1

The European and Greek Shipping Firm

The Greek shipping firm is an integral part of Europe's maritime tradition. This chapter follows the evolution of European shipping business by focusing on the Greek experience. Embedded in the distinctive Mediterranean maritime entrepreneurship, Greek shipping firms reinvented and transformed it from local to global during the last three centuries. Europe's shipping businesses thrived in small- and medium-sized ports concentrated in specific maritime regions with common characteristics and transactions, from the northern and Baltic seas all the way to the Atlantic and Mediterranean seas. As these localized shipping centers were transformed as part of the overall shift to a globalized maritime economy, some shipping firms handled the change better than others. Greek firms responded swiftly to the new economic conditions, becoming the most dynamic, flexible, and eventually the most important group of European shipping firms of the twentieth century. In the new millennium, they still are.

Remarkably, the shipping industry of southern Europe replaced northern leadership in the twentieth century. By the 1970s, the gigantic British companies that were the main international players in the shipping business in the early 1900s had been replaced by the Greeks.[1] In 1976, the list of the world's ten largest independent tanker owners and tanker-owning companies comprised five European companies, three of which were Greek: the Greek Onassis shipping group, Costas Lemos (Nereus Shipping), and Petros Goulandris sons (United Shipping and Trading).[2]

[1] Gordon Boyce, *The Growth and Dissolution of a Large-Scale Business Enterprise: The Furness Interest 1892–1919*, Research in Maritime History 49 (St. John's, Newfoundland: International Maritime Economic History Association, 2012): 10–11. See also Harlaftis and Theotokas, "European Family Firms." There is also a large bibliography on the big British shipping companies. For a recent overview, see Boyce, The Growth, 12; Miller, *Europe and the Maritime World*, 70–103.

[2] The other European firms were the Norwegian Sigval Bergesen (Bergesen d.y.) and the Danish A. P. Møller-Maersk Group. The five non-European shipping companies consisted of one American firm (National Bulk Carriers, led by Daniel Ludwig) and four from East Asia, indicating the dynamism of shipping development in this part of the world. These consisted of two Hong Kong shipping tycoons: Chao Yung Tung (Island Navigation

A shipping firm is the economic unit that uses the factors of production to produce and provide sea transport services.[3] It consists of a person or group of people that take the decisions for the employment (or not) of the factors of production.[4] In this context, shipowners have to decide which markets they will enter, the types of ships needed in these markets, the timing of ship investments, the sources to be mobilized to draw finance and human labor, and the kind of administration they are going to follow. Because a shipping firm is a business that operates beyond national borders and beyond its own land base, trust and communication with people of different nationalities and cultures has always been of prime importance. At the same time, the depth of knowledge required for dangerous ocean voyages meant that shipping firms initially grew and flourished in particular regions – places that developed a maritime tradition and the know-how to run ships. Maritime business grew from local, to national, to international.

Unfortunately, most histories of shipping firms have concentrated on the national perspective. Their research, for the most part, has focused on the developed northern countries and on the few large-scale liner shipping companies, with little attention paid to the smaller-scale but multiple tramp-shipping firms of both the north and south of Europe. As to more recent international developments, Michael Miller has brought out Europe's maritime tradition and the continuation of its supremacy in world shipping in the twentieth century. He has examined globalization through maritime business connections, demonstrating the dramatic changes in the organization and mechanisms of European and world shipping during the second half of the twentieth century. Miller emphasizes the importance of new leaders in the shipping industry who became agents of change, the "world connectors" and "architects of transport" of the new oil transportation era. Transporting oil safely and on schedule across the seas on ships that were huge floating reservoirs required new expertise, organization, and business processes – a metamorphosis in shipping practices.[5] The combination of new practices and new leaders transformed the shipping world.[6] The new men leaped at the opportunities inherent to oil; furthermore, Miller stresses, the "movers and shakers in tankers" were the Greeks, among them Aristotle Onassis.[7] Just as in the twentieth century, the Greek shipping firms of the nineteenth century were at the

Corporation), often described as the "Onassis of the Orient," and Yue-Kong Pao (World Wide Shipping Group); as well as the Japanese shipping companies NYK and Sanko. Drewry Shipping Consultants, *Tanker Shipping Report 1976*, www.drewry.co.uk (accessed September 14, 2013).

[3] Ioannis Theotokas, Management of Shipping Companies (London: Routledge, 2018), 10–12.

[4] Basil N. Metaxas, *Flags of Convenience* (London: Gower Press, 1985), 11.

[5] Miller, *Europe and the Maritime World*, 161, 95. [6] Ibid., 377. [7] Ibid., 309.

forefront of new modes of operation. The Vaglianos (and others) developed articulated networks and sea transport production systems in local maritime regions throughout an area encompassing the Ottoman, Habsburg, and Russian Empires. The Vaglianos, living in the age of sail and steam, anticipated and in a way prepared for the globalized maritime world of Aristotle Onassis in the twentieth century. Conduits for the integration of the economies of the eastern Mediterranean and Black Sea regions in the international economy of the nineteenth century, Greek shipping businesses expanded to all oceans in the twentieth century. From the 1820s to the 1970s, Greeks crested the wave of maritime transformation.

The changing environment of world shipping during the past two centuries puts the development of the Vagliano and Onassis businesses in perspective. The Vaglianos grew their business during the First Industrial Revolution, with its dizzying technological advances as well as unprecedented rates of trade and shipping growth. The advent of the new technology of steamships, consolidated in the last third of the nineteenth century, brought the division of world shipping into tramp and liner shipping markets. The Vaglianos were able to exploit these developments, specializing in tramp shipping and steamships.

Aristotle Onassis' business had its growing pains during the 1930s, as the world economy was torn by depression and war, and it came of age during the golden years of the period from the late 1940s to the early 1970s. During this period, Onassis leveraged his experience in the tramp-shipping sector to benefit from the oil transportation and ship gigantism that emerged after the end of World War II. He foresaw these developments in the 1930s, and was the first Greek to build oil tankers and continue to invest in them. Imitators soon flocked to try to copy his success. Indeed, Greek shipowners still represent the world's largest group of tanker owners today.

World Shipping and Shipping Markets

The basis of the global trade system at the start of the twentieth century had been consolidated in the nineteenth: industrial goods flowed from Europe to the rest of the world, while raw materials poured from all over the world into Europe. Because of these two-way flows, a small number of bulk commodities carried in massive quantities increasingly dominated deep-seagoing trade throughout the maritime world; in the last third of the nineteenth century, grain, cotton, and coal were the main bulk cargoes that filled the holds of the world fleet.[8]

Just as importantly, the ships of that fleet were increasingly powered by steam instead of wind. New technology, as was so often the case during the

[8] Harlaftis and Theotokas, "Maritime Business during the Twentieth Century."

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First Industrial Revolution, transformed the shipping industry; the transition from sail to steam, apart from increasing the availability of cargo space at sea, caused a revolutionary decline in freight rates.[9] Europe remained at the core of the system: until the eve of World War I, three-quarters of world exports in value and almost two-thirds of world imports flowed into or out of Europe.[10] Because of steam, European ships, the largest part of the world fleet, were able to carry an increasing volume of cargo between continents with greater speed and at lower cost. By the turn of the twentieth century, Great Britain was the undisputed world maritime power, owning 45 percent of the world fleet, followed by the United States, Germany, Norway, France, and Japan. Over 95 percent of the world fleet belonged to the fifteen countries that formed the so-called Atlantic Economy; Greece was among those countries, with 2 percent of the world fleet in 1914.[11]

The Vaglianos, as Ionian British citizens, had a hand in both of these large-scale developments. They were among the first to open the south Russian frontier and eventually became the largest exporters and shipowners in an area that was the granary of Europe by the latter part of the nineteenth century. In the Mediterranean, apart from state-subsidized corporate liner-steamship navigation companies, the Vagliano brothers were the first Greek shipowners (and the largest of the independent shipowners in the eastern Mediterranean and Black Sea) to invest massively in large cargo steamships. They bought their own steamships and also financed other Greek shipowners to help them invest in steam. During World War I, the withdrawal of British ships from trade routes not directly related to the Allied cause opened Atlantic routes to

[9] See the classic studies of C. Knick Harley, "Ocean Freight Rates and Productivity, 1740–1913: The Primacy of Mechanical Invention Reaffirmed," *Journal of Economic History* 48 (December 1988): 851–875; and Douglass C. North, "Ocean Freight Rates and Economic Development, 1750–1913," *The Journal of Economic History* 18, no. 4 (December 1958): 537–555. For more recent studies, Y. Kaukiainen, "Journey Costs, Terminal Costs and Ocean Tramp Freights: How the Price of Distance Declined from the 1870s to 2000," *International Journal of Maritime History* 18, no. 2 (2006): 17–64; and Mohammed I. Saif and Jeffrey G. Williamson, "Freight Rates and Productivity Gains in British Tramp Shipping 1869–1950," *Explorations in Economic History* 41, no. 2 (April 2004): 172–203.

[10] Lewis R. Fischer and Helge W. Nordvik, "Maritime Transport and the Integration of the North Atlantic Economy, 1850–1914," in Wolfram Fischer, R. Marvin McInnis, and Jurgen Schneider, eds., *The Emergence of a World Economy, 1500–1914* (Wiesbaden: Franz Steiner Verlag, 1986), 519–544. See also Gelina Harlaftis and Vassilis Kardasis, "International Bulk Trade and Shipping in the Eastern Mediterranean and the Black Sea," in Jeffrey Williamson and Sevket Pamuk, eds., *The Mediterranean Response to Globalization* (London: Routledge, 2000), 233–265.

