

Greek shipping companies in the era of steamships (end of 19th-mid 20th centuries). The case of Kasiot shipowners.

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Introduction

The thesis's subject is the Kasos ship-owners business group and its rise to prominence, from the end of the 19th century to the Interwar period. This study will only be a small sample of the whole body of my research. I shall address the question of how a business team of captains from a tiny Aegean island managed to evolve into an international shipping group. While some research has been directed towards the various Greek shipping companies over the years, there has been very little regarding the Kasos group. The island of Kasos is the southernmost of the Dodecanese island complex. It lies four nautical miles away from Karpathos and twenty six from Crete.

The island always had a rich history already from the 18th century, when it functioned as a major maritime center for the entire Southeastern Aegean Sea area during the age of sail. In time Kasos gained the largest fleet of the area through ship-building activity, building large freight ships both for neighboring islands and those further afield. It is estimated that during the 19th century alone the Kasiot ship owners had over 40 large trading sail-ships and many more ships of the line.

Kasos, like Spetses, Psara and several other Aegean islands of similar nautical inclination took part in the Greek War of independence of 1821. Kasos was the naval bastion of the Greeks in the Southern Aegean and offered over fifty large and small ships for the cause. Furthermore, the Kasiots supported the Cretan rebellion that took place during that period. Unfortunately, this led to the destruction of the island by the Egyptian fleet on the 29th of May 1824. The surviving Kasiots had to abandon their homeland and go live on neighboring islands such as Milos, Naxos, Santorini and Amorgos. Only a small part of them returned to Kasos after the cessation of hostilities

several years later. Still, the nautical community of the island kept blooming throughout the entire 19th century, being in close cooperation with all the other Greek naval strongholds and especially Syros.

The importance of Kasos also grew overtime due to the steady immigration of Kasiots to Egypt after the opening of the Suez Canal in 1869. There, they became known as professional pilots of the Canal, based on Port-Said. In cooperation with Syroans, they successfully progressed from sail-ships to steamships in the beginning of the 20th century. As a result the business group of Kasos ship-owners managed to become one of the most prominent in the field in comparatively record time.

This presentation will explore issues related to the group's business history by presenting their methods of enterprise, structure, economic strategy and their degree of adaptability to the coming changes. The presentation consists of the following parts: Firstly, I shall refer to the familial way that characterized the structure of Greek maritime businesses from the 19th to about the mid-20th century. Then, there will be a report on the business phases of the Kulukundis family, that in a way became the "business model" for most of the other Greek companies. Afterwards there will be an analysis of the changes brought about by this company with the founding of the R&K office in London. Finally there will be an honorable mention of the most prominent representative of the family, Manolis Kulukundis.

Greek-owned shipping business structure

Greek shipping has shown many examples of international success in the last two centuries. The history of Greek trade and shipping business is intertwined with the history of familial trading organizations and networks. Such groups were traditionally formed on the basis of kin preference in the various ports and islands of the Aegean. It was such networks that created a range of stable family shipping businesses in the area whose influence is still felt in Greek and international economy to this day.

The beginnings of such networks were initially set up in the 18th century when Greece was still under Ottoman domination. Their development from local to international entities was facilitated through their undertaking of the carrying of shipping loads in the most important trade route of the region: from the Eastern Mediterranean and the Black Sea to Western Europe. It was this opportunity that led to the rapid growth of the merchant shipping centers of Syros and Piraeus in the 19th and 20th centuries. These two ports were also the original main fields of activity for the Kasiots.

Starting from the 19th century onwards, due to the legal regime of the Greek state, a shipping business was starting based on the business context of a single ship. The internal organization of such a business was the same as that of a merchant business, while the shareholders of the ship were also usually co-owners of its cargo. The ship's captain was considered the director of both businesses. The formation of a shipping business either came after, but much more frequently before, the building of the ship. In the latter case, a contract between all the shareholders was composed. In that document, it was stated that all the shareholders would carry the cost of the ship's building and that they would also act as supervisors of the building process. After the ship's completion, the ownership was allocated according to the size of the contribution of each investor to the total cost.

