


Freeport as a Hub in the Art Market: Shanghai Art Freeport

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Abstract: With the soaring interest in art as an alternative investment approach and an asset class, there has been a remarkable rise in the volume of artwork transactions globally. However, trading in the art market differs from the traditional financial market; the cost of taxes, logistics, storage, and other transaction services is enormous for collectors, stimulating the emergence of related businesses, such as warehousing, bonded exhibitions, and art financial services. As an exceptional area serving the offshore economy, art freeports have become an essential venue for art trading and a ‘one-stop-shop’ centre that converges all art market participants. This article critically analyses the current literature and conducts empirical research on Shanghai FTZ International Culture Investment and Development Co., Ltd. (FTZART). It can be concluded that the current research on art freeports is limited and excludes FTZART from those that specialise in storing artworks, overlooking its potential influence in the Asian market. The art freeport has distinctive features that differ from traditional freeport models, and the context, business model, and operations of FTZART match these characteristics. Therefore, as a hub in the art market, the global art freeport agenda should not overlook FTZART, and it is essential to complement this gap in knowledge.

Keywords: art freeport; art market; one-stop-shop; Shanghai; FTZART

1. Introduction

With an abundance of new pieces of art being created every year, the global art market is booming, but the art trade is not fully transparent. As [Campbell \(2009\)](#) argues, there is a lack of market liquidity data, many private transactions are not publicly available in the database, and the process of collecting information from databases poses challenges with discrepancies in the data, all of which complicate the evaluation of art transaction volumes. Meanwhile, artworks can be used as financial instruments and a tax-avoidance mechanism, making them a part of high-net-worth individuals’ (HNWI) asset allocation to hedge financial risks. The growth of global art transactions and the high willingness to invest in art make art warehousing, protection, and transport in the trading chain increasingly crucial for collectors, which not only concerns the safety of their wealth but also reduces the subsequent transaction costs and facilitates the following investment if they store the art in a particular place without tax. Art freeports, as the zone of offshore space under the global cross-border economy, have become an indispensable component of global commerce, where art as an asset class and investment vehicle can be suspended or tax-exempted, withdrawn from circulation under safe custody until the collector decides to sell them again ([Zarobell 2020](#)). With the growing demand from collectors, professional operators and companies specialising in managing art freeports emerged; their tight interactions with art dealers, auction houses, galleries, logistics, and insurance firms resulted in an ever-expanding chain of art freeports, which gradually developed into a complete ecosystem and also constituted an essential segment of the global art market ([Backsell and Schwarzkopf 2023](#)).

Due to its secretive nature, there is very limited research on art freeports, focusing mainly on the cases of Singapore, Geneva, and Luxembourg in relation to the Swiss art dealer Yves Bouvier, which is manifested in many studies, such as those by [Steiner \(2017\)](#),



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Weeks (2020), Dörry and Hesse (2022), Saleeby (2023), and Helgadóttir (2023). Previous studies have shown a paucity of focus on art freeports in Shanghai when exploring freeport functions, connections to the art market, and laundering activities. Several studies exclude Shanghai's art freeports from those specialising in storing works of art, while others focus only on fine art warehouses located in Beijing or the Shanghai West Bank, which are planned by Bouvier to some extent (Steiner 2017; Ditzig and Lynch 2020; Helgadóttir 2023). Moreover, in assessing the competitiveness of the Singapore freeport in the Asian market, some research studies focus primarily on the relationship with the Hong Kong freeport while overlooking the potential competitiveness of the art freeport in Shanghai (Tanico 2022). Although 'the Bouvier model—a business strategy of creating artistic hubs wherein facilities for rent and specific services dedicated to art collectors, museums, and companies are grouped within a freeport'—continues to be adopted by many countries in building art freeports, the art freeport business has suffered since Bouvier was accused of being involved in art fraud (Ditzig and Lynch 2020, p. 167). Some countries are seeking to develop their modes of art freeports tailored to specific circumstances.

Therefore, in response to the shortcomings of prior studies, this research proposes the following research questions: What distinguishing characteristics set an art freeport apart from the conventional freeport model? Is it possible to classify an international art trade platform in Shanghai's free trade zone (FTZ) as an art freeport and include it in the global art freeport agenda? This article will employ multiple approaches to explore research questions, including document analysis, fieldwork, and participant observation. By critically analysing research on art freeports, I attempt to discover the knowledge gap in this topic and investigate the background, functions, services, and relations between art freeports and the art market, which will provide a foundation for the subsequent discussion of Shanghai's art freeport. To answer the second question, a field study of the Shanghai FTZ International Culture Investment and Development Co., Ltd. (FTZART) was conducted in 2022. Specifically, I participated in the marketing department of FTZART, which allowed me to gain first-hand image and textual data about its context, business model, and operational approach, as well as visit the bonded warehouse personally to understand its security and inbound processes.

2. Literature Review: The Absent Piece in Global Art Freeport Agenda

There is only limited literature and data available for research on art freeports; the reason for this includes art freeports attempting to provide customers with confidential and secure services, which means that many transactions there are conducted without transparency; intangible economic dealings do not appear on a country's balance sheet; and some illegal activities may limit freeport's applicability as a tool for economic development policy (Zarobell 2020; Dörry and Hesse 2022). Current research, on the one hand, provides theoretical and empirical value to indicate the characteristics of art freeports by exploring cases globally; on the other hand, the shortcomings and gaps in former research also provoke the raising of research questions and reveal the necessity of solving them.