[11] See also Gelina Harlaftis, "The Evolution of the European Shipping Firm: From Local to Global," in Teresa da Silva Lopes, Christina Lubinski, and Heidi Tworek, eds., *The Routledge Companion to Global Business* (London: Routledge, 2019).

the neutral Norwegians and Greeks, which meant that their fleets were able to profit from high wartime freight rates (Greece entered the war in 1917). Shipping, as a derived demand, depends on trade and can suffer (but also profit) from sharp freight-rate fluctuations. Timing is extremely important to losing or amassing wealth.[12]

During the interwar period, world shipping faced severe problems stemming from contracting sea trade worldwide, as well as decreasing immigration and increasing protectionism.[13] British shipping companies were particularly hard hit, starting the long eclipse of their fleet (although it would be another forty years before Britain lost its primacy in global shipping).[14] From 1918 to 1936, the absolute size of the British fleet decreased only slightly, but as a percentage of the world fleet it plummeted from 43 to 31 percent. The decrease continued in the postwar period: by 1963, it had declined to 15 percent and by the turn of the twenty-first century to just 3 percent of the world fleet.

Other countries rushed to fill the void left by the British. The United States handed out costly subsidies to shipping entrepreneurs, raising its world share from 11 to 18 percent. In the Pacific, Japanese companies took over trade routes abandoned by the British, almost doubling their fleet in the process.[15] The Norwegians and Greeks (in tramp shipping), and the Italians and the Dutch (in liner shipping), made moderate increases.[16]

After World War II, the world fleet witnessed an exponential and unprecedented expansion: from 67 million Gross Register Tonnage (GRT) in 1937 to 146 million in 1963 and 444 million in 1992. The Greek-owned fleet led the way, rocketing from 3 percent of the world fleet in 1937 to 10 percent in 1963 and 14.5 percent in 1992.[17] The Greeks, along with the Norwegians and Japanese, gradually replaced the old guard (the British, Germans, and Americans) as the decades passed, and proved the most dynamic fleets of the second half of the century.[18]

12 Basil N. Metaxas, *The Economics of Tramp Shipping*, 2nd edn (London: Athlone Press, 1981).

13 Stanley G. Sturmey, *British Shipping and World Competition* (London: Macmillan, 1962).

14 Sarah Palmer, "British Shipping from the Late Nineteenth Century to the Present," in Lewis R. Fischer and Evan Lange, eds., *International Merchant Shipping in the Nineteenth and Twentieth Centuries: The Comparative Dimension*, Research in Maritime History 37 (St. John's, Newfoundland: International Maritime Economic History Association, 2008).

15 As in the Atlantic, during World War I Britain had abandoned trade routes not directly related to the conflict.

16 Harlaftis, "The Evolution of the European Shipping Firm."

17 Ibid. The Norwegians rose from 6 percent in 1937 to 9 percent thereafter, and the Japanese from 7 percent on the eve of World War II to more than 12 percent after the 1990s.

18 We will examine the relative picture in the twenty-first century in Chapter 9 (see Table 9.5). Despite the growth of Asian shipping, Europe still leads the world today, and the Greeks have increased their volume and percentage even further.

The growth of the Greek shipping industry was interconnected with the most important change in global trade during the interwar period: the replacement of coal by oil as the world's leading source of energy. In 1900, coal was king, and the British, as in shipping, were the power behind the throne. The United Kingdom produced 225 million metric tons of coal in 1900, or 51 percent of Europe's production. On the eve of World War II, Britain still led the way in the coal industry, producing 42 percent of total European output in 1937. By comparison, in 1870 the production of oil was less than a million tons, and thirty years later it was still an insignificant source of energy; in 1900, world production of 20 million tons of oil met only 2.5 percent of world energy consumption.

All this changed in the interwar period. By 1938, oil production had increased more than fifteen times; it was 273 million tons and accounted for 26 percent of world energy consumption.[19] In 1900, because production was so limited, there had been little need for specialized vessels; oil tankers, mostly owned by Europeans, accounted for a tiny 1.5 percent of world merchant tonnage. Four decades later, the tanker fleet had grown to 16 percent of world tonnage. Although these ships were mostly owned by oil companies, independent tanker owners started to appear after the worldwide depression of the 1930s, when oil companies discovered it was less costly to charter tankers than to own them. The largest independent owners of the interwar period were the Norwegians.[20] It was through Norwegian shipowners that Aristotle Onassis was introduced to the oil market and its tankers during the 1930s; he was the first Greek shipowner to invest in the tanker business and led the way for the rest. The entry of other Greek shipowners into tankers defined their future in the second half of the twentieth century.

The choices and exploitation of technological advances by shipping entrepreneurs determined the path of world shipping. The first half of the twentieth century was characterized on the one hand by the use of steam engines and their gradual replacement by diesel engines, and on the other by massive standardized shipbuilding projects during the two world wars. From 1914 to 1918, 50 percent of the Allied merchant fleet was sunk (5,861 ships in total). US and British shipyards replaced this sunken fleet between 1918 and 1921 with "standard" ships that became the main cargo ship during the interwar period; these were steamships of a standard type of 5,500 grt, built on a large

[19] R. Eden, M. Posner, R. Bending, Edmund Crouch, and Joe Stanislaw, eds., *Energy Economics, Growth, Resources and Policies* (Cambridge: Cambridge University Press, 1981); C. Knick Harley, "Coal Exports and British Shipping, 1850–1913," *Explorations in Economic History* 26, no. 3 (February 1989): 311–338.

[20] Sturmey, *British Shipping*, 75–79. See the new book of Stig Tenold who provides the first full and comprehensive account of Norwegian shipping in the twentieth century. For the interwar period see Stig Tenold, *Norwegian Shipping in the 20th Century. Norway's Successful Navigation of the World's Most Global Industry*, (Cham, Switzerland: Palgrave, 2018): 100–115.

scale. It was these standard ships that Greek, Japanese, and Norwegian tramp operators purchased en masse from the British secondhand market in the 1930s, expanding their fleets even amid the world economic crisis. The first two steamships that Onassis bought in the early 1930s were of this kind.

During World War II, faced again with potentially crippling losses of merchant ships to German U-boats, the United States and Canada launched the most massive shipbuilding program the world had known, using new and much faster methods of building ships (the ships were assembled in sections and welded instead of riveted together). In four years, the US Maritime Commission managed to build about 4,700 vessels of all kinds, both commercial and military; out of these about 2,700 were the well-known Liberty ships that formed the standard dry-bulk cargo vessel for the next twenty-five years, and about 500 were tankers of the so-called T2 type.[21] Liberty ships and T2 tankers later formed the basis of the great leap forward of the Onassis shipping business (see Chapter 7).

The world economy grew almost uninterrupted between 1945 and 1975. Seaborne trade between the end of World War II and 1973 expanded more than sixfold by volume, from 490 million metric tons in 1948 to 3,210 million metric tons in 1973. About 60 percent of this massive expansion was caused by an almost ninefold increase in oil shipments.[22] (Tonnage of the five main bulk cargoes – ore, bauxite, coal, phosphates, and grain – also grew impressively.) To carry the enormous volumes required to feed the industries of the West and East Asia, ships carrying liquid and dry cargoes had to get much bigger. And as ships grew gigantic, they also increasingly specialized in single types of cargo and operated under flags of convenience (today called open registries) or under the auspices of offshore companies whose nationality was difficult to trace. In the immediate postwar years, such ships were used most extensively by Greek and American shipowners in the carriage of oil.[23] Aristotle Onassis, as we shall see, pioneered not only ship gigantism, but also used offshore companies and flags of convenience almost exclusively in his fleet.

Until the last third of the nineteenth century the shipping market was unified, meaning that cargoes did not determine either the type of ship or the

21 Rebecca Achee-Thornton and Peter Thomson, "Learning from Experience and Learning from Others: An Exploration of Learning and Spillovers in Wartime Shipbuilding," *The American Economic Review* 91, no. 5 (December 2001): 1350–1368.

22 Gelina Harlaftis, *A History of Greek-Owned Shipping: The Making of an International Tramp Fleet, 1830 to the Present Day* (London: Routledge 1996), 246–251.

23 For an insightful analysis, see Alan Cafruny, *Ruling the Waves: The Political Economy of International Shipping* (Berkeley: University of California Press, 1987). For a classic work on flags of convenience, see Metaxas, *Flags of Convenience*. For the resort by the Greeks to flags of convenience, see Gelina Harlaftis, "Greek Shipowners and State Intervention in the 1940s: A Formal Justification for the Resort to Flags-of-Convenience?," *International Journal of Maritime History* 1, no. 2 (December 1989): 37–63.

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organization of the trade. In the latter decades of the nineteenth century, the shipping market diverged into two distinct categories: liner shipping and tramp shipping. The type of cargo and ship determined the method of shipment; for example, liner ships carried general cargoes (finished or semifinished manufactured goods) and tramp shipping carried bulk cargoes (like coal, ore, grain, fertilizers, oil, and so forth). Furthermore, liner shipping carried cargo on regular routes, and tramp shipping on demand. Specialization of markets thus led to specialization of shipping firms in serving these two markets.

