



# Path Dependence in Global Maritime Business

5<sup>th</sup> Athens Triennial Meeting, Bayes Business School, City University of London

*The 40th Anniversary of the Costas Grammenos Centre for Shipping, Trade and Finance*

*"Industry challenges: A global perspective from Athens"*

7-9 October 2024

Onassis Stegi, Athens

***Gelina Harlaftis***, *Director of the Institute for Mediterranean Studies – Foundation of Research and Technology- Hellas & University of Crete*

# Does History Matter?

*Path dependence on sea routes, markets, ship types, shipping fleets and businesses*



# “History is useful because it repeats itself”

- A common attitude here is that “we need history to understand the present, as history repeats itself”.
- Yes, we do need history to understand.
- But does it really repeat itself?

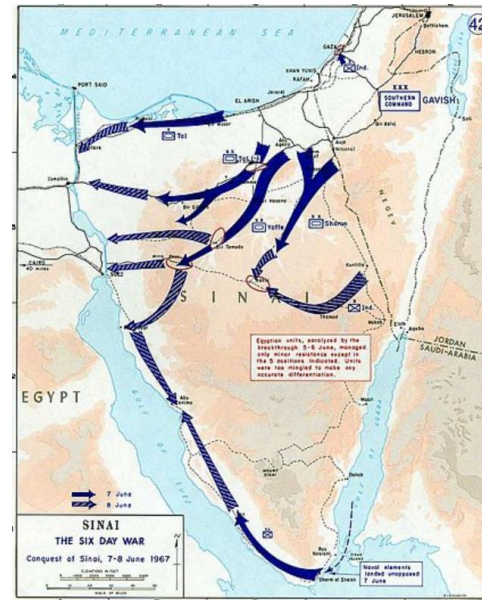


# How did history repeat itself in the Suez closures?

## Suez Crisis. Closure 1956-1957

It was caused by the Second Arab-Israeli war in 1956. On July 1956 Nasser nationalized Suez Canal. The British and French with the help of Israel invaded Egypt at Sinai peninsula. The US and Soviet Union intervened.

**Suez Closure 1967-1975.** Arab-Israeli Six Day War. Occupation of Sinai Peninsula and eastern bank of the Suez canal.



## Red Sea Crisis, October 2023-today



News | Israel-Palestine conflict

### Yemen's Houthis say they targeted Greek-owned ship in Red Sea

*The attack on the cargo ship caused severe flooding and damage to the engine room, but there were no reports of casualties.*

From October 2023 to March 2024, the Houthis attacked more than 60 vessels in the Red Sea. To avoid attack, hundreds of commercial vessels have been rerouted to sail around South Africa. The Houthis' Red Sea attacks have drawn a military response from a number of countries.



Houthis have been launching scores of drone and missile attacks on shipping in the Red Sea and the Gulf of Aden since November in support of Palestinians in Gaza [File: AFP]

# Path dependence

- Economists invented the theory of “**path dependence**” to bring history in economics.
- "Path dependence" in the shipping industry highlights the importance of its historical evolution in the understanding the present through the preservation and further development of structural characteristics of shipping companies, such as flexibility and adaptability.
- *The need to connect history with economic theory has emerged in the last decades. This trend in economic theory that has been called 'neo-institutionalism' or new institutional economics, and has strongly emphasized (the self-evident for historians) argument that “history matters” by the economists of evolutionary economics.*

# “Memory pool”



- The end of the 20<sup>th</sup> and the 21<sup>st</sup> century recorded the change of hierarchy in the top shipping fleets in the world; the decline in the importance of some traditional shipping fleets, particularly European ones and the rise of Asian ones.
- However, the path dependence allows the continuation of some traditional shipping fleets. It was their "memory pool", which at critical junctures allowed the application of similar successful business behaviors and practices.



# "National" fleets in the era of globalisation

*Shipowners have acquired their factors of production – ships, labour and capital – in the international markets, motivated by a constant search for as low costs as possible.*