Some studies on art freeports reveal their characteristics and functions and, on the other hand, imply limited research on China's Shanghai freeport. Dörry and Hesse (2022, p. 166) conceptualise art freeports as 'spaces that help legitimise novel institutional and economic arrangements emergent in the economy at large' and argue that art freeports are key sites for policy experimentation. Likewise, Zarobell (2020) also reveals the connection between freeports and the art market from the perspective of art financialisation. Beyond the basic functions, Backsell and Schwarzkopf (2023) reveal the tight network between the professional managers that operate art freeports and art dealers, auctioneers, galleries, and appraisers. Loos (2017) examines Luxembourg's Freeports through a contextual approach, which provides a creative framework for studying art freeports from their context, business model, operations, and impact. All the above research contributes to systematising an art freeport's key features and functions, which will be discussed in depth in Section 4.

Former research on art freeports mainly focuses on projects in which ‘freeport king’ Yves Bouvier has been involved, like those in Geneva, Luxembourg, Singapore, and America (Helgadóttir 2023, p. 1030). Steiner (2017), Tanico (2022), and Saleeby (2023) take the cases of Geneva Freeport, Singapore Freeport, and freeports in the United States, respectively, to analyse the crimes that take place there and propose a series of suggestions for regulating the freeports. When discussing the money laundering that took place in the Geneva Freeport, Steiner (2017, p. 356) agrees with the point that ‘only the Geneva freeport and five others—located in Singapore, Monaco, Beijing, Luxemburg, and Delaware—specialize in storing works of art’ appears to be one-sided, which ignores the reality that art freeports have widely practised worldwide and fails to notice the existence of influential freeports in China outside of its capital. In order to highlight the importance of the Singapore Freeport, Tanico (2022, p. 727) attempted to take the ethnic conflicts in China as support to argue that such ‘human rights abuses’ will lead international consumers to seek Asian business partners other than the Hong Kong Freeport, and the advantages of the Singapore Freeport further contributed to this shift in choice. Here are some shortcomings of this argument: First, the article merely states without providing clear evidence that the political events in China have caused international economic players to ‘avoid doing business with China as a whole’ and instead cooperate with the Singapore Freeport (Tanico 2022, p. 728). Second, by suggesting that the Singapore Freeport ‘is beating out Hong Kong, its main competition’, the article fails to recognise the competitiveness of other art freeports in China that have already been built up and are deeply involved in the art market and trading, which is crucial to understanding the ecology of the art market and the competitiveness of freeports in Asia (Tanico 2022, p. 728). In exploring why HNWIs invest in the art market, Weeks (2020) mentions other art freeports besides Luxembourg’s freeport, including those in Geneva, Singapore, Monaco, Shanghai, and America. Although he has noticed the practice of Shanghai’s freeport construction, he also writes later that the project was planned by Yves Bouvier, which thus refers to the one in Shanghai’s West Bund—West Bund Fine Art Warehouses—rather than the one in the Shanghai free trade zone (FTZ).

In summary, the existing research needs to investigate the practice of art freeports in Shanghai, which is valuable for further insights into the emerging art market in Asia as well as the progress of art freeport practices.

3. From Freeport to Art Freeport: Reasons for the Emergence of Specialisation

Freeports refer to specialised trading areas within the territory of a country that are not subject to conventional tax regulations and business models; they are generally located in free trade zones and strategically important areas, such as economic centres, harbours, and air or railway hubs. ‘Ship it to a free port, and the bill disappears’, as Bowley and Carvajal (2016) write for The New York Times, provides a succinct description of the primary function and nature of the freeport; that is, it is an innovative international trade zone where goods are stored and transited in a way that can be understood as being ‘in transit’ while deferring the payment of taxes, benefiting from tax exemptions, or simplifying customs processes (Steiner 2017; Gilmour 2022; Tanico 2022). Additionally, freeports can provide a range of trade-related activities such as manufacturing, distribution, processing, and storage, reducing barriers and creating an attractive environment for international business (Saleeby 2023). In other words, freeports are established primarily to expand foreign trade and enhance the export of capital, accelerating the flow of goods and reducing costs by postponing the payment of taxes on imported or exported cargoes to particular countries.

‘Art Freeport’ refers to the space or system that provides ‘one-stop’ services by applying the freeport system and common practices for ordinary goods in international trade to the art trade. The emergence of the art freeport is associated with art becoming an asset class, and its unique business and functions result from the demands of the art market’s development, helping to legitimise novel institutional and economic arrangements emerging in the economy.

