



FOR LOVE OR MONEY

INSIGHT AND PERSPECTIVE ON THE
CONTEMPORARY ART MARKET IN CHINA
FOR COLLECTORS AND INVESTORS

BY DEREK JESSOP



興林園



*Truth does not change
because it is, or is not,
believed by a majority
of people.*

Girodano Bruno,

Italian mathematician & astronomer,
burned at the stake 1600



INTRODUCTION

Wealth, power and creative energy are shifting inexorably from West to East.

We stand at the threshold of a tectonic shift; a long boom cycle in the demand for Chinese contemporary art. In spite of ample evidence, this realization hasn't gained traction in the Western art world. The difficulty today, to quote John Maynard Keynes, lies not so much in developing new ideas as in escaping from old ones.

China is now the second largest art market in the world. According to the European Fine Art Foundation study *The Global Art Market in 2010*, China scores a global market share of 23%, compared to 34% for the United States and 22% for Britain. Barely a week after their release, Artprice re-crunched the numbers – filtering out results from the 'opaque' gallery market – and crowned China number one.

Regardless of which interpretation we accept, there has been an easterly paradigm shift in the international art world since the beginning of the economic crisis in 2008.

*China's art market
grew by **half a billion
dollars** while Western
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2008-2010*



1.0 THE PREMISE

All things obey money.

Desiderius Erasmus, Dutch Renaissance humanist, 1466 – 1536

When a country becomes the world's dominant economy its art becomes the world's most expensive. At the height of the British Empire in the late 19th century eleven living British artists were more expensive than either Michelangelo or Jan Vermeer. In the 1870s, British artist Holman Hunt's *'Shadow of Death'* sold for £11,000 while Michelangelo's painting *'The Holy Family'* was only £2,000, Botticelli's *'Mars and Venus'* was £1,050 and Vermeer's *'Girl with a Pearl Necklace'* only £800.

In more recent history, the focus shifted to commercial galleries in New York City. The 1980s saw the top price paid for American contemporary art increase 82-fold; from under a quarter of a million dollars in January 1980 to \$20.68 million in 1989.

As American financial dominance erodes, so too does its art world authority. Money is moving east. Its focus is buying Asian art, and Chinese art in particular; in Hong Kong and Beijing, Chinese buyers purchase more art today than before the global meltdown.

Following money in the art world is not as cynical a path as it seems. Art world economics are a historically accurate way to judge the market's prevailing winds, signaling where innovation and creativity are strongest.

As the new century's second decade dawns we stand at the cusp of a 15-year cycle that will see an extraordinary explosion in the demand for Chinese contemporary art. To understand why China's art market grew by half a billion dollars while Western economies were melting down in 2008-2010, we start at beginning of the first Chinese contemporary art boom in 2005.



2.0 THE FIRST PEAK FOR CHINESE ART

SETTING THE STAGE: FOREIGN INTEREST SPARKS A BOOM

Initial interest in Chinese contemporary art came from Western expatriates like Uli Sigg, opportunistic outsiders like Howard Farber, a small number of Western galleries and a sprinkling of Chinese speculators.

In 1997 when I co-curated, with Zhang Shengtian and Dr. Annie Wong, an exhibition of work by Chen Danqing and Yan Peiming in Southern California, there was virtually no market in North America for Chinese contemporary art.

The following year, 1998, Christie's had its first Chinese contemporary art sale in London where it offered current-day superstars like Yue Minjun, Wang Guangyi, and Zhang Xiaogang in the \$10-20,000 range. Only 16% of the artworks sold, among them a Zhang Xiaogang '*Blood Line*' diptych for \$7,500 – a far cry from the \$6,100,000 his '*Blood Line No. 3*' painting sold for less than a decade later.

It wasn't until November 2005, when bidding in Hong Kong pushed the Yue Minjun painting '*Gweong-Gweong*' to \$636,000 – ten times the pre-sale estimate – that the market began to take notice of Chinese contemporary art.

Still, when I opened a curatorial office in Chongqing's 501 warehouse in early 2006, no Chinese contemporary painting had sold for more than one million American dollars.

In late 2006, a painting from Zhang Xiaogang's '*Big Family*' series broke the million-dollar barrier in New York. Market makers quietly took notice; British super-collector Charles Saatchi spent \$1.5 million on Zhang's paintings in London that year.