For the next hundred years, until the 1970s, liner and tramp-shipping markets continued more or less on the same lines. From the 1870s to the 1940s, the cargoes carried by liner and tramp shipping were not always clearly defined: liner ships could carry tramp cargoes and vice versa. Although there was substitution between the two distinct markets, their main structures were diametrically opposed: oligopoly and protectionism for the liner market (after the formation of shipping cartels starting in 1880, called "shipping conferences," in order to regulate freight rates and monopolize certain routes), and almost perfect competition for tramp shipping.[24] By the eve of World War I, 60 percent of the British fleet was employed in tramp shipping and 40 percent in liner shipping; the Germans and the French were primarily involved in liner shipping, while the Italians and the Spanish kept smaller fleets also engaged mainly in liner shipping. The Greeks were involved almost exclusively in tramp shipping, and, along with the Norwegians, they have remained Europe's main tramp operators.

In the postwar era, as world production and trade expanded at an unprecedented rate, more distinct changes in the structure of the markets led to a gradual decrease in substitution between liner and tramp shipping.[25] In the latter, the introduction of new liquid bulk cargoes on a massive scale, like oil, and of a few main dry bulk cargoes (coal, ore, fertilizers, and grain) led to specialization of function: individual bulk markets and ships built to carry specific cargoes.

The introduction of container ships in the 1960s revolutionized the carriage of industrial goods, world transport, and port systems. It also meant a landmark decade for the liner industry in the 1970s. Containerization, uniquely suited to liner transport, meant radically new designs for vessels and cargo-handling

[24] Harlaftis and Theotokas, "European Family Firms." On conferences, see Sturmey, *British Shipping*; Peter N. Davies, *The Trade Makers: Elder Dempster in West Africa 1852–1972* (London: George Allen & Unwin, 1973); Sara Palmer, "The British Shipping Industry 1850–1914," in Lewis R. Fischer and Gerald Panting, eds., *Change and Adaptation in Maritime History: The North Atlantic Fleets in the Nineteenth Century* (St. John's: International Maritime Economic History Association, 1985); Peter N. Davies, "Nineteenth Century Ocean Trade and Transport," in Peter Mathias and John A. Davis, eds., *International Trade and British Economic Growth from Eighteenth Century to the Present Day* (Oxford: Blackwell, 1996).

[25] For more on the substitution relationship of the tramp with the liner, see Metaxas, *The Economics of Tramp Shipping*, 111–116.

facilities. It led to global intermodal transportation (use of interconnected multiple modes of transportation, e.g., ship, rail, and truck), some of the earliest uses of modern information technology, and finally structural changes in the industry through the formation of consortia, alliances, and international mega-mergers.[26] Liner shipping companies were the beneficiaries of these far-reaching transformations, and they became the archetype of the globalized, multinational shipping company. If you think of modern shipping, you will likely envision gargantuan container ships and the Brobdingnagian cranes devoted to the loading and unloading of a ceaseless stream of such ships. Ocean transport happens on the largest of scales.

Nevertheless, this book is devoted to tramp/bulk shipping. Despite the importance of liner shipping companies, it is worth mentioning here that, to the present day, more than two-thirds of the volume of world trade is carried by tramp/bulk shipping and less than one-third by liners or container ships. The development of tramp shipping did not involve such innovative technological developments and no dramatic changes in the organization and structure of markets took place. Instead, the tramp ship was replaced by specialized bulk carriers built according to the bulk cargoes they carried, and to highly specialized dry and liquid bulk shipping markets.[27] The great technological innovation in this market was ship gigantism. The general pattern of trading, however, has not changed over the last 130 years and the tramp-shipping companies have remained, to a large extent, family businesses.[28]

The Evolution of the European Shipping Firm

Taking into consideration the above developments, I introduce a rough overall model, centered on the evolution of the European shipping firm as depicted in Figure 1.1 There are four distinct stages in the evolution of the European shipping firm: (1) up to the 1820s; (2) from the 1830s to the 1870s; (3) from the 1880s to the 1930s; and (4) the 1940s–1970s.[29] The transformation of the shipping firm from one stage to another was determined by economic and

[26] See the excellent analysis by Frank Broeze, *The Globalisation of the Oceans: Containerisation from the 1950s to the Present*, Research in Maritime History 23 (St. John's, Newfoundland: International Maritime Economic History Association, 2003). See also Marc Levinson, The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger, (Princeton: Princeton University Press, 2006).

[27] Harlaftis and Theotokas, "Maritime Business during the Twentieth Century," 9–34.

[28] On family business, see Andrea Colli and Mary Rose, "Family Firms in Comparative Perspective," in Franco Amatori and Geoffrey Jones, eds., *Business History around the World at the End of the 20th Century* (Cambridge: Cambridge University Press, 2003); Andrea Colli, *The History of Family Business 1850–2000* (Cambridge: Cambridge University Press, 2003); Geoffrey Jones and Mary Rose, eds., *Family Capitalism* (London: Frank Cass, 1993).

[29] See also Gelina Harlaftis, "The Evolution of the European Shipping Firm."

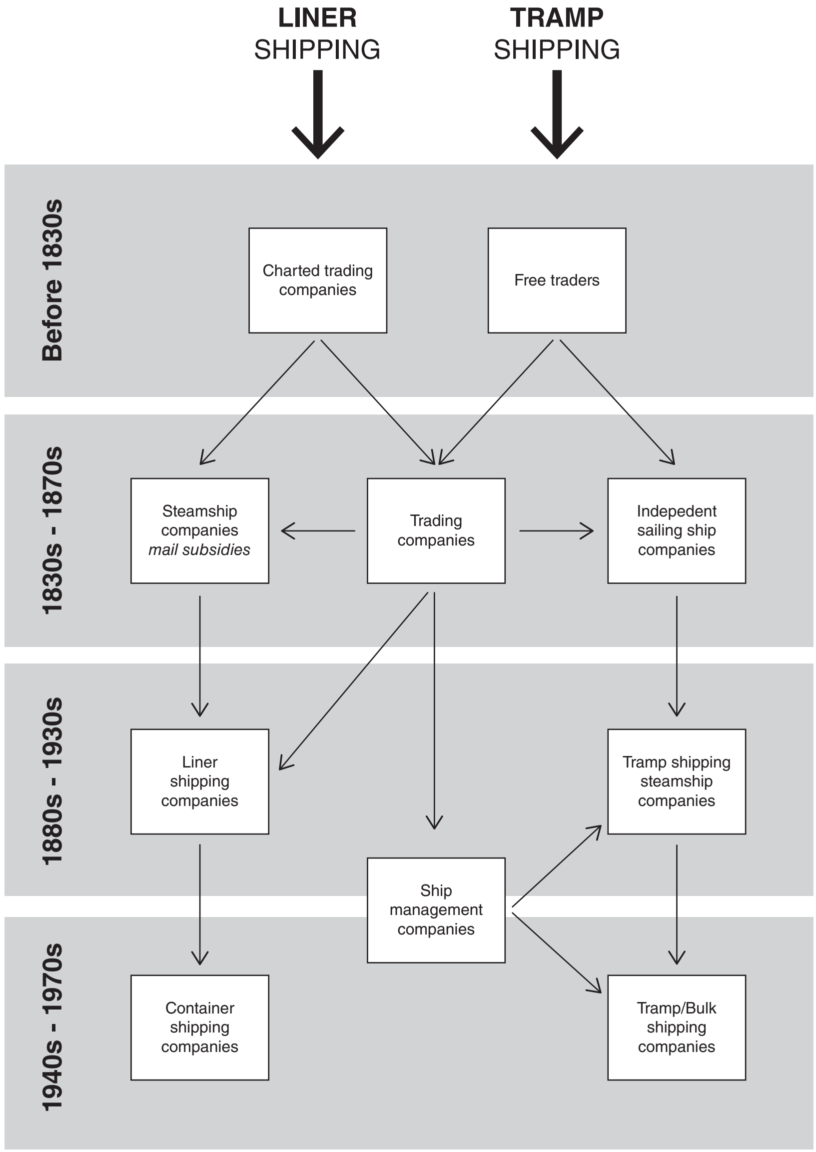

Figure 1.1 The evolution of the European shipping firm

Source: Gelina Harlaftis, "The Evolution of the European Shipping Firm: From Local to Global," in Teresa da Silva Lopes, Christina Lubinski, and Heidi Tworek, eds., *The Routledge Companion to Global Business* (London: Routledge, 2019).

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technological developments. The first stage contains the forms of merchant shipping business as it developed during the early modern era. It is interesting to note that until that stage, shipping was not distinctive from trade. In fact, the term "shipowner" did not exist at the beginning of the nineteenth century in Europe's main port cities;[30] shipowning was just one role for the "merchant" or "trader," as they were typically called. Merchants' activities subsumed trade, shipping, and finance. The transition to the second stage happened in the 1820s; the exponential rise in production due to the Industrial Revolution demanded other trading business structures that led to the dissolution of the big chartered trading companies and liberalization of trade. The second stage, from 1830 to the 1870s, is characterized by a peak in sailing ship companies, the formation of big international trading companies, and the formation of the first subsidized steamship companies.

The third stage, from the last third of the nineteenth century to the 1930s, proved an important landmark for the specialization of shipping markets and the introduction of two business models: liner shipping and tramp shipping. At this stage the full effects of the introduction of steam power were evident in the transformation of the shipping industry and consolidation of the liner and tramp-shipping firm. The British, who in many ways invented the modern shipping company, dominated this steam era until the 1930s, after which Britain's loss of the world's maritime hegemony began. It was also marked by the dramatic decrease of British tramp-shipping companies, often led by single shipowners who had passed down local maritime traditions from generation to generation. This did not happen in southeastern Europe: Greek shipowners resisted this trend, as we shall see. The fourth stage was characterized by the "golden years" of the post-World War II period, the consolidation, growth, and gigantism of oil tankers and the new technology of container ships. It also marked the globalization of the shipping firm, with the widespread use of offshore companies and flags of convenience.