Due to the low correlation and substitution effect between artworks and traditional investment products like stocks and bonds, the relationship between art and finance has grown over the past 20 years from being seen as poor investments to becoming an essential part of the asset allocation of HNWI. As noted by [Dörry and Hesse \(2022, p. 170\)](#), collectors are 'gradually embracing art lending as a tool to re-allocate capital across their balance sheets'. Collectors try to shield artworks (as financial products) from high taxes or insurance premiums, and they seek professional institutions to protect and exert their value, like price assessments or creating appropriate exposure between artworks and the public to find the best time for speculation. Likewise, [Zarobell \(2020, p. 6\)](#) also reveals the connection between freeports and the art market from the perspective of art financialisation, arguing that 'freeports operate as tax havens by severing the connecting factor between individual and asset', which indicates that the wealthy can utilise the secrecy of freeports to avoid taxes by converting money into 'hard assets' (such as artworks) and storing them there. However, the specificity of art results in a high cost when investing in it. According to [Ditzig et al. \(2016\)](#), some of the most common deterrents to investment in art are high storage, insurance, transport, and transaction costs, as well as the high volatility and opacity of the art market, significantly reducing the returns they may bring to investors. As the art market continues to integrate with the financial field, contemporary art consumers have become interested not only in art's aesthetic dividends but also in its return on investment. As a result, given collectors' requirements for cost savings and safe storage of artworks, a venue is created where taxes can be suspended (at least until the collector decides to sell and move the artwork) while offering warehousing, maintenance, logistics, insurance, and even the ability to display the artwork and provide potential sale networks.

The size of the art market is difficult to evaluate because more than half of all transactions in the art market take place in private rather than in public, and the data obtained in public transactions and auctions may only be the very tip of the iceberg in terms of total transaction amounts ([Zarobell 2020](#)). Moreover, in the case of the international art trade, while customs monitor the movement of art trading, they do not proactively provide data, and the undisclosed and non-sharing of these data exacerbates the opacity ([Zarobell 2020](#)). The vast volumes reported by various art institutions, the staggering amounts of auctions, the prices sold at art fairs, and the opacity of transactions have made the art market itself an artwork with mystical and aesthetic qualities. The generation of art freeports is not an anomaly but a new type of specialised business model to address the new requirements of HNWI in dealing with art in the context of the current scale of the art market and the assetisation of artworks.

4. Innovative Development of the Art Freeport

The 'art freeport' is a venue or network that evolved from the traditional freeport model and specialises in warehousing and trading artworks. There are numerous international art trade platforms worldwide, but what features and functions make one an art freeport?

The most basic service of art freeports is offering special tax exemptions or moratoriums for artworks to create a 'more liberal business environment' ([Tanico 2022, p. 242](#)). Global regulations on the import and export of artworks are different. When art transactions take place in Luxembourg, a 17% Value Added Tax (VAT) on purchase or sales tax and an 8% import VAT will be levied; in Singapore, art dealings are subject to a 7% Goods and Services Tax (GST) but no import VAT; while, as an entire freeport, Hong Kong is a 'free for all' zone in the art world, without any taxes ([Loos 2017](#)). If the purpose of owning artworks is for investment, avoiding paying VAT on international transactions becomes the primary need of buyers, not to mention the specialised storage, shipping, and insurance costs that add to the cost. In a freeport, which is independent of a country's tax system, collectors can suspend VAT on artworks by shipping them to other countries as long as they are still traveling amongst freeports; if the value of the painting increases after a few years, the buyer can sell it without VAT as long as the artwork does not leave the freeport.

Secondly, secrecy is a cornerstone of art freeports' business model, manifested in the careful warehousing of artworks and the secrecy of information. Warehousing and maintenance of artworks are basic needs for collectors, as art has traditionally been viewed as a value-preserving asset class that supports long-term holdings, with profits only being accessed once it is sold after appreciation (Dörry and Hesse 2022). Consequently, many collectors tend to hold artworks for an extended period (even up to decades) before selling them, which goes against the feature of the freeport that promotes trade facilitation and mobility. The desire to maintain and exploit artworks during the possession period stimulates the development of security facilities in the freeport. As a technologically sophisticated storage space for valuable collections, the freeport is equipped with high-security vaults, showrooms, and offices, and it offers anonymity and confidentiality for collectors (Schwarzkopf and Backsell 2021). Additionally, as mentioned earlier, intangible economic dealings do not appear on a country's balance sheet, and enforcement authorities' inadequate inspection of art freeports leads to information gaps, which facilitates those who seek to use freeports for speculative purposes.

Based on warehousing and bonding functions, art freeports gradually extend a variety of art-related infrastructures in terms of services and functions, such as insurance, logistics, exhibitions, and even art restaurants; these infrastructures together compose a relatively complete ecology that supports the art market (Deloitte and ArtTactic 2019). Backsell and Schwarzkopf (2023) reveal another reason why collectors are willing to store art in freeports: that is, the professional managers that operate art freeports have a tight network with art dealers, auctioneers, galleries, and appraisers, which can provide convenience for customers who wish to own artworks but seek to save on the subsequent costs of preservation and transactions. In addition, exhibitions organised by freeports in cooperation with external parties or on their own can satisfy customers' claims to avoid paying inheritance tax, which is related to the tax laws in some countries (although these policies were initially intended to increase transparency in terms of the artworks stored in freeports). For instance, in order to encourage collectors to display their artworks in public, Switzerland stipulates that if an artwork is publicly displayed for at least ten years out of twenty years, it could be exempted from inheritance tax; likewise, the United States also established tax incentives to motivate collectors to display artworks, which is a great temptation for these owners, and the freeport that could offer this service can significantly increase its competitiveness (Saleeby 2023).

Regarding location, freeports are often found in tax havens (usually referring to free trade zones) and financial centres, which have convenient transport, special policies, and a broad market (Dörry and Hesse 2022). Although art freeports still rely on transport and policies, proximity to a harbour is no longer a necessity—Geneva and Luxembourg are land-locked cities, Germany's tax-free art depots are far from the ocean, and the duty-free art depot established in Upper Manhattan illustrates this point (Schwarzkopf and Backsell 2021). Because the customer base and potential in the art market are crucial to art freeports, as previously said, cities that have art freeports are, in turn, endowed with symbolic attributes—here is a place of the vibrant art market and economic promise.

