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A Freeport Comes to Luxembourg, or, Why Those Wishing to Hide Assets Purchase Fine Art

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Abstract: This article addresses how global art markets are becoming an outlet of choice for those wishing to hide assets. Recent efforts by the OECD and the U.S. Treasury have made it more difficult for people to avoid taxes by taking money “offshore”. These efforts, however, do not cover physical assets such as fine art. Citing data collected in Luxembourg—a jurisdiction angling to become a worldwide leader in “art finance”—I discuss the characteristics of this emerging system of opaque economic activity. The first of these is a “freeport”, a luxurious and securitized warehouse where investors can store, buy, and sell art tax free with minimal oversight. The second element points to the work of art-finance professionals, who issue loans using fine art as collateral and develop “art funds” linked to the market value of certain artworks. The final elements cover lax scrutiny by enforcement authorities as well as the secrecy techniques typically on offer in offshore centers. Combining these elements in jurisdictions such as Luxembourg can make mobile and secret the vast wealth stored in fine art. I end the article by asking whether artworks linked to freeports and opaque financial products have become the contemporary version of the numbered Swiss bank account or the suitcase full of cash.

Keywords: freeports; fine art; global art markets; art finance; tax evasion; tax havens; offshore financial centers; Luxembourg

1. Introduction

It was a typical winter day for northwestern Europe. Amid the gusts and cold rain, I attempted to make my way from the Luxembourg City center to “Le Freeport”, a hyper-luxurious and securitized warehouse for fine art and other collectible assets that opened its 10-ton doors for business in September 2014. Unlike most trips within this tiny Grand Duchy, which one can do on foot or via public transport, my journey to the Luxembourg Freeport was long and circuitous and proceeded in an uncertain manner.

My difficulties began at Findel, the country’s lone international airport. I proceeded to the front of the outdoor taxi queue and asked to be taken to the nearby “port franc”. A blank stare from the taxi driver. “La zone franche alors?” Another blank stare. The driver left to consult some of his colleagues. The verdict: one of them had heard of something, sometime of a “port franc”—but he was not certain what it was or where it was located. This “present absence” of the Luxembourg Freeport was not totally unexpected, though still curious; after all, His Royal Highness Henri, the current Grand Duke of Luxembourg, had attended the facility’s well-publicized inauguration, for which the local philharmonic had performed a piece of music written specifically for the event (Letzing and Colchester 2015).

Having had a hunch that directions would be an issue, I had jotted down beforehand the phone number of the freeport. I dialed the facility and asked the administrative assistant to explain to the taxi driver how one could get there. While located on the airport premises, a short distance “as the crow flies” from the main terminal, the freeport is nevertheless inaccessible by foot; one must drive, or be

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presumably back to the taxi queue at the airport. In the wind and rain, I made my way to the gate, a call box and surveillance camera. I heard a muffled “bonjour”. “Je m’appelle Samuel Weeks—j’ai un rendez-vous à 17h”, I blurted. A long moment passed, but then the gate’s immoveable turnstile clicked and went slack, allowing me to push through. I was in.

At the first of a series of doors, a burly security guard greeted me. Sparing the usual French-language pleasantries, the guard asked for (then held) my identification and made me sign a ledger. This completed, he beckoned me to place my backpack, umbrella, and coat onto the conveyer belt of a metal detector and pass through security as if I were heading into the departure terminal of the nearby airport. The guard met me on the other side of the detector and murmured that he would accompany me to the facility’s main office, where I was due to conduct an interview with a freeport administrator.

The two of us moved slowly into the interior of the facility. In the corridors, the windowless walls are sterile and bare, which did little to absorb the echoing sounds of my wet, squeaking shoes. At each of the thick doors we encountered, the guard stopped to enter a code into a control pad and placed his hand over what appeared to be a biometric scanner. Writing about developments in a satellite image of the layout of the site (see Figure 1); adjacent to the facility is a runway used for private jets and specialty cargo airplanes, the infrastructure necessary to welcome the world’s ultra-wealthy art aficionados and their objects of passion and investment.

Figure 1. An aerial view of “Le Freeport” in relation to the air-cargo terminal (Google Maps).

Promising high security, minimal taxes, and discretion, this “fortress of art” totals a cavernous 22,000 square meters of space (Letzing and Colchester 2015). The facility has “four [gold] bullion chambers guarded with 50-centimetre-thick metal doors, and four other chilled rooms designed to hold 700,000 bottles of fine wine”, as freeport staff told Blenkinsop (2014). Knight (2016, p. 70) cites equally implausible specifications: the Luxembourg Freeport is made of sixty-thousand metric tons of concrete.

I eased myself out of the taxi after paying the fare. The driver sped off in the opposite direction, presumably back to the taxi queue at the airport. In the wind and rain, I made my way to the gate, a fortified turnstile ringed by a barbed-wire fence, and pressed the doorbell, which also served as a call box and surveillance camera. I heard a muffled “bonjour”. “Je m’appelle Samuel Weeks—j’ai un rendez-vous à 17h”, I blurted. A long moment passed, but then the gate’s immoveable turnstile clicked and went slack, allowing me to push through. I was in.

