses’ one on one when it comes to achieving record prices (Robertson, “Understanding International” 24).

There are two types of collectors: those who are obsessed in purchasing from certain artists or dealers and those who buy whatever seems appealing (Robertson, “Understanding International” 28). First type is dedicated yet stubborn, and second type are lenient, yet they lack taste. A trend that started in the 1990’s was “self-insured collectors,” who were purchasing anything and everything that would give them public and social validation of wealth. This trend formed in the 1990s due to various developing countries forming their own wealth once they entered the global...
scene (Robertson, “Understanding International” 29). There were also many of these self-insured collectors in already developed countries, but ambition in having a social validation had always come from collectors who were nouveau-riche and didn’t have exposure to arts & culture prior to achieving status. When this theory is applied to China, same pattern is observed through newly rich Chinese collectors who are ambitious in being added to the list of potential bidders for any and all auction events.

2.2 China in Asia, Before 2006

Economic growth is surely the most important indicator of possible growth of an art market. Art market is only a small portion of a country’s economy and as the economy grows, art market can grow too. This was signaled by other countries in the past, yet in China’s case, this growth was unexpected and only became visible in less than a decade. No one saw this coming, if you asked art market economics back in 2006. Everything changed after then.

There were certain reasons why critics couldn’t predict it. Although China had shown economic growth until 2006, there were social and political barriers when it came to growth of its art market. For an art market to grow, there has to be demand, a sense of taste and painless trade restrictions for supply. Back in 2005, Iain Robertson published the first edition of his book “Understanding International Art Markets and Management”, in which he discussed art markets in Asia as of 2004. Knowing the current position of art market in China, anyone would be surprised to see critics’ opinions back then, with many ruling out China as an emerging art market for the last decade. Although these opinions may seem irrelevant today, everything that changed predictions of critics happened as a result of China’s diligence in changing its policies.

In his book, Robertson gave the picture of emergence of Asian art markets. Hong Kong’s development in becoming the top art market center of Asia started after 1949, considered as the beginning of a revolution in the province. As China was struggling with a civil war in its mainland, British had achieved sovereignty in Hong Kong after the end of Japanese occupation. During this period, Asian antique market’s size grew dramatically since most dealers and artifacts were moved to Hong Kong from China. Until 2004, Hong Kong was seen as the first Asian “entrepot.” Many dealers of the time, including TY King, Joseph Chan and Edward Chow, moved from Shanghai to Hong Kong since they sought sanctuary from the National-Communist civil war in China (Robertson, “Understanding International” 57).

In 2000, Robertson made his bet on Taipei in becoming the regional center for Contemporary Chinese and Taiwanese art. He wasn’t wrong and due to the conditions in China back then, Shanghai and Beijing were not even in the picture. He had chosen Taipei since it had just become a democracy, was receiving unequivocal military support from the U.S. and its GDP/capita was higher than other developed cities in the region including Hong Kong and Singapore (Robertson, “Understanding International” 148).
Tax penalties were another issue in predicting the future of market growth. Many foreign companies preferred to transact through Hong Kong, under a licensed campaign, to avoid Chinese tax penalties. Infringement of intellectual copyright was a serious problem when art was exported. China was also charging 12% tax on import duty on art goods and levied a 17.5% sales tax in addition to a 5% business tax. On the contrary, Taiwan was more lenient with no restrictions on foreign companies unless they were from Hong Kong or Japan. Paintings, drawing and pastels executed by hand were import and tariff free, and the only dispute was over prints, that were issued a 7.5% tax (Robertson, “Understanding International” 154). Hong Kong was the most open according to Debt-to Income (DTI) ratio. It was a freeport with no tariffs. There were no sales tax applied to art works. Another center considered on the list was South Korea. Tariffs on art works were zero and South Korea had also established “Small & Medium Industry Promotion Corporation (SMIPC)” in 1979, that aimed to internationalize Korea, with its offices in the U.S., EU, Japan and China (Robertson, “Understanding International” 155).

Public support of arts was, and it still is, another important issue when it came to growth of an art market. In 2004, Chinese Ministry of Culture was a hindrance for art, since it was officially the only state in the region that supported ideas of socialist realism Robertson, “Understanding International” 155). Hong Kong wasn’t much different in this case since although it had an Arts Development Council, it didn’t really promote works created by Hong Kong artists to the public Robertson, “Understanding International” 155). For Taiwan, country didn’t have a minister for culture yet there was an art fund separated by the Council for Cultural Planning and Development, to be used for public art programs. Seoul was an interesting example in this case. Since it was the host for World Cup 2002, South Korea had spent significant amounts of money to promote the event, and established Media City, an innovative arts think-tank in Seoul (Robertson, “Understanding International” 155).

Lastly, political dimensions can carry the title of being the most influential factor when it comes to growth of any market or economy. It is already known that art markets can’t thrive under dictatorship and censorship. East Asia has historically been a region of volatile political shifts. It carries a high percentage of systematic risk which makes art markets prone to Beta (Robertson, “Understanding International” 157). Beta is used to determine the risk of a stock or market (Beta). Back at the time, China was involved in significant disputes in the region, including Taiwan, after Taiwanese nationals received their new passport for Taipei (Robertson, “Understanding International” 159). Another competition in the region was between China and Hong Kong & Macao. China was in the process of installing new regulations for free trade which led both territories to fear of losing their positions as top free trade ports (Robertson, “Understanding International” 160).