*Shipping companies are global maritime businesses with a national identity.*

	1914	1937	1963	1992	2008	2022
	%	%	%	%	%	%
<b>Greece</b>	<b>2</b>	<b>3</b>	<b>10</b>	<b>15</b>	<b>17</b>	<b>17</b>
<b>China</b>				<b>4</b>	<b>8</b>	<b>13</b>
<b>Japan</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>13</b>	<b>16</b>	<b>10</b>
<b>Singapore</b>					<b>2.8</b>	<b>6</b>
<b>Hong-Kong, China</b>				<b>5</b>	<b>3.2</b>	<b>5</b>
<b>Republic of Korea</b>				<b>3</b>	<b>3.6</b>	<b>3</b>
Germany	11	6		2	9.1	3
<b>Taiwan Province of China</b>						<b>3</b>
<b>United Kingdom</b>	<b>43</b>	<b>31</b>	<b>15</b>	<b>4</b>	<b>2.5</b>	<b>3</b>
<b>Norway</b>	<b>5</b>	<b>6</b>	<b>9</b>	<b>8</b>	<b>4.5</b>	<b>3</b>
U.S.A.	11	18	16	9		
Denmark				2	2.6	
Russia-U.S.S.R.	2	2	4	3		
Italy	3	5	4			
Holland	3	4	4			
France	5	4	4			

Ownership of 10 largest world fleets by percentage of the world fleet, (carrying capacity, national-and foreign-flagged feet)

Sources: *Lloyd's Register of Shipping; Review of Maritime Transport*



# Trends in the size of companies

*Path dependence allows the continuation of traditional shipping fleets.*

*Do medium and small companies disappear?*

*Let us look at Japan, Norway and Greece.*

GREECE



Shipowners of the Aegean and Ionian islands

Shipowners of the Bergen region of coastal towns and islands

NORWAY



Traditional 20<sup>th</sup> century shipping businesses have all started from small places and small businesses and still retain a strong local identity

JAPAN



Shipowners of Imabari islands

## Trends in concentration of top companies of Greece, Norway, Japan

	% of tonnage of the top 10 Greek shipping companies	% of tonnage of the top 10 Norwegian shipping companies	% of tonnage of the top 3 Japanese shipping companies*
<b>1914</b>	31%	-	-
<b>1938</b>	28%	32%	19%
<b>1958</b>	53%	23%	17%
<b>1975</b>	34%	46%	19%
<b>2000</b>	20%	45%	33%
<b>2019</b>	38%	46%	29%

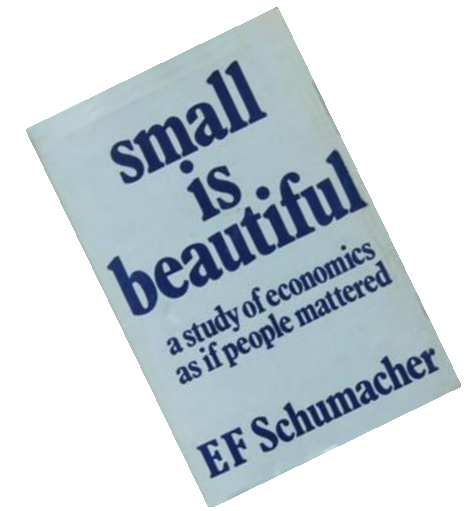
Is the trend towards fewer and larger companies?

\* There were 4 companies: NYK, OSK, Mitsui and K-Line (= Kawasaki, in Japanese). In 1964, OSK and Mitsui merged to form MOL (= Mitsui OSK Lines).

	Ship owners	Number of Ships	GT
1955	5	10	3,957
1967	54	102	278,781
1975	70	114	325,765
1983	63	69	154,176
2000	58	465	8,317,179
2004	50	527	15,869,265
2008	50	767	25,099,927
2014	70	1,035	44,410,215
2018	70	1,063	47,501,040

Source: Sungshin Cho, “Japanese Shipping Industry since the 1970s: A history of reorganization of cooperative system within an industry”, Kyoto University 2024

## Imabari Japanese shipowners



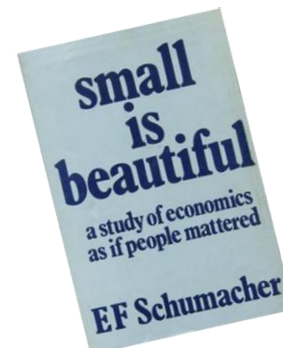
- Imabari shipowners run and controlled by the big Japanese operators (General Trading Companies or Sogo Shosha) who went on crisis in the 1980s; the Imabari shipowners became independent of them and saw an apogee after the 1990s.
- **Imabari shipowners own 30% of the Japanese fleet**
- They consist of multi-generational family businesses and/or new entrants related to the shipping industry

# The trend of the size of companies in the Greek-owned fleet

Year	Small		Medium		Big		Total
	No	%	No	%	No	%	No
1969	268	73%	78	21%	23	6%	369
1990	361	66%	131	24%	56	10%	548
2000	565	68%	225	27%	45	5%	835
2024	320	56% (16%)	161	28% (29%)	87	15% (55%)	568

Source: For the years 1969, 1981 και 1990, from Theotokas (1997); for the years για τα έτη 2000, 2005 from Petrofin Research

**Small** companies: up to 5 ships  
**Medium** companies: 6-20 ships  
**Big** companies: 16 and above



45% of the Greek-owned fleet is medium and small companies. Will the trend to bigger companies continue?