As we approached, lodged in the back of the taxi, I caught my first glimpse of the Luxembourg Freeport. The structure is forbidding, its ziggurat-like exterior protected by stacked crates filled with stone, similar to those used to reinforce unstable embankments. I could see just a few entrances into the freeport—one for people and others for storage items—yet scores of surveillance cameras, some 300 in total, according to The Economist (2013). In preparation for visiting the freeport, I had looked at a satellite image of the layout of the site (see Figure 1); adjacent to the facility is a runway used for private jets and specialty cargo airplanes, the infrastructure necessary to welcome the world’s ultra-wealthy art aficionados and their objects of passion and investment.

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hand over what appeared to be a biometric scanner. Writing about developments in interior security, Cox (2016) asserts, “For the most discerning, fingerprint-activated locks are a must . . . Programmable security keys can limit when, and how long, staff can gain access, as well as . . . where they can roam”.

With regards to its security measures, the Luxembourg Freeport resembles a companion facility in Singapore, as both are owned by the Swiss art transporter and dealer Yves Bouvier. What unites these freeports is that they are “technosocial assemblages” par excellence (Appel 2019, p. 76), a space where social and economic processes come together and are mediated by high technology. In the Geneva Freeport, which Bouvier’s former firm Natural Le Coultre used to manage, Knight (2016, p. 62) notes that “iris scanners, magnetic locks, and a security system known as Cerberus guard the [facility]’s storerooms, whose contents are said to be insured for a hundred billion dollars”. On their trip to photograph Bouvier’s Singapore facility, Woods and Galimberti (2015) reveal the following: “One of the most secure places on Earth, the [Singapore] Freeport has biometric recognition, more than 200 security cameras, vibration detection technology, Nitrogen fire extinguishers and seven-ton doors”. In Singapore, the enigmatic Bouvier painstakingly designed all these security features, “from the fire-resistant walls, coiled through with steel, to the height of the doors: three meters, to admit the largest contemporary [art] installations. ‘I chose everything’, he said. ‘The door handles. I’m obsessive about that’” (Knight 2016, p. 66).

The guard and I finally arrived at our destination: a spacious office in which three people were quietly at work filing papers. There, I saw some touches of human presence—a few personal photos and decorative plants—in this otherwise somber, albeit luxurious, space. The administrator muttered a greeting and invited me to sit at a round table in the middle of the room. I extracted from my backpack a notebook and a list of questions. My education on freeports was about to begin.1

2. Freeports and the Global Art Market

Freeports are pawn shops for ultra-high net-worth individuals.

—An art-finance specialist (interview, February 2016)

Duty-free art [in freeports] ought to have no duty—no duty to perform, to represent, to teach . . . Duty-free art should not be a means to represent a culture [or] a nation . . . [Yet] the duty-free art in the freeport storage spaces is not duty free. It is only tax-free. It has the duty of being an asset.

—Steyerl (2017, p. 97; italics in original)

In what follows, I place the Luxembourg Freeport within a larger context of increased recent demand for “collectible assets” and in relation to the world’s other fine-art freeports—which are currently found in Geneva, Singapore, Shanghai, Monaco, and the U.S. state of Delaware. As international fine-art markets have boomed in the last 15 years, so too has demand for the discreet, tax-free storage space offered in freeports—particularly for works of art not destined for a museum or even a living-room wall, but rather intended as an asset in which to invest. Boltanski and Esquerre (2016, p. 41) note this contradiction, “The acquisition of [luxury] commodities can serve another purpose, that of conspicuous consumption, drawing attention to one’s wealth; but they often seem to be purchased and stockpiled without ever being displayed before the eyes of others—or even their owner’s eyes, in the case of large-scale collectors”.

1 This study of the Luxembourg Freeport and the Grand Duchy’s attendant experiments in art finance is part of a longer research project on the uses of secrecy within the country’s offshore financial center (see Weeks 2018). Initial contacts with freeport administrators and others working in the art-finance field were made through mutual acquaintances and institutional affiliations. Data were collected from 12 individuals during semi-structured interviews and via participant observation, which took place from December 2015 to July 2016. By my tally, this sample covers approximately half of the people working in Luxembourg’s emerging “art and finance cluster” at the time.
The world’s first freeport for fine art developed as an outgrowth of Geneva’s Ports francs complex, which itself dates to 1854. Letzing and Colchester (2015) state that the original idea for this zone was to allow commodities in transit, particularly grain, to be stored in a space temporarily in which they would not incur taxes. Taxation, in theory, would take place once the goods had reached their destination. In the second half of the twentieth century, however, art collectors came to realize that they could take advantage of this “in transit” status indefinitely—that is, that their luxury objects could remain in untaxed limbo, in theory, forever. As such, freeports offering no-time-limit storage seems entirely inconsistent with their original purpose of storing “goods in transit”. A 2013 article in The Economist spells out this tension:

This [taxation] benefit may have been originally intended as temporary, while goods were in transit—but for much of the stored wealth, it is, in effect, permanent, as there is no time limit: a painting can be flown in from another country and stored for decades without attracting a levy.

Today, the Geneva Ports francs continue to be governed by special customs and fiscal statutes, meaning that the transactions occurring within the freeport are not subject to value-added taxes (VAT) or capital gains (Carver 2015). All duties, again, in theory, are supposed to be paid when an item exits this “parallel fiscal universe” en route to its destination country, though by then it may have been bought and sold many times over without leaving a corresponding paper trail. “It is not uncommon for a painting to be swapped for, say, a sculpture and some cases of wine, with all the goods remaining in the freeport after the deal and merely being shifted between the storage rooms of the buyer’s and seller’s handling agents” (The Economist 2013).