In general, the conditions that make an art trade platform or centre an art freeport include the following:

- International trade in artworks can be facilitated through particular tax policies that allow for tax exemptions or moratoriums when moving goods from one site to another.
- Provide secure infrastructure and services, such as warehousing and logistics, and keep collector information confidential.
- Governed by a group of professional managers who are intimately connected to the network of the art market.
- Have a series of supporting services such as maintenance, valuation, exhibition, and insurance for collectibles.
- Usually (if not all) located in free trade zones or financial centres.

Therefore, compared to traditional freeports, their intimate relationship with the art market embodies the uniqueness of art freeports. Due to the special nature of art, art freeport's unique value lies in their ability to respond to the new needs that arise in the context of the financialisation of art—satisfying collectors' interests by providing services like tax suspension, mortgaging, and speculating on artworks. Collectors prefer to store their artworks in a safe place with a full range of services until they appreciate in value or are sold, which distinguishes art freeports from conventional freeports that aim to accelerate the flow of goods. In catering to the needs of the art market and negotiating with conventions, art freeports have acted as a testing ground for legitimate but non-compliant practices in the market.

5. Case Study: FTZART

FTZ International Culture Investment and Development Co., Ltd. (FTZART) is located in the free trade zone (FTZ) in Shanghai, China (Figure 1). FTZART is strategically located just 7 km from the Waigaoqiao Port Area, a relatively quick drive to the international airports and close to the financial centres—the Bund and Lujiazui—making it a hub between Shanghai's heartland, the harbour, and international markets (Figure 2). What context drives the emergence of FTZART in Shanghai? As an international art trading platform, does FTZART fulfil art freeports' essential attributes and functions, as mentioned in Section 4? In order to answer the above questions, the author conducted fieldwork on FTZART. Due to the confidential nature of freeports, it is difficult to obtain information about clients and artworks in the building, but through participant observation, including involvement in the work and activities of FTZART's marketing department, some first-hand visual and textual resources could be collected concerning its corporate structure, business model, operation, and customer base, which contribute to a systematic understanding of how FTZART operates an art freeport-related business.

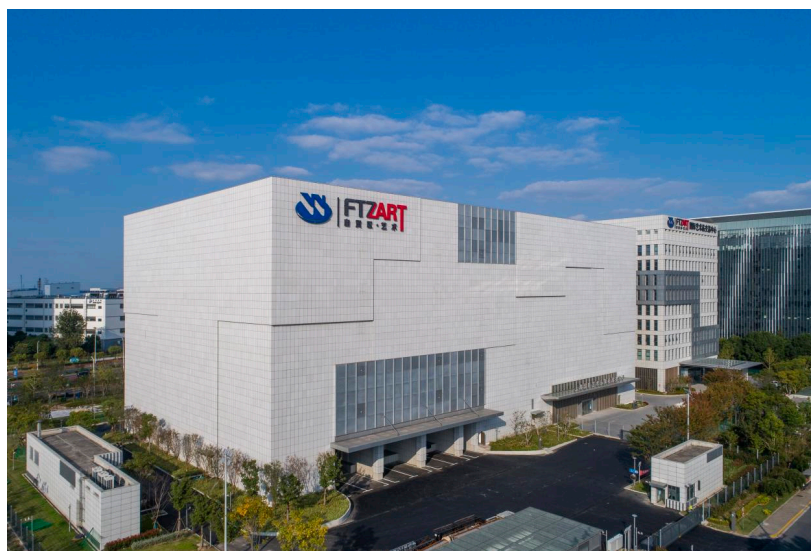


Figure 1. Exterior of FTZART warehouse and office building. Photo from FTZART.

From a contextual perspective, after 1840, Shanghai emerged as the new centre of China's international trade; this was partly because of Shanghai's advantageous location, with harbours that facilitated the movement of people, goods, and information. In addition, the innovative systems, including the creation of the comprador and the contemporary financial system, as well as the change in property rights, all contribute to the growth of trade in Shanghai. After the opening of five treaty ports for foreign trade in Shanghai, due to communication barriers and the foreign traders' lack of familiarity with local customs and currency measurements, it was challenging for local and foreign merchants to establish a credit relationship, which gave rise to an urgent need for agents—the comprador,

referring to merchants who traded bilaterally between Europe and China, acting as interpreters and involved in business and trading activities (Chua 2020). With the emergence of new forms of organisation and trading instruments, such as auctions and futures trading, the market's efficiency and specialisation increased, leading to the trading market's transfer to Shanghai from other regions (Sun 2004). Moreover, while undermining Chinese sovereignty, the concession system also became a key factor in promoting Shanghai's modern economic transformation, for example, the spread of private property rights that accelerated the flow of capital and various types of enterprises to Shanghai (Murphey 1986).