In Table 1, Robertson’s opinion on seven principal criteria are listed for potential emerging art markets. It compares East Asian art markets, including Hong Kong (HK), Taipei (TPC), Seoul (SEL), Shanghai (SHG) and Beijing (BJ), to each other, and to London.
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<tr>
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<td>78.2%</td>
<td>70.9%</td>
<td>52.7%</td>
<td>36.4%</td>
<td>34.4%</td>
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[Table 1]
The Contemporary Art Markets of London, Hong Kong, Taipei, Shanghai, Seoul and Beijing measured across seven principal criteria, April 2004
“Understanding International Art Markets and Management, 150-15”
Iain Robertson

2.3 Today’s Art Market in China

In 2017, global art market sales reached $63.7 billion and top three largest markets, based on global sales by value, were the U.S. (42%), China (21%) and the UK (20%) (The Art Market 2018, 15). Public auction sales of fine art and antiques reached $28.5 billion in 2017. The US and China account for 68% of all auction sales combined, 35% and 33% respectively (The Art Market 2018, 17).

Up until 2006, China accounted for nearly less than 5% of global sales. It took over UK’s historic position as the second leading market in 2010. For the last 7 years, it has undoubtedly kept its second place on the top three list (The Art Market 2018, 35) [Figure 2.1].
Extraordinary growth of China’s art market was the product of economic growth, yet it was also opportunistic. While Western markets were struggling to recover from the financial crisis, China made use of this opportunity to rise to the top of global art market from 2009 to 2011 (The Art Market 2018, 28) [Figure 2.1.].

In 2017, while gallery and dealer sales remained stabilized and auction sales started soaring, this led to $13.2 billion in transaction value with a 14% increase in total sales in China (all channels) (The Art Market 2018, 38). Firstly, the most influential boost came from sales of decorative arts which include ceramics and other wares. As opposed to 3% increase in fine arts, decorative arts increased by 36%. Secondly, value of the lots sold had set the bar higher for price ceiling (The Art Market 2018, 109). Total number of lots sold for greater than $1.5 million increased by almost 50% and compared to 18 lots sold for more than $15 million rose to 30 in 2017 (The Art Market 2018, 109). The increase in higher-valued lots shows that Chinese market doesn’t lack the funds to purchase art, but it lacks qualified works of art in high quality and popularity. As a result, when a high demand artwork is put up at an auction, there is high competition in bidding. In 2016, 29% of the world’s high-end lots sold (above $1.5 million) came from China (The Art Market 2018, 109).
2.4 Auction Houses

China’s state-owned Poly Auction House was officially the third largest auction house (globally) with public auction sales reaching $1.6 billion and rivaling Christie’s and Sotheby’s in China in 2017 (The Art Market 2018, 107). Another Chinese auction house, China Guardian was the fourth largest auction house with its auction sales being just under $1.1 billion in 2017 (The Art Market 2018, 107). China Guardian is owned by Chen Dongsheng, who is married to Chairman Mao’s granddaughter and founder of Taikang Insurance. In an interview, he stated that his goal in investing in China Guardian is to “create China’s Sotheby’s and (...) recreate China’s cultural aristocracy” (Buckley). Both auction houses had majority of its sales in Beijing, followed by Hong Kong (The Art Market 2018, 107). Success of these local houses is no surprise, considering licensing regulations put on foreign auction houses by China.

Christie’s is the only auction house that has the license to operate its business independently in Mainland China and hold auctions, and Sotheby’s had to form a joint partnership with Gehua Cultural Development Group, a government owned media company, to be able to establish itself in China which later become problematic (Lehr). Both auction houses are suffering due to restrictions (Lehr). In the meantime, government is strongly encouraging Chinese auction houses to deal overseas, as it limits competition in its own market (Lehr). Chen Dongsheng’s words are inspired by Chinese government’s long-term goal in promoting Chinese culture globally. Government is in support of international investments in the cultural industry to create jobs and establish itself as a soft-power against its competitors (Lehr).
To improve the current situation with regards to entry barriers for foreign auction houses, “China’s State Administration of Culture Heritage” finally issued new measures for ‘Auction of Cultural Relics’ at the end of 2016.” These new measures will loosen the restrictions put on sales of cultural relics and ease the process of applying for a license to operate and hold auctions in the Chinese art market (The Art Market 2018, 112).

Growth of these local auction houses is partly due to support coming from the government. Based on sales in 2016, 6 out of top 12 auction houses were from China (The TEFAF, 32) [Figure 2.3].

![World Auction Sales, Top 12 Auction Houses in 2016](source)

Although local auction houses dominate the market, international auction houses and galleries have been strengthening their roots in China. In first half of 2017, 35% of Christie’s sales by value came from Asian buyers (Christie’s). Philips held its first auction in Hong Kong in 2015 and it has also been hiring regional managers in China, Japan and Taiwan. Pedder Building in Hong Kong is a hotspot for various auction houses and galleries; Ben Brown, Gagosian, Hanart TZ and White Cube all secured their spots at the venue (artnet News). Newly opened HQueen art and lifestyle center in Hong Kong is another spot for auction houses (“Asian Collectors Buying More”). Galleries are also putting effort into hunting down contemporary Asian and Chinese artists, to promote their artwork. In 2018, Christie’s held a new private sale in Beijing, to target local buyers in the Mainland (“Asian Collectors Buying More”). However, Hong Kong is the leading center in China for the artworld, due to no expenditure tax and import duty tax. Auction houses are the main voice of art world in China due to lack of major museums (Dafoe). According to Pearl Lam, a Hong Kong born international gallerist, Asians have to take more initiative in implementing a social culture for art. In her opinion, China has been encouraging “colonization” of its art world with absence of internal investment and dedication. In the long-run, system of the West might not work (Dafoe).