As a result, the fine art, precious metals, rare automobiles, and vintage wines that have amassed in the Geneva Ports francs could quite possibly make for the world’s most valuable collection of “physical assets”—although, it should be said, no one knows this for sure because the freeport’s holdings have never been publicly disclosed. A Luxembourgish banker interviewee of mine, who is familiar with the markets for art finance and other services, mentioned that a leading art insurer will no longer underwrite policies for items at the Geneva Freeport because “there is too much concentrated risk” (interview, February 2016)—which was recently calculated to be anywhere from $20 to $100 billion (Blenkinsop 2014). What is actually in the storage vaults (Figure 2) of the Geneva Freeport has long been the stuff of legend and intrigue. Members of the Lebanese-origin Nahmad family are among the world’s major collectors to house artworks there, as Herzberg (2016) explains:

David Nahmad’s collection makes museums and salesrooms dream. Two hundred, three hundred Picassos? [asks the reporter]. “I haven’t counted them. The number matters little; it’s not necessary to fall into that banality”, he retorts. “But I believe that we are the largest collectors of Picasso in the world”. It is said that he possesses 3500–4500 paintings, from Monet to Matisse, from Renoir to Rothko, shared with his brother and stored in the Geneva Freeport—for a total value of $3.3 billion? [asks the reporter]. “It fluctuates”, he grins.

As David Nahmad would no doubt concur, storing art in a freeport offers several unique advantages to collectors of the finest artworks. The first is the freeport’s status as a “no-person’s land”, akin to an embassy, where certain laws of the surrounding jurisdiction do not apply. Thus, items en route to freeports in Geneva or Luxembourg technically do not cross the borders of said countries (Zarobell 2017). Knobel (2015, p. 47) writes, “[F]ree ports and special economic zones are supposed to be territories with special rules . . . because they are not considered regular parts of a country”. Freeports are not open to the public and, thus, provide owners of fine art the discretion to buy and sell at will—transactions that will not be taxed so long as they take place within the confines of the facility.

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2 Figure 2 shows the storage vaults in the Luxembourg Freeport.
work in question is deemed not to be of national significance”. As seen in other contexts where similar
collectible assets can be bought and sold within the freeport (Korver 2018, p. 35). “This golden safe is one of the means used by the very rich to guarantee
Irrespective of their extraterritorial and tax-exempt status, a Luxembourgish industry official nevertheless believed that “freeports are normal. We don’t
tax things in transit. It is merely a conduit” (interview, January 2016; emphasis added). A “conduit”, of course, might not be the most accurate way to describe a freeport, given that many objects in it are not moved subsequently but are rather stored ad infinitum.

![Storage vaults, flanked by “light art”; Luxembourg Freeport (photo by the author).](image)

The “offshore” nature of freeports has provided collectors additional advantages, as countries such as Germany and Italy have passed restrictive “cultural-property protection laws” in recent years. The German Kulturgutschutzgesetz, which took effect in July 2016, restricts the export and sale of artworks more than 70 years old that are worth over €300,000. Murray Brown (2016) explains, “[the law] is designed to preserve Germany’s cultural heritage, and permits will be granted for export only if the work in question is deemed not to be of national significance”. As seen in other contexts where similar laws have come into effect, some “anxious owners” pre-emptively sold or transported works from Germany in advance of the law’s implementation. No doubt some of this art made its way into nearby freeports in Geneva and the Grand Duchy. In the words of a Luxembourg-based art-finance consultant, and I paraphrase: our freeport benefits from geopolitical decisions taken elsewhere. For example, there are laws on the books in Italy whereby any artwork older than 50 years or worth more than €150,000 will require an export certificate. Such laws compromise the liquidity potential of an artwork for its owner. This is a reason to keep art offshore, such as in the Luxembourg Freeport (interview, February 2016).

In addition to the facility’s offshore status and the discretion provided to “collector-investors” such as the Nahmad family, the tax advantages associated with freeports are also very appealing. As previously mentioned, all art and other collectible assets can be bought and sold within the freeport without having to inform the fiscal authorities in either the buyers’ or sellers’ countries of origin (Korver 2018, p. 35). “This golden safe is one of the means used by the very rich to guarantee … the flight from the tax authorities of their rare and precious items”, in the formulation of Pinçon and Pinçon-Charlot (2015, p. 208). Bowley (2015) gives us an idea of how significant these fiscal savings can be, in his discussion of the new freeport in Delaware, perhaps the most brazen of the “internal tax havens” within the United States:
[Delaware] is special because storage spots in most other [U.S.] states cannot offer the same tax advantages . . . It is one of only five states without any sales or use tax, meaning that a Manhattan collector who might owe, say, $887,500 in sales tax on the purchase of a $10 million painting at Sotheby’s in New York, would owe nothing by shipping the art to Delaware directly after purchasing it.

The freeports in Luxembourg, Singapore, and Shanghai are the brainchild of the reclusive Swiss businessman Yves Bouvier, the former president of his family’s Geneva-based art-transport company, Natural Le Coultre. In his twenty years as its head, Bouvier made hundreds of millions of dollars serving as both a transporter and dealer of art, thus covering two areas of the art market that many critics believe leads to conflicts of interest. With the hundreds of millions of dollars earned from his art dealing, Bouvier proceeded to open freeports in new locations. In 2005, he chose the city-state of Singapore, a jurisdiction that bills itself as the “Switzerland of Asia”.