Until the 1820s (the first stage, see Figure 1.1), European commercial and shipping businesses in the nineteenth century developed in lockstep with their countries' colonial empires, and the inter-empire and national external trade was operated by close-knit business networks. At the beginning of the nineteenth century there were two types of enterprises in European shipping: chartered companies and free traders. The big chartered merchant companies of the seventeenth and eighteenth centuries, whether British, Dutch, French, or Scandinavian, had special trading privileges in certain countries and maritime regions. They traded, owned fleets, and financed all that mercantile activity, and as their trade became more and more regularized, they

[30] Sarah Palmer, "Investors in London Shipping, 1820–1850," Maritime History 2 (1973): 46–68.

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increasingly resembled precursors of latter-day liner shipping companies. However, the growth of international trade during the Industrial Revolution brought with it the need for structural changes that most chartered companies were unable or unwilling to make, and by the 1820s most had disappeared.

It was independent shipowners, the so-called free traders, who developed tramp/bulk shipping. In the first stage (before the 1830s) the free-trader sailing ship constituted the first form of shipping firm. Free traders were ships outside the control of the chartered companies and were formed by shipmasters or merchants who attracted investors in partnerships.[31] At that stage, the tramp sailing ship was involved in a dual activity; sailing ships, apart from providing sea transport services, were traders. The sailing vessel was therefore also a merchant trader with two functions: commercial and maritime.[32]

In the second stage, from the 1830s to 1870s, two types of companies filled the vacuum left by the vanished chartered companies. The first type was the international trading company and the other was the steamship companies, which had obtained state subsidies to carry the mail (Figure 1.1). International trading companies followed in the footsteps of the chartered company; they were involved in trade, shipping, and finance, owned large fleets, and exploited trade links between the home country and its colonies during the age of imperialism.[33] The big British trading companies were typical of the species.

[31] Davis, *The Rise of the English Shipping Industry*, 84–19. See also Adam W. Kirkaldy, *British Shipping: Its History, Organisation and Importance* (London: David & Charles Reprints, 1970), 151–173.

[32] For the early modern period in Britain, see the classic Davis, *The Rise of the English Shipping Industry*, 82–83; see also the case study of the Henleys during the 1780s–1820s in Simon P. Ville, *English Shipowning during the Industrial Revolution* (Manchester: Manchester University Press, 1987). For the Dutch see Werner Scheltjens, *Dutch Deltas: Emergence, Functions and Structure of the Low Countries' Maritime Transport System, ca. 1300–1850* (Leiden: Brill Studies in Maritime History, 2015). For Venetian Greek shipping, Gerassimos Pagratis indicates that the formation and function of the shipping company in the area of the eastern Mediterranean remained impressively the same from the fifteenth to the eighteenth century. He based his thesis on the study of thousands of notarial documents on ownership, co-ownership, and partnerships of shipping firms in Corfu during 1496. See Gerassimos Pagratis, "Οργάνωση και διαχείριση της ναυτιλιακής επιχείρησης στην Κέρκυρα στο πρώτο ήμισυ του 16ου αιώνα" ["Organisation and Administration of the Shipping Firm in Corfu in the First Half of the Sixteenth Century"], *Μνήμων* [*Mnimon*] 30 (2009): 9–35; and also Gerassimos Pagratis, *Κοινωνία και οικονομία στο βενετικό "Κράτος της Θάλασσας": Οι ναυτιλιακές επιχειρήσεις της Κέρκυρας (1496–1538)* [*Society and Economy in the Venetian Stato del Mar: The Shipping Firms of Corfu (1496–1538)*] (Athens: Pedio, 2013). For Ottoman Greek shipping see Gelina Harlaftis and Sophia Laiou, "Ottoman State Policy in Mediterranean Trade and Shipping, c. 1780–c. 1820: The Rise of the Greek-Owned Ottoman Merchant Fleet," in Mark Mazower, ed., *Networks of Power in Modern Greece: Essays in Honour of John Campbell* (London: Hurst & Company, 2008), 1–44.

[33] Miller, *Europe and the Maritime World*, 112.

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Although the majority of them evolved, in the twentieth century, into important multinationals with diversified and multifaceted activities, some decided to specialize in shipping. Furthermore, the fact that they started as international trading companies sometimes disguised their significant shipping dimension. For example, this was the case when Mackinnon Mackenzie founded the British India Steam Navigation Company, known as BI, one of Britain's giant shipping concerns, based in Glasgow. The same thing happened with the China Navigation Company of the Swires, based in Liverpool.[34]

The introduction of steamships and their evident advantages over sailing ships induced most European nations into a wild competition for the control of the seas. State-subsidized steamship companies sprang up all around the continent's rim, and subsidies were given mostly in the form of mail subventions by their states. These steamship companies, the second descendants of the chartered company, did not charge for carrying the mail of particular countries with which they traded, in return enjoying certain tax exemptions within these countries; their obligation was to serve a particular route a certain number of times per week or month. All European nations established steamship companies which competed in cargo and passenger transportation in both European waters and the world's oceans.[35]

"Free traders" that combined trade and sea transport sometimes evolved into international trading companies (thus overlapping in some cases with the descendants of the charter companies), but more often became independent shipping companies specializing in sea transport, owning a large number of ships, and drawing capital from their hometowns through co-ownership. Joint ownership practices were usual in the sailing ship era all over Europe. Greeks, British, Norwegians, Dutch, French, Italians, and Spanish – anywhere in Europe with a traditionally strong maritime culture – all relied on joint ownership, with its strong kinship ties and local merchant family networks.[36]

[34] Jones, *Merchants to Multinationals*, 31, 37–38, 166, 221; Miller, *Europe and the Maritime World*, 108; Forbes J. Munro, *Maritime Enterprise and Empire: Sir William Mackinnon and his Business Network, 1823–1893* (Woodbridge: Boydell, 2003); Sheila Marriner and Francis E. Hyde, *The Senior: John Samuel Swire 1825–98: Management in Far Eastern Shipping Trades* (Liverpool: Liverpool University Press, 1967).

[35] Ibid.

[36] Palmer, "Investors in London Shipping, Helge Nordvik, "The Shipping Industries of the Scandinavian Countries," in Lewis R. Fischer and Gerald E. Panting, eds., *Change and Adaptation in Maritime History: The North Atlantic Fleets in the Nineteenth Century* (St. John's, Newfoundland: International Maritime History Association, 1985); R. Caty and E. Richard, *Armateurs Marseillais au XIXe siecle* (Marseilles: Chambre de Commerce et d'Industrie de Marseilles, 1986), 45–46; Jesus Valdaliso, "Spanish Shipowners in the British Mirror: Patterns of Investment, Ownership and Finance in the Bilbao Shipping Industry, 1879–1913," *International Journal of Maritime History* 5, no. 2 (December 1993): 1–30; Harlaftis, *A History of Greek-Owned Shipping*, 130–142.

The watershed in the evolution of the European shipping firm happened in the third stage: the advent of steam for shipping of all types. During the last several decades of the nineteenth century, shipping companies coalesced into tramp-shipping companies on one hand and liner companies on the other – all using steam.[37] As before, connections with home ports and strong family ties provided regional sources for investment funds, not to mention control over shipping businesses themselves. Moreover, during this stage specialization in shipping, as distinct from trade, was completed. The shipping industry became an independent sector involved exclusively in sea transport services and a number of supporting companies with specialized function developed, including ship management companies, ship broking, and ship agencies, all to serve the needs of the exponential growth of international sea trade.

In order to control growing competition, the existing British steamship liner companies collaborated to form shipping cartels, the so-called conferences.[38] These were coalitions of liner companies trading in specific oceanic regions with the sole purpose of blocking new entrants and keeping the prices at higher levels. Closed entrepreneurial networks on a national and international level proved extremely important. These liner shipping companies were joint-stock companies but, in most cases, control was still in the hands of one family or one person.

[37] Yrjö Kaukiainen, "Coal and Canvas: Aspects of the Competition between Steam and Sail, c. 1870–1914," *International Journal of Maritime History* 4, no. 2 (1992): 175–191; John Armstrong and David M. Williams, "The Steamship as an Agent of Modernisation, 1812–1840," *International Journal of Maritime History* 19, no. 1 (2007): 145–160; John Armstrong and David M. Williams, "Technological Advances in the Maritime Sector: Trade, Modernization and the Process of Globalization in the Nineteenth Century," in Maria Fusaro and Amelia Polonia, eds., *Maritime History as Global History*, Research in Maritime History 43 (St. John's Newfoundland: International Association of Maritime Economic History, 2010); Gordon Jackson and David M. Williams, *Shipping, Technology and Imperialism* (Hans: Scolar Press, 1996). Graeme J. Milne, "North East England Shipping in the 1890s: Investment and Entrepreneurship," *International Journal of Maritime History* 21, no. 1 (2009): 1–26; David J. Starkey, "Ownership Structures in the British Shipping Industry: The Case of Hull, 1820–1916,"*International Journal of Maritime History* 8, no. 2 (December 1996): 71–95. Robin Craig, ed., *British Tramp Shipping, 1750–1914*, Research in Maritime History 24 (St. John's, Newfoundland: International Economic History Association, 2003).

