BOOMING ART MARKET BOLSTERED BY SWISS FREE PORTS

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European Art, Held Hostage by Capital

Daniele Tracht

There is a global network of airport-based duty-free depots that buy and sell works of art that might never again see the light of day. Chances are you’re not among their customers.

In 1990, Japanese paper magnate and art collector Takeshi Wada purchased a Van Gogh at a Christie’s auction. He paid $1.5 million US dollars, making “The Portrait of Dr. Gachet—the world’s most expensive painting of that time. Six years later, in 1996, he ordered the portrait to be placed in the attic along with his body and cremated. Since then, nothing is known about the whereabouts of the masterpiece.

Free Ports

Storing goods under free port status allows postponement of VAT and customs duty payments until such time as the goods reach their final destination.

Geneva Free Ports and Warehouses Ltd are located at Geneva international airport and La Praille. Premises cover 140,000 square meters, the equivalent of 22 football pitches. An additional 10,000 square meters will be inaugurated in 2013. 27 percent of the surface is occupied by works of art, the rest is for jewellery, precious stones, precious metals, watches and even wines and cars.

In 2011, with a turnover of Sfr122 million ($123.1 million), the company generated Sfr20 million for Geneva canton that holds an 80 percent stake in the operations.

Goods may be stored in transit for an unlimited period of time and at minimal expense.

The provenance, ownership, valuation and inventory of goods stored are now required by Swiss law.

http://www.geneva-freeports.ch/
The showdown in Monaco has blown the lid off an opaque area of the art market: private sales, in which the most sought-after pieces often change hands through well-connected dealers, avoiding a public bidding war. Of the record £1 billion in art sold last year, 52 percent of the transactions were private deals, says Clare McAndrew, founder of research and consulting firm Art Economics.

In this arena, billionaires often bid against each other without even knowing it, frequently through offshore companies. Rather than flaunting art on their villa walls, investors are increasingly stashing it in freeports, where it can appreciate tax-free before being sold again, tax-free. The value of the works is often hard to assess, determined mostly by what a buyer's willing to pay. What Rybolovlev paid for No. 6 was a record for a Rothko, whose large canvases have soared in value. In February, Qatar Museums, according to widespread reports, bought Paul Gauguin's When Will You Marry? for $300 million, the highest price ever paid for a work of art. (Qatar Museums did not respond to calls for comment.)

Nowcid Ronbini, an economist at New York University and an art collector, said on his personal blog earlier this year that the art market is prone to money laundering and price manipulation and badly needs regulation. “There are a number of serious distortions in the art market that suggest that there is some shady behavior going on,”
A priceless assortment of terracotta pots, decorated vases, busts, bas-reliefs, and fragments of frescoes from Pompeii were also found in the trove, thought to include a variety of artifacts looted from the ancient Etruscan city of Tarquinia and other archaeological sites in the Italian areas now known as Umbria and Latium.

The investigation first began in March 2014, when Italian police suspected the looted antiquities might have been stored in the Swiss vault. The public prosecutor's office of Geneva joined the investigation and located the trove, then linked it to Symes.

Gyimes, once a successful and reputable antiquities dealer in London, fell from grace when he was accused of belonging to an international network of antiquities smugglers and traffickers. Gyimes was convicted for two counts of contempt of court for disregarding orders in relation to the sale of a £8 million Egyptianian statue and, in January 2005, was sent to prison for two years. He served only seven months.

To complicate things further, according to the Daily Mail, photographs of the items contained in the Symes cache were located in the possession of an Italian policeman found dead in strange circumstances while under investigation for art trafficking in 1996.


He went on to describe how our support to art has been modified by the vertiginous rise in its value. "In the seventies a good acquisition could be made for the cost of a week's holiday; now it is the price of a house."

Anders Petterson, founder of London-based analysts ArtTactic stated that "Art markets are increasingly linked to financial markets." The art industry is currently estimated to be worth €16.1 billion (Sh 534 billion).

"People across the world are buying art," Petterson emphasised. He attributes the explosive growth of the art market not only to investment funds, but also particularly in the post-war and contemporary art segments, to the multiplication of art fairs, auction sales and new art collectors.

There is so much art, he said, that we are running out of space. "I know a number of collectors whose passion outrun their wallets long ago, but who keep buying. Up to 80 per cent of their collection ends up in bonded warehouses." Even museums only show a very small portion of their possessions at any time.

As a result, the need for strategically placed professional services to ensure the safeguard and preservation of fine art is increasingly important. Fine ports are not only temperature and humidity controlled, they also come with an array of essential services, security, restoration, framing, authentication, evaluation and specialized transportation, to name only a few.

"Preserving art in optimal conditions is the main reason for using warehouses," insisted framer Denis Schott who opened an antiques to his shop in Geneva's free port five years ago.

Although free ports are guarded like Fort Knox, "Geneva is less mysterious than many make it out to be," he said. Some of the vaults even resemble luxurious galleries, although with a constant temperature of 17 degrees "we freeze in there," he revealed.

