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### Story of Twin Cities, Who Will be the Next Storm Center of Art Fairs?

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Story of Twin Cities, Who Will be the Next Storm Center of Art Fairs?

by

Rui Bian

A thesis submitted in conformity

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## Story of Twin Cities, Who Will be the Next Storm Center of Art Fairs?

By: Rui Bian

Since 2000, with the rapid development of China's economy, the evolution of contemporary art fairs in China has been accelerated. This paper takes two representative cities, Beijing and Shanghai, as examples. In the past one decade, Shanghai and Beijing have respectively led the trend of contemporary art market due to various internal and external factors. This paper uses PEST model to analyze, trying to find out who will be the next center of contemporary art in the next ten years.

The first part of this paper mainly starts from the differentiations in policies and regional distributions of Chinese contemporary art fairs, sorts out the development status and classification of art fairs, and summarizes the development status of Chinese art fairs. The second part is the influence of other factors including economy, humanity, society, science and technology on the contemporary art fair of China. The third part is the interview and analysis of famous art fairs in China. The fourth part, through the analysis of the reasons, combined with the domestic reality, to find the answer to the problem.

Based on the existing domestic and foreign related works as the research foundation, this paper applies data, theory and case to research appropriately. In the context of the overall growth of China's contemporary art market economy, the research on art fairs is of great significance to the development of contemporary art fairs.

Keywords: Art Market; Contemporary Art Fair; Galleries; Beijing and Shanghai; Political

Policy; Economics; Social and Humanities; E- Commerce

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## Introduction

The art world is looking east. In year 2018, art works that value over 67 billion USD were traded in the industry. China market contributes over 19% of the total transactions. According to the industry overview, art trading business in the United States, UK, and China is tripartite confrontation since 2011(Fig.1).<sup>1</sup> The name of the twin cities in Mainland China of contemporary art centers will be well known as Beijing and Shanghai. The twin cities will definitely lead the path of growth of China's contemporary art industry. By looking on the transaction volumes of art pieces and the numbers of the local artists, Beijing was the art center of Mainland China with no doubt in the past 10 years. However, due to several reasons like leaning of policies, differences of economic growth, the situation of the contemporary art industry is changing between the twin cities without being noticed. The new setup of China's art industry may also affect the thoughts of collectors, investors, artists, owner of galleries worldwide to a great extent. Chinese buyers are stepping to the world with plenty of cash and strong consuming desires and the "old world" of the art industry is looking forward to approach to this "new world" across the "Great Wall."

The thesis will elaborate the question and forecast the next 10 years' Chinese local art market by investigation, review the existing literature, and analyze the specific

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<sup>1</sup> Clare McAndrew. Art Basel and UBS global art market report (third edition ) [R]. Art Economics, 2019.

variables took effects on the market that were mentioned in the first part of the introduction. According the statistics, the proportion of numbers of Beijing's galleries makes up to 31% out of 4339 galleries totally in China. On the other hand, the ratio of Shanghai's is 17.65%, which ranked 2nd place in China Mainland market. <sup>2</sup>The art ecology in Beijing has direct influence on the development of China's art business market. Since 2011, due to the domestic art policies changes, Beijing encounters the inevitable bottleneck although Beijing has built up the art trading system preliminarily. Meanwhile, Shanghai does the utmost to catch up Beijing. From the M50 Art Park to the West Bund, Shanghai already has more than 400 galleries after many years' efforts on developing the contemporary art industry. Shanghai's art ecology has favorable circumstances.

Gallery is the main exhibition body of art fair, and the gathering cluster of the galleries indicates the prosperity of the primary art market. Therefore, it is necessary to study the development of galleries when we want to dig into the facts why the art fairs were successful.

From Year 2005 to 2010, there is a boost of the Shanghai's galleries' transformation. The related authorities encourage the growing of the local art market. They do the un-bloc of the old industrial estate and reconstructions of Art Park were

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<sup>2</sup> AMRC art market analysis research center data analysis[R], 2018

made to attract more artists. No.50 Mo Gan Shan, Chang Ping Road, and 2 more art zones are coming after each other. Auction house, galleries, Artist Studios took actively part in the local art trading market. We can imagine great profits were coming out from the hot industry.

Additionally, with the completion of the West Bund Art Zone accompanied by “Tian Xian space” (2010), Mo Ding Gallery, and BANK (2013), Shanghai’s art ecology has warmed up sustainably. Generally, Shanghai has become the channel when overseas art related authorities have the intentions to establish the outbound headquarters in China. Thus, by overviewing the past China’s Contemporary art market, art fairs, galleries, the question of “Which city will be the next contemporary art center of China in next 10 years, Beijing or Shanghai?” will be spontaneously raised up. The problem could be elaborated and breakdown to several questions. Which city, in other words, which city’s gallery would be chosen when Chinese Contemporary Artists have the intentions to explore the global market? When western contemporary artists/Galleries have the visions planning of entering China’s market, which city’s art fairs/galleries would they choose to have their first small step?

In this paper, PEST research model is used to analyze and study the art fairs in Beijing and Shanghai. The operation of art fair is inevitably influenced by policies and regulations, economic development and income level, social aesthetic trends, science, technology and other macro factors. The change of laws and regulations will have an

important impact on the strength of the art market, the flow direction of the art market and the main body of the art business. The level of economic development and the emergence of high net worth population fundamentally determine the overall purchasing power and market development of art in the certain country or region. Social aesthetic trends affect the value judgment of collectors and investors in the art market. The development and progress of science and technology bring new opportunities to the art market, but also bring a lot of uncertainties and risks. Thus, in this paper, PEST analysis model is used to analyze the four factors of politics, economy, society and humanities, and technology, so as to grasp the influence of macro environment on the art market in general.

## Chapter 1: The Contemporary Artistic atmosphere in China affected by Politics

1.1 An overview of the primary art business market in Hong Kong and the reasons why Hong Kong is Asian's leading primary Contemporary art market.

5 years of Art Hong Kong and 7 years of Art Basel Hong Kong have been vigorously developed Hong Kong's contemporary art market. Hong Kong has only taken 12 years to become the capital of the Asia of easy access. Dozens of top galleries in the world have also settled in Hong Kong, and the Asian branches of the top international Auction houses have also basically moved to Hong Kong from Japan, Korea and Taiwan. Hong Kong's art market ecology is becoming increasingly perfect. A successful art fair overturns the Asian art market's layout unconsciously. In order to study the development of art fairs in Beijing and Shanghai, it is necessary to make a comparative study with the art fairs in Hong Kong.<sup>3</sup>

Mainland and Hong Kong both belong to one China, the historical and cultural origin are bonding tightly and economic activity exchanges are active and frequent.<sup>4</sup> Mainland and Hong Kong breeds different artistic market regulation and control policies because of the extreme variation of social and cultural environment. Based on the historical and cultural background, this paper compares the similarities and differences of

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<sup>3</sup> Ke Gang. Hong Kong Basel makes Hong Kong an important city for Asian art trade [N]. Art daily, 2017-04-01(005).

<sup>4</sup>The Hong Kong arts development council, 97 years ago Hong Kong cultural policy back [Z]. 2000

the control policies, analyzes the relationship between the government and art market, and discuss the characteristics of the management in Hong Kong and the mainland through observing the administrative structure, legal provisions and financial policies of the art market management. “One country, two systems” also adapted to the art market. The system after 1997 is a double-edged sword. On the one hand, it further accelerated Hong Kong's rise, helped Hong Kong successfully survive the financial crisis of 1998, and become the pearl of the orient in world's art market. On the other hand, the system created by Deng Xiaoping also poses a threat to Hong Kong's original geopolitical ideology. Since the 1990s, with the deepening of reform and opening up policy developed in the mainland, the return of Hong Kong to China undergone a major transformation at the same time. From the perspective of laws related to the art market, the mainland is accelerating the special legislation on the management of the art market and building a cultural legal system in combination with relevant cultural legislation. <sup>5</sup>

Compared the situation of Hong Kong in 1950s until the handover, cultural and art policies were scattered in different administrative departments, without specific coordination from public cultural services measures in Hong Kong. After the handover of British power to China in 1997, Hong Kong began to promote cultural development under the policy protection of Chinese government. The regional urban council and the

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<sup>5</sup> Zheng Meihua. *Comparative analysis of cross-strait cultural governance* [J]. *Journal of general studies*, 2008a (12) : 101-130.

arts development council were set up one after another. The promotion of arts and cultural was more strongly supported than before, with more funding for public culture, arts, entertainment and recreation.

On the other hand, the tax policy is also a non-negligible variable. Preferential tax policies of art market in Hong Kong Special Administrative Region attracts collectors globally in the high art market. As opposed to this, a separate tax system is adopted to mainland art market, high tariffs to buy art pieces brings certain obstacle to the collectors.

The Hong Kong government built up an international art center with persistent efforts. By adopted a good service platform and tax policy to attract art authorities globally to set up Asian's Headquarter in Hong Kong. Therefore, Hong Kong can provide the mainland with international art market's management experiences. Meanwhile, the mainland's artworks of art have the chance to enter the international industry from the window that Hong Kong, as a stepping stone, opens for China mainland.

Therefore, Hong Kong has been the third largest exhibition city of Art Basel since 2013. Although Art Basel Hong Kong is young, it has a high starting point and become an important foothold for European and American countries and institutions to overall arrange their market layout in China and even in the whole Asia. Art Basel saw the growth potential of the Hong Kong's art market. By taking Hong Kong into the global art market map reflects the western capital's wisdom and two-way identifications.