The climax for 2006 came in November when Liu Xiaodong's '*Newly Displaced Population*', painted just two years before, sold to restaurant owner Zhang Lan for \$2.7 million, the highest price ever paid for a contemporary Chinese artist.

By 2007 the Chinese art market was hot. Yue Minjun's painting *'Execution'*, a cynical-realist version of Manet's *'Execution of Maximilian'*, sold for a record \$5.9 million. Yue's *'Execution'* first sold in 1995 for \$5,000 and then changed hands for just \$32,200 in the late 1990s.

Suddenly the sky was the limit for Chinese contemporary art. The leading data service for art prices, Artprice.com, had no Chinese artists among the 10 best-selling living artists in 2006. In 2007, five of the top 10 artists in the world were Chinese.

Records were set and re-set in 2008. Zhang Xiaogang's *'Bloodline No. 3'* sold for \$6.1 million and, a month later, Zeng Fanzhi's *'Mask series 1996 No.6'* sold for a new world record of \$9.7 million.

Coincidentally the painting *'Gweong Gweong'*, which fetched \$636,000 in 2005, was back on the market in May 2008, and sold for \$6,900,000.

The first peak of the contemporary art market in China had been reached.



Detail from *'Desertion'* by Li Songsong photographed in his studio by Derek Jessop, later acquired by the Estella collection



A Yang Peiming Mao painting exhibited, along with Chen Danding, in Derek Jessop's 1997 New Chinese Painting exhibition.



Detail from *'Children Performing No. 2'* from a solo Guo Jin exhibition at the Gibsone Jessop Gallery.

3.0 THE BEGINNING OF THE NEXT WAVE

Armageddon was yesterday. Today we have a serious problem.

Lisbeth Salander

6

THE FIRST TEST

By autumn 2008 anxiety had gripped the world's financial markets. Artists I spoke to in Beijing in the spring of 2009 reported that about 50 galleries may have closed in the Dashanzi art quarter. Foreign buyers, particularly Americans and speculators, dropped out of the market. Auction house revenue had increased by 61.5 % between October 2007 and October 2008, and then fallen 62.5 % by October 2009, a wash over two years. The internationally fueled demand for Chinese art had run out of steam.

While Western markets quailed, the mood stayed positive in China. "In the United States, there are maybe 10 collectors and they have already bought Chinese contemporary art, but in China, there are 100 potential collectors and only one has started to buy so there is a 99 percent potential" said artist Yue Minjun. "We can feel the bad atmosphere from outside economies, but we still feel the confidence for long-term development," said Leng Lin, founder of Beijing Commune, a critically acclaimed Beijing gallery.

THE CHINESE MARKET STILL FLOATS

In 2009 the Chinese contemporary art market entered a new phase; the dominant buyers were now Chinese rather than Western.

Cautious, given the fragility of the world economy, Chinese collectors began by buying traditional art forms – ink brush painting, porcelain and antiques – and stayed out of the more volatile and less proven contemporary market.

The idea of collecting art was still quite new and many Chinese investors began collecting by entering through easier categories such as wines, watches, jewelry, and classical Chinese paintings. A shift towards collecting contemporary art was predicted by Sotheby's Asia CEO Kevin Ching because "[Chinese buyers] will go toward contemporary painting in the end as this is the broadest global trend we've seen over the last 15 years: the move to embrace contemporary".



Pearl Lam, art collector and curator,
at her Shanghai loft



Liu Yiqian, Shanghai investor and art
collector

By September 2009, it was standing-room-only at Chinese art auctions in New York.

Writing in the New York Times, Souren Melikian summarized, “If you wonder how good the mood really is in China, forget the annual growth rate, the Shanghai Stock Exchange and the rest. Instead, look at what is happening in the auction market. Here, the news is stunning. Chinese buyers have never, ever, been so bullish”.

Typifying this new breed of big-spending Chinese consumer was Shanghai investor Liu Yiqian, who spent \$12.5 million on art in the autumn sales. Asked if he planned to make big purchases at upcoming sales, Liu said: “If there are good items, why not? What’s spent on art is small money.”

4.0 CHINESE COLLECTORS

CHINESE BUYERS SET THE PACE

The 2010 art season began with the March “Asia Week” auctions in New York. The International Herald Tribune reported that “China’s soaring financial power is sweeping across the market for Chinese art like a hurricane carrying off all that lies in its path”.