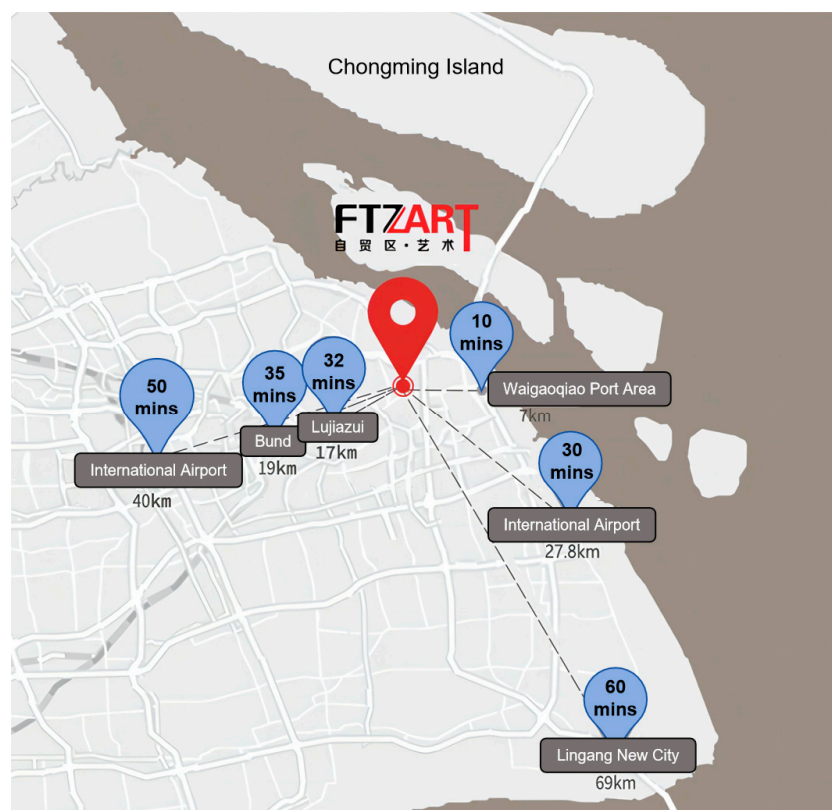


Figure 2. Location of FTZART. Made by author. (the ‘自贸区·艺术’ in Chinese refers to ‘FTZART’).

At the end of the Qing Dynasty (1840–1912), the modern art market in Shanghai was slowly taking shape; the immigrants who moved to Shanghai due to the Opium War brought capital, aesthetically diverse cultural activities, and a large group of consumers that further contributed to the formation of the Shanghai art market. Intermediary institutions, including guilds, Jianshanzhuang (similar to modern galleries), painting societies, and standards that regulated the price of art, started to emerge in Shanghai as the demand for artworks grew over time, resulting in a higher degree of artwork's commoditisation and enhanced transparency in transactions (Fu 2016). Subsequently, the art trade led to the flourishing of new media and publishing industries, allowing artists to promote and sell their works on public platforms. However, although considerable efforts were made during this period, the further formation of the modern art market was interrupted by historical factors. In the early period of the People's Republic of China, as a result of the socialist transformation and the implementation of the planned economy, a large number of private enterprises, including art galleries and auction houses, were closed down, leaving the art market severely impeded until the 1980s (Li 2016; Liu 2022). Some of China's first-tier coastal cities have been able to thrive economically and culturally as a result of reform and opening up, which supported the growth of the market economy and the attraction of foreign capital. In response to the requirements of reform and opening up, Shanghai launched a series of measures in the 1990s to promote the development of cultural industries and encourage private funds to enter the art market, with

an increasing number of private art galleries and auctioneers appearing in Shanghai, such as Duoyunxuan Auction Co., Ltd., Peninsula Art Museum, and Mingyuan Art Museum, which have gradually developed modern art institution models and contributed to the further refinement of the art market (Li 2016; Tan 2019). Thus, it is the geographical advantages, historical conditions, and innovative regulations that prepared Shanghai as the centre of foreign trade in China, creating conditions for establishing the FTZ and contemporary art market.

With the reinforcement of reform and opening up and the rapid growth of the global economy, China sought to establish free trade zones (FTZs) to enhance its trade with World Trade Organization (WTO) members to enhance its openness, combat economic volatility due to globalisation, and develop regional economic integration (Luo 2023). Given its long history of open ports, favourable geographical location, and economic capabilities, as we previously mentioned, China's first FTZ was established in Shanghai in 2013, which seeks to be characterised as a development model that can be scaled up and replicated across the country. Shanghai FTZ covers four areas, namely, Waigaoqiao Free Trade Zone, Waigaoqiao Bonded Logistics Zone, Yangshan Free Trade Port Area, and Pudong Airport Free Trade Zone (Xiao 2018). Among them, the cultural trade platform in Waigaoqiao Free Trade Zone is the first foreign culture trade base in China, and it is also the site where FTZART operates art freeport-related projects. With the FTZ established in Shanghai, the procedures for displaying and auctioning international artworks were simplified, making Shanghai an attractive port for large corporations to import and export artworks.

At present, Shanghai has become one of Asia's financial centres and one of the fastest-growing Asian art metropolis, attracting a large number of galleries, fairs, and auction companies, including the Long Museum, Centre Pompidou, West Bund Art and Design, ART021, and Sotheby's (Hua 2022). By 2021, there were 96 museums and more than 400 galleries in Shanghai, and a rising number of younger HNWI were active in various art activities (Cheng and Wu 2021; Hua 2022). Based on the freeport, the Shanghai authority gave art trading more tax incentives than ordinary commodities to encourage the local art market to stimulate people's willingness to hold, display, and transact in artworks, and the government also formulated a series of policies to support the development of overseas enterprises, including providing exemption of tariffs on equipment imported by enterprises for self-use within the FTZ, allowing imported products to be stored indefinitely without duties and import VAT, and empowering enterprises to display and trade their goods in the FTZ under bond (China State Taxation Administration 2019; Cheng and Wu 2021). Contextually, a complex set of factors, including historical conditions, geographical advantages, innovative regulations, the art market, rising collector numbers, and the financialisation of art, all contributed to the vibrancy of international art trading activities in Shanghai.

