

Editorial

Interview with Yves Bouvier [†]

John Zarobell

Department of International Studies, University of San Francisco, San Francisco, CA 94117, USA;
jzarobell@usfca.edu

[†] Responses translated from the French by John Zarobell with support from Samuel Weeks. Thanks are due to Alexandra Dubourg for her invaluable assistance and to Johanna Grawunder.

Received: 19 August 2020; Accepted: 13 September 2020; Published: 21 September 2020



1. Introduction

Yves Charles Edgar Bouvier is a founder and/or shareholder of the following firms: Expositions Natural le Coultre SA (Geneva), Fine Art Transports Natural le Coultre SA (Geneva), Le Freeport Management Pte Ltd (Singapore), The Singapore Freeport Real Estate Pte Ltd, The Luxembourg Freeport Management Company SA, The Luxembourg Freeport Real Estate SA, and Art Culture Studio SA (Geneva). He is a recipient of the Order of Merit from the Ministry of Culture of the Federation of Russia and serves as Governor of the Board of the National Cultural Heritage of Russia, and has previously served as a Board Member of ARIF (2000–2003), a self-regulatory organization approved by the financial market supervision authority (FINMA) to enforce anti-money laundering legislation.

John Zarobell, Associate Professor of International Studies at the University of San Francisco, author of *Art and the Global Economy*.

Knowing that this Special Issue of *Arts* on the Contemporary Art Market would include a series of articles on freeports, I requested an interview with Yves Bouvier, the man who has been central to the development of this business model, and an art dealer for more than thirty years. While I had originally hoped to visit Luxembourg and to speak with M. Bouvier in person as well as have an opportunity to see the freeport there, COVID-19 disrupted these plans so I present here an interview held via email exchange. Not only does this conversation illuminate the dynamics of freeports, their particular advantages and legal status, it provides a perspective on how those involved in the business of art perceive these dynamics and their role in the promotion of freeports as a new global model for art storage in the twenty-first century.

2. Interview

John Zarobell: Do you think there is a connection between the rise of the global art market and the expansion of freeports? How are the rise of the market and the rise of freeports connected?

Yves Bouvier: The market for art has globalized, the number of art fairs has exploded, many new museums and foundations have come into existence, traditional museums turn over their exhibitions more often to attract more visitors, there are more art collectors and artists have become CEOs managing the value of their stock. And the tendency is towards expansive (large, unwieldy) works of art. The logistics needs and storage platform of freeports has responded to this growth and the latter have transformed themselves into a logistics hub in which specialists of many capacities—such as restorers, framers, photographers and scientific analysts—can operate on site . . .

JZ: The logistical advantages for the art market today are clear and yet there are many tax-free storage facilities that are not “luxury freeports”, as Oddny Helgadóttir has termed them. Why do you think the business model that you have developed is doing so well in the contemporary global climate?

YB: I think that art storage facilities have a responsibility to cultural patrimony. The best technologies of preservation and security must be made available to transmit to the next generations the work of art in its original preserved state. Like an archaeologist.

JZ: Now that you have been cleared of charges in Monaco, what is your strategy for Natural Le Coultre going forward? Do you think that the luxury freeport model will continue to grow?

YB: Unfortunately, my adversary has employed a significant communications campaign to destroy my image and that of the freeports. The prejudice is enormous against Natural Le Coultre and I had to sell the company in order to maintain jobs. For my freeports, it will be very difficult to relaunch development. The art market functions on confidence and I have been treated like [Bernard] Madoff even as my former client has realized profits and the only lawsuit [against me] has been launched by [Dmitry] Rybolovlev.

JZ: How do you evaluate your competition in the freeport market, whether in Delaware, New York City or Beijing? Will there be a broader geographical dispersal of freeports in the future? Will there be more companies coming into this business to compete with Natural Le Coultre?

YB: Freeports have to be located in a country with political, economic and social stability, plus a AAA [credit rating]. And without social conflicts and a low crime rate. Beyond that, it must be part of an airport structure, served by direct cargo flights to all of the major destinations of the art market.

It is an open market and the competition is healthy, but the number of locations suitable for development is limited. For example, there is no point in putting a freeport in the US because there is no VAT [value-added tax], rather the system functions on sales tax.

JZ: You are known as an art dealer and principal in your family company Natural Le Coultre, so you are active in both selling and storing art. Have you also invested in new financial companies focused on the art world, such as Maecenas or Malevich?

YB: First, I would like to explain that while I am a shareholder in art storage companies, I have never had a conflict of interest. I have no managerial position and I would never have access to clients' inventories, nor be let inside their storage spaces. The works that I sell are never part of the stock of my clients who store their art at freeports. Otherwise, I would never have had access to the inventories of clients, nor be let inside their storage spaces. As you may know, Christie's also has a division dedicated to storage of art works, and they are active in buying and selling art, but they have never been accused of having a conflict of interest.