Two months later, to the surprise of the art community, an anonymous Chinese telephone bidder paid a world record \$106.4 million for Pablo Picasso’s 1932 portrait of his mistress, *‘Nude, Green Leaves and Bust’*.

Zhao Yu, former Vice President of China National Academy of Painting, said of this momentous sale; “Let’s compare two sales from last month (May 2010). An oil painting by Picasso sold for \$106 million while a painting by Zhang Daqian, considered a Chinese Picasso, sold for \$14.6 million. If we compare the two prices, we find that Chinese artworks are well below international prices”.

In a May 2010 Newsweek article, Sonia Kolesnikov asked Wang Wei, wife of a Shanghai entrepreneur, if art prices had risen too much. Wan replied, “Not even if the sellers were to add another zero to the price tag.”

Throughout 2010 Chinese buyers bought Chinese art at steadily increasing prices. As the season drew to a close, Beijing’s China Guardian Auction House sold \$622 million of Chinese art in just four days.

“China’s art story is about to become huge. My view is that it is going to happen either tomorrow, or in six months, or in two years. But it is going to happen and it is going to be explosive. Chinese art, including Contemporary art, is going to become very expensive. There are fewer than 100 actual buyers in a country of 1.3 billion people and you need only another five to ten buyers to transform everything”.

Michael Goedhuis

Chinese Art Specialist



5.0 ART MARKET ECONOMICS

“BOOM” OR “BUBBLE AND BUST?”

When a nation reaches an affluent critical mass, collectors tend to buy art in a cycle that goes through three phases. First, they collect their cultural heritage, then their own contemporary art and, finally, they buy from the global art market.

The new Chinese buyer's reasons for collecting are numerous – repatriating national treasures, gifts to smooth business transactions, social prestige and sheer passion – but the main driver is serious wealth; thousands of newly rich Chinese collectors inhabiting palatial private homes and newly built offices.

The urge to collect is also driven by a desire to diversify assets; art is seen as a hedge against inflation and protection from the depreciation of the US dollar. Investment is a pronounced objective in China because there limited investment vehicles; without commodity markets, futures or currency markets, Chinese investors see art as reliable and portable wealth. This is especially true now that the first choice investment vehicles – real estate and the Shanghai stock exchange – are considered overvalued.

SUSTAINABILITY: URBAN WEALTH IN CHINA

To have great poets there must be great audiences

Walt Whitman

Fine art needs a supportive, affluent audience to survive and prosper. This suggests two key questions: do the Chinese have the wealth to build their art market and, if this wealth exists, is it, and will it be, spent on art?

According to the 2010 Hurun Rich List, China's version of the Forbes list, China is now home to the world's second largest number of dollar billionaires. In 2011, Researcher Rupert Hoogewerf identified 271 US dollar billionaires, up from 189 last year and more than double that of 130 in 2009. Hoogewerf believes that the actual number may be closer to 400 or 500 and this view is supported by a Credit Suisse-sponsored study that found that China's richest citizens may hold as much as \$1.4 trillion in hidden assets.

While interest in Chinese contemporary art was until recently almost exclusively the preserve of foreigners in China, Hurun found that collecting contemporary art has become the leading hobby among China's new rich. “Collecting art, especially Chinese art, demonstrates sophistication and earns social status” according to the report's publisher.

1.

Not only does the wealth exist but affluent Chinese like to spend it. Shopping and eating out are, according to Cap Gemini and Merrill Lynch, the main recreational activities in China

Hours spent per week shopping

China	9.3
USA	3.1
France	2.5

Source: Cap Gemini – Merrill Lynch

2.

Asians also hold their own, or surpass, Europeans and Americans in their desire for art and luxury collectibles

Percentage of affluent consumers who buy luxury collectibles

Europeans	17 %
North Americans	17 %
Asians	21 %

Percentage of affluent consumers who create art collections

Europeans	22 %
North Americans	11 %
Asians	13 %

Source: Cap Gemini – Merrill Lynch 2010 World Wealth Report

3.

Research also shows strong correlation between interest in, and purchasing of, art and education. China's wealthy are highly educated, and it is expected that China's stock of university graduates will triple by 2025.

