



Gallery's Role in Contemporary Chinese Art Market and commercial space in china

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Abstract

This paper focuses on one particular segment in the international contemporary art market, the contemporary Chinese art market. And commercial space in china as the fastest-growing segment, it offers a great opportunity for people to explore the mechanism in the art market, which is very different from markets for general goods. In addition, with its unique political and social characteristics, China has bred an art market quite unlike the western ones. In this paper, I attempt to explore the similarities and differences and the reasons behind between the emerging Chinese art market and the more developed western ones by picking out one important player in this whole market to study, the gallery. By exploring gallery's role through the relationships and interactions it has with other players in the market, such as artists, auction houses, art museums, art critics, buyers, and government, I attempt to explain the mechanisms within the market and how these help shape the market as it is today. Four detailed interviews were conducted in this study with knowledgeable people currently working in the contemporary Chinese art market in addition to the desk research through the literature on the art markets. Similarities and differences were found and policy recommendations were made in regard to the deficiencies found through the study. China has had a space program since roughly the same time that the National Aeronautics and Space Administration (NASA) were created in 1958. China has not had a commercial space sector in which firms vie to sell space products and services to state and private customers domestically and internationally.

Keywords: Contemporary, Role, Art Market, Commercial Space, Gallery, and Growing

1.0 Introduction

Start Paraphrasing The contemporary art market has grown spectacularly in each quantity and price in the past few decades. Between the year 2003 and 2008, the world witnessed a craze for gathering cutting-edge art remarkable in history. It is now a global enterprise worth in excess of \$50 billion a year (Robertson, 2008). The current Chinese art market is one big phase of the global frenzy. As works for Chinese artists fetched multimillion-dollar expenditures for the previous 5 to six years, the international artwork world is waking to the electricity of the Chinese artwork market. China has no longer solely emerged as a fundamental global player in the manufacturing and economic industries, however additionally has developed its modern-day art market at a feverish pace, becoming the single fastest-growing phase of the worldwide art market (Pollack, 2008 September).

In 2007, Chinese art made up over 70 percent of the total contemporary Asian artworks for sale (Zan, 2007, p44), which is the fast-growing market segment nowadays. Prices for Chinese contemporary artworks have increased by 2,000 percent or more since 2004 (Pollack, 2008, p), with skyrocketing numbers frequently making newspaper headlines.

So in this paper I attempt to look back at the recent fame in order to see how this leads to the current chilling scene. Since 2004, the art market in China showed such great opportunities and profits that the entire world started to pay attention and get involved. Numerous western galleries started pursuing Chinese artists eagerly and some of the galleries have even spread their fingers into mainland art centers and built up branches. The dominant auction houses, Sotheby's and Christie's, have been auctioning contemporary Chinese art for around a decade, making big sales numbers, and other western auction houses have begun to follow this lead. Fetching jaw-dropping prices and achieving international fame has become a necessity for the artists to come home and claim reputation, thus Chinese artists were more linked to the international art market than the local one.

Being Chinese and also a student studying in the United States, which has a much older and developed contemporary art market, I can always feel the differences in ways of carrying out business between the two worlds.

Commercial Space Policies and Drivers in China From the central government's perspective, China's pre-eminence in space will be achieved principally through government-directed efforts led by state-owned enterprises (SOEs). Official Chinese documents provide support to the commercial sector, but the commercial space sector is generally not seen by the bureaucracy as a central part of China's efforts in space. There is, however, a perception

within the Chinese government that jumpstarting a commercial space sector may bring disruptive new technologies and efficiencies. Under this view, commercial space companies would support SOEs, and potentially reduce China’s reliance on space-related systems and technologies from other countries.

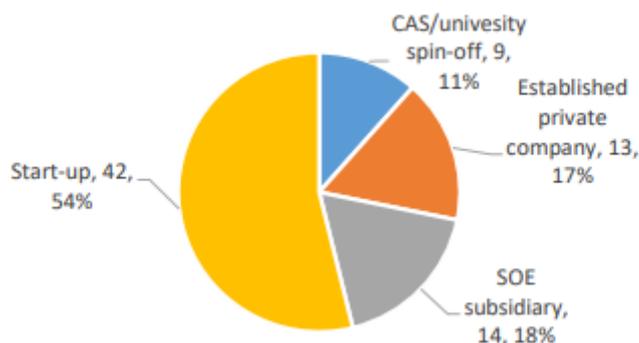


Figure1. Ownership of Chinese Commercial Space Companies

Our best count of investment in the commercial space sector is between about \$600– 900 million in the years 2014–2018, with most of those investments made in the last 2 years (Figure2). Most interviewees believe that VC will shrink in the coming years, or at least be concentrated in a smaller number of companies and sub-sectors.