Requiring special legislation to be passed by parliament, the Singapore Freeport opened in 2010, reportedly costing Bouvier $100 million to build. The facility, which—like the one in Luxembourg—adjoins the city-state’s international airport, is an “over-engineered hybrid of vault and temple”, in the words of Knight (2016, p. 66). After a well-publicized opening, and the announcement that auction house Christie’s had become an early client, it was clear that the project would be a success. With it came international media attention for Bouvier, whose “über-warehouses for the ultra-rich” (The Economist 2013) tapped into widespread fascination with the tastes and financial shenanigans of the global “0.01 percent”. By then, Bouvier was already considering other jurisdictions in which to replicate his freeport model. It was not long until he had made his choice: the Grand Duchy of Luxembourg.

3. The Luxembourg Freeport

I above all don’t want that the Freeport becomes a cemetery for art.

—A Luxembourg Freeport administrator (cited in Thomas 2016)

By the time Bouvier had decided upon Luxembourg as the next jurisdiction for one of his freeports, government and financial-center officials had already been at work on a plan to develop an “art and finance cluster” in the Grand Duchy, with the stated goal of diversifying an economy in which “regular” finance makes up a staggering 35 percent of GDP. As might be expected in an economy this dependent on financial services, the global crisis of 2008–2009 prompted much soul searching on the part of Luxembourg’s state and finance elites. Adding to the urgency of these conversations was the realization that Luxembourg’s infamous banking-secrecy laws would not be able to remain on the books in their current state; political pressure for greater transparency, from within and beyond the European Union, had become simply too great. Thomas (2016) describes how, in such a context, government and financial-center officials eventually warmed to the idea of “art and finance”:

After 2008, when the operators of the financial center came to the realization that good old days of secrecy were numbered, a gust of panic took flight. The government and the lobbies assembled as quickly as possible new legal products to attract [ultra-high net-worth

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3 Bouvier and his family sold their stake in Natural Le Couture in October 2017.

4 As an art transporter, Bouvier would have an idea as to which artworks were up for sale at any given moment, insider knowledge that could inform his dealing of the very same pieces. As a Luxembourgish journalist pointed out to me, the unregulated nature of the art market potentially allows such “double dealing” and conflicts of interest to happen (interview, July 2016). Bouvier’s opaque practices came to light in early 2015 when he was accused of systematically overcharging the Russian oligarch Dmitry Rybolovlev by hundreds of millions of dollars on the sale of some 33 paintings over the period 2003–2015. Bouvier was briefly arrested in February 2015 as he entered Rybolovlev’s residence in Monaco, where he had gone supposedly to discuss the upcoming sale of a Rothko painting owned by the oligarch.

5 This figure is around eight percent for the United States and a bit over 10 percent for the United Kingdom and Switzerland, typically thought to be the three most capital-friendly jurisdictions in the world (Chavagneux 2015, p. 185).
individuals] from all continents... In 2008... [a local art-finance consultant] began spreading the good word of “art and finance” within [his firm], and afterwards the government.

Thus, it is worth highlighting that Luxembourg’s foray into art finance first took shape during a moment of crisis. We recall that the financial center’s earlier ventures into other offshore niches—the holding company law of 1929, legislation on banking secrecy and investment funds during the early 1980s, et cetera—also came at points of crisis for the country’s political economy (Weeks 2018, pp. 8–9). Such crises—be they the global stock-market crash of 1929, the steel crises from 1974–1981, or the so-called third-world debt crisis of 1982—“which normally take the form of falling rates of profit, are also periods of intense technological and political innovation”, including the proliferation of offshore jurisdictions, zones, and niches (Palan 2006, p. 73). Along these lines, the Luxembourg Freeport is the result of new “zoning technologies” that fragment a state’s territory “in order to capitalize on specific locational advantages of economic flows, activities, and linkages” (Ong 2006, p. 103).6

From 2008–2009, Luxembourg’s art-finance proponents were quick to establish a narrative behind their efforts. A local consultant recounted these for me: the sector would help to diversify the economy, spur local interest in art, and help the country to shed its reputation as a “tax haven” (interview, February 2016). None of my interviewees—as might be expected—added that they themselves also stood to benefit personally from the development of this sector. The closest an interviewee of mine came to acknowledging this tension was an art-services specialist, and I paraphrase: [a Big Four7 firm] was first to bring the “art and finance” idea to the Luxembourg authorities. This was for the simple reason that it has clients who want to establish investment vehicles—“listed or not”—to make a return from their collectible assets (interview, January 2016).

In 2008, the first conference on art finance was held in Luxembourg, sponsored by one of the Big Four accountancy firms. The then-sitting Minister of Culture gave the opening address. According to an attendee of this conference, the word out there was that “something is happening [in the art-finance market]... and we need a freeport in Luxembourg” (interview, February 2016). Shortly thereafter, representatives from the Ministries of Finance, Economy, and Culture; lawyers, bankers, fund administrators, and consultants; and executives from the country’s sizeable logistics sector undertook market analysis to see if a freeport and an art-finance industry could become yet another dynamic niche for the country. In the words of a senior financial-center representative, the idea for the freeport-and-art finance “cluster” was to bridge Luxembourg’s already-existing specialties in private banking and logistics (interview, April 2016). By 2010, those completing the strategic analysis had answered in the affirmative their initial question as to whether the project had economic potential. The first step was to approve a plan for a “Luxembourg Freeport” similar to the one in Singapore, whose principal investor and manager would be none other than Yves Bouvier and his family’s then-company Natural Le Coultre.