Hong Kong's thriving culture and economy have driven great vitality to the primary art market. Christie's and other large preview exhibitions can be visited, as well as the simultaneous exhibitions in the hotels surrounding and other art venues around the art fair. All these creates an artistic magnetic field.

Besides, westerners don't have to worry about the language barriers. Most of Hong Kong residences can speak very good English. Hong Kong's colonial past has brought this unique advantage. The very detailed differences highlight Hong Kong's strengths as an international city, according to artist Qiu Zhi Jie.<sup>6</sup> So when he was interviewed at Shanghai Art Fair last year, he brought the word that Beijing and Shanghai have a lot to catch up and learn from Hong Kong. The challenges and crises that Hong Kong encounters in 2019 also coexist. Due to the backlog of political uncertainties after the 1997 handover, the situation in Hong Kong is unstable, which will definitely have a negative impact on the local art market and the local art fair. Hong Kong is anxious to restore the confidences in its positioning as an Asian's center for the arts and finance. Art market has a certain lag, unlike the financial market has a high degree of sensitivity. Financial market can have the timeliest response to the current situation. Due to the excessively free political environment of Hong Kong itself, the anti-risk ability was demonstrated in such a sudden black swan event.

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<sup>6</sup> Ma Jun. *What should we learn from Hong Kong art fair* [N]. China Culture Daily, 2011-06-02(009).

The degrees of centralization of power by the central government of mainland China or Hong Kong Special Administrative Region are seems to be at the two extremes of the scale. Huge differences in policy control not only affect local people's livelihood, education, economy, but also the art market industry, which is closely related to the economic and livelihood stability.

After the handover, Hong Kong enjoyed the benefits of nearly 20 years of political supports on the art market. The art market is standardized and the art industry is thriving. Art market's prosperity benefited from the thorough implementation of the "One Country, two systems" from mainland government and SAR government. The conditions of political stability are shaking currently.

Thus, there will be huge doubts whether Hong Kong's art market has the capabilities to remain stable despite political turmoil. Or the hot money will flow to Singapore, Shanghai or Beijing. Compared with the financial market that can be strongly supported by mainland China, the art market in Hong Kong is more independent from mainland and more easily influenced by the local political environment.

Under such circumstances, international investors are reassessing the safety of assets in Hong Kong. It is difficult that Hong Kong art fair remain immune in the change of the political environment. Political policy, as a cornerstone of the art market, determines the success and failure of the art market. Through the investigation and

analysis of various factors, the study of the next art market center will be quite urgent and necessary.<sup>7</sup>

## 1.2 The Development of China's Art Fair

The development of China's art fairs can be divided into three stages. The first phase was from 1993 to 2003, a decade in which the fair developed within the government system. In this stage, the development of the art fairs was strongly supported by authorities. For example, the first art fair in mainland China, China Art Exposition, was held with professional support from Chinese artist association. The China Art Exposition is held in Beijing until now except the first session that was conducted in Guangzhou. In east China, by getting the supports from Shanghai municipal government, the Shanghai Art Fair opened its first session in Shanghai in 1997, which is generally considered as the formal formation of the art fairs' layout headed by Beijing and Shanghai.<sup>8</sup>

The second stage was from 2004 to 2012. With the continuous rise of Beijing Art Now Gallery, Art Beijing, ShContemporary, the development of China art fairs opened a new era. During this period, China's art market was booming, and China's art

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<sup>7</sup> Hong Kong (BLOOMBERG)-The potential benefit to Singapore from the turmoil in Hong Kong: US\$4billion.

<sup>8</sup> Gu Xin. *Future trends from the development path of China art fair* [J]. *Art observation*, 2016(07):22-24.

fairs promoted the sales of galleries and development of the related art industry. Under such circumstances, domestic art fairs began to cooperate with foreign exhibition institutions. ShContemporary was held in 2007, the exhibition standard of domestic expositions is drawing closer to international standard. The symbolic beginning of the third phase could start with Art Basel Hong Kong and ART021 Shanghai firstly held in 2013. During this period, the China's art market experienced a boom then a slump, and the fair began to undergo extensive adjustments. Due to the layout and demand of the domestic art market, a variety of exhibitions named after cities have emerged in various places, such as Art Chengdu, Art Changsha, Art Shenzhen, Art Xiamen, etc., so as to adapt to the demand and new layout of the domestic art market. The appearance of Chinese art fairs in new cities promotes the diversification and international development of the art market.

Nowadays, the layout map of art fairs in China is mainly composed of Beijing, Shanghai and Hong Kong, which are the main gathering clusters for the development of art fairs, with distinctive regional features and complete structure system. Beijing, as the capital of China, has a unique strong comprehensive strength to develop the contemporary art market. Shanghai is committed to a win-win situation between art and market, with the introduction of foreign advanced art selection mechanism.

Beijing and Shanghai are still young in the market for contemporary art exhibitions, but the rising stars are not to be underestimated. Beijing and Shanghai are

still young in the market for contemporary art exhibitions, but the rising stars are not to be underestimated. Compared with Hong Kong, they have a wider mass base and have risen rapidly after the 2nd stage of development. If we took data of the local art fairs among these three cities as a comparison, Beijing and Shanghai's performances since 2006 are undoubtedly very impressive. (Fig.2) (Fig.3)

### 1.3 Related policies of contemporary art fair development in China.

The long-term implementation of trade policy, cultural policy and the public's perception of art have affected the evolution of art market to varying degrees, making it constantly changing and improving in the period of founding of new China, reform and opening up, preparation for entry into WTO, and tariff adjustment. The following will specifically discuss Beijing and Shanghai's contemporary art fairs under different policies.

#### 1.3.1 Related policies of contemporary art fair development in Beijing

The beginning of Beijing's art fair is China Art Exposition. The previous four China Art Expositions were sponsored by national government departments and organized by China Culture and Art Corporation (CNCAC), which is the state-owned corporation of Chinese Ministry of Culture. It can be seen that at the beginning of the art fair appeared, that was an obvious willingness and characteristics of government behavior. This also shows that the Chinese art market was just starting at that time and

everything was still in a groping state. However, as a kind of market behavior, this mode will definitely deviate from the normal commercial track in the long run. Only by forming a professional exhibition management system can art fair be guided into a healthy and standardized market track. On the one hand, this is a marketing activity of an art fair, on the other hand, this fair is a large-scale art exhibition activity that prospers artistic creation. This is more like an art fair, as a national art exhibition without state funding. However, this makes the art fair seem like a free market product, which leads to the rejection and alienation of the academically successful artists.

Year 1997 was the turning point of China Art Exposition. From this year, the state government no longer sponsored China Art Exposition, which meant that the art fair began to gradually embark on the road of commercialization. In 1997, the fifth China Art Exposition was co-sponsored by CNCAC and the International Tourism Year organizing committee, since then each session of China Art Exposition are operated in a purely commercial mode. This is the restoration of the art fair's business nature, is the embodiment of respect for economic laws. Since China Art Exposition was held in 1993, it has been supported by the government and gradually withdrawn from the government's controls, which shows the uniqueness of the development of China's art market.

Established in 2004, China International Gallery Exposition (CIGE) is the earliest pioneer and leader of Chinese professional gallery expositions. CIGE is a good choice to take a general view of the art ecology and understand the art market in China. Founded in 2006,

Art Beijing is an art fair with the theme of "contemporary art" developed in Beijing area. Different from previous comprehensive exhibitions with broad contents, it is more specialized in contemporary art, reflecting the development trend of professional segmentation of the global art market. "CIGE" and "Art Beijing" both adopt independent corporate operation, which is different from the organizational structure of the official organizing committee and integrates the modern enterprise management mode with the project operation seamlessly.<sup>9</sup>

Established in 2004, CIGE is the earliest pioneer and leader of Chinese professional gallery expositions. CIGE is a good choice to take a general view of the art ecology and understand the art market in China. Founded in 2006, Art Beijing is an art fair with the theme of "contemporary art" developed in Beijing area. Different from previous comprehensive exhibitions with broad contents, it is more specialized in contemporary art, reflecting the development trend of professional segmentation of the global art market. "CIGE" and "Art Beijing" both adopt independent corporate operation, which is different from the organizational structure of the official organizing committee and integrates the modern enterprise management mode with the project operation seamlessly.

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<sup>9</sup> Tan Xuefen. *On the development of art fairs in Beijing* [J]. *Art. Life*, 2011, (03):35-37.

Comparing among “China Art Exposition”, “CIGE” and “Art Beijing”, the difference is obvious. From the point of view of the organizers, the China Art Exposition was hosted by the government in early stage and later by enterprises, which has the typical characteristics of the transition period from planned economy to market economy. This traditional type of art fair generally has to conform to the political ideology, even if it is turned into a corporate sponsored, it is usually hosted by an enterprise that is state-owned or restructured by a government department, which will inevitably be subject to the intervention of governmental authorities. As a result, the exhibition operation as a commercial activity is restricted. However, with the rapid growth of China's contemporary art market, “CIGE” and “Art Beijing” are a new type of art fair established in accordance with the international convention, corporate operation and modern enterprise management, which guarantee the high efficiency of operation and academic independence.