The time span of the co-ownership of the ship was also stated in the original contract and it was usually non-permanent. Specifically, the co-ownership lasted as much as a complete roundtrip of the ship. This included the ship's departure from her place of registration, the trip to the place of buying or loading of cargo, whether by a charter or by trading in the name of the co-owners took place, then the trip to the

location of the sale of the cargo, and then the return trip to the registration location. However, the family in time managed to exceed these confines and become something much greater, a game-changer in the field. Originally each company was inextricably tied to its founder's home island and all shareholders in it were connected with ties of kinship or friendship.

As with most businesses of the era, the companies' structure was strictly patriarchal and their function was based on a line of male descendants of the original founder bearing the family name. In contrast all female descendants, tended to move away from their family home after their marriage. Most of these marriages of course, were diplomatic in nature, used to facilitate the joining of two maritime families, thus ensuring future cooperation between them. Through actions such as these the first great houses of shipping business were formed.

The term "maritime business house" came to mean a gathering of male members of a family, of at least two generations, all related in the first and second degree. All of them would bear the same family name and engage in the shipping business, either collaborating exclusively among themselves or with others as well. However, the continued success of the house through the years was not always guaranteed as it often happened to be broken into smaller businesses through the independent business ventures of the various branches of the family.

A part of my research will focus on the "passive margin" of the families, that however was also a participant in the foundation of joint shipping businesses in Kasos. The margin in question was formed by two basic groups, the passive and the occasional investors. The passive investors consisted mainly of women, who were part of the families. Despite the general chauvinism of the era, the women's role turned to be particularly important in times of prosperity and crisis alike. That was because they often happened to be the financiers that ensured the survival and propagation of their business houses. The women's source of funds were either their dowries, that came under the purview of their husbands, or the fortunes that they were called upon to manage as legal guardians of the ship-owners' offspring who were often, but not always, their children as well.

With the coming of the 20th century, the times changed and the shipping businesses had to change with them. The first thirty or so years of the era were especially turbulent, due to the constant competition and expansionist policies of the Great Powers of the age. In that difficult era of continuous, national, political and

social upheavals, one would expect that the shipping of a small and newly-formed country such as Greece would be limited within its borders. In spite of everything, the Greek shipping not only was not reduced, but it was in this period that it began its greater expansion on the international level.

One of the most important changes, brought about due to the general conditions, before and after World War One, (1915-1919) was the relocation of European commerce from the Black Sea to the Atlantic and as a consequence to more far-flung markets. Due to Greece's official neutrality in the war until 1917, the Greek ships were in the position to facilitate the trade from the Atlantic to the Mediterranean and the opposite. This access to new markets and opportunities for trade in time ensured huge raises in profits for the Greek captains and ship owners.

Another important factor was the impressive rise in shipping freights at that time. In fact, those were the highest shipping freights for the last twenty five years. This development, allowed the Greek ship owners to sell a part of their fleet, thus making huge profits in the process. During the war only, they were able to sell about 30% of their previous fleet, earning approximately 30 million pounds from freights, ship sales and compensations. This buying of ships in high prices was a result of a general tendency in business circles of the era to avoid paying taxes if possible, coupled with the belief that the post-war economic renewal would keep the shipping freights high.

Nevertheless, after 1920, the shipping freights took a sharp turn downwards and the global maritime trade was reduced. The ships' value had also been reduced by 2/3 and as a consequence several Greek ship-owners went bankrupt, especially during the crisis of 1929. On the other hand, several others managed not only to "weather the storm", but also to expand their businesses even further. This development was implemented through the buying of second-hand warships –mostly German- in low prices, which were later re-sold for much higher sums. This phenomenon has been termed the "inverse investing behavior". Several Greek ship-owners, were buying ships, when the shipping business was at its nadir, and the ships were cheap, not only in order to replace their antiquated fleet (and ship storage space) but also in order to re-sell them as a source of income.

The London offices-The case of R&K shipping company

The main players for this kind of dealings were the Greek shipping offices of London. These businesses had been founded by the most prominent ship-owners among the Greeks, with connections in the London shipping sector. They were acting both as intermediaries for the buying of ships and managers of such vessels. This practice especially concerned the category of “one-shippers”, meaning shipping companies with only one ship at their disposal, which incidentally, was the starting point for most such enterprises. Furthermore, the London offices were responsible for the managing and defending of the interests based on each ship, with one or more owners, both for their own vessels and those of their countrymen.

