

Art market: Paint this town red

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Abstract (Summary)

Chinese oil paintings, one of the most active - and controversial - sectors in today's art market, are a rapidly growing part of Asia's booming art world, thanks largely to the high prices they have fetched since Christie's became the first international auction house to sell them almost 2 years ago. The marketing effort behind these sales has been intense, largely because this category is so new and its appeal to Chinese collectors so controversial. As such, it is a case study of how the wealthy are parted, quite willingly, from their money. There is more action in Chinese art in Hong Kong than anywhere else in the world, according to Clarence Shangraw, director of Hong Kong's private Tsui Museum of Art. Both the New York and London markets are totally dependent on Hong Kong and Asian buyers. Chinese have money, and they are increasingly willing to spend it on art. Whether Chinese oils stand the test of time, the new generation of Chinese collectors is likely to become an increasingly powerful force in the **world art** market.

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Full Text

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Dark suits mix with flannel shirts and overalls under a ponderous chandelier. The electronic screen glows red and green with dollar, yen and sterling prices. A mobile telephone beeps. The crowd murmurs as the bidding jumps past HK\$1 million (US\$130,000).

Finally, the auctioneer's hammer falls. Sold! And Taiwan's John Huang is suddenly HK\$1.23 million poorer. He is the proud new owner of Chen Yifei's "Old Dreams of Shanghai." Done especially for Christie's Hongkong spring auction, the paint is still wet on this romantic view of a gambling den in pre-communist Shanghai.

The flamboyant Taiwanese bidder, clad in a long blue cape, black turtleneck and black pants, stands and clasps his hands above his head in triumph, eyeing the crowd from his front-row seat. He then strides out of the auction holding hands with a young woman dressed in blue overalls.

Not a bad performance--by either Huang or Chen Yifei. The price is especially impressive because the art world is "still debating how legitimate" the artist is, says Christie's painting expert Elizabeth Hammer.

Indulging your taste is one thing, profiting from it is another. Take Philip Tse, regional chairman of advertising agency DDB Needham's Hongkong branch. He has just opened his Panart Gallery with a show entitled "Nude--Non-Nude." With a title like that, it's no wonder that film star Veronica Yip, better known for her scantily clad modelling than for her taste in paintings, presided over the opening. Fittingly enough for a marketing man, Tse advertised a "special offer" for one of the more than 100 paintings at the gallery, housed in a former designer-furniture store.

Welcome to the world of Chinese oil paintings, one of the most active--and controversial--sectors in today's art market. These paintings are a rapidly growing part of Asia's booming art world, thanks largely to the high prices they have fetched since Christie's became the first international auction house to sell them almost two years ago.

The realist paintings that are so popular are "something people can relate to," says Alice King, the director of Alisan Fine Arts gallery in Hongkong. But she sounds a warning: "As far as the market is concerned, the prices are quite high considering that some are unknown." Prices for some of these artists are as high as internationally recognised artists. Says King: "To me it's not healthy."

But perhaps it's understandable. Sotheby's Art Index, which measures prices for major collecting categories, registered a 22% drop for the two years ended last July, the latest period for which complete data are available. The relative strength of contemporary Chinese oils, which are not broken out as a separate category, was all the more welcome in this weak market.

The marketing effort behind these sales has been intense, largely because this category is so new and its appeal to Chinese collectors so controversial. As such, it is a case study of how the wealthy are parted --quite willingly--from their money.

"The value of cultural objects is always snob value," says Hongkong's flamboyant David Tang, oil executive, cigar salesman, club owner and tireless promoter of contemporary Chinese painting. This is the same Tang who says: "I love art, but I love money more."

Not since the Great Wall has Chinese culture been marketed like this. This time the target is the Overseas Chinese, who control hundreds of billions of dollars in wealth. "The money is in Asia," says Maria Chu, director of Chinese paintings at Sotheby's Hongkong.

With the Western art world stumbling under the effects of the global recession, Asia's rich have never been more important. Sales of Chinese art at Christie's were barely 2% of the company's total sales in 1987. Last year they were 5%.