In Beijing, since its establishment in 2006, “Art Beijing” has been focusing on academic construction and constantly innovating its business model, and has become the leader in this field in just five years. In terms of fully exploring the connotation and expansion of the brand, “Art Beijing • Contemporary Art Fair” is the most prominent. Art market analysis and research center visited several participating galleries of “Art Beijing • Contemporary Art Fair”, and the exhibitors fully recognized the quality assurance of Art Beijing for the exhibition, not only in the quality control of the exhibited artworks, but

also in the services provided to exhibitors. According to the official statistics of “Art Beijing” 2019, this year's artworks transactions grew steadily, with 80% of the exhibitors clinching a deal. The highest unit price was 5 million Yuan. Collectors who bought more than 3 pieces of artworks on site increased by 15% compared with the previous year. Public concepts of art consumption continue to heat up. 30,000 Yuan to 50,000 Yuan of artworks is the most popular.<sup>10</sup> In 2018, which is supposed to be a big year to Beijing contemporary art market, several new art fairs have emerged in China. Another art fair, JINGART whose team also organized the ART021, was expanded to Beijing. This also revealed the beginning of the trend that domestic brand art fair is eager to export. Art fairs in Beijing now show that sales of young artists are brisk, the purchasing power of millennials has increased significantly, and public BBS and social aesthetic education programs have gained weight. Cultivating market and strengthening aesthetic education are the long-term work of Beijing’s art fairs.

### 1.3.2 Related policies of contemporary art fair development in Shanghai

The Shanghai’s art fairs began the transformation after 2000. The third Shanghai Biennial was held in Shanghai art museum in November 2000. It was approved by the Ministry of Culture, sponsored by the Shanghai art museum and co-organized by Shanghai Cable TV. Obviously, this is a government project. Contemporary art forms,

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<sup>10</sup> Wu Wenlong. *2019 art Beijing: a feast of individuality and diversity* [J]. *Art market*, 2019(06):58-63.

such as installation art, media art, photography art and video art, are held in the government's art museum, which means that no matter whether the country's art system has changed or not, it actually opens up new era for contemporary art. Therefore, the "legalized" status of the Shanghai Biennale marks the arrival of new era of Chinese contemporary art and even the Chinese contemporary culture.

In order of meet the growing consumer demand of artworks, on the basis of the original pattern of contemporary art fairs, Shanghai ART021 and West Bund Art& Design features were set up in 2013 and 2014. As the two art fairs constantly pursued high requirements for its quality and field capacity, top international galleries are involved, make Shanghai's contemporary art atmosphere become more and more strong, and eventually formed the two strong pattern of the Shanghai regional art fairs.

The rapid rise of ART021 and West Bund Art& Design Features in past two years is related to the continuous maturity and demand of Shanghai contemporary art market. On the other hand, it is due to the relatively strong support from Shanghai local government for the culture and art industry. Specifically, 2015 is the year when Shanghai art fairs began to show a blowout. Shanghai Art Fair, Shanghai Young Art Fair, DesignShanghai, West Bund Art& Design Features, LOHAS Art Expo, ART021, Citizen Art Shanghai, these art fairs, large and small, have a boost in stimulating consumption of artworks: take the 19th Shanghai Art fair as an example, the transaction volume during the expo reached 141 million Yuan, which was still higher than the transaction record in

2013.<sup>11</sup> In the “13th five-year plan”, improving the art trading industry chain has been written into the core content of art industry development in Shanghai.

In recent years, with the continuous guidance of relevant policies, Shanghai issued “several opinions on accelerating the innovative development of the city’s cultural and creative industries”, which proposed that “efforts should be made to build Shanghai into one of the world’s important art trading centers”.<sup>12</sup> In the future, people will clearly see these goals come true: further optimize the layout of the development of the art industry, improve the professional supporting services for the development of the art industry, and actively cultivate and introduce qualified market standards. In the view of experts and scholars, Shanghai, as an international metropolis, has a solid foundation in urban construction, technological innovation infrastructure, professional financial services, regional radiation to Yangtze River delta area and other aspects. The overall advantages of Shanghai’s art industry are within sight.

According to the insiders, Shanghai’s art industry not only needs to develop, but also needs to be optimized, upgraded and featured. “Optimize layout of art industry”, which was included in the “Opinions”<sup>13</sup>, is just in time. Shanghai devotes to not only build

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<sup>11</sup> Wu Xiaoyan. *Opportunities and challenges in the development of Shanghai art* [J]. Shanghai art review, 2016(03):34-39.

<sup>12</sup> Ibid.

<sup>13</sup> Jiang Yuanyuan, Yang Xiuyun, Li Min. *Policy effect and regional heterogeneity of China's cultural and creative industry* [J]. Journal of management, 2019, 32(05):9-19.

agglomeration advantages of "accelerating the construction of Pudong Waigaoqiao Free Trade Zone and Xuhui riverside arts district" but also issues measures such as supporting the arts cultural creative park development, set up a sound primary and secondary market ecological "to encourage the agent system development of galleries" "support all kinds of galleries in domestic and foreign well-known art exhibition", "support the development of art auction house become bigger and stronger" "deepening the reform of state-owned art auction house ", etc.

As part of economic development, cultural industry has experienced the development stage from initial birth to vigorous growth since the reform and opening up in China. It is mainly driven by policies and guided by policies. In 1980, the national policy of "Let a hundred flowers blossom and a hundred schools of thought contend"<sup>14</sup> was put into practice, marking as an important cultural policy exploration. At the beginning of 21st century. China put forward the policy of "going out"<sup>15</sup> for culture, which played a positive role in promoting the revival and development of Chinese Culture. The policy supports the export of cultural products more and more. The cultural industry's policies, which focus on expansion to world, played an important role in expanding the international influence of Chinese culture and enhancing the international status.

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<sup>14</sup> *Opinions of Shanghai municipality on accelerating the innovative development of cultural and creative industries, 2017*

<sup>15</sup> *Ibid.*

#### 1.4 Changes of contemporary art clusters and galleries because of the politics factors.

Gallery is the main exhibition body of art fair, and the gathering cluster of the galleries indicates the prosperity of the primary art market. Therefore, it is necessary to study the development of galleries when we want to dig into the facts why the art fairs were successful.

The development of art fair is inseparable from the expansion of a regional gallery industry. Since 2000, the art gallery industry in Beijing and Shanghai has begun to show its embryonic form both from the mainland and foreign capitals. With the change of the environment, galleries began to gather, forming one gallery gathering cluster after another, which was later changed from the government planning to cultural and creative industrial park. (Fig.4) In the process of forming this ecological chain, the government has played a leading role in two aspects. First, it provides necessary space for the survival and development of the gallery industry. Secondly, government will support and promote the development of gallery industry through direct subsidies, low-interest rate loans and government procurement.<sup>16</sup>

First of all, let's talk about the place and space for the survival and development of the galleries. Beijing and Shanghai can be considered to show a complete difference.

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<sup>16</sup> Mao Shaoying. *30 years of Chinese cultural policy -- three stages and future priorities* [EB/OL]. [2010]. [2015-04-05].

After 2000, the state carried out strict planning on urban of Beijing<sup>17</sup>, which restricted the commercial development of traditional cultural blocks. Therefore, it became difficult for foreign-funded galleries to open art space in tradition cultural blocks. They have no choice but to gather in a special art industry planning land instead, such as Cao Chang Di, 798 art district. As the development and prosperity of art district, a number of art districts, mainly the 798 art district, have gathered extremely high popularity, which also formed a relatively strong artistic atmosphere. In addition, the rental price of commercial land in Beijing has been soaring year by year in recent years, and the rent of art district has comparative advantages. Therefore, the art district has become the best choice for foreign galleries stationed in Beijing. (Fig.5)

From 2006 to 2010, during the boom of 798, the number of galleries increased rapidly which reaching about 350 by 2009<sup>18</sup>. After 2012, 798 was reported by many foreign media and became a cultural symbol of Beijing. 798 was regarded as a cultural park with international influences. The Beijing cultural heritage bureau and the cultural department have made many investigations and determined that 798 is a cultural and creative industrial park, which has been retained as an industrial cultural relic<sup>19</sup>.

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<sup>17</sup> Chong Rongrong, Wei Xing, He Yajun. Research on the development status of cultural and creative industrial park -- a case study of Beijing 798 art district [J]. (Chinese philosophy and social science edition, 2019,40(04):66-68.

<sup>18</sup> Lu Peng. *The past life of "798"* [J]. Art review, 2011(04):35-42.

<sup>19</sup> Ibid.

Therefore, at this time, the planning of the gallery industry was limited to a part of the region. The once scattered and free distribution mode of galleries and studios is no longer existed because of the strict planning of urban functions in Beijing. Young artists are the most affected by the policy, as well as other art communities they have spontaneously formed.

Since 2018, the relocation of nearly 10,000 artists in Beijing has attracted public attention. The focus of attention is the great change in the planning and functional positioning of the new capital of China in recent years, which brings great relocation pressure to the natural gathering of artists. Liang Kegang, an artist, said that "thousands of free artists in the vicinity of the 5th or 6th ring or the suburbs of Beijing are suddenly faced with the difficult situation of where to go next". The extensive artists are the most fundamental productivity of art, and their migration will bring changes to some small and medium-sized galleries. Whether such domino - like joint response will affect the high-end gallery and art fair cannot be revealed overnight. However, the lack of small artists in the art ecosystem will be like a pool stagnant water.

In fact, from 2015 to 2017, with the readjust of the planning of the capital and the outward diversion of the urban functions, the studios of thousands of artists gathered in Heiqiao village, Beigao village, Suojia village, Feijia village and other places in the northeast between the fifth and sixth rings were demolished and cleaned in just two or three years. Many non-local artists who drifted in Beijing for many years have no

intention or ability to toss around their new studios and choose to return to their original birth places for development. Most artists have to look further afield, for example, to move again where rents are relatively cheaper.