[38] Robert G. Greenhill, "Competition or Co-operation in the Global Shipping Industry: The Origins and Impact of the Conference System for British Shipowners before 1914," in D. J. Starkey and G. Harlaftis, eds., *Global Markets: The Internationalization of the Sea Transport Industries since 1850*, Research in Maritime History 14 (St. John's, Newfoundland: International Maritime Economic History Association, 1998), 53–80; For classic studies on the British conference system and its drawbacks see Sturmey, *British Shipping*; Cafruny, *Ruling the Waves*, 38–70.

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Tramp shipping grew in Europe's maritime regions, areas that developed fleets in small port-towns, islands, or regional maritime centers. In Britain, for example, until the nineteenth century the traditional areas of free traders were, apart from the London area, the South West ports and the West Country.[39] The Industrial Revolution changed the geography of shipping. In the nineteenth century, the main tramp-shipping areas of Britain developed along with and relied upon coal exports: The North East English ports and Wales became the main hubs of British tramp-operators in combination with those of the Clyde in Scotland, which was traditionally connected with the worldwide trading networks of Scottish merchants. All these areas had been traditional providers of shipping (like Whitby in the North East or Swansea in Wales), producing some of the best master mariners of the British fleet. Tramp sailing and steam shipping thrived and formed the largest part of the British mercantile marine up to World War I, consisting of 55 percent of the fleet.[40]

Other main maritime regions of deep-seagoing tramp sailing vessels in northern Europe, apart from Britain, included Scandinavia, with the southwestern Norwegian coast being the most prominent, and the Dutch deltas in the Low Countries. In southern Europe, deep-seagoing tramp shipping thrived in Spain, along the Basque coastline, and in Italian Liguria and the Sorrento coastline. The Adriatic Dalmatian coastline developed an important maritime culture, but the Ionian and the Aegean islands nourished the most important tramp operators of the eastern Mediterranean.[41]

Most European tramp-shipping companies were family-owned. Intermarriages among ship operators allowed them to keep the business within closed circles and expand regionally. Such strong regional ties resulted in close-knit maritime communities; for example, a shipmaster from a particular port might recruit seamen from the same port in addition to having a partnership with local investors. In Britain, tramp ships were owned by the old method of the "64th system," where the "sixty-fourthers" were shareholders of ships they held with unlimited liability; this system served well during the sailing ship era. But with the advent of steamers the cost of one share became prohibitively high (averaging as much as £300). In the late 1870s, single-ship companies of

[39] Craig, *British Tramp Shipping*.

[40] There has been remarkably little research done on British tramp shipping in the last twenty-five years with the important exception of Gordon Boyce in his *Information, Mediation and Institutional Development*; see also Leonidas Argyros, *Burrell and Son of Glasgow: A Tramp Shipping Firm, 1861–1930* (Unpublished PhD thesis, Memorial University of Newfoundland, 2012). The work of the path-breaking maritime historian Robin Craig has revealed the main aspects of tramp shipping; see Craig, *British Tramp Shipping*. See also Harlaftis and Theotokas, "European Family Firms."

[41] For more on the subject see Harlaftis, "The Evolution of the European Shipping Firm."

unlimited liability were introduced, producing a real boom in the market in the main tramp-shipping areas of Britain.[42]

Through this innovation, the British invented the modern form of the tramp-shipping company, which acted as the managing agent of ships owned by joint-stock single-ship companies nominally distinct from each other but with the shipowner in firm control of all. In this way, shrewd entrepreneurs could satisfy their shipowning ambitions at very little cost to themselves, by tapping sources of investment from a wider public.

The British, in their regional maritime areas, further developed the usual practice of joint shipownership during the steamship era of the last third of the nineteenth century.[43] Then, in the early twentieth century, big British firms expanded their sources of finance by exploiting resources beyond their local regions, instead seeking backing from banks that specialized in shipping finance, like the Westminster Bank or the Royal Bank of Scotland.[44] But the single-ship model still ruled in the tramp-shipping sector. In 1931–1932, 53 percent of British shipping companies owned just one ship. In France the number was 56 percent, in Norway 61 percent, and in Greece it was highest of all: fully 74 percent of Greek shipping companies owned only a single ship.[45] In Norway and Greece, the single-ship model has continued to dominate. Single-ship firms have been the basis of shipping business expansion, that is, startups of new business in shipping.

By the end of the interwar period, particularly in Britain, most of the liner and tramp-shipping firms had merged into large conglomerates. The structure of British shipping changed, leaping from private family businesses to the corporate liner companies. The economic crisis of the 1930s hit British shipping and its companies hard. In the liner business, the colossal Royal Mail group, a public company that owned 11 percent of the British fleet, collapsed, while the liner companies that retained their family character (like those belonging to shipping families such as the Holts or Furnesses) were better able to withstand the financial turbulence. British banks intervened heavily to save British shipping.[46] On the eve of World War II, the British fleet, despite

[42] The conversion or merger of the sixty-fourthers into firms that owned single fleets was called “consolidation” by shipowners at the end of the nineteenth century; See Boyce, *Information, Mediation and Institutional Development*, chapter four, and Robin Craig, *The Ship: Steam Tramps and Cargo Liners, 1850–1950* (London: HMSO, 1980), 40–41.

[43] See for example the example of the Radcliffe Company in South Wales. See Craig, *British Tramp Shipping*, 187–210.

[44] David Souden, *The Bank and the Sea: The Royal Bank of Scotland Group and the Finance of Shipping since 1753* (Norwich: RBS, 2003).

[45] Gelina Harlaftis and Costas Chlomoudis, “Greek Shipping Offices in London in the Interwar Period,” *International Journal of Maritime History* 5, no. 1 (June 1993): 1–40.

[46] Edwin Green and Michael Moss, *A Business of National Importance: The Royal Mail Shipping Group, 1902–1937* (London: Methuen, 1982).

the loss of a large percentage, was still the leader with 28 percent of world tonnage; however, the fleet had lost what proved to be its backbone, its small-scale operators involved in tramp shipping.[47]

The interwar period marked a time of stagnation for British tramp shipping, and saw the gradual contraction of traditional tramp-shipping areas and their concentration to London. Tramp shipping declined from 55 to 39 percent of the British fleet.[48] The most important thing lost, beyond ships and localities, was the human dimension. The self-reproduction of human capital from traditional maritime communities, with their special expertise and unique business cultures, was a *sine qua non* for the continuation and expansion of the shipping industry, which was facing intense international competition during and after World War II. Instead, Britain, for the most part, lost this human capital: tramp owners whose professional origins were either from "the Counting house" or "the Hawse hole" (that is, they were employees from commercial/shipping companies like the Burrels, Jones, or Radcliffes, or master mariners like the Hains, Runcimans, Pymans, or Tatems). Greek tramp operators had similar professional origins, but retained their local knowledge.

In the fourth stage, from the 1940s to the 1970s, a large number of the European liner companies continued to function but faced major challenges due to the reduction of passenger traffic, which increasingly relied on airlines. The advent of container ships revolutionized the business and brought further deep changes. However, most of the major shipping lines still function today as global liner/container shipping groups after having undergone major restructuring in the 1970s.[49]

In the pre-1940s period (the first three stages in Figure 1.1), the tramp-shipping operators fell into two categories: cross-traders like the Greeks or the Norwegians, who carried mainly cargoes for third countries, and "national" traders like the British, Germans, French, or Italians. In both cases capital, flag, and labor came from their national state. Tramp companies had a national character, each with a particular predominant regional dimension, organized around family capitalism; however, many also participated in the international tramp markets.

After the 1940s, international trade transformed tramp shipping. During this time, many tramp operators lost their national culture and became companies of an international character. They drew resources from global capital and labor markets, and took advantage of internationalizing institutions like offshore

[47] One of the great failures of British tramp operators has been complacency and the lack of insight leading to a failure to adapt to the rising tanker market. See Sturmey, *British Shipping*, 61–97.

[48] Harlaftis and Theotokas, "European Family Firms."

[49] Broeze, *The Globalisation of the Oceans*; Miller, *Europe and the Maritime World*, 104–145, 319–374.

companies and competitive open registries.[50] Tramp operators were becoming increasingly globalized, losing their national character.

Except for the Greeks. Remarkably, Greek shipowners formed global businesses with a distinct Greek character; they were able to incorporate the local into the global without losing either.