Educational levels of affluent Chinese

University Graduate	50 %
Master's and above	33 %
College Graduate	11 %
High School Graduate	5 %
No High School	1 %
Under 30	22 %

Source: MasterCard / HSBC joint study 2007

4.

High Net Worth Chinese are also much younger than affluent North Americans and other Asians. The Chinese are becoming wealthy at a life stage where art plays an important part in establishing status, expressing individuality and decorating new homes and offices.

China's Affluent by Age

Over 46	14 %
31-46	64 %

% of affluent under 46 years old

The United States	30 %
China	86 %
Japan	19 %

Source: Cap Gemini – Merrill Lynch 2010 World Wealth Report

5.

The above does not factor in the activity of the Chinese diaspora; another group who are major spenders in the art market.



UPWARD PROGRESS: CASH AND SKYSCRAPERS

Industrialization created China's first generation of new wealth. Urbanization is the engine creating the second.

In the next 15 years, 350 million people will move from the countryside into Chinese cities. If current trends hold, nearly one billion Chinese will live in urban centers by 2025.

McKinsey & Company estimates that 5 million buildings will be built in China over the next 15 years. 50,000 of these buildings could be skyscrapers, the equivalent of constructing 10 New York cities.

They also predict that during that period, six new cities, which do not yet exist, will grow to have populations of over 10 million inhabitants. Two of these cities will have populations of more than 20 million.

In its 2010 report *Wealth Markets in China*, the Boston Consulting Group notes that despite China's remarkable growth, its individual wealth still has tremendous room to expand. In the year after the financial meltdown, individual wealth in China

6.0 WHY CHINESE ART IS HERE TO STAY

ARTISTIC VALIDITY IN STYLE AND SUBSTANCE

Wealth is the fuel that feeds the Chinese art market. Pride and passion sustain it. The crucial question then is whether Chinese contemporary art will hold its financial and critical value.

Goa Xingjian answers, “If a work can stimulate thinking, then there is a need for it, but if it cannot, then it could very well be dispensed with.”

Chinese artists see art as a way of communicating ideas with the widest possible audience. In the words of Weng Fen “[Our] unique social reality prompts artists to direct their eyes more on society than on the frivolities and concepts of art ... the only thing that interests me is how to make clear what I want to say in the most efficient way”.

Chinese artists work to express and contextualize their Zeitgeist by both reflecting and questioning issues such as Censorship; Exile; Alienation; Political Dissent; Industrialization; Materialism and Westernization; and Individuality. This volatile mix of ingredients sees their work walking a social knife-edge; balanced between creativity and dissent.

In theory there is no difference between theory and practice. In practice there is.
Yogi Berra

In the second half of the 20th century China and the West adopted divergent educational philosophies. Chinese art academies required students to learn skills – drawing, painting, sculpture – based on Soviet Social Realist art while Western art universities embraced critical theory and conceptual practices.

This approach led western artists, in the late 1960s and early 1970s, to emphasize concepts and ideas rather than the finished object. The result was Conceptual art, Performance art, Installation Art and eventually Minimalism, where artists used manufactured objects and materials to make industrial looking art.

Half a century later these ideas still hold sway in much western art. In China, art is never solely conceptual. According to Nobel Laureate Gao Xiangjian, “I have yet to find a good artist who has benefited from guidance of theorists. [Theorists] either stipulate rigid models or promote fashions. Imagination that is divorced from authentic feeling, and fabrications that are divorced from life experiences, can only end up insipid and weak”.

In an enduring work of art, word games and critical techniques cannot serve as substitutes for real insights, skill and imagination. If an artist cannot infuse his works with a life force, then no matter how new the concepts and methods used, those works will sooner or later become passé”.

The personal success of Chinese artists depends on their ability to convey meaning and engage emotion through the creation of art, and that ability springs from the development of the artist’s physical

Tradition does not mean that the living are dead; it means that the dead are living.

Harold Macmillan

In contrast to the Shock and Spectacle art of the 1990’s – the Young British Artists movement, Damien Hirst and others – Chinese artists believe that stylistic exploration is not a goal in itself, undertaken for the sake of creating a controversy. They “reject the notion that innovation demands the negation of tradition. Tradition exists, and it is simply a matter of how one understands or makes use of it.”