In addition, according to the data report <sup>20</sup> of 2008, the geographical distribution of foreign-owned galleries is contracting, and many art districts with foreign-owned galleries have disappeared. "In Beijing's 798 art district, Huantie Art City, 9Art district, Cao Chang Di art district, Guan Yin Tang art district and other areas, foreign galleries from 17 countries and regions are growing around people," according to the 2008 survey by AMRC art market analysis and research center. Nowadays, just 11 years later, such phenomenon is hard to see.

Chinese contemporary art was born in the capital, Beijing. To art lovers, Beijing is like Hollywood to people who dream of becoming actors. Recently, there have been some disturbing signs in Beijing's contemporary art industry: the city's once-coveted art fair is now having to spread invitations to gather attendees. On the contrary, Shanghai is trying to monopolize the mainland art events through art fairs such as the ART021.

According to the registration of industrial and commercial departments, the majority of galleries in Shanghai are private operated, accounting for about 79% of the whole area. The promulgation of a series of policies to encourage the development of private enterprises, including several regulations of the State Council on the entry of non-

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<sup>20</sup> AMRC art market analysis research center survey data,2008

public capital into the cultural industry, provides a relaxed policy environment for the development of private capital in the cultural market. The art market is heating up that attracts more and more private capital entry into the gallery industry. Foreign-funded galleries followed, accounting for about 11 percent. <sup>21</sup>Followed by Hong Kong, Macao and Taiwan-funded galleries, accounting for about 6 percent.

In the 1990s, with the transformation of the Shanghai city, Tian Zi Fang and Mo Gan Shan road emerged from the abandoned factory buildings, representing the first generation of art parks formed by the spontaneous gathering of professional artists, gather artists' studios, galleries and small art spaces. After the boom of contemporary art in 2006, the second generation of Art Park represented by Hong Fang art district appeared, and Min Sheng modern art museum of private art museum entered. From then on, the two scenic lines of art museum and Art Park began to interweave with each other, and the scenery became even more spectacular: with the intervention of art museum, the scale of the park was upgraded and its functions increased greatly. Especially in megacities like Shanghai, the combination of the two has created a new cultural landmark for the city.

However, from the perspective of the development of the art park, only the West Bund can truly make a leap. The land includes the Long Hua airport which was closed in the 1960s. What's more, it is located at the riverside, with a coastline of 11.4 kilometers

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<sup>21</sup> Wu Wenlong. *"Four steps" in the development of Chinese gallery industry* [J]. *Art market*, 2018(08):22-27.

along the Huangpu River. The location of the west bund is very rare and precious in the new century when the value of the riverside zone has been reassessed.

In terms of land planning, the government of Xuhui district of Shanghai did not turn the land around the precious Huang Pu River into commercial real estate or residential property, but put such high-quality land into the use of art industry with foresight. The existence of the whole West Bund is just like the Oriental Pearl, becoming another cultural name card of Shanghai City. It shows the boldness and gut of the Shanghai government and its support for art.

The site was developed as a whole by the West Bund Corporation in Xuhui district. From the "West Bund Cultural Corridor" when the project was launched to the present, "West Bund Plan". West Bund Art Museum Avenue will build the largest theater group in Asia, including 20 cultural venues and 6 theaters, by 2020. The West Bund art park is expected to become one of the regions with the highest concentration of public cultural facilities in the world.

In addition to the already built in LONG Museum (West Bund), Yu De Yao Art Museum, West Bund Art Centre (The main exhibition of Art Fairs), Shanghai Photography Art Center, cultural art demonstration area in the West Bund, others like TANK, West Bund Museum and waterfront theatre are also under construction.

The Arario gallery of Korea also entered the West Bund. "Moving to the West Bund will bring more possibilities to the Arario gallery," said Mr. Jin Chang Yi<sup>22</sup>, the founder of the gallery. We need more exhibition space to hold and display more luxuriant, more experimental works." Not only that, Hong Kong's Edouard Malingue Gallery officially opened on the West Bund in 2016. The gallery's owner, Jiang Xinling, sees it as Edouard Malingue Gallery's commitment to China's art scene. "The new space in Shanghai is an extension of the gallery's space in Hong Kong," she says.

Secondly, government foster the gallery industry through direct subsidy, provides loans with low interest rate, government procurement and other measures. Moreover, the ministry of culture issued the notice on strengthening the management of the art market and the State Council issued the notice on the implementation plan of tariffs in 2012 (tax committee <2011> no. 27), which undoubtedly brought us a glimmer of hope.

The notice puts forward specific requirements on the development of gallery industry, the construction of market integrity system, and the setup of industry associations, and emphasizes that cultural administrative departments at all levels should actively cultivate the gallery industry, actively promote the improvement of the policy environment for the development of galleries, and also include the reduction of import duties on artworks.

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<sup>22</sup> Qiu Jiahe. *West coast from the perspective of Chinese contemporary art ecosystem* [J]. Shanghai art review, 2017(06):96-98.

By this policy, you can see that although the basis of the primary market is relatively weak, so the essence of "Notice" is to foster and strengthen the primary market. The ministry of culture requires cultural administrative departments at all levels to actively cultivate galleries with integrity, encourage galleries to establish a business model based on the economic system, and expand emerging business areas such as authorization of artworks and limited reproduction of artworks. Art fairs are encouraged to establish a marketing model with galleries as the main participants, also to encourage social capital to invest in and do artworks collections through galleries.

The situation of art market in US is more typical, which is more worthy of reference for China. The government and the market association played an important role in the process of development and maturity of the United States' gallery industry. At present, the western art market has formed a benign pattern of coordinated development between the government support system and the market development system.

## Chapter 2: Analysis the influence of economy during the development of contemporary art in Mainland China

### 2.1 Current artwork tariff policy

Since the 19th National Congress of the CPC, the cultural industry policy has been further improved. Under the promotion of the “Belt and Road Initiative”, the cultural industry has become an important part of the country’s soft power. The cultural needs of the new era are more diverse, the cultural market is more open, and the country is more tolerant of foreign artworks that contain different values and ways of thinking. Therefore, the historical practice of restricting the import of foreign artworks has gradually revealed its drawbacks.

In the early days of art fairs in China, tariffs were a thorny issue because the organizing committee failed to reach a mutually agreement with the customs. The first art fair was held at a high tax rate of 40 to 50 percent<sup>23</sup>, which discouraged overseas buyers from buying artworks through normal channels. At the same time, the tariff problem is also very difficult to attract overseas galleries to attend the China art fairs.

Thankfully, China General Administration of Customs issued "Announcement about Tariff Adjustment Plan 2018". On May 31 2018, the state council tariffs commission published the announcement on the reduction of tariff of imported consumer

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<sup>23</sup> Wang Ziqi. *Comparison of regulation policies of art market in mainland China, Hong Kong and Taiwan* [J]. Business research, 2017(05):30-33.

goods. Stated in announcement's attachment 1 "Tariff adjustment of imported consumer goods from most-favored-nation(MNF) "and annex 2" Temporary Adjustment Tariff Form of imported goods from MFN", tariff code 97011019 (oil painting, powder painting, and other original hand painting excepts Thangka), tariff code 97020000 (engraving painting, printing painting, original lithographic printing), tariff code 97030000 (Sculpture elements made of various materials), were once again reduced to 1% from 3%, which was the tax rate stated in 2016's announcement.

The tax rate of Thangka, whose tariff code is 97011011, was reduced from 12% to 6%. The tariff of "Used or unused stamps (97040010)" was reduced from 8% to 4%; "Copies of hand-painted oil paintings, powder paintings and other paintings (97011020)", "Collage and similar decorative panels (97019000)" were reduced from 14% to 6%.

It has a significant impact on the internationalization of art fairs. The tariff changes can be seen in the table. (Fig.6)

In recent years, China has mainly adopted a policy of "encouraging exports and restricting imports" in the art trade. Throughout the development of China's artwork tariff, the classifications of artworks have become more and more detailed and clear. The tariff policy has been constantly improved, and the tax rate has become lower and lower. Although the tariff rate of artworks continues to be lower, compared with other countries and regions with better art market development, the total import tax is still too high in China. (Fig.7) The duty was cut to 1%, but Chinese buyers will still face a 17% value-

added tax on imports of abroad artworks. There are two kinds of taxes involved in the import of artworks: import duties and taxes levied by the tax authorities of the country where the artworks are imported. The latter is called value-added tax (VAT) in China, which is a kind of turnover tax levied on the basis of the added value generated in the process of commodity circulation. It is collected by the customs in advanced on behalf of the government tax authorities in China. The import tariff on artworks is the first threshold to restrict the development of China's art market, which will lead to a decline in importers' enthusiasm for imports and sluggish operation of domestic art enterprises.

## 2.2 The association and influence between regional economy and art fair

The development of China's market economy is the direct cause of the emergence and development of galleries and art fairs. Among the market factors that affect the fluctuation of artworks' price, the change of macroeconomic cycle is one of the most important factors. The cyclical changes of the economy from boom, recession and bust to recovery guide the ups and downs of the primary art market.

The economic cycle determines the price fluctuation of the art market, so the operation of the art market should be consistent with the macroeconomic operation. The influence of the economic cycle on the art market price is mainly shown as follows: on the one hand, the economic cycle causes the change of the art price by affecting the actual disposable income of enterprises and individuals, and then affecting the investment and

consumption desires of enterprises and individuals. On the other hand, the expectation of enterprises and individual investors on the economic development prospects will affect the supply and demand relationship of the art market, and then the trend of the art market price also presents a certain cyclical characteristic in associated with the economic cycle.