Among the duties of these offices was the finding of loans for anybody interested in building or buying a ship, the managing of said ship and the acquisition of moving capital for any prospective business. The obligations of the ship-owning partners of these offices was the commissioning for the management of the ship and for the contracts for coaling, hiring, insuring, repairing and directing of the ship. From the moment that the prospective ship-owner gathered a certain monetary sum equal to half the value of the ship that he could use as a down payment, the role of the shipping offices began. In addition the responsibility for the loan was also undertaken mainly by the shipping offices. One of the most important of the London firms was the Rethymnis Kulukundis of Kasos, better known as "R & K" office.

The Kulukundis family will be the main subject of research in my thesis as they are the ones to have emerged as one of the most powerful shipping conglomerates in the 20th century. The Kulukundis family name initially appeared as a nickname of the forefather of the family, Ilias Georgiou, because he used to be accompanied on his travels by a little dog/puppy the word for which is "koulouki" in certain Greek dialects. Captain Ilias Georgiou, after he became "Ilias Kulukundis" went to Syros to commission his first ship using his nickname instead of his actual name, for unknown reasons. In this way he made his nickname the official name of his family and business ever since.

Their first business phase began with their founder Elias Kulukundis (1798-1890), who along with his brother contributed their own ships to the Greek war of independence of 1821. After they were captured and worked in Egyptian warships for

a time, they managed to escape and later settled in Syros in 1855. His business action appears in the building of sailing ships at Syros, for serving in the southeastern Mediterranean trade.

His grandson, Elias Kulukundis the younger (1858-1926), inaugurated the second business phase of the family, as after a marked decline in their activities due to economic problems, it was he who managed to overturn their fortunes. He began this course by buying his first sailing ship of a berth of 300 tons. As we can observe on the log of his ship "Anastasia" from 1881 to 1898, the vessel was travelling from the Black sea to the ports of northern Europe. Its main cargo was grain from Sevastopol and Varna on its initial journey, and coal from Cardiff and Swansea on its return trip. This coal was delivered to Syros and Smyrna.



Source: Processed data from the logbook of *Anastasia* sailing ship. Gelina's Harlaftis Archive, Laboratory of Historical Documentation and Research of the Mediterranean World, Department of History, Ionian University.

The log also makes mention of a series of journeys from Yeisk, Odessa, Taganrog and Galatz to Naples, Venice, Marseilles and Alexandria, a testament to the wide commercial network that was already being served by the island of Syros as a transit station. In addition a further successful advancement of the network was the transfer from sail ships to steam ships with the family's first buying of such a vessel and the foundation of ATLANTIKOS shipping company at the dawn of the 20th century.