A number of other factors resulted in additional headwinds for the freeport, as might be expected in a jurisdiction famed for its offshore financial center. First, Bouvier was keen to work with Luxembourg’s capital-friendly legislators and public officials, as he had previously done in Geneva and Singapore. A foreign investment-fund executive described to me this support: “An example of the solid conditions for business in Luxembourg [is your] access to the ministers and that you can just call the Ministry of Finance” (interview, December 2015). Second, if the Luxembourgish state would

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6 One could argue that all of Luxembourg was an offshore space from the 1960s onwards—a tiny territory boasting markedly different fiscal, legal, and economic norms than those of its neighbors in Western Europe, especially with regards to banking- and finance-related activities. In this light, we could say that the Luxembourg Freeport represents a meta-offshore space, a duty-free area within a country that, for the most part, does not tax the large movements of foreign capital routed into its jurisdiction.

7 The “Big Four” refers to the behemoth, worldwide accounting-consulting firms Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers. Known pejoratively as the “Fat Four”, these firms have been active in Luxembourg since the 1980s and 1990s. They currently employ a staggering 7700 people in Luxembourg, a country of some 600,000 people (Thomas 2017).
meet Bouvier’s conditions—particularly, legislation to establish a special customs and tax-free zone for the facility—then he would personally invest in the project and thus not require any public funds. That the government would not have to take a financial stake in the project served as the “market validation” it was looking for, as an art-finance consultant explained to me (interview, February 2016). Third, Luxembourg is home to Cargolux, one of the world’s five largest freight companies, which has extensive experience in the global transport of fine art. Its headquarters is located adjacent to the site planned for the Luxembourg Freeport (see Figure 1), a strategic plot that the government provided to the project at no cost—an “offer . . . [that] helped persuade [Bouvier] to put it there rather than in London or Amsterdam” (The Economist 2013). Fourth, while construction of the freeport ensued, state officials readied the “enabling legislation”—in the words of an art-services executive (interview, January 2016)—which established the facility’s legal basis, including its duty- and VAT-free status. This required an act of parliament to amend the country’s fiscal laws in order to codify the tax perks, thus creating what The Economist (2013) calls the freeport’s “parallel fiscal universe”.

As mentioned previously, the Luxembourg Freeport marked its September 2014 opening in the presence of the Grand Duke himself, as well as the local philharmonic that performed a piece specifically written for the event. Akin to the buzz of Bouvier’s Singapore opening in 2010—in particular, the revelation that Christie’s had agreed to rent space—was the news that Luxembourg’s Central Bank was planning to move its sizeable gold reserves to the facility from their longtime home in London at the Bank of England.

After the opening addresses, dignitaries from the government and financial center were given a tour of the facility. As was explained to me by a participant, guests were taken to see the showrooms, which the guides boasted could be used for art-world fêtes and even multimillion-dollar auctions (interview, January 2016). Initial press reports raved about the size of the facility: “There are about 160 rooms and eight private showrooms off the main lobby for artworks in the Luxembourg centre’s 22,000 square metres—about the size of three soccer fields” (Blenkinsop 2014). Freeport officials explained to the attendees that the stored goods receive special customs and fiscal status because they are supposedly “in transit”. The art and other collectibles arriving into the facility, via doors that open onto the international airport, become taxable only once they leave this “special zone” and enter Luxembourg or another country.

Yet akin to the fledgling fate of the country’s experiment in “art finance”, the Luxembourg Freeport has not experienced the success that its boosters had hoped. The scandal involving Yves Bouvier and the Russian oligarch Dmitry Rybolovlev—with the latter accusing the former of overcharging millions of dollars on the sale of 30-plus artworks over a ten-year period—has cast a shadow over the entire project. In the freeport’s first year of operation, the space leased by Bouvier’s former firm, Natural Le Coultre, was reportedly only 15 percent full (Letzing and Colchester 2015). Since 2017, Bouvier and his associates have not been responsible for the day-to-day management of the facility, and there are rumors that it is for sale. The much-vaunted link between the freeport and Luxembourg’s private-banking sector has also proved elusive. In the words of a senior industry representative, art dealers and consultants—not bankers—make the decisions as to where clients’ art should be stored: “Owners of art don’t ask their private bankers about where to store it”, this official divulged (interview, January 2016). Thomas (2016) reports the more scathing pronouncement of a local art observer:

Among local gallerists, formerly rather excited, disillusionment has set in. In 2014, [a local gallerist] had hoped that the freeport would bring “professionalization” to the local scene, though now believes the freeport to be a “machine of capitalism” allowing “oligarchs with too much money to hide and securitize their wealth”. According to [this person], the freeport and the “art cluster . . . has nothing to do with the local cultural scene. The artists’ sales in [local] galleries are not considered”.

Luxembourg’s state and finance elites, meanwhile, are scurrying away from the project. A politician and interviewee of mine reported that one of his colleagues—a former supporter—pronounced the freeport to be “bullshit” (interview, July 2016). After lamenting that the “freeport [is] under attack”,
a normally sympathetic senior civil servant admitted that the Luxembourgish state should have realized in its risk analysis that an event akin to the Bouvier-Rybolovlev scandal was in the realm of possibility (interview, April 2016). According to the politician interviewee cited above, the Ministries of Finance and Economy are now interrogating the project, having “come to the realization its activities are not moral” (interview, July 2016). This change of heart among government and financial-center officials might explain why the freeport’s managers have resorted to putting former senior civil servants from these very same ministries onto its board of directors.