According to international experience, the launch condition for a country's art market is that GDP per capita reaches \$1,000-2,000. During the period of rapid development, GDP per capita will reach \$4,000. When GDP per capita reaches \$8,000, the public will have a wide range of interest in art collection, and the art market will eventually be formed and developed. China's GDP per capita exceeded 1000 US dollars for the first time in 2003. In 2009, China's GDP per capita exceeded \$4,000, and the art market began to recover. In 2008, Beijing entered the stage of accelerated economic development, with a GDP per capita of nearly \$6,000. In 2010, Shanghai was the first to achieve a breakthrough in GDP per capita of \$10,000 US dollars.<sup>24</sup>

The prosperity of art fair is closely related to the city's economy and comprehensive competitiveness. The blue book 2006 on urban competitiveness by the Chinese academy of social sciences included a total of 200 cities across the Taiwan, Hong Kong, Macau and Mainland in the rankings, which included economic growth rates, environmental protection and energy conservation, urban talents, social

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<sup>24</sup> Zhao Yanting. *Relationship between art market and economic development* [J]. Art observation, 2005(11):99.

environment and government operations. Hong Kong ranked first, followed by Taipei, Shanghai and Beijing. On the whole, cities with large scale, large population and high administrative level have obvious competitive advantages. The central city of economic circle has strong comprehensive competitiveness. The regional pattern of urban competitiveness in China has not changed in 2018. Shanghai and Beijing have undoubtedly become the most stable cities with small fluctuations, and they are still the main forces driving the development of art economy. In addition, the developed tertiary industry in the city will undoubtedly provide high-quality external environment and relevant supporting measures for the holding of art exhibitions.

### 2.3 Shanghai promotes art trade facilitation -- China (Shanghai) Pilot Free Trade Zone

The free trade zone in Shanghai is the city's best welcome for contemporary art, and its construction has given the art market a shot in the arm. At this point, Beijing is less dynamic. Shanghai issued several opinions on accelerating the innovative development of the city's cultural and creative industries, proposing to "Strive to make Shanghai one of the world's major art trading centers".

In August 2013, the first domestic professional art bonded warehouse is built and put into operation in Shanghai Pilot Free Trade zone. The mode of "entering the bonded zone first, declaring at the customs later" (on the premise of not involving the license of the artworks) was introduced. Through the coordination with the customs in the bonded

zone, the customs clearance, exhibition and trading of artworks have been facilitated, and a "green channel" has been set up for the exchange and trading of artworks at home and abroad. In 2015, the construction of art storage facilities was also started, with a volume of nearly 70,000 square meters. All the supporting measures such as machine room, fire protection and security are the top equipment in the world, which providing guarantee for the operation of this industry through the construction of infrastructure.

In 2015, Shanghai Customs and Shanghai Administration of Culture, Radio, Film and Television introduced some facilitation measures. There is no need to apply for approval for artworks to enter the Shanghai Pilot Free Trade zone from overseas, and the processing time is reduced from 20 working days to 7 working days when there is demand for exhibition. In terms of customs clearance, artworks entering the country by air can be stored in the free trade zone first, and then relevant procedures can be completed within 3 working days. In addition, the approval process for the entry of cultural and artworks has been shortened to 5 working days. That makes sense for the art market, which improving safety and timeliness. In terms of foreign exchange payment, it also provides convenience for the art fairs and other art institutions. As long as the trade is real, the price is reasonable and the information is complete, the free trade zone can facilitate the payment of funds abroad in a convenient and efficient way.

In 2015, a collage painting containing butterfly specimens by British artist Damien Hirst flew to China for auction as scheduled. <sup>25</sup>Originally, the animal specimens in the collage paintings needed to be thoroughly examined due to the material of animals involved. But thanks to the facilitation measures of Shanghai Free Trade Zone. Finally, the issuance time of the "admission card" was greatly shortened, which only took three days. These are the real convenience brought by relevant pilot policies of Free Trade Zone to the circulation and trade of artworks.

Hu Huanzhong, general manager of Shanghai free trade zone international cultural investment development co., LTD., once told the media: "Increasingly convenient trading channels are bringing Shanghai's art industry to the next level. Even when auction houses brought lots to Beijing for sale, many still come and go through the Shanghai free trade zone. According to him, more breakthroughs are brewing in the zone, such as continuing to experiment with foreign auction houses to auction cultural relics. Hu Huanzhong predicted that with the further opening of the policy and the further convenience of the process, the bonded warehouse, art exhibitions and trading hall, art bonded service center, art island and other art infrastructures are gradually ready, Shanghai's vision of becoming the world's leading center for art trading is also becoming clearer.

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<sup>25</sup> Qiu Yueye. *Hearst's "butterfly" flying into Shanghai free trade zone* [J]. 21st century business review, 2015(06).

In 2018, the cultural trade volume of Shanghai free trade zone exceeded 40 billion Yuan, an increase of nearly 80 times compared with 2011<sup>26</sup>. Behind these growth figures, the Shanghai free trade zone cannot be separated from the bold innovation. After six years of exploration and development, the cultural industry of the free trade zone has formed a "1+5" industrial formation with 10 measures to facilitate art trade. "1" refers to a platform – Shanghai's 365 international art bonded service platform, which provides one-stop services such as bonded storage, exhibition, trade negotiation, purchase, evaluation and appraisal of art works for 365 days a year. "5" refers to five centers: Shanghai free trade zone international art trading center, China (Shanghai) pilot free trade zone copyright service center, Shanghai international art bonded service center, Shanghai free trade zone cultural and creative IP operational center and Shanghai free trade zone art appraisal center. Through the five centers and one platform, Shanghai free trade zone has helped Shanghai become one of the world's important art trading centers in terms of hardware facilities, software supporting facilities, functional services and other aspects, and promoted the development of Shanghai services and Shanghai cultural brands. Shanghai's vision of becoming the world's leading centre for art trading is also becoming clearer.

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<sup>26</sup> According to the *2018 Shanghai free trade zone blue book on culture and art* released in 2018, the total value of cultural trade exceeded 35 billion Yuan in 2017 and 40 billion Yuan this year, a nearly 80-fold increase over 2011.

## 2.4 Art mall and contemporary art -- Shanghai style culture and Beijing style culture

Art fair undertakes not only the business of buying and selling artworks, but also the education of artistic grade and popularization of art. No matter in Art Basel or the popular art fairs in Beijing and Shanghai, we can see that after the VIP visit day, there are about three days of public open days for the people to visit. The flow in these three days is very huge, it includes a large number of people interested in contemporary art, from all walks of life, from all ages. When the visitor approaches the contemporary art fair, he/she can have a comprehensive understanding of contemporary art, and when the perception accumulates to a certain extent, the visitor is most likely to become a buyer, that is, a new collector interested in contemporary art.

However, there is still a small part of the population approaching the art fair. There is also an art business model that brings art into life and enables more people to unconsciously walk in the atmosphere of art. This is the art themed shopping center, allowing consumers to get in touch with contemporary art in a casual place. For example, Parkview green in Beijing, K11 in Shanghai.<sup>27</sup>

These art-themed shopping malls weaken the stereotypical image of traditional shopping malls that sell only goods, and provide flexible curated art exhibition space in fixed interior space as their operation mode. This is an innovation in the business model

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<sup>27</sup> Song Yang. *Art intervention in shopping center, attracting attention and money* [J]. Tourism overview (second half month), 2017(07).

led by the cultural industry. The age of the experience economy has crept in. The current trend is to start from contextualization of life, to shape sensory experience and identities, so as to seize the attention of consumers, change consumer's behavior, and find new core value for products they are selling. With the advent of the experience economy, consumers also pay more and more attention to the enjoyment of shopping process, because shopping centers are representative public areas in cities. When the traditional shopping mall is gradually desolate by the impact of e-commerce, the linkage with the cultural industry gives the traditional shopping malls a shot in the arm. This is a win-win situation between business and contemporary art, which brings art closer to people and the real economy<sup>28</sup>.

The K11 in Shanghai is a model of Shanghai style culture. K11 transforms a traditional shopping mall into a diverse living area full of art. People always come to a shopping mall with the intention of buying something or experiencing something, so the contemporary art exhibitions in such an area is easy to be familiar with. An exhibition of contemporary art held in an art-themed shopping mall could easily be a "web celebrity". K11 expands the spread of contemporary art, let people begin to pay attention to contemporary art, and get into a habit of taking actively participate in contemporary art exhibitions. In 2018, Shanghai K11 produced a stunning record: 63 joint cross-border

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<sup>28</sup> Liu Yiyi. *Exploration and research on how to integrate cultural and artistic projects into experiential marketing of shopping centers* [D]. East China normal university, 2018.

events<sup>29</sup>, and more than 10,960,000 millennials around the world are involved; More than 132,065 new registered members were added, and the number of registered members in one year increased by 70%; Media exposure exceeded 790 million. The 3,000-square-meter K11 art space regularly holds free art exhibitions, art workshops, artist salons and other activities, which build a bridge between art and the public.

In the same way, Parkview Green in Beijing is a model of the Beijing style culture. Parkview green, with a total area of 200,000 square meters, is close to the core of Beijing's CBD and surrounded by a large number of high-consumption people. It is an innovative commercial real estate that integrates top office buildings, fashion shopping malls, art centers and art boutique hotels. The atrium is filled with interesting works of art, from Chinese masters such as Zeng Fanzhi, Zhang Xiaogang and Liu Xiaodong to overseas artists such as Salvador Dali and Robert Barni, which are all the personal collections of Mr. Huang Jianhua, chairman of Parkview group. People can walk around Robert Barni's "Voyager" as easily as if they were at home. Among them, the most unforgettable ones are 30 Dali sculptures.<sup>30</sup> The surrealistic sculptures are full of imagination, which are not incompatible with each other to put in each corner of the mall.