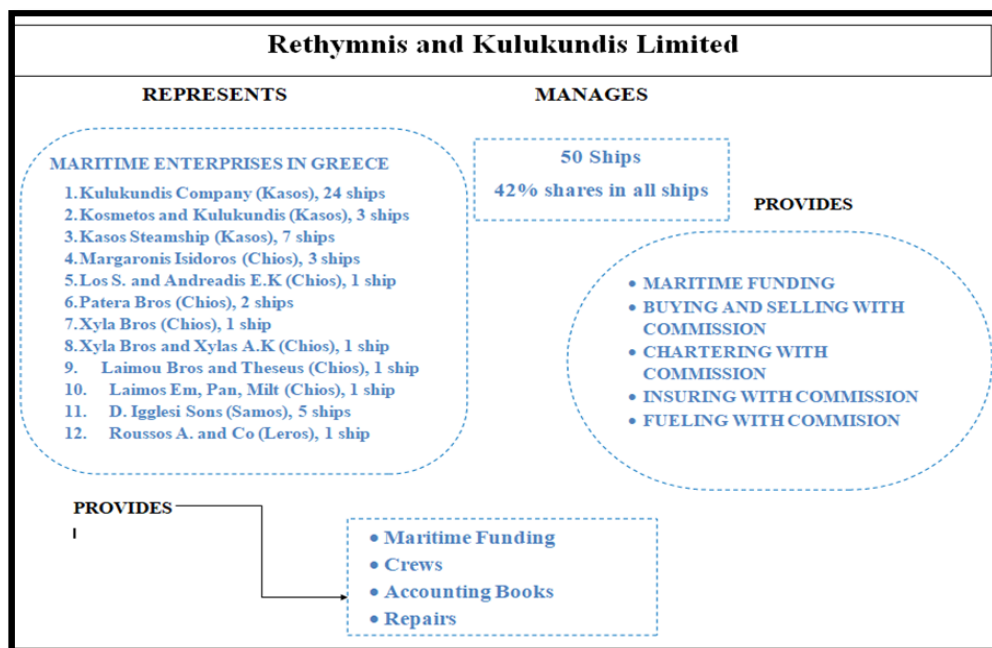
The company's third business phase begins at about that time, under the leadership of Elias' son and de facto leader of the Greek shipping Manolis Kulukundis (1898-1988). Manolis was born in Kasos in November, 1898. At that time, his father sold the sailing ship "Anastasia" and bought his first steamship the "Alexios Yagos", a vessel with a capacity of 3.800 (three thousand, eight hundred) tons. After finishing school in 1914, he wished to continue his studies in the University of Bosphorus, but his plan did not bear fruit, as Turkey entered World War I as an ally of Germany and access to Constantinople became difficult.

After the war he went to London as a trainee in a real estate office in City. In 1921 with his friend Minas Rethymnis, they jointly founded the company Rethymnis & Kulukundis. Their main business practice was to buy ships when freight rates were low and sell them again when they were high. The organization of the Kulukundis business is often associated with the adoption of newer and more efficient institutions and practices. This was happening in order to implement marketing strategies both for domestic purposes. This usually concerned the ownership and management of shipping companies, and the continuous improvement of business relations with external partners, agents and customers of the firm. Soon they managed to go far beyond the traditional family business network, and ensure the cooperation of other commercial houses of the Greek Diaspora, thus contributing further to the expansion of trade and the integration and globalization of markets.

R&K was the largest Greek shipping office in the beginning of the 20th century. It held four fifths of the Kasiot fleet. As mentioned before, this categorization of the London offices based on their island of origin is crucially important for the understanding of the way the Greeks worked. A London office did not represent only the interests of the Greek companies but also held a corresponding share in each ship it managed. Beyond to being agents, the London offices were also a business group in themselves by holding shares. Until this point each shipping office as a standard practice only cooperated with businessmen from their home island.

The R&K was an exception in this case, by also representing clients not from their home island, in this way dispelling the "myth" that only an islander could manage the interests of his countryman and client better than any "stranger". The offices also managed their own ships and those of other companies based in Greece. This was happening because these companies avoided paying the heavy taxes that they would have to, if they were based in Britain. In Lloyd's Register these offices are

mentioned as «List of owners and ship-owners», not as separate companies. They were also filed under their Greek address but as London offices.



Source: Gelina Harlaftis, *The History of Greek –owned Shipping 19th -20th centuries*, Nefeli 2001

As we can observe in the scheme in 1938 the R&K Office was managing 50 ships, with a total capacity of 230.000 tons (two hundred thirty thousand), meaning the 12% of the total of the Greek commercial fleet, of which it held 42% of shares. The company also represented 12 other shipping companies from Piraeus, Kasos, Chios, Samos, and Leros. Of those 50 ships, 34 belonged to the four companies of Kulukundis and Rethymnis while the rest were the property of other companies belonging mainly to Chiots, such as the Pateras, Xylas and the Lemou brothers. This steady cooperation with the Chiots was established only three years after the founding of the company, a fact that demonstrates how the company managed to gain the trust of many of them in a short while.

The company supplied shipping funding either from its own capital, or from a loan with interest, from the Lambert Brothers brokers. This cooperation was particularly important as the British banks usually avoided financing the buying of used ships. It is indicative that in 1938 only 8% of the British, 11% of the Japanese and 16% of the Norwegian ships were over 25 years old, while over 45% of the Greek ships were over that age. Furthermore, the company also supplied crews and undertook repairs of ships whenever they were needed.