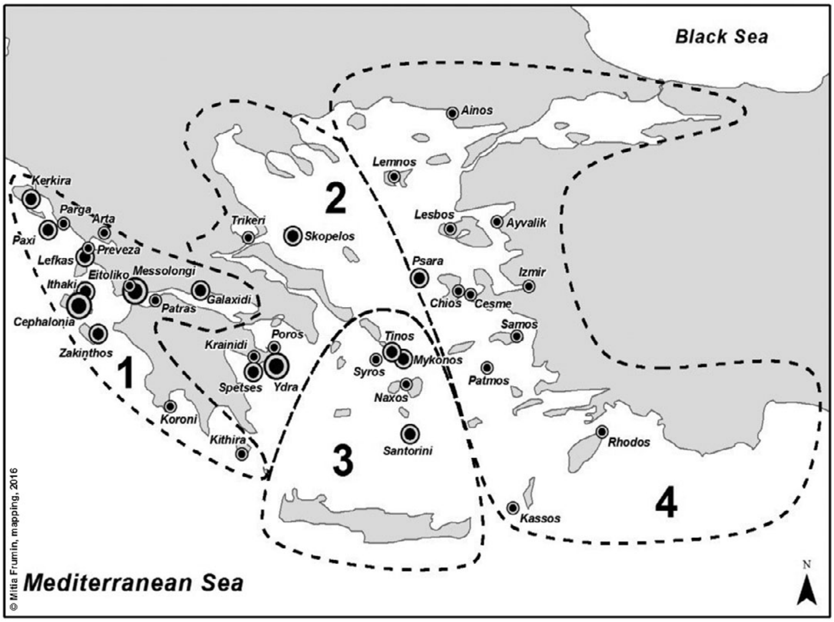
The Stages of Development of the Greek Tramp-Shipping Firm

The Vagliano and Onassis companies, like most Greek tramp shipowners, followed the path of other European tramp-shipping firms, as shown in Figure 1.1; in fact, they survived through all the stages of the transformation of the shipping industry, becoming international players with an indelible Greek character. The three Vaglianos, coming from a traditional maritime family of free traders from the Ionian islands, started their careers as island shipping firms, and were able to make the great leap forward from the first stage to the second stage, becoming a powerful international trading firm involved in trading, shipping, and finance, as well as transforming themselves into a steam-shipping company during the last third of the nineteenth century. A landmark in these transformations was the creation of a hybrid Greek ship management office in London, which opened the way from the second to the third, and eventually to the fourth stages. Aristotle Onassis, meanwhile, started his tramp-steamship business in the 1930s out of a Greek London ship management office, purchased his first two ships, and started a tramp-steamship company. From there he made the great leap forward to becoming a global tramp/bulk-shipping group.

During the eighteenth and nineteenth centuries, Greek shipping fleets from the Ionian and Aegean seas competed successfully against the French, the Spanish, the Italians, and the British in the long-haul Mediterranean trade, supplying their goods and services efficiently and at low cost. Why were they so competitive against these international powers? First, they formed unique institutions and organizational structures. The shipowners of the Ionian and Aegean islands operated in a borderless and economically integrated maritime area, regardless of whether that area was under Ottoman, Venetian, French, Russian, or British control at any given time.[51] The seafarers of the area had to

[50] Theotokas, *Management of Shipping Companies*, 282–284.

[51] Until 1800 the Ionian islands were under Venetian control; after becoming a semiautonomous state for a number of years under Russian, Ottoman, or French protection, in 1815 they became a British protectorate and in 1864 part of the Greek state. The Aegean islands were under Ottoman Empire until the formation of the independent Greek state in 1830, when western and central Aegean became part of Greece. Before and after the Balkan wars, Crete (in 1908) and the northeastern Aegean islands (1912) were united with Greece. The southeastern Aegean islands became part of Greece in 1947.



Map 1.1 The four districts of the "maritime city" of the northeastern Mediterranean
Source: Gelina Harlaftis and Katerina Papakonstantinou, eds., *Η ναυτιλία των Ελλήνων, 1700–1821: Η ακμή πριν την Επανάσταση* [*Greek Shipping, 1700–1821: The Heyday before the Greek War of Independence*] (Athens: Kedros Publications, 2013).

develop their own institutions and organizational structures on every island that conformed to Mediterranean shipping practices, without relying on a national model. As the prominent Greek historian Spyros Asdrachas has described it, they were part of an economic entity that was, in effect, a "dispersed maritime city" (Map 1.1). This vast city of islands formed a unified market.[52] Its four districts, the Ionian Sea and the western, central, and eastern Aegean, each developed several maritime centers. During the sailing ship era, as many as forty islands and port cities developed important deep-seagoing

[52] In Greece, the historian Spyros Asdrachas coined the phrase "dispersed maritime city" to stress the unity of these islands; see Vasilis Sphyroeras, Anna Avramea, and Spyros Asdrahas, *Maps and Map-Makers of the Aegean* (Athens: Olkos, 1985), 235–248. See also Emile Kolodny, *La population des îles de la Grèce*, Essai de géographie insulaire en Méditerranée orientale, 1–3 (Aix en Provence: Edisud, 1974).

fleets, owned by prominent local shipping families.[53] The island of Cephalonia in the Ionian Sea had by far the largest fleet of all. It was also the original home base of the Vagliano brothers.[54]

The second factor that led to the increased competitiveness of the Greek-owned fleet was its specialization and verticalization of production, innovations that happened alongside an important technological development: the adaptation of western European sailing ship types. These new types of vessels provided flexibility and better carrying capacity and adaptability; it was during the 1790s that the Greeks began to adopt western ship types like pollacas, brigs, and brigantines.[55] The groups of family shipping firms that Greeks formed in the maritime centers of a certain region functioned as "clusters." Clusters are groups of firms nestled close to each other, their businesses interlinked and their institutional structures appropriate to a very specific economic sector. They are linked by common characteristics and businesses that supplement each other.[56] The galaxy of ancillary businesses that supplied the shipping firms was an integral part of the cluster. Through these interwoven clusters, shipping firms in Greek maritime centers increased their competitiveness via vertical and horizontal production of sea transport services.[57] As these clusters of firms interacted with each other, unifying the local markets of individual maritime regions, their seafarers tended to specialize in certain kinds of trade, or trade with a specific region.

The configuration of a specialized seafaring working force was a third determinant factor in the success of the Greek shipping firm. A stable cadre of about 18,000 seafarers spread throughout the forty islands comprising the

[53] Gelina Harlaftis, "Η ναυτιλία των Ελλήνων ως μοχλός ενοποίησης των αγορών. Η μεθοδολογία" ["The Shipping of the Greeks as Leverage for the Unification of Markets: Methodology"], in Gelina Harlaftis and Katerina Papakonstantinou, eds., *Η ναυτιλία των Ελλήνων: Η ακμή πριν την επανάσταση, 1700–1821* [*Greek Shipping, 1700–1821: The Heyday before the Greek Revolution*] (Athens: Kedros Publications, 2013), 72–82.

[54] Gelina Harlaftis, "Η 'ναυτική πολιτεία' του Ιονίου και του Αιγαίου: Ναυτότοποι, ναυτικές οικογένειες και επιχειρήσεις" ["The 'Maritime City' of the Ionian and the Aegean: Maritime Centers, Shipping Families and Firms"], in Harlaftis and Papakonstantinou, eds., *Greek Shipping*, 353–406; Harlaftis, "The Shipping of the Greeks as Leverage," 72.

[55] Apostolos Delis, "Τύποι πλοίων της ναυτιλίας των Ελλήνων, 1700–1821" ["Types of Ships in Greek Shipping, 1700–1821"], in Harlaftis and Papakonstantinou, eds., *Greek Shipping*, 469–540; Apostolos Delis, *Mediterranean Wooden Shipbuilding: Economy, Technology and Institutions in Syros in the Nineteenth Century* (Leiden: Brill, 2016), 146–179.

[56] M. Porter, "Location, Competition and Economic Development: Local Clusters in a Global Economy," *Economic Development Quarterly* 14, no. 1 (2000): 15–34; Michael Porter, "Locations, Clusters and Company Strategy," in Gordon L. Clark, Maryann P. Feldman, and Meric S. Gertler, eds., *The Oxford Handbook of Economic Geography* (Oxford: Oxford University Press, 2000), 253–274.

[57] Amy K. Glasmeier, "Economic Geography in Practice: Local Economic Development Policy," in Gordon L. Clark, Maryann P. Feldman, and Meric S. Gertler, eds., *The Oxford Handbook of Economic Geography* (Oxford: Oxford University Press, 2000), 559–579.

dispersed maritime city in the Ionian and Aegean seas was a key factor in Greek competitiveness. These seafarers specialized in long-haul trips, and were trained in navigational skills onboard vessels alongside their fathers, sons, brothers, cousins, uncles, and friends. Shipping was their only way of life, their sole source of income, and a fount of personal recognition. They proved that cohesion and the flow of information in the "maritime city" gave them increased knowledge and thus the competitive advantage that allowed their vessels to compete with their western European counterparts.[58]

Fourth, Greek entrepreneurs expanded beyond their Aegean and Ionian home base – sometimes far beyond. The geographic expansion beyond the borders of the Ottoman or Venetian dominion proved a fundamental entrepreneurial strategy for the development of the sea trade and the increase in the wealth of the maritime centers. Starting in the eighteenth century, captains imitated their peers in following new and hazardous ventures, leading to a gradual expansion through imitation. When a captain returned to his island with a profit, there were many who were ready to disregard risk and follow his path.

Thus, Greek competitiveness at its heart came from the formation of entrepreneurial networks – the consequence of their creation of sea transport systems and their harnessing of an ever-increasing flow of information. Every maritime region developed information networks regarding, for example, loading places, or the times of arrival of ships. Finding new ways to get such information quickly – and spread it quickly – resulted in faster loading and unloading of cargoes; and succeeded in creating a chain of logistics in combined maritime and land transport.[59] In this way the island business groups linked local entrepreneurial activity with the periphery and with other countries through articulated entrepreneurial networks. The firms of the Aegean/Ionian maritime city exhibited a remarkable dynamism in economic development and institutional formation, as well as the ability to adjust flexibly to accommodate all economic circumstances. From the one side there were the groups of shipping firms of the islands/maritime centers of the "maritime city" of the Ionian and the Aegean seas and, from the other, the diaspora trading

[58] Gelina Harlaftis, "The 'Eastern Invasion': Greeks in the Mediterranean Trade and Shipping in the Eighteenth and Early Nineteenth Centuries," in Maria Fusaro, Colin Heywood, and Mohamed-Salah Omri, eds., *Trade and Cultural Exchange in the Early Modern Mediterranean: Braudel's Maritime Legacy* (London: I. B. Tauris, 2010), 223–252.