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<sup>29</sup> Sun Luji, Zhu Yongli. *Discussion on the display trend of future shopping centers -- a case study of Shanghai K11 shopping art center* [J]. Journal of Shanghai business school, 2016.

<sup>30</sup> Li Hui. *Parkview green: a commercial complex that 'cannot be copied'* [J]. China business community, 2015(11)

People easily get close to the art works, which greatly shortens the distance between contemporary artworks and people.

Therefore, no matter in Shanghai or Beijing, there are successful cases of the combination of contemporary art and commercial real estates. It can be seen that contemporary art has been deeply rooted in people's minds and come into everyone's sight. With the progress of the society, people's material needs have been basically met, and they are moving toward the needs of both material and spirit, satisfying Maslow's hierarchy of needs theory. To promote the popularization and marketization process of contemporary art in Beijing and Shanghai, which are metropolises with extremely developed commerce and fast pace, not only high art galleries are needed, but also continuous combination and crossover with commercial are needed to achieve win-win results.

## Chapter 3: Other Factors that affected the developing of Contemporary Art Primary

### Market in China

#### 3.1 Influence of cultural on contemporary art fair

Beijing's advantages in developing contemporary art are obvious. Beijing, as the capital, is the political and cultural center of China, as well as an ancient capital and a famous historical city. Beijing has unique values that Shanghai cannot match.

First, Beijing has the most concentrated educational resources in China, and also the best comprehensive universities in China. More than that, for the universities or educational institutions of arts and culture, Beijing is considered as the pilgrimage place of culture and art education throughout the country.

Secondly, due to the concentration of universities and the large number of practitioners engaged in the art industry, they have strong original ability, abundant basic resources, rich cultural resources and historical origins in the cultural industry. Therefore, art brands and artistic innovations emerge one after another. The 2008 Beijing Olympic Games is also a good opportunity to develop the art economy, which provides a good policy guarantee and a loose external environment for the development of the art industry in Beijing.

Third, as an ancient capital and a famous historical city, Beijing has its own distinctive characteristics. It has accumulated historical deposits and cultural deposits

over hundreds of years. These are the inexhaustible wealth that inspires artists to create artworks.

Fourth, as a cultural center, Beijing has the largest and best variety of art groups and associations in the country. There are first-class cinemas, theatres and other performance venues in China. As a result, the conditions of exhibition curation are also advantaged.

Fifth, in terms of concepts, Beijingers pay attention to art and have a large group of collectors. In this way, a good artistic atmosphere is formed, so that the public and artists have more communications, which is conducive to the creation of artists, thus stimulating the growth of art economy.

Cities always had historical, aesthetic and political ties to art. Different cities have different styles and characteristics. Shanghai, on the other hand, allows the public to see the diverse possibilities of art in urban renewal and commercial development.

In terms of the attention paid to urban culture, the Shanghai municipal people's government issued the "Shanghai urban renewal implementation measures" in 2015, which provided a relatively clear working principle for gradually solving the existing problems in the built-up areas of Shanghai, such as insufficient urban vitality and inadequate protection of urban features. At the same time, there have been six major landmarks in the urban area of Shanghai called "urban renewal" as the first cases, which have an effect on the inheritance and innovation of urban cultural ecology. At the

beginning of 2016, Shanghai Art Review was founded and “Shanghai Art Critics Association” was established, which provided more help to the art ecosystem.

In the contest of public aesthetic education, Shanghai is second to none. As of 2015, Shanghai had 63 art museums of all levels and types, ranking first among 21 famous cities in the world, according to an official with the Shanghai Administration of Culture, Radio, Film and Television. By the end of 2018, there were 89 art museums in Shanghai. In 2018, 992 exhibitions were held in the city's art museums, including 811 in the museum and 181 outside. The total number of exhibitions increased by 269, or nearly 40%, from 2017. (Fig.8)

Through the continuous construction in recent years, Shanghai has gradually formed the urban art museum layout with art museum cluster as the highlight. Xuhui Binjiang Art Museum Avenue has begun to take shape. In 2019, Shanghai TANK art center and Art West Bund were officially opened, and Xuhui Binjiang has already had 5 art museums, and another one is under construction, becoming the agglomeration area of Shanghai art museums.

In terms of public art education, the art museums in Shanghai adopt an innovative mode that combines the Chinese ideology with corporate operations. The Power Station of Art in Shanghai is sponsored by government and the operation will learn from the advanced management experience of foreign art museums. Therefore, in the selection of art exhibitions, traditional exhibitions with political appeals are not

chosen, but a series of rich contemporary art exhibitions. For example, the Shanghai Biennale, and the 2019 web celebrity exhibition of Yves Klein Blue all fully demonstrate that even the public art museums in Shanghai are ahead of the times in their awareness of the public's aesthetic education of contemporary art.

Especially in terms of private art museums, a variety of exhibitions from international art masters emerge one after another. Among them, “Yayoi Kusama - ALL ABOUT LOVE SPEAKS FOREVER”, which was held by the Museum of Contemporary Art Shanghai (MoCA) in 2013, returned to the Fosun Foundation six years later. From the end of 2018 to 2019, the Shanghai private museums continued, with Yu De Yao museum of enduring web celebrity exhibition “Rain Room” and LONG MUSEUM launched “LOUISE BOURGEOIS - THE ETERNAL THREAD”, teamLAB from TANK, the phenomenal contemporary art exhibition helped Shanghai continue to further lay the influence of Shanghai private art museum in the whole industry. From the magnitude and frequency of the introduction of international artists, the diversity and depth of public art education, and even the consciousness of ordinary people to participate in contemporary art activities, Shanghai's contemporary art market could be considered as a global leader.

### 3.2 The rise of social networks has subverted art- Consumers are the absolute subject.

According to the statistical report on Internet development in China released by China Internet Network Information Center in June 2019, the number of Internet users in

China had reached 854 million and the Internet penetration rate had reached 61.2% by June 2019. The number of mobile Internet users reached 847 million, and the number of online shopping users reached 639 million. Internet technology is dramatically changing and affecting the way we live. The network has been integrated into the whole contemporary art market and has a profound impact on the buyers and sellers of the art market. Digitization of art, online art expo, art e-commerce, big data innovation applications of art industry are developed rapidly. "Technology+ Art, Internet+ Art" enriches the trading mode of the art market and broadens the trading channels. Meanwhile, the retention and innovative application of the data of the art market and the construction of the block chain of the integrity system of art promote the sustainable development of the Chinese art market.

The needs and tastes of millennials are upgrading, and the rapid iteration of consumer demand has become the hallmark of contemporary art business. To catch up with millennials, the core value must be grasped. When "Instagram-friendly, thumb up" became a goal, the motivation people went to the gallery to see the exhibitions was completely changed. Traditionally, the work of art is the subject. Now, the key is whether you can take a good artistic photo. Taking advantage of the rise of Internet technology, social media is completely reshaping the public's view of art consumption. Shanghai K11 has been leading the hot topic in 2018. The concept of museum retailing that integrate art and commerce, boldly combines art with AI technology, design, music and other

elements, and give the experiences to every visitor who comes to K11 in Shanghai in an intuitive and profound way, so that consumers are willing to pay for the experience and become self-appointed propagandists.

The subversion of network technology on the field of art is the characteristic of this era, which makes consumers become the absolute subject. Therefore, the characteristics of collectors in Beijing and Shanghai should be studied. Millennial collectors are a generation that grew up in the Internet economy. Their acceptance of contemporary art is largely influenced by social networks, along with personal taste, regional influence, value and price, professional advice, family background of them and so on. Generally speaking, the background of private collectors in China is still concentrated in the areas with the fastest growth of personal wealth, such as financial investment, real estate, energy, infrastructure, high-tech, manufacturing and other industries. The proportion of private collectors with financial investment background is 50%, while the proportion of energy and infrastructure background is increasing. However, due to the regional differences in the industrial structure, collectors in Beijing and Shanghai also show differences.<sup>31</sup>

The people who like contemporary art in Beijing are the emerging class born after 1960s. Compared with the traditional arts, people pay close attention to

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<sup>31</sup> Guo Mingsheng. *On investment strategy of middle class art* [J]. Market modernization, 2006(36).

contemporary art are more concentrated and niche. However, Beijing has a broad base of collectors of classical arts such as traditional Chinese painting and calligraphy. Therefore, contemporary art fairs in Beijing often combine contemporary art with traditional Chinese art according to local conditions, and make use of the extensive base of collectors of traditional art in Beijing to attract more people to the contemporary art.

Collectors in Shanghai love to attend art fairs and visit contemporary art exhibitions. Shanghai has a high degree of acceptance of contemporary art due to its open urban attitude towards art and culture. Shanghai is the fashion capital, and there are many employees in the fashion industry. Shanghai fashion week, an important fashion event every year, also gathers the most cutting-edge fashion factors. From the perspective of history and culture, Shanghai style culture contains a kind of western style and pursuit of fashion. Therefore, the characteristics of collectors are that the population is younger and there are a wide range of professional types. For example, the fashion industry, the emerging industry, and the media industry, among which the number of new collectors is more comparing to Beijing collector's portraits, who are mostly practitioners and entrepreneurs from financial industry and most of Beijing's contemporary art collectors are from the stock of the traditional art consumers.

## Chapter 4: Interview

In order to have a more concrete understanding of the art fairs in Beijing and Shanghai, the author invited Mr. Bao Yifeng, the organizer of ART021 and JINGART, to answer some questions about the art market in our twin cities. Here's the interview.