4. Freeports and Secrecy

To be invisible is the best way to make business.

—Yves Bouvier (cited in Knight 2016, p. 66)

The French state might come looking [at the Luxembourg Freeport] for where its Renoir is...

—A local gallerist (interview, March 2016)

The construction of the Luxembourg Freeport, and the attempt at developing art-finance activities, come at an interesting time for the country’s financial center. Ever since the 2008–2009 global financial crisis, the Grand Duchy has been under increasing pressure—from the OECD, the G20, the European Commission, and the U.S. Treasury Department—to drop its long-notorious banking-secrecy laws and become more “transparent”. To its credit, the country’s financial center has largely complied with the spirit of the ensuing negotiations, though the details and outcome of this process paint a far more complicated picture. The push toward “transparency”, however tentative it is in reality, has no doubt been compromised by the opening of the Luxembourg Freeport and the attendant activities in art finance. As explained earlier in this paper, “collectible assets” such as works of art, jewelry, and precious metals have become an increasing source of wealth for the richest investors; these physical and non-financial assets are often stashed in freeports located in offshore jurisdictions such as Geneva, Luxembourg, and Singapore—whose association with money laundering and tax evasion has long been a source of alarm among many independent observers.

One could make the argument, as art economist Rachel Pownall does, that the market for physical assets represents a new frontier for wealth that wishes to be hidden—given that leaks and increasing international coordination on fiscal policy have made certain offshore financial activities more difficult and less lucrative in recent years. “Privacy and anonymity, cherished in the western world, are shifting trade towards dealers in certain markets”, Pownall asserts (cited in Gerlis 2017). In the “extremely opaque” art market, she continues, secrecy is paramount, as sales often take place in tax havens or in the world’s growing number of freeports.

According to a Luxembourgish journalist, the business model of freeports ensures layers of opacity and secrecy for users and, some would say, allows the facilities’ operators to take a “see no evil” approach to compliance (interview, July 2016). To quote Steyerl (2017, p. 82): in freeports, “rules still apply, though it might be difficult to specify exactly which ones, to whom or what they apply, and how they are implemented”. Along these lines, the first unusual characteristic is that Bouvier is simultaneously the primary shareholder and main tenant of the freeports in Singapore and Luxembourg. As the owner of these facilities, he is not required to investigate the provenance of the goods stored there by other firms—although he would be responsible for this task if a client were to use his business’s logistical and transport services. Furthermore, Bouvier himself does not possess any list of all the items stored in the facilities, only those goods that are under his control as a transporter of art. To make matters more confusing and opaque, individual persons cannot rent space at the freeports, but rather must sublet it from a logistics firm registered with the facility and the Luxembourgish customs authorities.

Gough (2017) writes, “[Freeport management] cannot gain access to the vaults once they have been leased to customers... In marketing materials, many tenants highlight [this] confidentiality as a selling point”. A supporter of the freeport project in Luxembourg resorted to a rather dubious analogy in
describing to me Bouvier’s role: “[He] doesn’t know what the contents are in the [facility]. It is like real estate and [Bouvier] is selling condos. [He] rents the space but doesn’t know what contents are put inside” (interview, February 2016). Curiously, a representative from Natural Le Coultre employed a similar analogy during a conversation with writer Carver (2015, p. 214), who was posing as a potential client:

[Storage space in a freeport] is like an apartment. And you will have to tell us who is able to have access to the paintings stored in your warehouse. Nobody else. If someone calls, even if it’s from the same company, but doesn’t have the right to access a painting in the warehouse, we cannot help him. We cannot let him in. We cannot do anything for him.

In major news outlets, critics have repeatedly voiced their concerns over freeports and their deleterious effects on markets for fine art. The Economist (2013) laments that this assemblage seems to be custom made for money laundering:

it is unregulated, opaque (buyers and sellers are often listed as “private collection”) and many transactions are settled in cash or in kind. Investigators say it has become more widely used as a vehicle for ill-gotten gains since the 1980s, when it proved a hit with Latin American drug cartels. It is “one of the last wild-West businesses”, sighs an insurer.

In The Wall Street Journal, other critics cite the specific role of freeports in facilitating art-market and securities fraud. “I can’t see any better way for people to launder money than to go through a freeport”, asserts James Palmer, founder of Mondex, a Toronto-based firm that specializes in recovering illegally expropriated art and other assets (cited in Letzing and Colchester 2015). These facilities make it easy for money launderers to use ill-gotten gains to purchase works of art, which they can resell inside the facility months later. As is obvious, “investing [this] ‘dirty’ money in freeport collectibles … decreases the likelihood that courts or other authorities will be able to locate, confiscate, or attach the assets”, asserts Steiner (2017, p. 363).

Furthermore, experts such as James Palmer do not believe that Swiss, Singaporean, or Luxembourgish customs officials would be able to determine how a painting’s value was established or if the item were a forgery. Nor, of course, do they know exactly who the ultimate beneficiary of the works is, as had been pointed out to me previously by a Luxembourgish journalist (interview, July 2016). Steiner (2017, p. 362) notes the limitations of a regulatory system for freeports that is premised on customs oversight: “The primary duty of customs officials ‘is to make sure that [illegal] goods don’t get into [the country]’, not to keep tabs on owner identities or other criteria that might help to thwart laundering schemes”. Additionally concerned are U.S. law-enforcement officials, who “don’t know what’s being stored [in freeports] and who really owns the things”, according to Daniel Brazier, a special agent with the U.S. Department of Homeland Security, at a panel discussion on freeports conducted in New York in June 2015 (Letzing and Colchester 2015). Such freeport critics even include insiders from the Luxembourg financial center. I paraphrase the view of a senior banker, who told me that the facility’s lack of transparency entails a serious reputational risk to the overall financial center: there are few, if any, checks after the items enter the facility. Auctions are organized on a confidential basis; goods often change hands in kind. This is an ideal location for money laundering (interview, April 2016).