Those numbers understate the significance of the shift that is taking place as Asia's new rich supplant Western collectors of Asian art. Whether bidding at auction or buying art at the giant Art Asia fair held in Hongkong last November, they are a new force in a depressed art world.

"There's more action in Chinese art in Hongkong than anywhere else in the world," asserts Clarence Shangraw, director of Hongkong's private Tsui Museum of Art. "Both the New York and London markets are totally dependent on Hongkong" and Asian buyers.

The market for oil paintings reflects the buying power of newly rich Chinese. For these collectors, buying art comes only after they have "a home, a car and two or three concubines," says Anthony Lin, Christie's Hongkong managing director. "It's a sign of economic power."

Although the big money is still in traditional collectables like ceramics, the stakes are the highest in Chinese oil paintings. Huang's purchase of the mahjong players in Shanghai is an apt metaphor for the game being played out in oil paintings.

Boosters are talking up the market with their visions of ever-wealthier Chinese--including mainland artists--while detractors point to a flood of mediocre-quality paintings being sold everywhere from the big auction houses to tiny galleries. Critics are particularly unhappy at the role of auction houses in setting the agenda for the market.

The auction houses "are trying to--I don't want to use the word push--trying to make people more aware of Chinese paintings," says Alisan's King. But "they should be more selective in terms of presentation, in terms of whom to include."

Even some auctioneers acknowledge that this market can be risky. Sotheby's Chu, for one, says she is "not comfortable with the market situation" for contemporary oils. And Christie's Hammer says oil paintings are "interesting and problematic." Oils are not a traditional medium for Chinese artists, and there is no established market. Christie's "puzzled over how to treat them, how to appreciate them." And how to sell them.

Christie's gave Chinese painters a big boost with its auction of contemporary Chinese oils in the fall of 1991. The sale was a sensation: 60 paintings sold for a total of HK\$8.3 million. "I don't think in our wildest imagination we expected it to take off as it did," says Christie's Lin.

Christie's Hongkong boldly decided to take works directly from artists at a time when there was no established market. By contrast, dealers--not auction houses--represent artists everywhere else.

Dealers like to nurture the value of artists through long-term, exclusive relationships. That lets them build up an artist and, if all goes well, manage a steady upward march of prices.

Dealers' complaints are telling testimony to the effort that goes into building a market. "Artists in the market don't understand sustainable value," says businessman Tang, who saw paintings by three artists he had been negotiating with end up at the first Christie's auction. While Tang and his partner Tsong-zung "Johnson" Chang had been buying paintings at around US\$10,000 for a trio of artists, their pictures fetched three times that much at the 1991 auction.

The artists did what anyone else would do: they figured that their market value had just tripled. Tang told them: "Don't get too greedy. We'll support your paintings at around the US\$20,000 level."

The artists weren't impressed. "Johnson and I got fed up," says Tang. "We didn't want to deal with artists who didn't understand commercial realities...They thought we were taking them for a ride." Now, he says with bitter satisfaction, prices for these artists' paintings have dropped by half.

The swings in oil paintings are a nightmare for the trade. While stocks are expected to be volatile, art is supposed to be different. Declining values tend to feed on themselves. Unlike other investments, there is no intrinsic monetary value in art, so the market is sustained by belief.

But, as the old saying goes, stocks aren't bought, they're sold. Likewise with Chinese paintings. An example: the marketing campaign developed by Hongkong dealer Manfred Schoeni, who scored big when he signed up Liu Dahong, a young Shandong painter.

Schoeni purchased most of Liu's work--much to the dismay of rival dealer Chang, who had also been wooing Liu. "I told him I will make him known," says Schoeni. "The world should know about his art."

The world certainly will, if the 47-year-old Swiss, a former hotelier, has his way. Schoeni first spent US\$50,000 on printing 1,000 copies of a handsome book of Liu's small body of paintings.