All auction houses operating in Mainland China are banned to sell any art or antique work that belongs to pre-1949 era, 1949 being the milestone for the foundation of People’s Republic of China (Lehr). Interestingly, this regulation doesn’t only restrict resale of artwork originating from China, but also limits sale of foreign global artwork from pre-1949 era (Lehr).
Although it seems like these regulations are coming from the top, many Chinese collectors are also looking after their own heritage at auctions. During Christie’s Paris auction in 2009, an interesting event happened with regards to the issue of heritage. The conflict had occurred over bronze fountain heads which once belonged to a fountain at the Chinese Summer palace, a symbolic landmark of the Qing Dynasty (the last imperial dynasty of China). Cao Mingchao, who was either an advisor to a Chinese heritage foundation or a private dealer who had an independent, nationalistic opinion over the pieces being put up on auction, offered 31 million euros to fountain heads at the auction (Robertson, “Understanding Art” 76).

After he was the winning-bidder, he declared that he had no intention in honoring his bid. His claim was that these pieces belonged to Chinese cultural heritage and he wasn’t going to make any payment. This shifted dispute of the case from an ethical issue to a legal matter. The State Administration of Cultural Heritage in China made a public announcement saying Christie’s had “harmed the cultural rights and national feelings of the Chinese people.” Cao also stated that he was against the theft of these fountain heads, probably occurred in the 1860's by the British and French (Robertson, “Understanding Art” 76).

Loss of such cultural artifacts occur primarily in developing and transitional economies including Central America, Eastern Mediterranean and South East Asia (Robertson, “Understanding Art” 85). After Cao’s opposition being revealed, his case was taken to Le Tribunal de Grande Instance in Paris and the French law claimed that Christie’s had the right to put up these pieces at its auction. Nevertheless, Francois Pinault, a well-known businessman in France who also holds a majority share of Christie’s, later donated the fountain heads to China. His hope was to build a better relationship with China, to be able to possibly have a chance in negotiating future business operations for Christie’s in China (Robertson, “Understanding Art” 76).

Cao was right when he stated that Westerners took various antiques to Europe from Asia. This had started in 1602 and continued until mid-19th Century. It was first established by the Dutch East India Company, when the company was persistent in establishing trade relations in China. During this time period, Dutch shipped 42.5 million pieces of porcelain from China to Europe. The trade resulted in an extreme boost of Amsterdam commodity market (Robertson, “Understanding Art” 48). During the second Opium War in 1860, French and British also abused their military and political domination over China. Many artifacts were looted from the Summer Palace by Royal Marines Captain Harry Lewis Evans, and were brought back to Europe (Movius et al.).

2.5 Issue of Non-Payment

Cao’s case was a solid incident reflecting upon a major issue auction houses face in China and around the world with Chinese bidders: the issue of non-payment. Late payments and non-payments are a foreknown issue in China. There are various regulations currently in the process of being issued to prevent payment complications, yet non-payment has significantly increased in the last three years (Kinsella). According to Chinese Auctioneers Association (CAA) 51% of
pieces sold were fully paid during the period of June 2016 to June 2017 (Kinsella). The rest, 49%, were either partially paid or not paid. Contrary to this, non-payment seems to be less of an issue for Modern Chinese paintings and Contemporary Chinese paintings, since they are produced by Chinese and bought by Chinese. The problem with non-payment has led to cash-flow problems for several newly opened auction houses in the Mainland (The Art Market 2018, 112).

Why does Chinese art market struggle with the issue of non-payment? There are several reasons behind this. First and foremost, bidders are concerned with authenticity and provenance of art works. This is mostly regarding Old Master paintings, a category which had the highest non-payment issue in 2016 with 32% of the paintings being fully paid for (The Art Market 2018, 112). Although non-payment is an issue around the world, Chinese art enthusiasts have a common and distinct culture over possibility of negotiating with suppliers. Chinese bidders assume that they can further negotiate prices with auction houses, after acquiring a piece (The Art Market 2018, 112). This is basically a topic of disagreement between the West and the East. Bidding is not approached as a business deal or a legal obligation. Non-payment is a possible threat to growth and future establishment of auction houses in Chinese sector.

Non-payment is not just an issue in Chinese territories. Due to same reasons, Chinese bidders are causing non-payment issues around the world at major auctions. Currently a complicated lawsuit is taking place in New York, between Phillips Auction House and Zhang Chang. In 2016, Zhang agreed to pay $24 million for a Richter painting through an irrevocable bid yet hasn’t paid it since then. Phillips has taken the case to court (Adam). It should be noted that taking such cases to courts is significantly rare since auction houses are reluctant to sue (Robertson, “Understanding Art” 65). It is mostly because auction houses fear that taking cases of non-payment to court will cause encouragement of this practice (Adam). They say taking legal action is not worth it considering the costs of suing when they can re-sell the piece through a broker (Adam). Additionally, creating an art world separate from law is believed to support a stronger and sensible approach to its culture. Law of defamation, a common sense shared by most auction houses, asserts that it is important to promote “free creative spirit” in creation of art and art is a part of daily life (qtd. in Robertson, “Understanding Art” 65).