In defense, freeport supporters (such as Steiner 2017) argue that clients’ desire for discreet storage should not be confused with wrongdoing. They say that increasing demand for freeports is

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8 The ability to buy and sell artworks within the facility is one of the main differences between a freeport and a bonded warehouse—a more common form of storage, even among art collectors (Carver 2015, p. 192).

9 Only the Grand Duchy’s tax authorities (ACD), and not customs officials, have access—upon request only—to the identities of the beneficiary owners of items stored in the Luxembourg Freeport. However, according to a 2018 report by the European Parliament, the ACD had not in the three years prior initiated a single request for this information (Korver 2018, pp. 35–36).
not driven by theft or money laundering but rather by interest on the part of a new generation of “collector-investors”. Some measures towards increasing oversight at the facilities have been taken, it should be noted. At the Geneva Freeport, a newly installed chairperson came with a mandate instigated by a report from the Swiss Federal Audit Office calling for a bolstered presence of customs officials (Steiner 2017, p. 357). In Luxembourg, the current coalition government responded to criticism of the facility in 2015 by drafting anti-money-laundering laws specifically applying to “firms operating at [the Luxembourg] Freeport—which now have a heightened legal responsibility to know what they are putting into storage and for whom” (Letzing and Colchester 2015). Three customs officers are now reportedly based at the freeport and check arriving goods against databases of stolen merchandise. Untouched in these efforts, however, is the continued non-disclosure of sales and purchase prices. A foreign art-market executive familiar with freeport projects believes that the current moves in Luxembourg and elsewhere to increase transparency are insufficient and are coming too late. According to this interviewee, goods stored in a freeport immediately become “suspect”, as if their owners somehow “know how to get around the [normal] processes of due diligence” (interview, January 2016).

In this vein, we might wonder if the constant evocations of “compliance” and “due diligence”—processes that have become manifestly more robust in recent years across banks and financial institutions—amount to mere buzzwords in this corner of the art market. We could additionally surmise that at least some of the activity in freeports is predicated on tax evasion or money laundering. This association is not my own, but rather one I heard from a senior regulator in Luxembourg: “When there is a reduction in banking secrecy [like in Luxembourg beginning in 2008–2009], the art market benefits”, the interviewee mentioned, having heard this from an art-dealer acquaintance of his (interview, July 2016). Regardless, it seems irrefutable that the growth of freeports, and the fine-art market more generally, is correlated in part to “threats” against the continued ability to hide ownership of financial assets.

As mentioned, the new freeports in Luxembourg and Singapore might just be of use to those wishing to escape the new tax-reporting measures that European banks are now obliged to undertake vis-à-vis their account holders (Moiseienko et al. 2020, p. 6). As The Economist (2013) notes in the Swiss case, some bankers “are said to have been recommending clients to move money from bank accounts to vaults, in the form of either cash or bought objects, since these are not covered by information-exchange pacts with other countries”. In this light, and to avoid any doubt as to the real motivation behind the freeport project, I cite the pronouncement of Pierre Gramegna, Luxembourg’s Minister of Finance, at the 2014 inauguration ceremony of the facility: “I am convinced that this project will add a new branch of excellence to our financial sector and enhance its wealth management capabilities” (cited in Knobel 2015, pp. 47–48; emphasis added). Such expectations seem little related to a freeport’s ostensible goal of handling “goods in transit”.

5. Conclusions

The freeport administrator and I ended our conversation, and my interviewee asked a colleague to show me some of the facility as well as give me a ride back to the Kirchberg quarter of Luxembourg City, a place that is as well serviced by public transport as the freeport is not. Sensing my luck, I quickly stuffed away my notebook and got up to leave, only to hear that squish from my wet shoes once again. The colleague was not quite ready, however, so my interviewee directed me to wait in the nearby lunchroom. I obliged. I went into the lunchroom, an automatic light came on, and the door shut behind me. Here, in a kitchen where only squeaky-clean dishes sat next to the sink, I was left to my thoughts.

10 The databases used by Swiss and Luxembourgish customs authorities are fairly comprehensive with regards to stolen artworks, but are far less so in the area of illegally excavated and trafficked antiquities (Gill and Tsirigianis 2011, p. 29). I thank an anonymous reviewer for pointing out this discrepancy to me.
We proceeded down a corridor bathed in a harsh white light. Before we reached a row of private portraits of Chuck Close (see Figure 4). A local journalist notes the irony of “[finding] a street artist in pondering the many meanings of this place: sleek, startling, swanky, sterile, and space-age. After a long ten minutes, the colleague entered and commenced with an abridged version of the freeport tour. We proceeded down a corridor bathed in a harsh white light. Before we reached a row of private showrooms, the colleague pulled ahead of me ever so slightly, as if to be able to make sure there would be absolutely nothing to see—no dollies, say, weighed down by ingots of gold or wooden packing crates housing Manet or Modigliani canvases.