Chinese artists, like Cai Guo-Qiang and Xu Bing, believe that they can make innovative work by starting where others left off. According to a Chinese proverb, artists “use the wisdom of the past to seek the new.” Balancing influence, tradition and innovation, they rework their long cultural tradition, with the most relevant elements of other cultures, to fit the new Chinese perspective.

THE NEXT GENERATION HAS ARRIVED

Each year Artprice lists the top 500 best selling artists at auction. The 2010 ranking features 238 Asian artists, with the Chinese leading the pack (see table on p.15).

Just as Artprice published their list, the British magazine Art Review was preparing its 2010 annual ranking of the 100 most important people in the art world. Only one Chinese artist, Ai Weiwei, made the list.

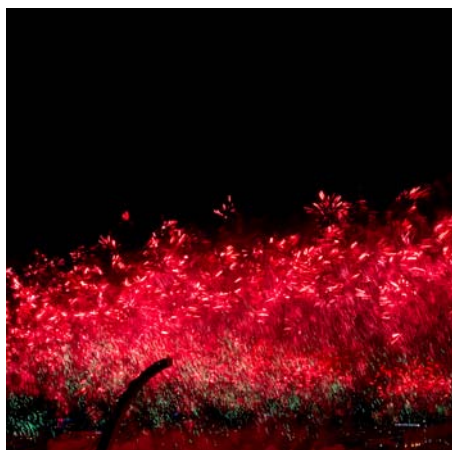
At the 2011 edition of Art Basle, the world’s premier art fair, only 3% of the artists represented were from China.

For collectors and museums there is a very real opportunity in the gap between perception and reality.

Artprice ranking of the top 500 international contemporary artists by sales volume

	June 2008 to July 2009	June 2009 to July 2010
China	144	139
USA	81	87
United Kingdom	35	82
Germany	30	31
Japan	27	23
Taiwan	7	11
India	13	8
Canada	4	6
Russia	8	2

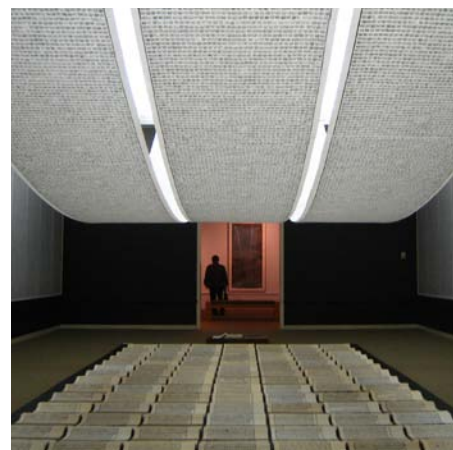
Source: Artprice



Cao Guo-Qiang uses gunpowder, a 9th century Chinese invention, to make both drawings and pyrotechnics.



Fireworks at Taipei 101, from the *Republic of China Centennial*. Taipei, Taiwan, 2010. Photo courtesy of Cai Studio.



Book From The Sky by Xu Bing. Xu invented 1,000 fictional calligraphic characters and hand carved them in 11th century woodblock style.

7.0 A SHIFT TO THE EAST

THE FUTURE IS ALREADY HERE

History is unequivocal: the dominant economy has the dominant art market. According to China's current leader, Hu Jintao, "Economic development, not politics, is still the central task." Deng Xiaoping, the architect of China's post-Mao reform, was determined that the real question was not communism or capitalism, but what works and what doesn't work; "It doesn't matter if the cat is black or white, as long as it catches mice."

China's hybrid model of 'state capitalism' has moved 350 million people above the poverty line in one generation. Despite extant difficulties and inequities, a Pew Global Attitudes Project found a degree of hope and optimism in China that is reminiscent of America in its heyday.

A DIFFERENT KIND OF POWER: SOFT IS THE NEW HARD

Many modern states believe that their power and legitimacy derives from an inherited right. The traditions of Chinese stateship advance a different view; that legitimacy stems from culture and governance.

China is using the 'soft' power of art and culture to help win its place in the modern world. 'Soft power' is defined by Harvard Professor Joseph Nye, Jr as the ability to get what you want by persuading others to adopt your goals.