Figure2: Estimate of Total Funding of Chinese Commercial Space Companies

Many of the companies in the database do not have profits yet. Most companies do not even have business plans or a strong sense of who their customers might eventually be. When queried about their future, the companies in the database indicated a desire to be Chinese versions of American space companies. They believe their customers will be those that

American companies cannot serve or are not interested in serving (e.g., domestic Chinese customers, customers from Belt and Road Initiative [BRI] countries, and other customers that are price-sensitive). Neither the companies themselves nor the government experts interviewed expect Chinese commercial space companies to replace China's space SOEs in serving government needs, at least in the near-term. Most commercial space CAS/university spin-off, 9, 11% Established private company, 13, 17% SOE subsidiary, 14, 18% Start-up, 42, 54% 5 15 50 310 516 896 230 336 606.5 2014 2015 2016 2017 2018 Total for All Years Range of Estimates (Million USD) Year vii companies are waiting and watching to see how U.S. companies perform before they pick specific directions for future products

1.1 Strengths and Weaknesses of the Emerging Commercial Space Sector

The emerging commercial space sector is nascent but shows some strength. First, the central government has provided political support, and provincial governments have provided substantial financial support to the commercial sector. This support allows many commercial space companies to draw on state-owned space supply chains and manufacturing capabilities.

China's commercial space sector is also beset by several challenges. First, most companies are relatively unsophisticated from a business perspective, and do not have a clear idea of who their customers are. The Chinese VC ecosystem is also not as robust as that in the United States; Chinese VCs set shorter timelines for returns on investment than U.S. VC firms. Since most companies are watching the successes of American commercial sector, being a second mover, even as a fast follower, limits their opportunities. Second, while the companies have support from the central and provincial governments, some parts of the government bureaucracy and some SOEs are dismissive of the emerging space companies, which makes it difficult for them to become true competitors to the incumbent SOEs. Third, China has a "brand image" problem, which could hurt foreign sales, especially in countries that tend to be closely affiliated with the United States. Fourth, as with other high-tech sectors, Chinese commercial space companies are experiencing labor market pressures as salaries in the aerospace sector have risen sharply, and they face intense competition for trained staff, which may limit their ability to grow. Lastly, the lack of commercial space-specific regulations and policies may hurt the sector, as businesses would prefer the stability of rules, and the legitimacy they bring, rather than relying on one-off relationships with government officials.

1.2 China Commercial Space in the Next 5–10 Years

While China's emerging commercial companies are in an embryonic stage and often appear to be struggling, some are slowly gaining their footing. In the course of the next decade, a

small number of them could enjoy substantial growth, especially if there is growth in markets that benefit from the launch and use of small satellites. The size and composition of the commercial space sector in China in the coming 5– 10 years depends not just on whether these companies can develop globally competitive products and services. They already have the scrappy entrepreneurialism, the talent, the technologies, and the funding, although some may be lacking business acumen. Their future also depends on four key external factors: Chinese government policies, which will affect their ability to compete for domestic and regional space markets; growth in the global space sector; international willingness to trade with China; and developments in adjacent sectors, which could improve China's competitiveness in the space sector, and increase the market share of Chinese commercial space companies. As of this writing, most Chinese commercial space companies are only 2 to 3 years old. In the next decade, a small number of Chinese commercial space companies could grow to a point where they have critical mass, especially if markets that benefit from the launch and use of small satellites grow rapidly.

2.0 Research questions

1. Who are the relevant actors in the contemporary art field?
2. What roles do galleries play in the contemporary art field? What are their functions and relationships with other actors in the network of contemporary art field?
3. How does this question apply to the situation in China? What are the similarities and differences between China and other art markets, especially the one in the United States?