Interviewer: Rui Bian, author of this article.

Interviewee: Bao Yifeng, founder of ART021&JINGART.

Rui Bian: What is the original intention of choosing to build a new exhibition in Beijing?

Bao Yifeng: Beijing has more galleries than Shanghai, ranking first in China. Including art schools, state-owned and private art museums and other art authorities, the art related resources are abundant. Compared with other cities, Beijing's overall art ecology is more mature and stable.

Rui Bian: What are the differences between JINGART and ART021?

Bao Yifeng: ART021 is a purely contemporary art fair. However, if we only do purely contemporary art in Beijing, that will be a niche market. After all, the market in Beijing has a great deal of acceptance and attention to the traditional and classical parts.

Therefore, from the aspects of contents, we have a new orientation for the exhibition in Beijing, which not only focuses on contemporary art, but also includes antiques, modern art, jewelry and design products, similar to TEFAF or Frieze Masters in Europe.

Rui Bian: JINGART's positioning is based on your analysis of the ecology of the art market in Beijing. What is the difference between the ecology in Beijing and Shanghai?

Bao Yifeng: In fact, the difference in positioning between JINGART and ART021 stems from the difference in the ecology of the art market between Beijing and Shanghai. There are many differences between the two places. From the perspective of collectors' portraits, collectors in Beijing may be more mature, while new collectors have been emerging in Shanghai, and collectors in Shanghai will participate in art fair more actively.

Rui Bian: Look at the development strategy, process and results: ART021 initially established of 29 galleries to the fifth anniversary of last year, which gathered 104 exhibitors at home and abroad, and gradually developed; similarly, the first JINGART is made up of 32 exhibitors, all of which started from testing the water on a small scale. Is this the case? What is the development strategy?

Bao Yifeng: The development strategy is similar. It is gradual development. Of course, the positioning is different. JINGART does not simply increase the number of galleries like what we did to ART021. JINGART will add some institutions dealing in other categories of artworks, but we are no very familiar to these institutions, so it's a trial and error process.

As an organizer who has been involved in both art market, Mr. Bao has his own opinions on the art fairs in both places. As the head of a team that has successfully combined commercial and contemporary art fairs in both Beijing and Shanghai, he is the man who can speak loudest. He admitted that the art fair in Beijing is not easy to do, because there are already some exhibitions of the same type, and maybe collectors in Beijing may not be flattered because of the different aesthetic tropism. And collectors from abroad are not so active to come, which causes the galleries are not sure whether there will be new collectors, so they must be more cautious. But from the perspective of art ecology, it is impossible to ignore Beijing, which accounts for almost half of the galleries in China. The universities and colleges offering relevant majors are also the most comprehensive. Not to mention the cultural precipitation, the foundations in all aspects are very good, so we can't avoid the huge art market in Beijing and the potential buyers of contemporary art. This must be done steadily. He has his own primary concern, which is who he serves. He thinks anyone can do a wonderful exhibition, but it's who buys it afterwards, and whether the gallery learns about the new collectors, that matters. He admitted that contemporary art is still in a relatively preliminary stage. However, because contemporary art has gone through many stages of ups and downs, the development of contemporary art needs the power from the top down, including the support from the government and the participation of the public.

## Conclusion

The strong development of art fairs in Beijing and Shanghai not only reflects the changes in the structure of the art market, but also has an internal connection with the city's economy, culture and comprehensive competitiveness. As an important part of the art market, the room for advancement of the art fair is based on the development state of the primary market -- gallery industry, and keeps pace with the pulse of the whole art market.

With the prosperity of the contemporary art market, a new development peak of the gallery industry has emerged in China. A large number of contemporary art galleries have sprung up in big cities such as Beijing and Shanghai. The prosperity of gallery industry has become the catalyst of the whole Chinese art market. With the rapid growth and structural improvement of China's gallery industry, art fairs also reflect the changes in the market, presenting a new situation of industry integration and regional competition. Judging from the improvement of the form of the art fair in China itself, every historic change took place in Beijing or Shanghai. Who is the center of the contemporary art center? Beijing or Shanghai?

The balance of history always swings. Five years ago, Beijing held the absolute right to speak about contemporary art. Beijing grasped the ideology of contemporary art, broke through the barren soil of contemporary art in China, and continuously guided and educated the public. At that time, the galleries gradually formed clusters and gathering

places, and the scenery was infinite for a time. Beijing's art fairs were the largest in terms of volume and topic discussion, in fact, the Shanghai Contemporary International Expo, which was held in the early days of promoting contemporary art in China, has not formed an upsurge bigger than Beijing's. Its popularity and number of participants in China could not be compared with that of Beijing. Later, during the time that many foreign galleries withdrawn from the Beijing art district, we could not help but find that after 2016, Shanghai began to overtake Beijing in comparison to prosperity of various Shanghai art weeks held in the same period. On the surface, the layout of Shanghai's art market network is more typical of the commercial operations, more in line with international practices, and more in pursuit the efficiency and balance between art and business. However, Beijing is still determined to be in a traditional commercial form, so the art market in Beijing still lacks a systematic structure, which highlights the fragmented situation of the market, so that the overall anti-risk capacity is a relatively weak.

The story of the creation of Chinese contemporary art begins in Beijing, while Shanghai was characterized by the integration of artistic innovation into the city through commercial models. Through the new mode of "combination of culture and commerce", more than 100 art projects were settled in 30 shopping malls in 8 districts throughout the year. Beijing's commercial consciousness in this respect is relatively rough, as can be seen in 798 and Song Zhuang. The integration degree of 798 Art Park is relatively low. Even Song Zhuang, with more than 20,000 art practitioners, is still in a very primitive

stage in its art market's branding effect and commercialization process. Beijing is elevating the academic peak of Chinese contemporary art, but it lacks the top-level design of art market integration. Now, many artists have come to Shanghai from the north, which is a manifestation of spontaneous profit-seeking in art business.

But everything in art is fluid and changing. ART021 team set up art exhibition Beijing as a chain management, which is a good play for Shanghai's art capital to enter the Beijing art market. Beijing art ecosystem has been planning a new round of local measures to promote art business. Beijing no longer controls all the resources of the arts, leaving the forms of development open to all possibilities. Perhaps geographically, Beijing does not have the advantages of high-quality land resources and Free Trade Zones same like the situation in Shanghai. However, it can still use the "web celebrity" economy to attract a large amount of traffic in Beijing through the combination of online and offline. In the future, art business will produce new changes and patterns, the key is to use the stocks of art collectors in place. The large stock of high-quality collectors accumulated in the bonus period of art market development is the advantage and starting point for Beijing to exert itself in the middle and later period of the development of Chinese contemporary art. How to transform them into contemporary art enthusiasts and collectors is the focus of Beijing's future consideration. Besides, a good art fair is to grow with collectors and buyers. Art fair has the function of art education, which can transform the public's cognition of contemporary art and awaken their aesthetic appreciation. This

transformation is exactly one of the supporting points for the future of new art business and also one of the forms of art economy. Picasso exhibition launched by UCCA in Beijing in 2019 is the most successful commercial project of art with the largest single volume this year. It turned a summer trip to the cinema into an educational feast on aesthetics to the 798 arts district for the public. In front of this grand IP, people paid the bill in an endless stream and embedded in the future of art education. And 798 glows with a distinctive energy of art business. This high-class business plan, carefully conspired to make all families, art lovers pay the bill. This is the logic of art education harvesting the public flow.

The topic of PK between Beijing and Shanghai's contemporary market has been raised repeatedly in the past decade. Beijing has experienced the highlight moment that Shanghai is experiencing now, and it seems that Beijing's contemporary art market is not so fresh and energetic. Shanghai's rise and explosion is impressive, but it always comes down to this kind of normality like what happened to Beijing. There is a saying in China that it is easier to start a business than to keep it. How to lead the trend of contemporary art enduringly in the next decade will be the most challenging part for our twin cities.

## Figures and Illustrations

Figure 1: Global Market Share of the US, UK, and China 2008-2018

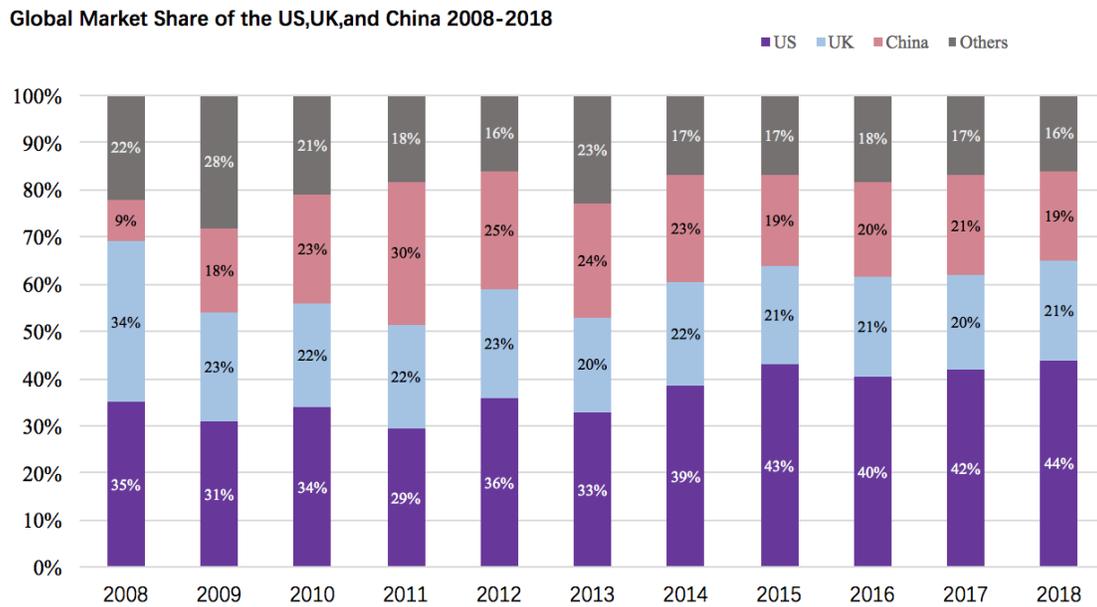


Figure 2: Visitor numbers at a selection of regional fairs in 2018

Visitor Numbers at a Selection of Regional Fairs in 2018						
Fair	1st edition	visitors 2018	visitors 2017	Change 2017-2018	visitors 2013	Change 2013-2018
Art Beijing	2006	120,000	100,000	20%	60,000	100%
ART021 Shanghai	2012	70,000	70,000	0%	15,000	367%
Art central Hong Kong	2015	39,000	35,000	11%		