As a protection against non-payment, auction houses have started implementing new regulations in making sure that a bidder will pay the honored price as he acquires the piece. Most of them require a non-refundable deposit of $1 million prior to an auction, from certain bidders that might cause non-payment problems in the future (Robertson, “Understanding Art” 77). These auction houses are also aware of Chinese law limiting the amount of renminbi conversion to international currencies (Robertson, “Understanding Art” 77). Hopefully, social reforms of Chinese Premier Xi Jinping will create a more trustworthy market-based economy in the long run (Robertson, “Understanding Art” 77).
2.6 Art of Forgery

Art has become a currency all around the world, and indisputably China is interested in collecting art. This interest has come to a point where on Chinese television in 2013, there were more than 20 programs that were offering tips on how to purchase art and identify art relics (Barboza). This interest in collecting art has also resulted in another problem: forgery of art pieces. Forgery of artworks have become an industry of mass-production, as if it is a complete separate market in the art world of China. Experts have been trying to understand the reason behind such high forgery levels in China and they have come to conclusion that it is due to premature growth of the art market (Barboza). Regulators and authenticators are having a hard time pacing themselves in identifying the originality of art pieces put up on auctions or sold privately. From 2003 to 2013, auction revenues increased 900% in China (Barboza).

Another reason behind high rates of forgery comes from a cultural background. Although China has a Western approach when it comes to purchasing art, art pieces they have the most demand for are Chinese pieces. Bidders, by purchasing artwork originating from China, give support to their artists. This interest in cultural preservation is causing the surge in forgery of artworks. Artists in China have become highly skilled in imitating old Chinese master paintings; they produce high-quality duplicates including those of ceramics and artifacts (Barboza). An example comes from Jingdezhen region of China, the center for ancient porcelain making. Xiong Jianjun factory in Jingdezhen specializes in reproduction of ceramic vases and jugs, including forged (Barboza).

Forgery of art has also been leading to complications regarding provenance of pieces. For many years, forged art pieces have been passed on from one owner to another, illegitimating the prestige of owning an ancient Chinese piece in contrast to owning a forged piece. In 2013, a painting produced by the Chinese artist Xu Beihong was sold for $10 million at an auction but later it turned out to be a duplicate created by the artist’s student during a class exercise (Barboza). Another shocking news came from a private museum in Hebei. Museum was shut down by the Chinese government because all of its collection, 40,000 pieces said to belong to Tang dynasty, turned out to be fake (Barboza).

Tradition of copying artworks is more than just reproducing the history, but it is also stemmed in “appreciation of beauty” (Barboza). In many art schools, “lin mo”, or imitating the masters, is a common class put on curriculums and reproduction of traditional relics is seen as paying homage to traditional Chinese history (Barboza). According to Artron’s study in 2012, it was estimated that around 250,000 people in China were involved in jobs of reproducing and selling fake artwork (qtd. Barboza).

Zhang Daqian, a highly repudiated Chinese Modern painter, reproduced various forgeries of Old Master works from China to challenge collectors and authentication of artworks by auction houses and dealers. In 1961, one of his forged artworks were put up on display at the British Museum (Robertson, “Understanding Art” 71). Although he later confessed, he made an important statement directed towards art world’s lack of skills in authenticating originality of artworks.
Furthermore, many Chinese artists, including Daqian and Yue Minjun, don’t criticize reproduction and imitation of their own original artworks. During his interview with the New York Times, Yue stated “what you see on the streets is a second incarnation” of his work. He perceives copying as a normal practice in China and he doesn’t object (Lankarani).

2.7 Chinese Art in the Global Scene

2.7.1 Finding A Place in 20th Century, as a Chinese Artist

After the fall of the last dynasty of China in 1911, Chinese artists shared a blurry vision whether if they would be accepted in the Chinese society considering political and social turmoil post-Xinhai revolution (Robertson, “Understanding Art” 114). Many of them took refuge in Europe, a significant number of them settling in France. During this period, almost all of them synthesized Chinese and Western Modern styles in their works. One of these artists was Pang Xunqin, who was educated in Paris at l’Academie Julian (Robertson, “Understanding Art” 114). He burned nearly all of his paintings from his Paris years when he returned to Shanghai because he couldn’t sell any of his paintings; his difficulty in finding a place as an artist in China, stuck between two wars, was a shared destiny of most returning Chinese artists (Robertson, “Understanding Art” 114).

The second generation of Chinese artists who were willing to find their place in the global art market were welcomed to post-war Paris, especially at the Musée Cernuschi where their works were put on display (Robertson, “Understanding Art” 114). Zao Wou-ki, one of the pioneering artists of Franco-Chinese movement, moved to Paris in 1948 and he was attracted to creating abstract art (Robertson, “Understanding Art” 114). With a similar vision of Zao’s enthusiasm in creating abstract art, Chu The-Chun arrived in Paris in 1955 (Robertson, “Understanding Art” 114). His attraction to abstraction was not just a preference of style but it was intentional: in his perspective, creating abstract art was powerful in conveying the concept of Daoism (Robertson, “Understanding Art” 114). In his paintings Chi delivered his art in a formless manner, strongly tied to nature (Robertson, “Understanding Art” 114). Both Zao and Chu were revered in China since they preserved the spirit of Chinese brush painting, a Chinese tradition thwarted during Mao era (Robertson, “Understanding Art” 114). Wu Guanzhong was another artist who escaped the Mao Zedong period of China and moved to Paris after World War II. He was interested in promoting Chinese Modern art, influenced by elements of the West (Robertson, “Understanding Art” 117). In several of his ink and brush pieces, he replaced canal scenes of Montmartre with the canal city of Suzhou (Robertson, “Understanding Art” 117) [Figure 3.1].
Today, Chinese brush paintings by Chinese artists who built their careers in France, are becoming the world’s most wanted art commodity: they are found inspirational, as they depict the tumultuous times Chinese artists had to go through in the 20th Century (Robertson, “Understanding Art” 124). They are shifting world’s taste in French Impressionism to a more distinct and historical art movement (Robertson, “Understanding Art” 124).