[59] Katerina Papakonstantinou, "Θαλάσσιες και χερσαίες μεταφορές και διακινούμενα φορτία τον 18° αιώνα: η συγκρότηση μεταφορικών συστημάτων στην Ανατολική Μεσόγειο" ["Sea and Land Transport and the Movement of Cargoes in the Eighteenth Century: The Formation of Transport Systems in the Eastern Mediterranean"], in Harlaftis and Papakonstantinou, eds., *Greek Shipping*, 283–351.

companies in the merchant communities of the Greeks dispersed along the Mediterranean and the Black Sea.[60]

Long before the formation of the Greek state in 1830, Greek subjects of the Ottoman and Venetian states in the Ionian and Aegean islands had developed the so-called *fleet dei Greci* (fleet of the Greeks). By 1821, the year of the beginning of the Greek War of Independence, they owned the biggest fleet in the eastern Mediterranean and the Black Sea, comprising 1,000 deep-seagoing vessels; it was the only substantial fleet of the Levant, and ran mostly under the Ottoman flag. At the same time, the most important western Mediterranean fleets were those of Spain, France, the Italian states, the Habsburgs, and the Republic of Ragusa. The Greek fleet was the fifth largest in the Mediterranean during the last third of the eighteenth century; it underwent a remarkable fivefold growth from the mid-eighteenth century to the 1820s.[61] It was a fleet of free traders combining trade and shipping.

In the second stage of the evolution of tramp shipping, from the 1830s to the 1870s, Greek free traders evolved into international trading houses, on one hand, and sailing ship companies based on individual islands, on the other. International trading companies, the leading ones originating from Chios and Cephalonia, represented some of the most powerful of the Greek diaspora traders, expanding as they did beyond the boundaries of the Ottoman Empire and the Greek state. The international entrepreneurial networks that were formed by Greek international houses in the nineteenth century have been described as the "Chiot" network, which had its heyday during 1830–1860, with the Ralli brothers as a leading family; the "Ionian" network followed from 1870 into the twentieth century and was led by the Vaglianos.[62] Diaspora trading companies conformed to the theory that has

[60] Gelina Harlaftis, "Mapping the Greek Maritime Diaspora from the Early Eighteenth to the Late Twentieth Century," in Ina Baghdiantz McCabe, Gelina Harlaftis, and Ioanna Minoglou, eds., *Diaspora Entrepreneurial Networks: Five Centuries of History* (Oxford: Berg Publications, 2005), 147–169.

[61] Gelina Harlaftis, "Η "ναυτική πολιτεία" του Ιονίου και του Αιγαίου. Στόλος και ανταγωνιστικότητα " ["The 'Maritime City' of the Ionian and Aegean Seas: Fleet and Competitiveness"], in Harlaftis and Papakonstantinou, eds., [*Greek Shipping, 1700–1821*], 407–443. See also Harlaftis, "The 'Eastern Invasion'"; Harlaftis and Laiou, "Ottoman State Policy."

[62] I named them as "Chiot" and "Ionian" networks back in 1993; see Gelina Harlaftis, "Εμπόριο και ναυτιλία τον 19ο αιώνα, το επιχειρηματικό δίκτυο των Ελλήνων της διασποράς, η 'χιώτικη' φάση (1830–1860)" ["Trade and Shipping in the Nineteenth Century: The Entrepreneurial Network of the Diaspora Greeks, the 'Chiot' Phase (1830–1860)"], *Μνήμων* [*Mnemon*] 15 (1993): 69–127; and also in Harlaftis, *A History of Greek-Owned Shipping*, 39–69. The Ralli Brothers have been treated as a British trading company. See Stanley Chapman in his *Merchant Enterprise in Britain: From Industrial Revolution to World War I* (Cambridge: Cambridge University Press, 1992), chapter 5, discusses the importance of foreign merchants in British mercantile development. Jones gives us a

been developed about multinational companies, entrepreneurship, and international business.[63]

Greeks proved adept at exploiting local and international political circumstances as they expanded. The rise of the Russians as the most dynamic presence in the Black Sea after their victories against the Ottoman Empire proved very important for the Greeks. Russian dominance consolidated international trade and channeled it through the Straits and the Russian Empire conquered the lands covering the northern and eastern Black Sea coastline, from Odessa to Batoum. Greeks, who excelled in trade, shipping, and finance, handled more than half of all the external trade of the Russian Empire by the mid-nineteenth century.[64] The Greek position in the eastern Mediterranean was strengthened when the Ionian islands became a British protectorate after 1815; moreover, the formation of the newly independent Greek state after 1830 gave them the right to fly their own Greek flag.

The success of the Greek trading companies relied on their human resources. The Greek diaspora's entrepreneurial networks created a production system of close-knit small, medium, and large businesses within a loosely organized network. This commercial and maritime web assumed a triple dimension: the local/regional, the national/peripheral, and the international. It gave access to ports, agents, and financial and human resources, providing the Greek diaspora networks with the ability to internalize many operations and survive international competition. Their cohesion was derived from the business culture they inherited from the island maritime and trading communities, and, through shipping, they were able to reinvent themselves and survive economically in the international arena.[65] The trust that Greek traders

global view of British traders' activities and identifies the origin of important traders but still treats them as part of the British trading companies groups. Jones, *Merchants to Multinationals*, 24–25. For the Greek merchants in England see also Maria Christina Chatziioannou, "Greek Merchants in Victorian England," in Dimitris Tziovas, ed., *Greek Diaspora and Migration since 1700: Society Politics and Culture*, 2nd edn (Abingdon: Routledge, 2016), 45–60. See also Katerina Galani, Η Ελληνική κοινότητα του Λονδίνου τον 19ο αιώνα: Μια κοινωνική και οικονομική προσέγγιση" ["The Greek Community in London in the Nineteenth Century: A Social and Economic Approach"], *Ιστορικά* [*Istorika*] 63 (April 2016): 43–68.

[63] Mira Wilkins, *The Growth of Multinationals* (Aldershot: Elgar, 1991).

[64] There are detailed archives of the first decades of the establishment of Greeks in South Russia in the States Archives of Odessa and Rostov-on-Don. See Evrydiki Sifneos and Gelina Harlaftis, "Entrepreneurship at the Russian Frontier of International Trade: The Greek Merchant Community/*Paroikia* of Taganrog in the Sea of Azov, 1780s–1830s," in Viktor Zakharov, Gelina Harlaftis, and Olga Katsiardi-Hering, eds., *Merchant "Colonies" in the Early Modern Period (15th–18th Centuries)* (London: Chatto & Pickering, 2012), 157–180.

[65] Gelina Harlaftis, "From Diaspora Traders to Shipping Tycoons: The Vagliano Bros.," *Business History Review* 81, no. 2 (Summer 2007): 237–268. Theotokas and Harlaftis, *Leadership in World Shipping*; Casson, "Entrepreneurship and Business Culture,"

engendered among both clients and ancillary companies was fueled by this complex web of networks, by their allegiance to family and ethnicity, and by pure economic interest.

Greek shipping companies based in the Ionian and Aegean islands, still relying on sailing ships during this second stage, became the sea-carriers for the Greek diaspora trading companies, and profited enormously by the association.[66] At the peak of the sailing-ship fleet in the mid-1870s, there were about 800 shipping families in the forty maritime centers of the Ionian and Aegean seas, operating some 2,500 deep-seagoing sailing ships. Joint partnerships continued to the same degree and Masters were the appointed managers, yet as a rule they were not now the main co-owners. The growth of the fleet and its concentration in international transport altered the structure of shipowning.

During the evolution of the previous period, the island tramp-sailing-ship firms developed in a particular way. Historian Alexandra Papadopoulou, drawing from the paradigm of the maritime tradition of the Aegean island of Spetses in the eighteenth and nineteenth centuries, has distinguished the three phases of development of the family shipping firm of Greek maritime centers.[67] According to her analysis, in the first phase, the shipping firm with one ship took two organizational forms: the independent shipping firm (meaning a single person or entity who owned the ship entirely); and co-ownership of the ship. The two organizational forms are distinguished according to the nominal control of the ship (ownership) and real control (management).[68] Independent shipping firms and co-ownerships formed the "shipping house" in the second phase, its main characteristic being intergenerational continuity: the activity of at least two generations of a family in shipping activities. As she mentions, "with the term 'shipping house' we are referring to the male members of the family that are relatives of first or second rank, have the same surname and form

44–45. See also Ioannis Theotokas, "Organizational and Managerial Patterns of Greek-Owned Shipping Companies and the Internationalization Process from the Postwar Period to 1990," in David J. Starkey and Gelina Harlaftis, eds., *Global Markets: The Internationalization of the Sea Transport Industries since 1850*, Research in Maritime History 14 (St. John's, Newfoundland: International Maritime History Association, 1998), 303–318.

66 Harlaftis, *History of Greek-Owned Shipping*, 137–139.

67 Alexandra Papadopoulou, *Ναυτιλιακές επιχειρήσεις, διεθνή δίκτυα και θεσμοί στη σπετσιώτικη εμπορική ναυτιλία, 1830–1870: Οργάνωση, διοίκηση και στρατηγική* [*Maritime Businesses, International Networks and Institutions in the Merchant Shipping of the Island of Spetses: Organization, Management and Strategy*] (Unpublished PhD thesis, Corfu: Ionian University, 2010), chapter 3. See also Alexandra Papadopoulou, "From Local to Global: The Evolution of Greek Island Shipping Business Groups" (Unpublished ms).