Liu seems to have been inspired by the landscapes of Peter Bruegel the Elder. He paints slowly, only two or three works a year. Partly because Liu's output is so small, Schoeni is developing spin-offs from the paintings. After the book came a print of Liu's "Mid-Autumn Festival."

Now Schoeni is trying to build interest in another work, which will not be finished for three more years. The seven-panel study, based on a Tang dynasty wedding painting, will show Mao Zedong wooing a sceptical Hongkong. The cast of hundreds features Governor Chris Patten and local tycoons Henry Fok and Li Ka-shing.

The search for promising new painters is serious business. One of Schoeni's assistants scours China in search of up-and-coming talent. For the best, Schoeni's gallery pays a monthly stipend of Rmb 3,000 (US\$520) and provides brushes, paint and canvases--all in the name of art and in return for exclusive representation. "There are good artists waiting to be discovered," says Schoeni. "You discover a good painter just like you discover a good singer."

Oil-industry executive Jackson Yeung is another collector who hopes to profit from discovering rising painters. After seeing an exhibition in his hometown of Shanghai, Hongkong's Yeung started to collect Chinese pictures. "Oil paintings give you a bit more solid feeling" than other paintings, he says.

Building a market is a long-term proposition. Yeung's Chinese Oil Painting Gallery started by bringing a juried exhibit of more than 200 mainland Chinese paintings to Hongkong late last year. He sold about 80% for prices ranging from HK\$10-170,000.

Yeung is happy to help out with supplies and even with aesthetic suggestions. He offers buyers a promise that they are buying at a fair price. "We tell them, 'Don't worry. The prices are determined by experts.'"

Price matters a great deal to buyers. "There are two types of buyers," says Maggie Fung, executive director of Hongkong's Business for Art, which tries to get corporate sponsorship for the arts. "One says 'I like it' and has to have it. The other says: 'I'm not sure I like it, I don't really understand it, but this guy is going to be famous.' In Hongkong most people are the latter type. They buy for the investment."

If so, then Hongkong people had better watch the art market as closely as they watch the stockmarket, as the supply coming out of a country of 1.2 billion people threatens to swamp demand. Sotheby's Chu says she is "concerned" about a flood of Chinese art. "No matter how many newcomers you have, there's a limit" to how much prices can appreciate, she says.

The art trade is betting that mainland buyers will step in. Although Chinese nationals have not been buying at auctions, at least openly, activity in the mainland is picking up. "In China many people feel that they ought to buy Chinese paintings," says Shu-ching Shih Silin, a Hongkong-based art critic. "A lot of private business people are holding exhibitions, giving out prizes."

Collectors in China buy for both emotional and pragmatic reasons. "One reason that people in China are investing is that a lot of money was earned illicitly and cannot be banked," says Silin. "Because Chinese people know that Sotheby's and Christie's are selling it, it legitimises the trade in Chinese paintings...[But] in China, more than in Hongkong and Taiwan, people are buying out of a sense of national pride."

Some of today's new painters will stand the test of time. But many of the paintings are unlikely to hold up under critical scrutiny in the decades to come. The Tsui Museum's Shangraw is harsh: "Oil paintings are a fad. They are not really Chinese paintings. There Western paintings using Western techniques done by a Chinese."

But that will not dissuade the best of the marketers. Christie's Lin agrees that buyers are in "a state of flux, a state of experimentation." So Christie's has something new for them: now that prices for Chinese paintings have risen so much, it is urging clients to consider buying Western paintings.

Chinese buyers saw that oil paintings were relatively cheap. Now the same can be said for Western paintings. "I think you'd be very hard-put to find Chinese people not making hard-headed business calculations," says Lin. "They are extremely price-conscious."

But, more important, Chinese have money and they are increasingly willing to spend it on art. Whether Chinese oils stand the test of time, the new generation of Chinese collectors is likely to become an increasingly powerful force in the world art market. But investors may find that they are in for a rougher ride than they imagined. Prices are likely to be "erratic," says Alisan's King. "It's going to be up and down." Those who buy for love probably will be happier than those who do it for money.