# Path dependence and collective memory

- In the cases of Japan and Greece, it is the preservation of the "memory" of the businesses that helps to maintain the mentality and business philosophy, the organizational methods and business practices, which continue to be applied to a significant extent by the old existing companies and new entrants.
- History does and does not repeat itself. It is a constant continuation and change. But one has always to address to the collective memory that has been accumulated as one of the main keys to survival in the future.

# What is the world trend in the shipping companies?

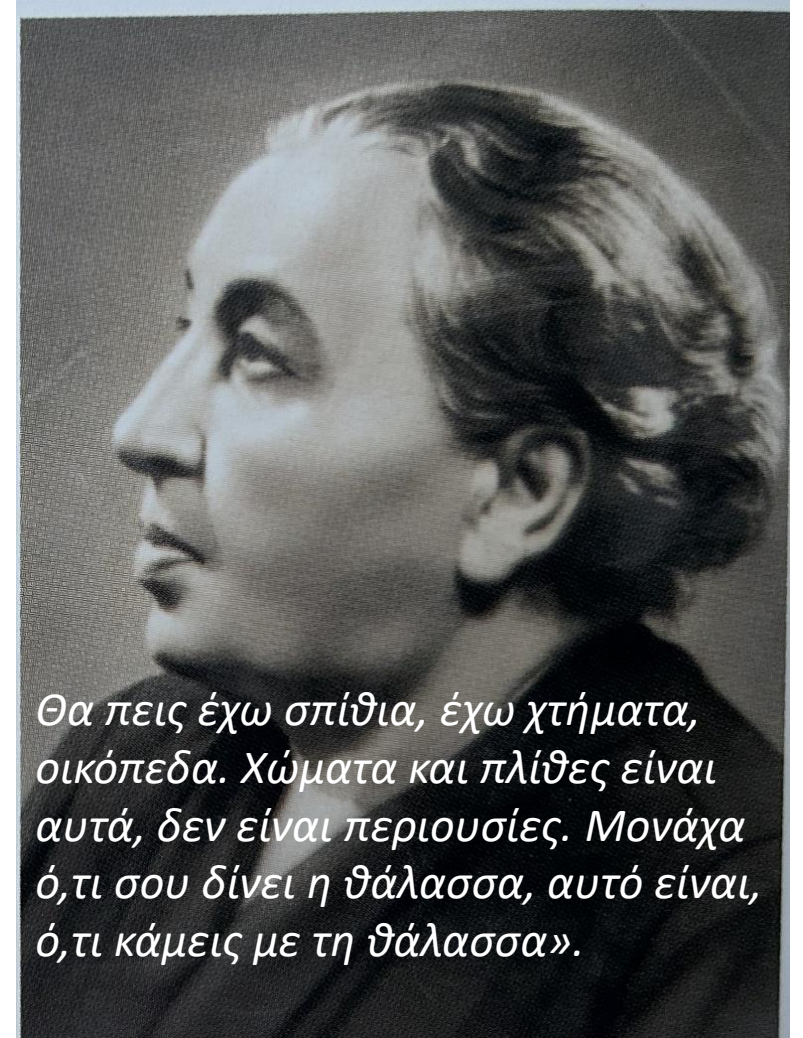
Family business of small-medium-big shipping companies  
or  
big shipping companies listed in the stock market  
and run by management companies?

&

*Path dependence with a new wave of dynamic women in shipping?*

*“You say that I own houses, farms, land.  
Earth and bricks are those, they are not fortune.  
Only what the sea gives you, this is it, what you do with the sea.”*

*Kadio Sigala, the shipowner from Santorini*



*Θα πεις έχω σπίτια, έχω χτήματα, οικόπεδα. Χώματα και πλίθες είναι αυτά, δεν είναι περιουσίες. Μονάχα ό,τι σου δίνει η θάλασσα, αυτό είναι, ό,τι κάμεις με τη θάλασσα».*

Madame K.G.Sigalas, Lloyd's Register of Shipping, 1938