**Why it Matters that Art Basel Hong Kong Was Canceled: An Art Economics Digest**

Celia Glastris

Wednesday, February 12, 2020

HONG KONG- The cancellation of Art Basel Hong Kong last Thursday due to the coronavirus marks a major loss to the international art economy, which increasingly relies on the fair business model and global exchange to meet yearly revenue. The art fair undeniably anchors the world of art beyond the gallery industry. They create tourist traction, opportunities for offsite events, and also brings together museum directors, curators, art critics, and artists all into one room, offering a chance to spark conversation or potential collaboration.

Art Basel is the art fair global frontrunner. Art fairs are essentially trade shows for buying fine art. Art Basel has three yearly fairs, one in its original location of Basel, Switzerland, another in Miami Beach, and the third in Hong Kong. For a generous price, galleries from around the world purchase a booth where they show works from their roster of artists.

One hundred and ninety-five galleries were signed up to participate in next month’s fair in Hong Kong. The cancellation undeniably entails a loss of sales for the galleries, but at what cost? For example, Artist Liaison Michael Cavuto, of Miguel Abreu Gallery located in Manhattan’s Lower East Side, said that the annual sales are about “fifty-fifty” between their New York locations and art fair transactions. The gallery yearly participates in about five art fairs, which means that the coronavirus had a significant impact on the North American gallery’s annual revenue.

A private investor in the industry who preferred to remain anonymous synthesized this information further “If a gallery loses approximately 10% of its normal annual revenue as the result of not being able to attend Art Basel Hong Kong, it has an even larger negative impact on its profitability,” He said, “Because the gross profit margin on that lost 10% of sales is probably in the range of 40%.”

The role of the art fair extends beyond tangible numbers to a social network. Cavuto said that Basel Hong Kong is in particular is a valuable fair to gain Eastern exposure, because they’re “not as well known in Asia as [they] are in other parts of the world.” He continues,

“We don’t have a gallery in Europe, so the fair is really the best contact with new collectors around the world.” He said. “They make an opportunity available for collectors to discover galleries they wouldn’t be able to otherwise. I think that is really the primary thing that the fair allows. It also allows for collaboration between galleries. Like for instance, we have a relationship with Empty Gallery which is based in Hong Kong so it’s a good opportunity for us to collaborate with them when we were going to be over there.”

It’s no surprise that the Hong Kong Art Gallery Association wrote such a passionately pro-Basel HK letter earlier in the month, since tourism to the fair is a major highlight to any city’s artistic year. Accompanying an art fair,–– like what was planned in Hong Kong–– a city will usually have an Art Week. Evenings are coordinated for visitors to gallery hop to exhibition openings or more conceptual performance events. Galleries will often plan their year around art fairs, placing their most lucrative or interesting exhibitions during that time in hopes that a collector will make a big purchase or a conversation will strike over Champagne and hors d'oeuvres with an art critic who could break an emerging artist or a museum director who wants to put one of their artists in a show.

Some of the main visitors to Art Basel Hong Kong are collectors from Mainland China, which has the second largest art economy in the world only behind the United States. According to the Art Basel and UBS global *Art Market Report 2018*, China accounted for 21 percent of the $63 billion global art market in 2017. Coronavirus is damaging the Chinese art economy, with the opening of two new major museums on hold and many collectors and museums hesitant to export works from the country. As a result, it is possible the virus could cause a serious blow to the international art economy beyond just the lost revenue of the upcoming Art Basel Hong Kong.

*Art Basel Hong Kong and several galleries were contacted. They were unable to comment on the subject matter.*