3.0 Significance and Limitations

Analysis of the key actors and their interrelationships is useful for researchers, for practitioners, and for policy makers. The visual art world serves as a stimulating research area since it is very different from markets for utilitarian goods. In the general market place, prices send signals as well as reflect the supply and demand of goods. In the art market, however, the scarcity of the good is not the reason that drives up the price; but rather a value for the artwork is established by a community comprised by various players including dealers, auction houses, art critics, museums, and collectors (Joy and Sherry Jr., 2005). The unique nature and subjective evaluations of artworks differentiate them from other products. Therefore, traditional economic theories have proved inadequate in explaining the pricing and the market of artworks.

Besides the research significance, the contemporary art field also poses questions for practitioners and policy makers. Currently, the art market is a highly unregulated one, especially in China, where policy and laws are far from complete and mature in the cultural sector. For practitioners, understanding how various actors work and interact in this field is essential before jumping into the wave.

This study has several limitations. First one is that it could make a much stronger mixed-method research by combining surveys, which is not feasible in this present study. Also, the single location data collection limited conclusion of any variation of city differences as well as mainland vs. Hong Kong difference. A third limitation would be the lack of in-depth analysis; especially the analysis of the political/policy environment, which I think plays a great role in the differences among countries

4.0 Methodology

The aim of this paper is to reveal the structure and dynamics of the contemporary art field through description and analysis of different galleries' roles, and through presenting the similarities and differences among various national markets, to find out the special characteristics in China's art market. The art market is a unique field where a descriptive qualitative approach is appropriate in understanding the real issues. The paper starts with a social constructivist worldview with the purpose of understanding the situation. It focuses on the interaction among actors and the historical and cultural settings (Creswell, 2009).

In this way, it can make sense of the meanings others have about the contemporary art field. Grounded theory and case studies will serve as the research strategies as the researcher will go into the real situation with an exploratory attitude to derive a general theory of interaction grounded in the views of participants. A literature review of studies from various approaches and countries is conducted before the beginning of data collection.

5.0 Initial Data Collection

Data collection limited conclusion of any variation of city differences as well as mainland vs. Hong Kong difference. A third limitation would be the lack of in-depth analysis; especially the analysis of the political/policy environment, which I think plays a great role in the differences among countries.

To analyze trends in the Chinese space sector, using the filters above, we first identified as many Chinese companies as we could learn about. Using the three-part definition of a Chinese commercial company (discussed in the report), we winnowed down to 78 companies that we could reasonably claim as being commercial.

4.1 Interviews

To research Chinese language material, and arrange and conduct the site visits, the STPI team included three Chinese language speakers, and had access to two local experts in China. We promised interviewees that their responses would be confidential and anonymous. We draw on our interviews throughout this report, but do not reveal with whom we spoke.

4.2 Limitations

We attempted to use as much original information as feasible, whether by talking to Chinese experts directly or reviewing Chinese language documents and databases. But use of original sources has its own set of limitations:

- **Quality and completeness of databases.** We found information on Chinese organizations that was lacking from these organizations' English language materials both from an accuracy, timeliness, and completeness perspective. Chinese language materials were more complete and updated (and presumably more accurate, although that cannot be fully ascertained). However, they had limitations as well.
- **Challenges related to working with Chinese documents.** Working with Chinese language documents is challenging. The Chinese language material did not always match the English language material. In some cases we found companies had several names in Chinese and in English
- **Challenges related to talking with Chinese companies.** Many commercial space companies were unable to speak with a U.S. research organization, especially the state-owned subsidiaries, because they could not attain official approval.

5.0 Literature review

- **Historical Background of Contemporary Chinese**

5.1 Art Market

To understand the current art market one needs to look at where it came from and how it evolved through time. This chapter is about the past of contemporary Chinese art market. A brief summarization of how the market came to what it looks like now can help us better understand the mechanism lying in the market

Moulin (1987) delineated a tripartite classification of periods widely recognized among art experts: “Older paintings (prior to Impressionism); Modern paintings (from the Impressionists to the twentieth century masters); and contemporary painting (the work of living artists or those born after 1900). This is generally how western art periods are concerned. Contemporary art in China is a very new thing with a history of around 30 years.

5.2 Political Environment

A Chinese art market based on the Western and Japanese models was created in the early twentieth century, but was abolished in 1949 when Chairman Mao adopted a socialist framing model on the national level. Although market socialism was adopted in 1979, breaking out of the totalizing frame was difficult. After Mao’s death and the end of the Cultural Revolution, government leaders including Deng Xiaoping, initiated reform programs that increased openness to the west.