Although multiple factors contributed to the establishment of the art freeport in Shanghai, what stands out, in particular, is the long history of art creation and trading in the area, which connects a freeport to the art market tightly and positions it as an external window to Asia's emerging art market. In contrast, the global practice of art freeports has demonstrated that having an art hinterland is not necessary. For instance, as Dörny and Hesse (2022) argue, the impetus for the construction of Le Freeport Luxembourg does not include a thriving local art market but rather the well-developed financial ecology and entrepreneurial environment, the support from the government, the geographic location that guarantees logistics, and employing professional global consulting firms for management. Thus, in addition to possessing the conditions of Le Freeport Luxembourg, the local art market promotes FTZART's ability to integrate into the art ecosystem as a hub. The relationship between art freeports and the art market is mutually reinforcing. On the one hand, the art market is expanding due to cultural accumulation, diverse participants, and innovative systems, calling for a platform dedicated to the international art trade to respond to new demands from the market. On the other hand, the international art trade in Shanghai relies on its broad art hinterland and, in turn, contributes to the further development of policies, infrastructures, and transaction mechanisms in such an art ecology.

Concerning tax policy, the tax on importing artworks to China consists of two items—16% VAT, which is still relatively high compared to some areas like Hong Kong, the United States, and Europe, which increases the cost for artworks entering mainland China, as well as customs duty, which varies according to the category of artworks (Xiao 2018). With the high cost of trading artworks in and out of the Chinese art market, the series of businesses of FTZART can greatly help collectors reduce their time and financial costs.

We can start with the corporate structure of FTZART to obtain an overview of its functions and services. As a cultural enterprise set up by Shanghai Wai Gaoqiao Free Trade Zone Development Co., Ltd., FTZART involves a variety of businesses, such as cultural services, auctions, insurance, trading, foreign exchange, financial services, and copyrights, offering a ‘one-stop-shop’ for global art transactions, which is in line with the principle that art freeports are usually managed by ‘entrepreneurial-professional classes that manage privately-run transit zones’ (Figure 3) (Backsell and Schwarzkopf 2023, p. 1260). The management model of FTZART is similar to that of most art freeports but also manifests some differences. As a state-owned enterprise under Wai Gaoqiao Free Trade Zone Development Co., Ltd., the operation of FTZART, like the freeports in Singapore, Luxembourg, and Geneva, is supported and monitored by the authorities. However, unlike being managed directly by the customs authorities and assigned to multiple operating companies for management or being operated by private enterprises, the organisational structure that FTZART is situated in is much more integrated, allowing for a close interface between other businesses and freeport services. For example, Le Freeport Luxembourg is mainly managed directly by Luxembourg Customs, which leases storage spaces to various operating companies, which then rent them out to third-party customers (Loos 2017). Similarly, the Singapore Freeport is jointly managed by the management company and property company under the supervision of Customs, with the latter not involved in customer docking (Tanico 2022). In comparison, as a cultural investment company, the unified organisational model allows FTZART to link up with other businesses under the corporate umbrella, such as logistics, finance, and new zone development. For example, FTZART plans to develop an international art park incorporating commercial art streets, auction halls, galleries, and art hotels to provide a bigger carrying space for art trade and exhibition (Xiao 2018). A unified and multifaceted business model makes such a target less challenging to achieve.

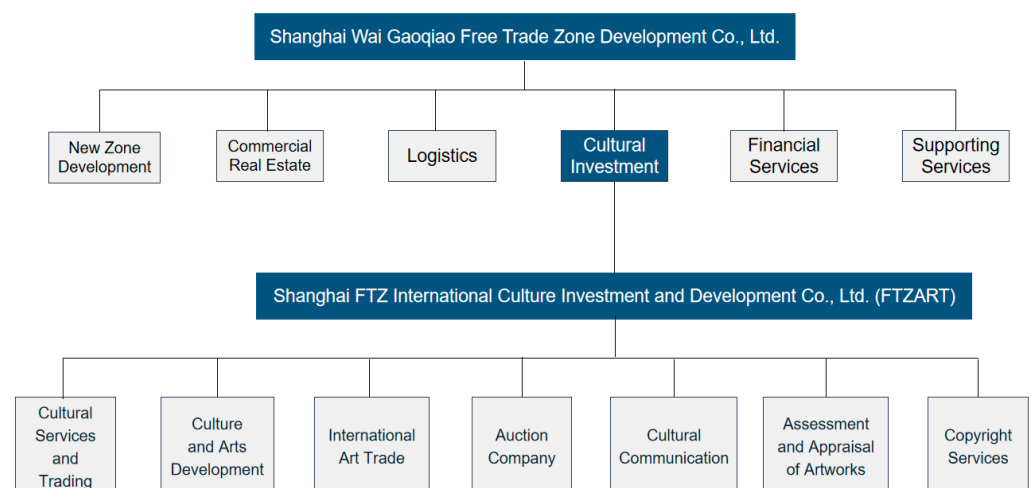


Figure 3. FTZART organisational structure. Image from FTZART.

