





BOOMING ART MARKET BOLSTERED BY SWISS FREE PORTS

WRITTEN BY MICHELE LAIRD







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EUROPEAN ART, HELD HOSTAGE BY CAPITAL

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There is a global network of airport-based duty-free dealers 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 Ryōhei Sasabuchi purchased *Van Gogh at a Café* at Christie's auction. He paid \$2.5 million US dollars, making "the Portrait of Dr. Gachet" the world's most expensive painting at that time. Sixty days later, in his will, he ordered the painting to be placed in the mausoleum with his body and cremated. Since then, nothing is known about the whereabouts of the masterpiece.

LONDON — **BOOMING ART MARKET BOOSTED BY SWISS FREE PORTS** In high art circles, the novelty is that its free ports have become key players in the booming international art market.

"Art is a currency that flows between countries," Andres Petterson said, intent on pointing out that hypothetical returns are not always the main reason for buying. "Art procures prestige, as well as enjoyment. Function plays an essential role."

"Free ports are protecting our artistic heritage on the move," he concluded.

FREE PORTS

Shipping 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 Prairie. 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 SFr22 million (\$ 23.1 million), the company generated SFr10 million for Geneva carpet that holds an 86 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.reviews-freeports.ch/>



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Or they must ask additional questions to be sure of the legal origins of funds," Ordóñez explained.

"Manipulation, conflicts of interest, and opacity: what is happening in the art market, with all the cash payments, reminds me of banking secrecy 30 years ago," Monika Roth, lawyer and professor at Lucerne's University of Applied Sciences and Arts, told *Swissinfo.ch*. "Everybody knows what is going on but nobody wants to think about the consequences," she added.

"But it's not enough," Roth insisted, referencing the cash cap. "There must be real regulation of the art market, if only to protect the honest traders. The big players like Art Basel should think about it because once the question of banking secrecy is resolved, attention will turn to the art world and that will really hurt!" (see [Here Is the 2015 Exhibitor List for Art Basel in Basel](#)).



Yves Bouvier
Photo: Scott Schuster/Post



■ **Yves Bouvier stands inside the hangar in Geneva where he started an art shipping business in the late 1980s.** Daniel Sier/Barberberg Markets

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.)

Nouriel Roubini, 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,"

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 \$51 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 flouting 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

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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 Lazio.

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.

Symes, once a successful and reputable antiquities dealer in London, fell from grace when he was accused of belonging to an international network of antiquities looters and traffickers. Symes was convicted for two counts of contempt of court for disregarding orders in relation to the sale of a £8 million Egyptian statue and, in January 2006, 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 1995.



ART MARKET BOOMING ART MARKET BOOSTERED BY SWISS FREE PORTS

"*Midi, Monet, Matisse - The Nahmeh Collection*" at Kunsthaus Zurich, 21 October 2011 - 15 January 2012, photos Michele Laird

He went on to describe how our rapport 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's the price of a house."

Anders Pettersson, 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 (\$15.4 billion).

"People across the world are buying art," Pettersson emphasized. 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 outran their walls 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 a time.

As a result, the need for strategically placed professional services to ensure the safeguard and preservation of fine art is increasingly important. Free ports are not only temperature and humidity controlled, they also come with an armada 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 antenna 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,

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Lack of Transparency, Black Money

The lack of transparency is not a bug, but a crucial feature of the art market. There is no central clearing house. Nobody needs to know about a deal except the dealer and the client. Prices remain secret. Assessing a "real" value is impossible, because reality is an effect of the transaction.

This is perhaps what Yves Bouvier, the CEO of the Geneva Freeport, understood that Dmitry Rybolovlev, the Russian collector he overcharged by roughly one billion dollars for several paintings, did not.⁵ By reinvesting that money in new arms of his freeport empire in Luxembourg and Singapore, he was creating the institutional architecture that would retroactively confirm the validity of the exorbitant prices he had charged, which then became the founding deposits, securing his banked art. The value of a Picasso without a system of freeports might be much less than the value of a Picasso in a world equipped with a full-service, international network of institutions designed to preserve, and thus recognize, in perpetuity, the absolute value of the works in question.

Art exists, relatively unconsciously, at the border of the mode of representation, and makes the art market similar to money laundering, because this border is always being crossed and re-crossed, such that the numbers that appear on either side can't really be compared. When Tresseny asked a dealer active in the international market what percentage of dirty money was involved in the art business, his reply was zero percent. The joke was instructive: the amount a painting is sold for might be less than what was paid, but the circuit through the art-world value-form will also have cleaned it all.

What the art market demands are objects of durable quality produced in large numbers. Yet, each one should be unique in order to warrant the impossibility of falsifications and reproductions. "Marketable assets" is what Rybolovlev told Bouvier he needed, and so Rybolovlev bought art.

Liquidity reflects the power of an artist's brand. She or he has to issue a certain amount of work, and, at the same time, obey safety regulations against overproduction. Anselm Kiefer, a pre-post-internet artist, whose output looked very much like many recent post-internet products, and which was also directed towards a smooth adaption to market needs, nevertheless refined after overproduction caused the price of his work to crash in 2009. A liquid market has also another side. Not only supply must be guaranteed, but also demand has to be carefully managed. This is where the challenges and the risks rest on dealers, in the primary and sometimes also the secondary market, and on auction houses. In order to provide liquidity they have to act as market makers, meaning they have to guarantee minimum prices or buy back artworks. The liquidity constraint poses a major danger to all those market participants, and maybe that is why artists have not failed to address the issue.

It was impossible to miss, in this respect, the appearance of a certain "liquid" surface in so many early post-internet artworks. The style soon became so widespread that an exhaustive list is impossible. Especially memorable examples include the sharp cut-off in Timur Si-Qin's work and the use of fluid surfaces and water bathtubs by Pamela Rosenkranz. Steyer, of course, has shown the way here, too, with her show *Liquidity Inc.*

The use of liquidity is an example of the metaphysical appropriation of technology by art, one of four kinds of such responses I will discuss. When gold was the stuff of hoards, art was placed in hoards painted gold. Today, having broken gold's monopoly on liquid wealth, it is

Billionaires' melancholy whims

"I've done the portrait of M. Gachet with a melancholy expression. There are modern heads that may perhaps be looked back on with longing a hundred years later," wrote Vincent van Gogh in a letter to his sister in 1890. He was wrong. Exactly a hundred years later the painting's fate was sealed and it was doomed to extinction.

The painting's provenance is intimately intertwined with European history. When National Socialists ruled in Germany, it went through the hands of the Reich's Ministry of Public Enlightenment and Propaganda. They wanted to purge Germany of the so-called "degenerate" 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 tenders of global capital and its hostages.

No wonder there was shock and a wave of local protests surrounding Van Gogh's decision to take the portrait of the melancholy head with him to the netherworld. A painting that survived the Nazis is now lost to humanity at the whim of a billionaires.

However, that was a burial of a single painting. A network of free-ports around the world is scaling up the graveyard business. More often than not, invaluable artifacts of European cultural heritage that are stored there were never meant to be displayed in living rooms. They increasingly become tenders of global capital and its hostages.

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

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* 2

* 3

* 4

* 5

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One of the primeval Etruscan sarcophagi found in the cache at the Geneva Freeport.

Photo: © Direction Publique Genève

Forty-five crates containing a trove of Roman and Etruscan antiquities belonging to Robin Gyres, a disgraced British art dealer who was sent to prison in 2005, have been found in the Geneva 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