Art preservation, Schott contended, is demanding. For example, oil paintings should not be left in the dark,
Lack of Transparency, Black Money

The lack of transparency is not a bug, but a feature that the art market. There is an acute need for regulation. Nobody needs to listen about a deal except the dealers and the client. Prices are not transparent. Assessing a "real" value is impossible, except maybe reality is an aspect of the transaction.

This is precisely what Vanessa Rumbold, the CEO at the German Government, understated. When Dmitry Rybolovlev, the Russian billionaire, was targeted by a menacing New Billionaire for selling paintings, did not. By observing that money was going to, among other things, buy back his paintings in Switzerland and Singapore, he was creating an institutional backdrop that would demonstrably confirm the validity of the valuations he had charged, which then became the leading depository, securing his bank of art. The sale of a Picasso without a system of guarantees might be at risk if the value of Picassos in a world equipped with a full-service, international network of institutions designed to preserve, record, and make records, in perpetuity, the absolute value of the works in question.

Artists, relatively autonomously, at the borders of the market representation, and makes art market similar to munificence, being this border is always being crossed and crossed, such that the numbers that appear elsewhere can't really be compared. When recently asked a dealer asked the international market what percentage of dirty money was involved in the art business, his reply was that 50%. The price in that market is much less than the value of Picassos in a world equipped with a full-service, international network of institutions designed to preserve, record, and make records, in perpetuity, the absolute value of the works in question.

What the art market demands are objects of dubious quality produced in large numbers. Yes, each should be unique in order to warrant the impossibility of falsifications and reproductions. "Massive assets" is what Rybolovlev told Rumbold he needed, and so by Rybolovlev bought art.

Liquidity reflects the grow of an artist's brand. She or he has to have a certain amount of work, and, at the same time, they obey regulations against pan-regulation. Anselm Kiefer, a preeminent artist, whose output looks very much like many recent post-internet products, and which is also directed towards a smooth adaptation in market needs, never before relented on reproduction - the price of his work to reach parity. A liquid market has been adapted. Not only supply is guaranteed, but demand lies in the carefully manicured. This is where the challenge and the risk of demand lies, in the primary and secondary market, and in auction houses. In order to provide liquidity they have to set market values, meaning they have to guarantee minimum primary buy-back guarantees. The liquidity must not create a major change to all those market participants, and maybe that is why artists have not failed to address the topic.

It was impossible to miss, in this respect, the appearance of a certain "liquid" sector in so many vast art-related artworlds. The style seems immune to widespread that an exhaustive list is impossible. Especially memorable examples include the charge of Olivier in Turrell's work and the use of fluid surfaces and monolithic by Turrell. Exceptions show Liquidity Inc.

The use of liquidity is an example of the metaphorical appropriation of technology by art, one of how levels of such responses will change. When gold was the solid in handling, art was played in Fames pointed gold. Today, having broken gold's monopoly on liquid wealth, it is

Billionaires' melancholy whims

"I've done the portrait of M. Cezanne with a melancholy expression. There are modern heads that may perhaps be looked back on with shrinkage hundreds years later," wrote Vincent van Gogh in a letter to his sister in 1886. He was wrong. Exactly a hundred years later, the painting's fate was sealed and it was doomed to extinction.

Van Gogh's predictions are intimately intertwined with European history. When Napoleon I sold the Louvre's Ministry of Public Enlightenment and Propagation, they wanted to purge Germany of the so-called "pagan" art, removed it from the city gallery in Frankfurt and sold it to a private collector.

More often than not, invaluable artifacts of European cultural heritage that are stored in free-ports were never meant to be displayed in living rooms. They increasingly become tenderers of global capital and its hostages.

No one ever thought of the shock and a sense of loss that van Gogh's decision to take the portrait of the melancholy head with him to the southern British painting that survived the Nazis is now lost to humanity at the whim of a billionaire.

However, that was a brush of a single painting. A network of free-ports around the world is selling up the artworld business. Now often does not, invaluable artifacts of European cultural heritage that are stored there were now meant to be displayed in living rooms. They increasingly become tenderers of global capital and its hostages.

Forget the Louvre in Paris, forget the National Gallery or Berlin's Gemäldegalerie. The Wall Street Journal estimates that the free-ports in Geneva "may house the most valuable art collection in the world." But, of course, one cannot say for sure unless Picassos, Van Goghs, or Monets are in the vaults, as these are as, as rare, secret.

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One of the priceless Etruscan statuettes found in the police at the Genova Freeport.
Photo: X Marea

Forty-two crates containing a trove of Roman and Etruscan antiquities belonging to Robin Symes, a disgraced British art dealer who was sent to prison in 2005, have been found in the Genova Freeport.

The operation was carried out by the art crime department of Italy's Carabinieri police in collaboration with the Swiss authorities. The antiquities were returned to Rome early last month, according to La Repubblica.