The 'soft power' philosophy has led to an extraordinary degree of support for culture in China as evidenced by the 2008 Beijing Olympics and the 2010 Shanghai World Expo. In his keynote speech to the Communist Party's 17th National Congress in 2007, Hu Jintao stated that the Chinese Communist Party must "enhance culture as part of the soft power of our country to better guarantee the people's basic cultural rights and interests."

“China is the most avant-garde and experimental art site in the world,” says Xu Bing, a past winner of the MacArthur Foundation’s Genius Award and now Beijing’s Central Academy of Fine Art’s vice president. Xu doesn’t worry about government interference with artists or censorship; “the old concept about art and government being at odds has changed. Now artists and the government are basically the same. All the artists and the government are both running with development.”



China is the major investor in Africa’s infrastructure, spending over a billion dollars annually on roads, power plants, and hospitals.



The World Intellectual Property Organization reports that China had the largest increase in new patents of any country in 2010.



In the next 5 years China will train 5,000 Africans doctors in China’s best medical schools.

8.0 THE TIME IS NOW

PARADIGM SHIFT: NOW OR NEVER

China's ascendancy is meteoric.

In August 2011, Beijing Business Magazine asked billionaire Shanghai investor Liu Yiqian about the risk of a bubble in the Chinese art market. His answer: "Economic bubbles and risk exist in any market. But in the art market, the price of good artwork will continue to soar. When I say "good artwork," I'm talking about works with fine workmanship that are hard to reproduce, or art masterpieces with great historical value, which also can't be reproduced. These are the most sought-after pieces in the art world".

The interviewer followed with the question "in what areas do you think we'll see prices rising? Liu: "I am optimistic about Chinese contemporary art. I think contemporary art in China will set new records in coming years".

I am an entrepreneur, and collecting contemporary art is a way for me to see the present and the future.

Francois Pinault

In his last book '*On Late Style*' the Harvard historian Edward Said investigated the evolution of creative life and concluded that there are two alternative approaches for creative individuals as they mature.

One path is that we become more resigned, less adventurous, and quiescent. We look for serenity in works of art. The alternative approach is that we embrace the increasing complexity and irreconcilability of life. We see life as the endless discovery of new complexities, challenges and possibilities.

In this second approach to the creative life, Said describes the individual who is drawn to the intensity, mastery, and power of the best Chinese art.

After all, as Jean Baudrillard put it in *Le systeme des objets* the "miracle of collecting" is that "what you really collect is always yourself".

There will never be a better time to engage with China.

There will never be as good a time as right now.

DEREK WORKING WITH CHINESE ARTISTS



With Tian Tiaquan



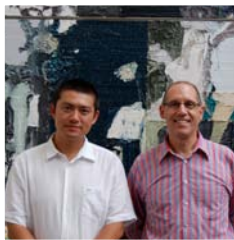
With Xian Jing



With Guo Jin in Sichuan



With Yang Yongsheng



With Li Songsong



With Yan Qian

ABOUT THE AUTHOR

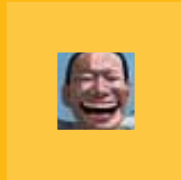
Trained by Sotheby's in London, England, Derek Jessop has supported and advocated for Chinese contemporary art since 1997. He sponsored and exhibited the work of Yan Peiming, Chen Danqing, Guo Jin, Yang Shu, Xiao Guo Hui, Yang Yongsheng, Tian Taiquan, and Zeng Hong among others.

Derek launched an independent Chinese film series that included *Little Moth – Xue Chan*; *The Other Half – Ling Yi Ban*; *Queer China*, 'Comrade China' – *Zhi Tong Zhi*; *San Yuan Li*; and *Using – Long Ge*. He premiered Robert Adanto's "A Rising Tide" in Canada.

Derek has hosted Canadian visits by important Chinese artists; Xiang Jing, Qu Guangci, and Yang Yongsheng, and art world authorities including the President of Sichuan Fine Arts Institute, Chongqing Museum Director Han Li and Luo Zhongli, President of the Ministry of Culture's newly established Contemporary Art Academy of China (CAAC).

An advisor, advocate and lecturer on Chinese art and the art market, Derek travels regularly between Toronto, Beijing, Shanghai and Chongqing.

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At the entrance of the town of Juiquin,
the center of China's space program,
there is a giant sign in both Chinese and English
that states, simply and starkly,

WITHOUT HASTE, WITHOUT FEAR
WE CONQUER THE WORLD