5.3 Public, Semi-Public, and Private Art Museums

Traditionally, all official art galleries were sponsored by the state, and their exhibitions served strong educational or political purposes. Major national and municipal galleries included the National Art Gallery in Beijing (founded in 1962), the Shanghai Art Museum (founded in 1952), and the He Xiangning Art Museum (founded in 1997) in Shenzhen, and these are all public galleries funded by the government. Aside from the public galleries/museums, there emerged other channels of exhibition of art in China.

5.4 Art Fairs and Biennales

Since 1993, international exhibits have played a great role in laying the infrastructural foundations of art distribution networks in China. In 1993, Venice Biennale saw the first Chinese participation

5.6 Development of Galleries

After achieving name recognition and being renowned on the international market, certain artists effectively use the new state ideology (strong market orientation) to promote their works. Just as China was beginning to attract more foreign investment through multinational joint ventures, Chinese artists began to achieve acclaim on international art circuits. For both artists and the Chinese government, market values became the medium to reinvent themselves (Hung, 1999). Foreign investment does not only come for industrial companies, but also art and culture. Not until 1991 were there private and commercial galleries (Cohen,

1987). Several important foreign-funded galleries were established in the early 1990s as the first generation of commercial galleries in China.

5.7 The Time Line of the Contemporary Art Market

1979	Star Art Exhibition launched the beginning of contemporary Chinese art.
1979-1989	Rapid surge of creativity happened.
1989	Tiananmen Square Massacre stopped the rapid development.
1991	The opening of the first privately owned commercial gallery for contemporary art in China: Red Gate Gallery.

The opening of the first semi-public art museum for contemporary art in China: The Yanhuang Art Museum Auction was deemed legal by the Chinese government. Christie's Hong Kong held the "Contemporary Chinese Oil Painting Auction", where Chinese oil paintings began to enter the international auction market.

5.8 Commercial Galleries in China

The mainstream galleries in the hot contemporary art scene are the commercial galleries. These galleries constantly appear in newspaper articles and magazine reviews. The first commercial gallery in China was opened in 1991 by an Australian, and this predicted that for the later several years foreign-owned galleries controlled most of the contemporary Chinese art market. This phenomenon is reasonable. For one reason, western standard commercial galleries did not have a tradition in China and almost no one sensed the need to open one. Direct-selling from artist was the traditional way of doing business in the art world for Chinese people and the fact dealers are taking around half of the money from the sales sounded unreasonable to the artists.

This is not absent in the western art market. The whole commercial art market is rather globally similar in being driven by a market force and a branding process.

5.9 Pace Beijing

Pace Beijing was established in August, 2008, with the opening on August 2nd, right before the Olympics, by Pace Wildenstein and is located in Beijing's 798 Art Zone. Pace Wildenstein is a major American gallery, with three locations in Manhattan. It is said to be the first U.S. gallery to open a space in Beijing, also it is Pace Wildenstein's first

international branch (Wilton, ArtInfo). So the Beijing branch has attracted a great amount of attention. The gallery is dedicated to the promotion of contemporary art in Asia, presenting exhibitions by an international roster of artists. Housed in a 1950s former factory, the gallery has a gigantic space of 22,000 square feet (Gallery's website).

The reason for choosing Pace Beijing is obvious by its uniqueness. As the first international branch of a major gallery from Manhattan, and the first location of a 28 U.S. gallery, Pace Beijing stands out from its peer by its identity. It would make a big impact on the contemporary Chinese art market with its strong funding resources and its experience of running a successful gallery. Also, the opportunity to interview one of the most important figures in the contemporary Chinese art market is precious, since he can provide valuable information on galleries from both the western world and the ones in China.