68 Papadopoulou, *Maritime Businesses, International Networks*, 123.

shipping firms either collaborating exclusively with each other or with the participation of others."[69] The third and final phase of the organization of island shipping companies was the business group of a maritime center, formed by the shipping firms/houses, reflecting the economic and social relations that developed among the shipping houses. The island shipping business group is linked in official and unofficial ways that are characterized by trust relations. The latter acts as a safety valve for the reduction of business risk and, ultimately, of the transaction costs. It was those island shipping business groups that configured the international entrepreneurial networks and ensured the competitiveness of the fleet. As will be indicated later, the Greek London office became a hybrid form of the ship management company of the island business group.

The 1870s marked both the growth and the decline of the Greek sailing-ship fleet; almost at the same time that the fleet peaked in 1875, it started a decline from which it never recovered. Greek deep-sea sailing vessels continued to operate to a limited degree up to World War I, but the future lay with the new technology, steam. Masters of sailing ships and investors had to find ways to enter this capital-intensive market.

In the third stage, the 1880s–1930s, the way opened to the steamship tramp-shipping era. At this stage, the new technology destroyed the old structure of regional maritime centers and brought restructuring. The familiar Greek production system, based on the two pillars of the international diaspora trading companies and the island sailing-ship companies, reinvented itself into hybrid shipping-management offices, the so-called London offices. These were both shipowning companies and shipping agencies.

From the powerful diaspora trading companies of the mid-nineteenth century, based in London, only the Ralli Brothers continued as a British trading company in the twentieth century up to the 1960s. Of the others, some went bankrupt in the 1860s–1870s, some were absorbed by banking institutions in London, and some continued trading from the Black Sea region until World War I on a more limited scale. The traders that survived through to the twentieth century were those that invested in shipping. Eight out of the top ten Greek shipowning companies of 1910 were diaspora international Greek trading companies that had been based in the port cities of the Danube, the Azov Sea, and in Constantinople (these were the family firms of the Embiricos, Stathatos, Svoronos, Scaramangas, Sideridis Dracoulis, and the Lykiardopoulos – and, of course, the Vaglianos). By the early twentieth century, half of these families had opened shipping offices in London.[70]

[69] Ibid., 131. [70] Harlaftis, *A History of Greek-Owned Shipping*, Appendix 6.9–6.10.

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The great innovation that the Vagliano Brothers brought about was that they set up the first London office.[71] The last Vagliano died in 1902, yet by the eve of war in 1914, there were eleven London offices that handled 20 percent of the Greek-owned fleet. By 1937, seventeen London offices handled 45 percent of the fleet.[72] These London offices internationalized and modernized parochial shipping companies in the Greek islands. It was from a London office representing the shipping firms of Ithaca that Aristotle Onassis started his fleet.

The transition from island shipping companies to tramp-steamship companies happened after steam shipping destroyed most of the small maritime centers. Out of the forty maritime islands only six managed to make the transition to steam (one or two from every maritime region). From the Ionian sea, it was the shipowners from Cephalonia and Ithaca; from the eastern Aegean, Chios and Kassos; from the central Aegean, Syros and Andros; from the western Aegean, none. Island shipping families pooled together their capital to purchase the first family steamship; individual family capital was not enough.[73]

In 1914 there were 309 Greek shipping companies owning 515 steamships of 861,080 grt. The interwar period and the formation of the Greek London offices brought expansion of the fleet to all oceans. From 1914 to 1938, the Greek merchant fleet soared from thirteenth to ninth place among the ten largest national merchant marines, accounting for 3 percent of world tonnage. More important, however, Greece now owned the second largest dry-cargo tramp fleet; its 16 percent share trailed only Britain (39 percent) and was ahead of Japan (11 percent) and Norway (8 percent). We can safely assume that the shares of the dry-cargo tramp-shipping market enjoyed by Greece, Norway, and Japan came largely at the expense of the declining British tramp fleet.

This massive expansion continued during the post-World War II global shipping period, led by Onassis. If in 1938 the number of Greek shipping offices in Piraeus, London, and other cities numbered around 300, in 1958 they exceeded 350, by 1975 they topped 800, and by the end of the twentieth century numbered more than 1,000.[74] The year Onassis died, in 1975, Greek-owned shipping was the world's largest maritime power, with more than 3,000 ships and about fifty million grt in total.[75]

71 Harlaftis, "From Diaspora Traders to Shipping Tycoons," 237–268.
72 Ibid., 194–203. 73 Harlaftis, *A History of Greek-Owned Shipping*, 93.
74 Ibid., 270–271, 289.
75 Theotokas and Harlaftis, *Leadership in World Shipping*, table 3.1, 59; Gelina Harlaftis, "The Greek Shipping Sector c. 1850–2000," in Lewis R. Fischer and Even Lange, eds., *International Merchant Shipping in the Nineteenth and Twentieth Centuries: The Comparative Dimension* 37 (St. John's, Newfoundland: International Maritime Economic History Association, 2008), 79–103.

In the period after 1945, most of the Greek London offices were transformed into global shipowning groups, such as the Embiricos Brothers, Kulukundis Brothers, Livanos Brothers, Goulandris Brothers, and Chandris Brothers. One should note that all these families had more than three generations' experience in the maritime business, with the Kulukundis and the Embiricos having at least seven generations of experience. The appearance of new companies made necessary the distinction between "traditional" and "non-traditional" or new shipowners. "Traditional" shipowners were at least second generation; they inherited their shipping enterprises from their parents. "Non-traditional" shipowners entered the sector only after World War II and came from other professions.[76]

The only "non-traditional" shipowners in the post-World War II period that prevailed immediately after entering the market were Aristotle Onassis and Stavros Niarchos. However, as renewal of the shipowning community proceeded at a rapid pace throughout the postwar period, new names gradually began to make their presence felt in the forefront of Greek-owned shipping. The participation of the older shipowning families began to wane appreciably after the 1980s and, in the last two decades of the twentieth century, new shipowners held sway.[77] Path dependence provided for the success of the Greeks in the post–World War II period.[78]

The success of modern Greek shipowners has depended on their established worldwide networks, which functioned through a sort of exclusive international "club" of Greek shipowners that was crucial to their overall strategy and their economic survival. Moreover, Greek specialization in tramp shipping, dry and liquid (dry cargoes included coal, grain, fertilizers, ore etc.; liquid cargoes included crude oil and its products) made them unique worldwide. Aristotle Onassis triggered the carriage of oil cargoes and the postwar penetration of the tanker business. However, he was not the first Greek shipowner to carry oil or the first to buy a tanker. Greek sailing ships and steamships had been carrying oil from the port of Batoum (coming from the oilfields of Baku) in the Black Sea since the 1890s.[79] As with the Vaglianos,

76 See Harlaftis, *Greek Shipowners and Greece*, 9–23.

77 Theotokas and Harlaftis, *Leadership in World Shipping*, 33.

78 Gelina Harlaftis, Helen Thanopoulou and Ioannis Theotokas, *Το Παρόν και το Μέλλον της Ελληνικής Ναυτιλίας* [*The Present and the Future of Greek Shipping*], Research Study no. 10, Office of Economic Studies, Academy of Athens, Athens 2009.

79 For example Elias Kulukundis's sailing ship *Anastasia* from Batoum to Constantinople in 1897 and the steamship *Marietta Ralli* from Batoum to Calcutta in 1895, in logbook for sailing ship *Anastasia*, 1882–1898, Private Collection of Elias M. Kulukundis and logbook of steamship *Marietta Ralli*, 1892–1895, Archive of Captain Anastassios Syrmas, Hellenic Literary and Historical Archive, Athens, Greece. See also Harlaftis, *History of Greek-Owned Shipping*, 150 and 158.

modern Greek shipping tycoons built on the rich, complex history of their industry even as they sought new ways to innovate.

Conclusions

Up until around the 1870s, Greek shipping firms in general followed the development of their European counterparts; this was the context in which the Vaglianos and Onassis shipping firms developed. However, this similar track of institutional development masks a rich, varied, and complex history that made Greek firms leaders in world shipping.

Multiple generations of Greek shipping families formed groups of businesses throughout the various maritime regions and islands of the Aegean and Ionian seas in the course of three centuries. Their success lay to a large extent in the fact that they were family businesses that retained an important connection to specific island maritime communities, each one providing a wealth of human resources and preserving a unique maritime cultural tradition. From this solid base, these firms expanded geographically to form extensive entrepreneurial networks. By developing transport systems in local maritime regions in the eighteenth century, they expanded during the new age of industrial revolution through articulated networks and sea transport production systems in a wider peripheral maritime region in the nineteenth century. The case of the Vaglianos indicates how from the first stage of the evolution of the sail-shipping firm, they made the transition to the second stage of the international trading firm, and then led the way in the third stage, to the formation of a ship-management firm.

The Onassis case indicates how, from the third stage of the ship-management firm, there was a great leap forward towards the fourth stage: the creation of the new form of global maritime business in the second half of the twentieth century. Ultimately, Greeks, by functioning as conduits for the integration of the economies of the eastern Mediterranean and Black Sea regions in the international economy of the nineteenth century, expanded in the twentieth century to all oceans, contributing to the globalization of the world's economies. The remainder of this book is about how all this was done.

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