2.7.2 Contemporary Art

Fast-paced industrialization of China during the post-war period encouraged most Contemporary Chinese artists to actively take role in revolutionizing the art scene and delivering new messages. Up until this day, Chinese Contemporary art and its pieces remain as the most sought-after. Consequently, contemporary art will be the center of discussion in analyzing and understanding Chinese art’s entrance to global art markets as a major player, since this genre is most relevant to time period of the research.

Pop art became popular in the second half of 20th Century of China and created a distinct response, as opposed to sentiments channeled in Pop’s country of origin, the US. Pop art’s original pursuit in the US was to use images from popular culture as the central objects, to critique centuries of elitist imagery conveyed through arts, and create art from mass-culture (Kuberski). It was produced to emphasize the banality of ongoing stream of movements, often utilizing irony and parody. Pop art wanted to support social prosperity (Douglas). A leading figure of American Pop art movement, “Pop of Pop” Andy Warhol painted celebrities, everyday objects as well as disturbing images of suicide or scenes of car accidents (Mattick). He refused to explain the vision behind his artworks most times and media, the art world and Warhol enthusiasts were always skeptical in uncovering deep messages he might have hid in his paintings (Mattick). As a response, he said “If you want to know all about Andy Warhol, just look at the surface of my paintings and films and me, and there I am. There is nothing behind it” (Mattick).
In China, pop art movement has been based on historical, political and social criticism. Zhang Xiaogang, Chinese Political Pop artist, created series of paintings of traditional Chinese families through portraits and he shared his memories from the Cultural Revolution as he was inspired by photographs of his family (Robertson, “Understanding Art” 145). In his painting “Bloodline: Big Family No. 9 (1996)” [Figure 3.1] he portrayed a baby, his mother and his father he directly revived on his canvas after he found a family photo [Figure 3.2]. Members of the family symbolize the destruction of Chinese families have been resigning to since Chinese government put one-child policy into action in 80s, resulting in murder of new-borns by their helpless families who feared the government and exceptionally high abortion rates (“Zhang Xiaogang: In Conversation”). Family photograph that inspired his work was taken on his elder brother’s 100th-day birthday. He altered the peaceful context of the photograph by reversing the intimate family dynamic in the photo to a scene of desperation to represent misfortune of his generation, also referred to as “Second-generation Reds” (“Zhang Xiaogang: In Conversation”).

Zhang was powerful in sharing the common destiny of “the loneliest generation” and families who had to give up on building foundations of a family. He used somber colors in his series; all of the portraits lack facial expressions except for flatness and preferred soft light, which he felt expressed a better sense of history, changing times and poetry (“Zhang Xiaogang: In Conversation”). “The Bloodline” was a turning point for Zhang’s artistic career, but he was critical of the West’s approach to his art. In his interview with Phillips earlier this year, he stated that the Westerners weren’t able to understand the meaning behind his paintings and approached artist’s intentions in delivering an artistic message solely as political criticism (“Zhang Xiaogang: In Conversation”).

However, Zhang’s context was primarily historical more than political: it was reflecting upon the times they were created. He said “Those who grew up in the West are able to separate themselves from politics if they choose so; this is impossible for someone who grew up in China. Starting in kindergarten, you are confronted by politics that permeate every aspect of your life. For Chinese people, politics is not an art form; it’s daily life, it’s something you face every day (...) Families are basic units of little memories, but they contain the memories of the entire nation and its people” (“Zhang Xiaogang: In Conversation”).

![Figure 3.2]
Zhang Xiaogang
Bloodline: Big Family No. 9, 1996

![Figure 3.3]
Zhang Xiaogang’s Family
Zhang’s elder brother’s 100th-day birthday
Another Chinese Political pop art artist, who follows the suggestive foundation of Chinese Pop art movement in today’s China, is Yue Mingjun. Occasionally, his criticism is aimed at the West. Yue’s painting “The Baptism of Christ” [Figure 3.3], repurposes the religious context of Piero della Francesca’s “Baptism of Christ” [Figure 3.4] painted in 1450 (Robertson, “Understanding Art” 146). In his version of “The Baptism of Christ”, he replaced Christian iconography with Chinese tropes (Robertson, “Understanding Art” 146). The bowl used for the anointment of Christ, held by John the Baptist, in della Francesca’s original, is substituted with a monochrome bowl - probably illustrating the Chinese cultural heritage, characterizing the Song dynasty era of later imperial China popularly referred as the most glorious time for cultural prosperity of its time (Robertson, “Understanding Art” 146). He preferred to supplant the verdure and elements of the natural setting and use Chinese sandstone, Taihu stone from Suzhou and roofs covered with slates, representing the rural setting of the Mainland (Robertson, “Understanding Art” 146). In this painting, he replaces he angelic figures surrounding Christ with a contorted group of whimsical warblers, reflecting Yue’s satiric artistic personality (Robertson, “Understanding Art” 146).
Yue, in his interview with Elena Cué in 2017, shared that by using satire in his artistry he delivers the political criticism in an unconventional manner. He said: “In my work, laughter is a representation of a state of helplessness, lack of strength and participation, with the absence of our rights that society has imposed on us. In short, life (...) Sometimes, you only have laughter as a revolutionary weapon to fight against cultural and human indifference” (Cue).