The FTZART serves a wide range of art and financial institutions, exhibitions, and supporting services, building bridges between different clients, which lines in with one of the key features of art freeports—governed by a group of professional managers that is intimately connected to the network of the art market (Figure 4). FTZART’s commitment to connecting art market participants and providing one-stop services for art circulation can be seen in the wide range of business it provides to clients (Loos 2017). For instance,

FTZART seeks to simplify import/export procedures: once the artwork arrives at the port, it can be shipped directly to the warehouse within 24 h without customs declaration temporarily to reduce transport risks; as a test bed for the registration and management system governing the entry of relics into China, it provides tax incentives for the China International Import Expo and assists foreign enterprises in auctioning, displaying, and selling artworks by foreign artists; the close cooperation with financial institutions enables it to help collectors insurance artworks and provide investment advice; and offering opportunities to display artwork outside of the bonded area.

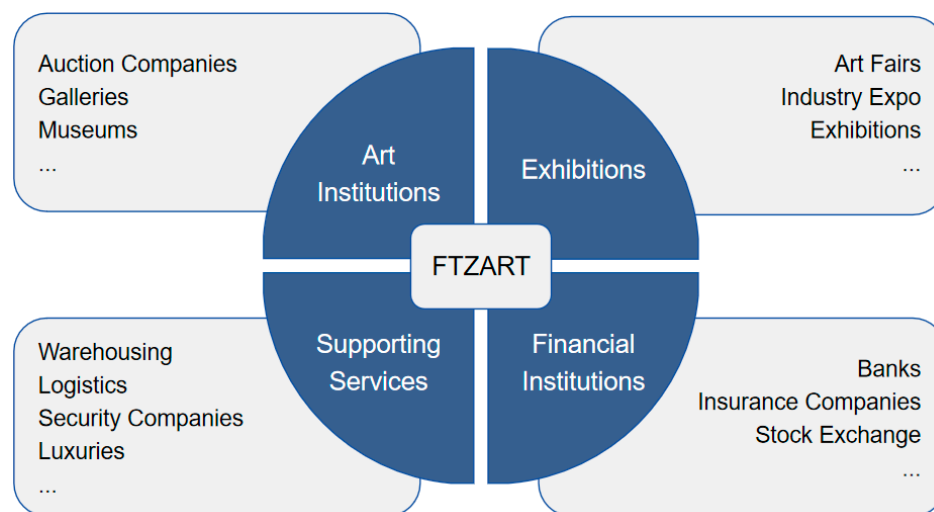


Figure 4. Clients in FTZART. Made by the author.

FTZART consists of a nine-storey office building on the east side and a seven-storey warehouse area on the west side, covering a total of 68,000 square metres. For research purposes, a site visit to the FTZART warehouse and office building was initiated. Photographing inside the building is prohibited for security, but professional photos from FTZART are provided to visualise the environment here. The lobby of the office building is equipped with an intelligent face recognition system and several safety guards for 24-h security (Figure 5). Within the building, the previously mentioned business units, including art bonded services, exhibitions, warehousing and logistics, insurance, auctions, foreign exchange payments, and industry consultancy, are well organised in different office areas; mixed office space and small separate private rooms allow various departments to conduct their business matching or negotiate with clients efficiently. During the visit to the warehouse, the staff explained the security and equipment, which, along with the author's work in the marketing department of the company, allowed for a greater understanding of FTZART. The high-standard warehouse consists of seven floors, six above the ground, where the main storage area is, and one underground, which has separate unloading aisles and separate areas for constant temperature and humidity. Covering 52,000 square metres, it is the world's biggest bonded warehouse for artworks (Figure 6).

When a visitor who has made an appointment enters the facility, a transit area can be found outside the building, which is a customs remote checkpoint responsible for the audit of the import and export of cultural relics. When entering the building, there is a public exhibition room equipped with lighting specialised for museums and movable panels, where there will be regular art exhibitions and displays of safe materials and equipment of the building to visitors (Figure 7). Access to storage areas requires discreet security checks under countless cameras, including checking identification and bags, as well as scanning bags and bodies by X-ray. After passing through the security check, visitors can access different levels of storage rooms: the 2–3 floors are public storage areas, which are suitable for customers who need ample space and categorised storage for their collections; levels 4–5 are VIP areas, which have a high level of privacy and security (Figure 8); level 6 is a

public storeroom as well as an area for conservation and restoration of cultural relics. Some storage rooms can be visited by guests with the collector's permission, allowing potential buyers to view the collection in a secure environment (opening the doors of the storage rooms requires the joint authorisation of multiple staff). The security system is planned and designed according to UL (Underwriter Laboratories Inc.) standards, with more than 2500 cameras for surveillance of the collection. Moreover, they conduct a comprehensive assessment of the environment, fire safety, and security of the rooms under global risk assessment and utilise multiple detections, including infrared and microwave, flame arrestors, and ultrasonic alarm systems, to enhance the safety of the storage.



Figure 5. Lobby of the office building. Photo from FTZART. (the ‘自贸区·艺术’ in Chinese refers to ‘FTZART’).