5.10 Iberia Center for Contemporary Art

Iberia Center for Contemporary Art is the art center established in China by the International Art & Culture Foundation (IAC) of Spain. The foundation was founded in Madrid, 2007 by a Chinese descendent, who accumulated his wealth by doing international trade. Located in the 798 Art Zone, Iberia Center covers an area of around 4000 square meters. It incorporates exposition area, film & video archive, , visual studio, auditorium, library, café and art store

5.11 Commercial Space Companies in China

China's space industry includes a variety of participants, from large SOE subsidiaries to small, privately-owned start-ups. Some of these organizations—in particular, CASC, CASIC, and their subsidiaries engage in commercial activities, buying and selling goods and services with the private sector. However, many of the organizations that engage in commercial activities, such as CAS institutes, are not commercial companies. As discussed above, in this report we define a commercial company as an enterprise that is primarily operated in pursuit of profit, as opposed to an organization that prioritizes public policy goals over profits, even though it conducts commercial activities. Notably, this definition can include companies that are fully state-owned. In classifying a company as commercial, we evaluated the selection of each company as to whether it is commercial on the basis of three questions:

- Does the company have some private parties taking risk (through ownership, investment or other means), even if the majority shareholder is an SOE?
- If not, do they sell their products to customers other than the Chinese government, in domestic or foreign markets?

- Even when they are fully or partially state-owned, do they appear to demonstrate independence from their parent SOE or government agency?

These questions are meant to identify companies that could play a role in the global space market and that have at least some separation from the Chinese government. Using these questions and through a review of the open literature and publicly available databases, we identified 78 companies that generally meet these criteria

5.11.1 Commercial Company

Prior to examining the commercial space industry, we first define what companies we include in our evaluation, as the boundary of what includes a commercial company in China varies depending on whom is asked. For example, many SOEs conduct commercial activities with the private sector, buying and selling goods and services from and to households and businesses.

6.0 Discussion and Comparison on Gallery's Role

The mechanics in the art market and the players Moulin's (1987) research on the contemporary art market in Paris of the 1960s still holds true for today at large. In many aspects, the art world still represents Moulin's alchemy, since her research method was interviewing key players, such as dealers, auction houses, collectors, museum curators, and critics. As the business on contemporary art has been booming around the globe, this new phenomenon and the largely unregulated nature of the art market has been an important motif for various researchers and governments to carry out research on this topic.

For example, in the UK, the Culture, Media and Sport Committee of the House of Commons convened to examine the art market in the UK by again seeking written submissions and oral evidence from key players in the field. Questions were asked: What are the mechanics existing in this particular market? Who are the key players? A report by Arts Council England, *Market Matters*, discussed the mechanics of the art market. It explained the concept of endorsement that underpins all the market's transactions and lies at its core.

The focus of this paper is one of the two key intermediaries in the art market, the galleries. Galleries are run by dealers or allergists, who are in charge of the operations, and the difference between them is not the focus in this discussion. I want to point out that gallery and dealer are two interchangeable concepts in this paper. As an intermediary, galleries have to manage two main sets of relationships well in order to succeed: the ability to represent key artists and secure key artworks from the supply side, and the relationships with collectors to form sales from the demand side.

Chinese government and large SOEs continue to dominate the space sector and constitute the majority of demand for future space applications; the development of the Chinese commercial space sector could follow the model of high-speed railroad equipment. In such a scenario, Chinese companies would likely slowly develop capabilities by first serving the large domestic market, and then expanding internationally using the advantages they would have accumulated on the domestic market with respect to cost and capabilities. This scenario would favor the SOEs, especially the SOE subsidiaries focused on commercial business.

6.1 Types of galleries in China

The case in China seems to be more complicated and opaque. It is a little bit more difficult to categorize galleries into types as clear as the aforementioned ones in the western countries. The first level of categorization is the ownership. Foreign-owned galleries, almost all are commercial, started earliest in China and have been operating more professionally and successfully. Although there is a high 34% tax on imported art, more and more galleries are setting up branches or satellite galleries in China since it is a large market with great potentials. Also the branches represent mostly local Chinese artists since local branch needs local characteristics and it is important to develop the market (Picard, 2008). Their operations follow the headquarters' rules with some alterations adapted to local situations, such as one of the cases in my study, the Pace Beijing.

7.0 Conclusion

In conclusion, the four galleries or spaces under studies are unique in various ways and all of them offer valuable information regarding the understanding of the market. This chapter I have presented the background and basic information about the four galleries or spaces and their managers/owners. And I also brought out the MCGs as the main player in the commercial world also Most Chinese commercial space companies are only 2 to 3 years old. While they are currently in an embryonic stage and many appear to be struggling, some are slowly gaining their footing. Noting that it took even companies such as SpaceX and Blue Origin a decade or more to become successful, in the next decade, a small number of Chinese commercial space companies could grow to a point where they have critical mass, especially if markets that benefit from the launch and use of small satellites grow rapidly.

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