His technique of using laughter as a weapon is solid in his recreation of “The Baptism of Christ.” As he replaces Western symbols painted in the original painting, he sheds light on the gradual recovery Chinese culture is still going through today in a Western-focused environment, and more specifically in the global art scene. He is stoic in his criticism: economic, social and most definitely artistic standards have been driven by taste of the West for centuries, imposed on minority cultures, dictating what they should produce (Hue). Yen is determined to use his art to inspire Chinese artists, and other’s creating art in developing nations, to brush aside the conventional principles, welcome diversity and stay vocal in delivering artistic messages.

In his book “Understanding Art Markets”, Iain Robertson accurately created imagery of the foundation of Chinese artistry. “Today, the economic prowess of China has aroused a universal curiosity about its culture. At the center of this civilization lies (an) enclosed garden and at the center of the walled enclosure lies the rock. Within the rock exists a fluid, temporal vortex. The rock, in China, is an object of veneration both outside and within the enclosed garden universe” (Robertson, “Understanding Art” 153).

For centuries, Chinese art proudly represented its people’s common belief in spirituality and tradition. Chinese techniques of calligraphy and ink wash paintings are still revered in today’s art world. These techniques have been characteristically preserved to remain austere, consistent and sparse and stems in the recurring attitude of diligence, passed down from one generation of artists to the next (Robertson, “Understanding Art” 180). As observed in contemporary artworks produced by the Chinese, loyalty to tradition is not equivalent to disengagement from the present (Robertson, “Understanding Art” 181). “Archaism enables creativity to thrive without a concomitant need to address events over which have no effect” (Robertson, “Understanding Art” 181). Devotion to cultural heritage has been offering an artistic sanctum for Chinese artists, especially during politically and socially tumultuous times (Robertson, “Understanding Art” 181). Techniques used, movements followed or taste in art can change any time at any art market, but Chinese have been successful in protecting the most differentiating element of their artistry: the tradition.

Taste is the most variable component in the art market. It signifies the inclination of individuals and market-makers (Robertson, “Understanding Art” 243). Efficient-Market Hypothesis (EMH) is a theory in financial economics and believes that asset prices always reflect the available information in the market and it believes that Alpha generation, or absolute return, of a market will persistently be accurate (Efficient Market Hypothesis (EMH)). Heavy variability of taste in art market undermines EMH theory, leading to unpredictable asymmetries and its shift causing shock value (Robertson, “Understanding Art” 243). Nevertheless, taste changes as nations go through maturation and macro-political and economic developments so main determinants of formation of taste are place and time (Robertson, “Understanding Art” 243). Auction houses can
identify these changes through local informants. This is also another reason why auction houses should continue to enter new markets with high demand to be able to stay up to date.

2.8 Art Funds

Valuing art and spotting investment opportunities is the area of specialization of commercial side of art industry. Art funds, mostly private and closed-equity investment funds, exclusively seek generation of returns by acquiring and disposing art works (Robertson, “Understanding Art” 218). These funds traditionally prefer a “buy and sell” strategy and benefit from lack of regulation by the authorities, industry’s weak price discovery mechanisms and current opaque state of the market (“What Are Art Funds”). Patrons of art investment funds assert that these characteristics of the market allows arbitrage opportunities, but critics of art investment funds indicate that these characteristics make art a risky asset class, that may potentially lead to significant losses (“What Are Art Funds”).

According to the Art Fund Association, last decade has shown a steady increase in launch of investment funds focusing on art. Reason behind this peak is due to (“What Are Art Funds”): 1) The art market’s persistent benefit of price appreciation 2) Traditional investment in stocks and bonds have been leading to poor returns for over a decade 3) Owning art serving as an inflationary hedge, that has become relevant after many countries initiated new inflationary monetary policies after 2008 credit crisis 4) Art funds being able to generate returns that almost have no correlation to the state of stock and bond investment, encouraging diversification to better control risks associated with investment portfolios 5) Arbitrage opportunities aimed at exploiting differences in pricing of work by certain artists in different art markets 6) Benefits received through certain strategies profitable in the industry. These strategies including “distressed-art” strategy that targets collectors struggling with bankruptcy or insolvency, by acquiring art pieces at deep discounts. Another strategy is pursuing co-ownership with other art funds or third-party investors to split risk and diverse the investment portfolio. Showcasing is also used to boost the value of a fund’s art portfolio by loaning artworks to prominent museums’ special exhibitions

Success of such funds is strong in China. The Tianjin Cultural Artwork exchange, acted as a stock exchange as much as an investment fund, dealt with shares in two of its paintings rising 52 times the value of these pieces at auction (Robertson, “Understanding Art” 218). Another successful fund in China is The China Fund. It has been superior and is noted as the market’s most successful closed fund (Robertson, “Understanding Art” 218). Yet, there is a particular conundrum in countries like China. Such art funds are most likely to succeed when the stock markets outperform in the short-run, a result of economic conditions advancing during times of loosened regulations (Robertson, “Understanding Art” 219).
In China, due diligence had increased after several funds started failing. In 2011, China had accounted a third of the global market and has become subject of increased audit (Robertson, “Understanding Art” 218). Independent valuation firms and the safeguards of the industry have stricken their approval process, to create a better professional environment but this is also leading the process of acquisition to a much more burdensome state (Robertson, “Understanding Art” 218). Consequently, the cost of running these funds has become tougher.
3 Today and Tomorrow of Public Cultural Domain

3.1 Developing a Framework for Chinese Museology

In 2016, there were more than 5,000 museums in China and they were receiving over 600 million visits every year (Lianxiang). Today, this number is rapidly increasing as a result of various social, political and economic improvements.