To answer your question, I did invest in companies that were trading in fractional ownership and securitization of art works, but those ventures did not succeed. I am in discussion with a company for "tokens" but that has not been finalized.

JZ: What are the potential impacts on the Geneva Freeport from MLD5 legislation going into effect in Europe in 2020?

YB: I cannot say anything about the Geneva Freeport, as I had to sell my art storage business there, but at the freeports of Luxembourg and Singapore, logistics companies have the obligation to identify the Ultimate Beneficial Owner and, in Luxembourg, the government's obligation of state oversight of freeports is similar to that of banks. Beyond that, there is complete traceability of holders of works and their values during storage [in the freeport]. 100% of works are unpacked and verified by customs officials on arrival and departure from the freeport. Further, in Luxembourg, these professionals have a specialized knowledge of art. This is a unique situation, distinct from thousands of storage facilities within or outside of customs authority. Our procedures and obligations are an economic handicap but this farsighted vision will be a commercial advantage in the future when other governments impose the same obligations and diligence in enforcement [of the law]. In addition, those strict inventory obligations have a decisive advantage for law enforcement authorities: they can quickly and efficiently find works of art by their simple description (such as looted or stolen art), as recent cases

demonstrate. Had such artworks been stored in a domestic storage, where no inventory obligations exist, or in a bank's safe, it would have been very difficult, or impossible, for the authorities to trace those artworks back.

JZ: Boris Johnson has said that he wants to expand freeports in the UK to reap trade advantages—are you considering opening a new freeport in the UK? Would their new restrictions responding to MLD5 discourage you from doing so?

YB: Mr. Johnson notwithstanding, London is lacking a freeport capable of responding to the needs of the market.

The new restrictions are not a handicap; it is the art market that has to modernize itself and face the demand for transparency as the financial markets have.

JZ: Do the customs authorities at the Geneva Freeport know the Ultimate Beneficial Owners (UBOs) of all objects stored there?

YB: In Geneva, as at all of the other storage facilities in the world, the authorities do not know the UBO, unlike in Luxembourg and Singapore. The only legal obligation is to have a representative who acts to give the instructions.

JZ: The Geneva Freeport is said to house more than a million art works—what percentage of art works stored in freeports internationally does that represent in your estimation?

YB: There are several million works of art stored in Geneva. The total area dedicated to art storage is about 70,000 m² [630,000 sq. ft.] but that is tiny compared to the millions of square meters holding art works around the world, so Geneva probably holds less than 5%.

JZ: Do you know how much value is transacted at the Geneva Port Franc annually, whether in art or anything else? Is tax-free transaction a significant incentive for your clients?

YB: I do not know the value of transactions in Geneva, or elsewhere. The transactions are not tax-free, concerning each transaction (auctions, galleries sales, private sales) every proprietor has to declare this on their residence tax filing. That which is not taxed is the value-added tax, but if a work of art leaves the Freeport and is imported into a country that has a tax agreement with Switzerland on value-added tax, it is payable at that time. The existence of the Geneva Freeport is [due to] the quality of Swiss service and the country's *savoir faire*, the tax advantage is no longer the main reason for storing in the Freeport.

JZ: You have said that the advantage the freeport business model provides is logistical, not tax-related. Given the number of works stored in the Geneva freeport alone, and the reported length of time that many objects have been stored there (some have been in storage for 20 years or more), it seems that some of the logistics advantages might also have long-term fiscal strategies connected to them. Do freeports provide opportunities for speculation in the art market?

YB: Speculation on artists does not correlate with the system for storing works of art, there will be speculators who want to preserve their investments in the best storage conditions and to obtain the lowest possible insurance costs on them in relation to the quality of storage available.

JZ: As an art dealer of top-flight merchandise, do you believe the current estimates provided by Clare McAndrew and others about the size of the global art market (\$63.7 billion in 2018) are accurate and, if not, do you believe the actual number is higher or lower?

YB: It is very difficult to estimate the value of transactions [in the art market] outside of public sales; one would have to study all of the accounts of art galleries in the countries where those records are public, add to that all of the foundations engaged in commerce, all collectors and financiers. And this in all of the domains of art. For example, in 20th century art with about \$500 million in business transactions, I would have represented in my opinion 5% of the total market transactions and was the leader in that period.

JZ: Thank you very much, M. Bouvier, for agreeing to respond to these questions and sharing some of your expansive knowledge on the contemporary art market to this Special Issue.

Conflicts of Interest: The author declares no conflict of interest.



© 2020 by the author. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>).