Figure 3: Exhibitor numbers at a selection of regional fairs in 2018

Exhibitor Numbers at a Selection of Regional Fairs in 2018						
Fair	1st edition	Exhibitors 2018	Exhibitors 2017	Change 2017-2018	Exhibitors 2013	Change 2013-2018
Art Beijing	2006	160	160	0%	176	-9%
ART021 Shanghai	2012	103	104	-1%	29	255%
Art central Hong Kong	2015	102	104	-2%		

Figure 4: China's Galleries annual increase from 2000-2017

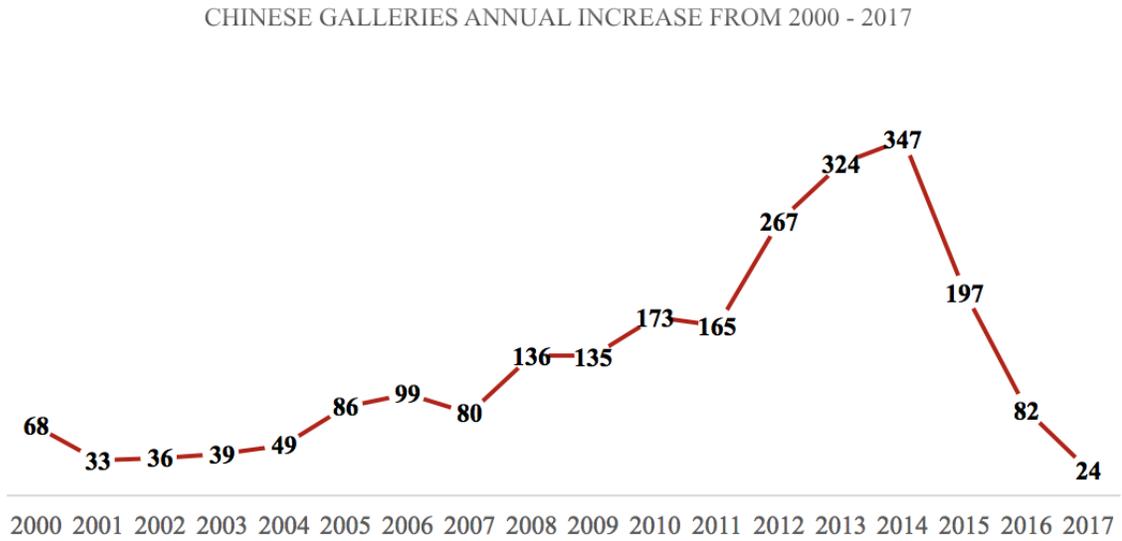


Figure 5: Distribution of foreign galleries in Beijing

2018 Beijing foreign gallery

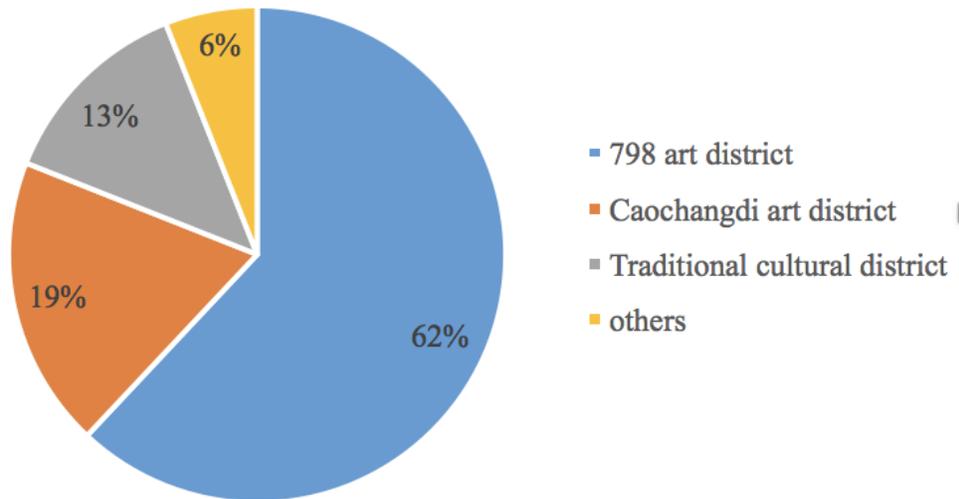


Figure 6: Tariff changes in mainland China

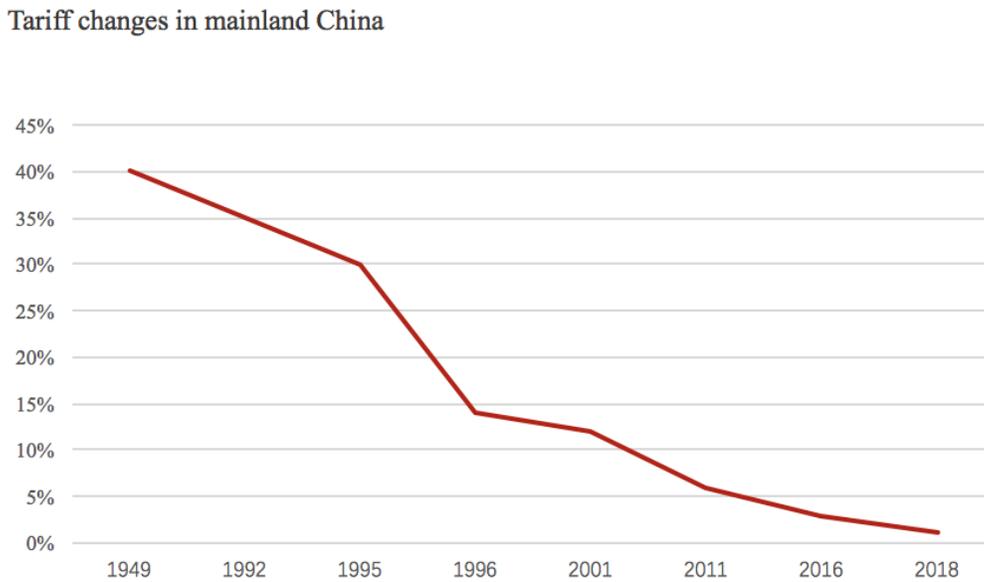
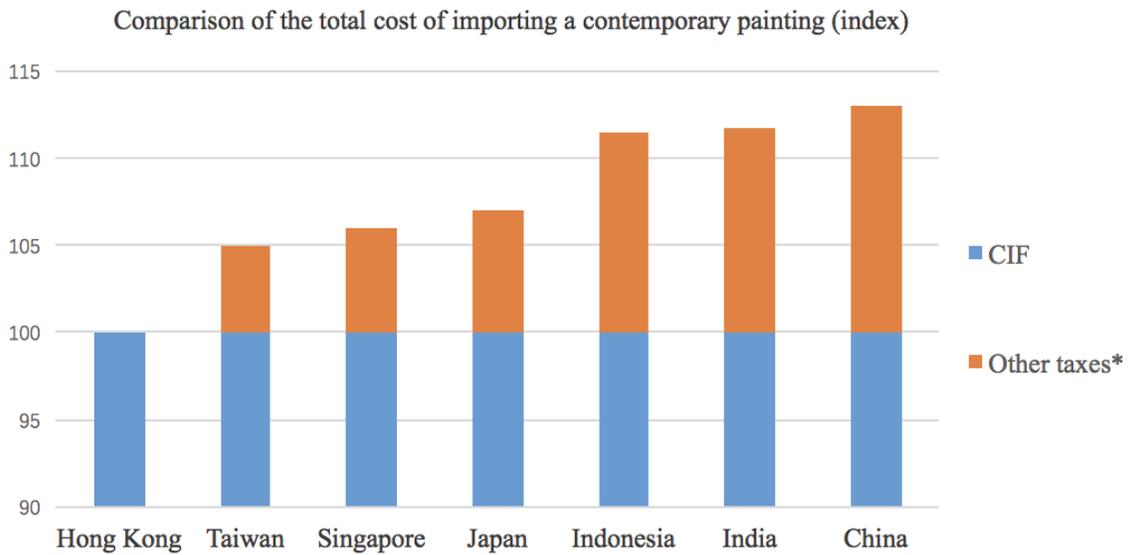


Figure 7: Comparison of the total cost of importing a contemporary painting



\*This includes tariff, VAT, income tax and other cost.

Figure 8: Number of the museums in Shanghai

NUMBER OF SHANGHAI ART MUSEUMS



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