Interest in Chinese heritage and collecting art has a long history in China but concept of opening a museum has only been present for around 200 years (Lianxiang). Although China’s first museum was created in 478 BC at Confucius’ house, it was displaying his belongings and writings to honor the philosopher. It wasn’t open to public (Lianxiang). The earliest museums were first built by missionaries in the 19th Century, most prominent one Zikawei Museum in Shanghai (Lianxiang). It was shut down by the communist government after authorities started acquiring buildings in the French Quarter to turn them into factories (Lianxiang).

In the 20th Century, Zhang Jian, a reformist, was determined in educating the public and enlightening his nation and was the first Chinese individual to establish a museum, Nantong Museum that was open to public to benefit people (Lianxiang). His dedication to invest in Chinese society inspired building of other Chinese museums (Lianxiang). For the next 30 years after the opening of Nantong Museum, 77 new museums were established around Beijing and most of them observed general guidelines of museology and focused on opening museums of history, zoology, art and science (Lianxiang). In 1935, The Chinese Museums Association was established, and it promoted the study of museum operations (Lianxiang). Several Chinese museums attended the International Exhibition of Chinese art in London in 1935 and displayed Chinese artwork for the first time in the global scene (Lianxiang).

However, next decade was destructive for China’s cultural development. Civil war lead to closing down of many museums in China (Lianxiang). They were damaged as the war progressed, and communism, later followed by consumerism, impaired local cultures as the lifestyle of Chinese society rapidly changed (Robertson, “Understanding Art” 272). After 1949, museums started restoring themselves, and the next decade supported establishment of local and regional museums exhibiting the traditional culture but for many years, under the ruling of the communist party, all museums were operated by the state (Lianxiang). Chinese people understood this as “art can only be for the social elite” and this notion discouraged the public in building museums or engaging in jobs related to art and museology (Lianxiang). This was the time when many Chinese artists fled to France to be able to create art independent from political and social implications.

Private museums appeared for the first time during late 1990s and they were able to register as non-enterprise social organizations (Lianxiang). By 2014, more than 900 museums established in China as independent organizations (Lianxiang).
3.2 Modernizing the Art Scene: Contemporary versus Tradition

798 Art Zone is a typical cultural conversion example from China. Built in and around a complex of industrial buildings and military factories that once served “Socialist Unification Plan” of Soviet Union and People’s Republic of China, it started initiating rebirth of the quarter around 1990 (798 Art District. Atlas Obscura). Beginning in 2002, various local and foreign artists started moving their studio and galleries to the district (798 Art District. Atlas Obscura). Since 2006, the zone’s been annually holding its 798 Art Festival to communicate culture and art for the public (798 Art District. Atlas Obscura). It is part of a new-cutting edge movement to promote alternative approaches to creating art in China. It is open air, with many sculptures and installations placed in between factory buildings, and almost all galleries offer free-entry. 798 was also the host for Beijing Biennale in 2003 (798 Art District).

798 Art Zone is an exemplary establishment many contemporary museums are dedicated to learning from. Yet again, certain traditions are still preserved. The new venue for National Art Museum of China, still in the process of its architectural plan being approved by the government, seems to be stuck between contemporary and tradition (Robertson, “Understanding Art” 272). With an avant-garde design that aims to give the main building shape of a brush stroke, there will be red flags placed outside the venue to assure the presence of nationalism and communism (Robertson, “Understanding Art” 272).

Comparing 798 to National Museum of China, the main problem in the sector is absence of small-scaled and committed museums which can effectively fusion tradition and contemporary (Robertson, “Understanding Art” 272). On another level, this has been done through merging aspects of a museum with commercial and social interests of the public. Zendai Museum of Modern Art in Shanghai donated its space and funding for creating a conceptual art zone in a shopping mall; the museum is currently run inside the mall to attract the public and promote interest in art (Robertson, “Understanding Art” 247).

Another issue faced by museums is public’s illiteracy of understanding art. Deputy Director of Planning of Power Station of Art Museum, Li Xu has expressed the lack of knowledge of visitors (Langfitt). He stated: “My estimation is one-third to one-half of artworks are hard for average visitors to understand if they didn’t receive sufficient art education” (Langfitt). To be able to change the current situation in the long-run, some museums are targeting the youngest audience: children (Langfitt). The China Art Palace is currently running workshops for elementary school students. Yet, it is hard to bring them in considering the demanding educational system of China, focusing on traditional subjects and doesn’t support trips to art museums (Langfitt).