Béton brut—that is, purposely unfinished concrete—encloses the freeport’s atrium, which was lit throughout by tasteful and strategically placed LED lighting. For his facility in Singapore, Bouvier commissioned the U.S. “lighting artist” Johanna Grawunder, whose work he also collects, to complete the not insubstantial task of illuminating a vast and windowless freeport (Knight 2016, p. 66). Descending a narrow staircase and passing numerous security cameras, the colleague and I walked out onto the floor of the spacious atrium. Around us was a “sculpture” the likeness of a rusted-out, 1970s U.S.-model sedan that had been relieved of its wheels (see Figure 3)—as well as a massive fresco by the Portuguese “street artist” Vhils, portraying the faces of five people. Made in Portugal in sections and transported to Luxembourg by train, this abstract group portrait of sorts was fashioned of raised cement and evokes—in equal parts—sculpted African masks, Mount Rushmore, pointillism, and the portraits of Chuck Close (see Figure 4). A local journalist notes the irony of “[finding] a street artist in the freeport, a high-security fortress that will be protected by three-meter thick walls, hundreds of cameras, and guards 24 h per day. And where ‘one can enter only by invitation’”, as guaranteed an administrator of the facility (Telo Alves 2014).

![Figure 3. Under surveillance, and not going anywhere; Luxembourg Freeport (photo by the author).](image1)

![Figure 4. Street art, without the street; Luxembourg Freeport (photo by the author).](image2)
The colleague and I walked around the atrium. No other people were around, yet here was the space—as a senior financial-center official and project supporter told me—where freeport clients could entertain their friends, throw a fête, and ogle at hidden treasures. As such, this interviewee said, the freeport can easily become a “private museum” (interview, April 2016). Yves Bouvier would no doubt concur. His original idea, after all, was to turn his freeports into “places the high end-customer wants to be seen in, the best alternative to owning your own museum”, as a facility administrator in Luxembourg revealed to The Economist (2013; emphasis added). Ultra-wealthy “collector-investors” of art, so it seems, do not just want a run-of-the-mill “bonded warehouse”.

In this regard, the atrium of the Luxembourg Freeport has become yet another mise en scène for the world’s hyper-rich, whose wealth has continued to accumulate apace even amid global economic stagnation and crisis. To avoid volatility in financial markets, the 0.01 percent have simply parked part of their wealth in the high-value art that they purchase at auctions or fairs, via private sales, or in galleries. In the Luxembourg Freeport, these “collector-investors” can visit their holdings or view potential ones without even showing their passport, given that the facility is located within the grounds of the country’s international airport (Steyerl 2017). These clients are whisked into the freeport by its attentive staff (and, if required, armed security guards) and are free to trade their possessions, all without incurring customs duties, capital gains, or sales tax—charges that can be as high as 27 percent elsewhere in Europe (Blenkinsop 2014; Moiseienko et al. 2020, p. 5).

Showing particularly valuable artwork around the world to a number of potential buyers, who can scrutinize the pieces in a private atmosphere such as that of a freeport, is a time-worn strategy used by dealers and auction-house representatives to raise the price range of an artwork. These “previews”, usually held for invite-only audiences in venues such as the Luxembourg Freeport, are spectacles par excellence of what Boltanski and Esquerre call “enrichment economies” (2016, p. 35)—a kind of lifestyle commerce “where seeing and being seen is central and buyers can boast among their homologues of their newest expensive acquisitions” (Fillitz 2014, p. 90). Boltanski and Esquerre (2016, p. 51; emphasis added), however, do not believe that such spectacles are marked by competition but rather by collusion:

The seemingly exorbitant prices that some buyers are willing to pay in fact serve a rather mundane purpose by sustaining the value of all the assets in this category. This reduces the danger of a large-scale destruction of collective wealth, a threat which always hangs over accumulations of things, however exalted and “eternal” they may be.

The colleague and I traversed the freeport’s atrium one last time: past the sealed showrooms flanked in “light art”, the fresco made of concrete, and the simulacrum of an automobile in decay. En route to the exit, we pushed through a series of thick doors, passed the metal detector in reverse, and stopped at the guard booth so that I could fetch my ID. At last on the outside of freeport, the two of us hustled over to the colleague’s car, drove past a gate in the barbed-wire fence that rings the facility, and sped off into the gloomy evening of a northern European winter.

A local art-finance consultant asserted to me once that “there was no art culture in Luxembourg” before the opening of the freeport (interview, February 2016). It is almost too easy to state, however, that the “art culture” inspired by the freeport is not a particularly healthy or inspiring one. To quote German critic and collector Falckenberg (2014): “Art is a mirror of society. Every era gets the art it deserves . . . Today’s art system involves many diverse forms of dependency and manipulation”. Unlike the traditional art of representation—which long sought to manifest the power and influence of either the Church, the aristocracy, or the high bourgeoisie—the convoluted, referential, and enormously lucrative art world of today has been fashioned as much by its more emblematic artists, such as Jeff Koons or Damien Hirst, as it has by the likes of Yves Bouvier and the Nahmad family. These latter “collector-investors” utilize the potent assemblage of offshore technologies, art finance, and freeports as central to their global accumulation strategies. In this light, I must disagree with the aforementioned consultant who asserted that “there was no art culture in Luxembourg” before the freeport’s opening. It is not that the art world suddenly showed up in this tiny Grand Duchy, but rather that global
“art culture” has come to resemble some of the more questionable activities long found in Luxembourg’s offshore financial center.

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