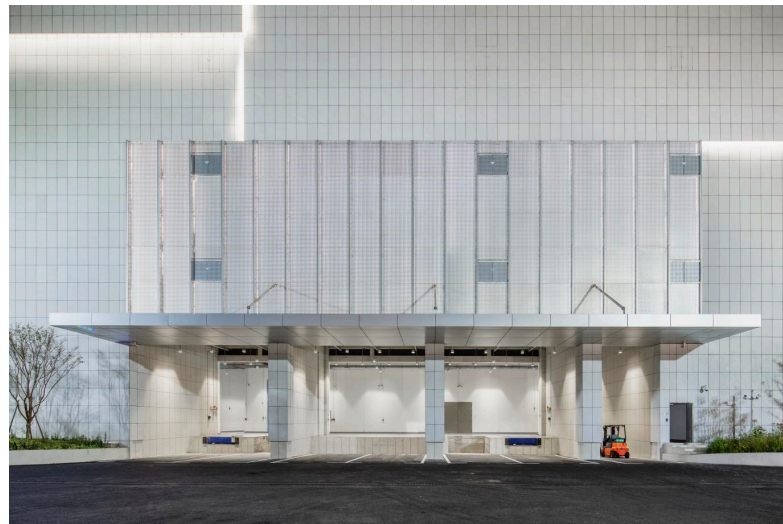


Figure 6. Unloading platforms. Photo from FTZART.

As mentioned before, when all the independent services and functions in the art trading chain are combined and work together, the entire art freeport-related business is constituted. FTZART, as an international art trading platform located in the free trade zone with a vast art market and economic hinterland, provides a convenient trading environment for the international trade of artworks by allowing artworks to stay and move around without paying customs duties (as long as they do not enter a country's tax zone); the platform

has a highly secure infrastructure that provides collectors with confidential and safe storage, maintenance, and logistics facilities; in addition to basic functions, FTZART maintains close ties with the art market, cooperating with galleries, auctioneers, appraisers, insurance companies, and financial institutions to assist collectors in managing, investing, and transacting artworks. Therefore, the services and functions provided by FTZART are aligned with the fundamental characteristics of art freeports, as mentioned previously in Section 4, embodying innovative aspects in contrast to conventional freeports, and can be considered a practitioner of the global art freeport business.



Figure 7. Exhibition hall on the first floor of the warehouse. Photo from FTZART.



Figure 8. VIP storage corridor on the 4th floor of the warehouse. Photo from FTZART.

6. Conclusions

This article began with a literature study that examines the advancements and limitations of existing research on art freeports. Prior studies on art freeports are limited due to their hidden nature and primarily centre on cases involving Swiss art dealer Yves Bouvier. Some articles overlook Shanghai FTZART and its potential competitiveness while examining art freeports worldwide and related practices in China. Although Yves Bouvier's planned freeport in Shanghai is mentioned in some studies, the project cannot effectively showcase the independent practice of art freeports in Shanghai due to the impact of 'the Bouvier Affair' (Ditzig et al. 2016, p. 178). Therefore, this article aims to integrate FTZART

into the global art freeport system by investigating FTZART's functions and services. Furthermore, through on-site research, this study provides first-hand information on FTZART, uncovering its connection to the art market, business model, and operational strategy.

We can extract three main findings here: First, an art freeport differs from a conventional freeport in a few ways while still performing many of the same duties. Freeports are located in exceptional areas inside the national border but outside the customs territory, with independent tax policies, warehousing, logistics, processing, and other services to accelerate the movement of goods. As a comparison, art freeport refers to applying the freeport system to international trade in art, providing 'one-stop-shop' services encompassing bonded warehousing, exhibitions, and insurance for art dealings. These extensions are the outcome of the financialization of art and the demands of the art market, which has caused many works of art to be 'locked up' in freeports as opposed to traditional freeports that speed up the flow of products. On the one hand, artworks are a significant component of HNWI's asset allocation since they have intrinsic aesthetic value, encourage long-term possession, and are not particularly relevant to standard financial products. On the other hand, the art freeport's security and confidentiality services enable collectors to keep their collectibles there for extended periods in order to evade taxes, like inheritance tax, removing a large number of artworks from circulation and enabling the art freeport to serve as a test bed for legitimate but non-compliant practices in the market. Additionally, holding and trading artwork necessitates specialised knowledge and equipment, as well as close contact with the art market, resulting in art freeports often being operated by professionals and offering a variety of ancillary services to help collectors save time and money, which in turn encourages collectors' willingness to store their collections there longer.

The above information also illustrates the second finding of the article—there are a large number of art trading platforms around the world, but there are a few basic conditions that make them art freeports, namely, they are usually located in free trade zones or financial centres; managed by professionals with close ties to the art market; security and confidentiality are their cornerstones; and they offer ancillary services such as exhibitions, appraisals, insurance, and finance in addition to basic bonded warehousing and logistics.

The last finding we addressed in this paper is that FTZART, as an international art trade platform situated in Shanghai's free trade zone, is closely related to Shanghai's art market, complies with the general principles of art freeports, and could be incorporated into the global art freeport agenda. Regarding the context, the geographical location, historical conditions, policies, and the development of the contemporary art market collectively contributed to the establishment of the art freeport in Shanghai FTZ. In terms of services, FTZART is managed by a professional international culture investment and development company equipped with basic bonded warehousing and logistics, and it extends exhibition, insurance, appraisal, finance, and copyright services, making FTZART further integrated into the art market. Hence, it is necessary to consider FTZART when studying the global art freeport business and the Shanghai art market.

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