Nevertheless, the current boost of economic development in China, is slowly shifting society’s focus towards art education. According to Chyxx’s Art Market Report 2016 [Figure 4.1], the size of domestic arts education has been steadily increasing for the past five years (Chinese Art Market Report). Since 2011, universities of UK have also been seeing an increase of 185% in Chinese students following an academic track in arts (Chinese Art Market Report). Furthermore, Chinese government has recently added art classes to the curriculum followed at urban primary schools (Chinese Art Market Report).
Lastly, art fairs and exhibitions are essential in creating an environment to promote interest in art for public, artistry and investment. Looking at change in numbers from 2007 to 2017 [Figure 4.2], China hasn’t been making progress in holding art fairs, if Hong Kong and Taipei are excluded (The Art Market 2018, 205). Another issue that is parallel to absence of top art fairs in China is low number of exhibitions. As it is scene in Figure 4.3, China only accounts for 2% of all commercial and non-commercial exhibitions (The Art Market 2018, 183). This is a surprising number considering China currently holds 21% of the global art market share and this number signals the lack of public investment in arts.

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[Figure 4.2] “Top Art Fair Cities in 2017,” based on annual number of fairs
Art Basel and UBS, The Art Market Report 2018
Art Economics and Artfacts.net, 2018
[Figure 4.3]  
“Global Distribution of Exhibitions in 2017”  
Art Basel and UBS, The Art Market Report 2018  
Art Economics and Artfacts.net, 2018
4 Conclusion

China’s art market is at its turning point. With its economic development, entrance to the stage of maturation, increase in high net worth individuals and renminbi becoming a reserve currency, China currently holds strong capital funds to invest in areas of social development and infrastructure. With Xi Jinping’s new vision in slowly opening Chinese economy to the outside world and revision of government legislations and regulations applied to foreign investors, it is possible to ease entry barriers and welcome international firms. Such adjustments can increase the welfare of Chinese society, both economically and socially.

Maslow’s hierarchy of needs well fits China’s social development. At the top of the pyramid there is self-actualization, needs that one can only feel if he achieves his full potential through investing in creative activities (Maslow’s). Currently, only high net worth individuals from China have made it to the top of this pyramid, demonstrated as financial success and interest in investing in art. They are able to fulfill these privileged needs because their most basic and psychological needs are already satisfied (Maslow’s).

Considering arts and culture can only appeal to those who have come to this high level, leaders of prominent industries should look into investment opportunities that will cover basic physiological needs of Chinese people. Once these basic needs are covered, education and learning interests will also develop. Eventually, China and the art world can appeal to the middle class who are willing to know more about art but don’t have resources or capabilities to pursue such interests.

China has overcome several periods of chaos in the past century, almost all of them demanding the reconstruction of social structure. In historical context, internal and external forces have thwarted progress of arts and culture in China. Artworks were looted, museums were destroyed, art was closely monitored, and artists sought refuge in foreign countries to be able to produce their art. In the last decade, with support of the government and an increase in public’s motivation in building a better social environment for China has healed the debilitating effects of the past. Chinese artists had a major role in creating artworks that would appeal to their own people by sharing familiar stories.

China has a unique approach to arts. This is mostly due to its cultural heritage and, at times, due to its people’s commitment when it comes to teachings of Chinese tradition. Copying and recreating artworks are seen as reverence to Chinese masters and appreciating the beauty. Their skills in reproduction are denounced as forgery in the West. Another dilemma is East and West’s different standards of art. While it is important to deliver symbolic messages through art in the East, West has more strict rules when it comes to creating art this stemmed in artistic legacy of European artists. China, its artists and investors are new to the global scene, although arts and culture scene have been honored as much as it has been in Europe.
As of now, China has a competitive advantage in introducing new standards to the global art scene. With its strong economy, well-skilled artists and enthusiastic group of investors it can easily situate itself as the market that decides what should be produced and what should be sold. To be able propose new trends, there are certain obstacles that need to be overcome. Some of these obstacles concern current number of independent museums, public’s lack of knowledge of the arts, legislations preventing China’s interactions with the external art scene, low number of exhibitions and fairs, and non-payment issue.

For the last decades, world has seen a shift in China’s approach to production and trade. In the beginning, China’s approach to international trade wasn’t trustworthy. Its products were perceived as shabby reproductions of world’s most repudiated technology products coming from West. The label “Made in China” was synonymous to plastic-made products sold for cheap, manufactured by even cheaper labor. Today, China is setting standards in various industries. It invested the capital it acquired during its development to innovation and production advancement. Many Chinese technology brands are competing with their Western counterparts, introducing alternatives to world markets. It is possible to have two centers of trade, not just one revolving around standards and demands of the West. China has proven this.

Just like China has rebuilt its reputation as an international trade partner, this recreation can also be applied to its interaction with global art scene. If China can follow the same path it followed previously, it will be able to have a powerful say in the art world, equivalent to that of the West. Eventually, West will be able to understand the much-criticized cultural differences China is presenting. Foreign investors and auction houses will have to adjust themselves to Chinese approach to trade of art; they will no longer be able to condemn China’s cultural differences: including reproduction of art pieces, difficulty of trust or taste.

China can bring home a first-rate & high-art market to flag as the new leader of global art scene. Until this day, China’s economic development was the basis of its art markets growth. From today and on, it still needs to heavily rely on its accumulated economic strength, though the main focus has to be on social, political and legislative adjustments. Next decade will prove if China can successfully maintain its newly acquired position, and perhaps completely revolutionize art market dynamics by repositioning the focal point of the international art world set on West to East.
5 Bibliography


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