The development of the company was based in the knowledge of the used ship market of London. The first incentive for this development was given by the Inchcape office, the leading branch of the Peninsular and Oriental Steam Navigation Company. It was this office, who as a representative of the Inter-alliance Committee in Britain inaugurated the disposal of German ships that had been confiscated as post-war reparations. The (R&K) company bought nine ships on account of Chiot ship owners, while in the period of 1922 to 1925 they bought a further forty ships.

This mass buying of used ships came to be (R&K) the company's greatest success during the Interwar period. This time it was the Kysant house that came to the aid of the Greek shipping agents especially after the maritime crisis that came about after the sudden fall of ship freight rates at that time. The Kysant house's business group, Royal Mail, controlled a large number of British shipping companies, and represented 15% of the total of the British fleet. Lord Kysant had bought 77 ships of standardized build and in a cut-rate price in 1919. Those ships were re-sold in the beginning of the 1930s thus reducing the prices even further.

Manolis Kulukundis then introduced a program of mass sales based on the strategy of "destroying and remaking". In this way his company was in a position to renew their fleet and also bring more Greek ship-owners to the London market. From 1932 and 1934 38 purchases of used ships took place. It is indicative of their strategy that each new ship was named after a Greek mountain. The R&K Office was managing 27 such ships at this point, always buying them in very low prices, repairing them, and then selling them again for much higher ones. For example the company bought "Mount Ida" for 6.000 sterling from Elder Dempster in 1933 and re-sold it two years later to German buyers for 54.000 sterling. Thus the Greeks of London had the opportunity, not only to increase and renew their fleet but also make huge profits in the process.

Especially for the Aegean and the eastern Mediterranean in general the closing of the Dardanelles straights was the game-changing development since the bulk of trading goods were coming from the Black Sea. In 1935, the Greek ship-owners, since they were not in a position to get such grants from their government due to the antiquity of their ships, followed a different course. They took advantage of the fact that they controlled the second largest fleet of free freight ships and they adopted through their offices in London the so called Minimum Rate Scheme. This was essentially an agreement between the ship-owners of various European countries to

define the minimum ship fares in the free universal freight shipping, in order to avoid further reduction of ship fare rates. This was done by arranging for "fake" voyages, where the ships would make trips with empty holds which had no charter for sea trade.

This initiative was the work of Manolis Kulukundis, who was the one who proposed coordination between all the existing Greek shipping offices in London. Thus in mid-1935 the Greek shipping co-operation committee of London was founded, a business entity that still remains important for formulating the policy of all the shipping businesses of Greece and abroad. While Manolis never held the position of president in the committee, he had been by then firmly established as the "moral leader" of the Greek community of Britain. For this reason he was put in charge of the negotiations with the British government, when Greek ships were about to be chartered for use by the Allies at the start of World War 2. In general, the profits for the London offices during the second half of the 1930 because of the Spanish civil war, the Italian-Ethiopian war and of the sales of Greek ships to Germany, that while being deemed illegal by the treaty of Versailles turned out to be very profitable.

Despite all those successes though the true "taking off" of the Kulukundis business took place when Manolis migrated to New York in 1940. By becoming president of the Greek Ship-Owners Union of New-York in 1944 he came to a position enabling him to launch his second initiative. While he was acting as an intermediary between the Greek consulate and also of the exiled Greek government, and the American government, he managed to convince the latter to sell 15 newly-built Liberty ships to Greece under the loan-chartering act of 1941. Immediately after the war, the Kulukundis family was dispersed over the globe and its business activity turned to the buying of tankers.

That was an event of paramount importance for the position of the Greek shipping community in the post World War 2 reparations. It was at that point at a further 100 of the mass built Liberty ships were sold to Greece at a reduced rate, under a new ship selling act of 1946. One year later, with the purchase of 6 tankers, the business activity of the Kulukundis family reached its zenith point. Manolis was at this point in time the owner of more ships -11- than any other Greek businessman in the field, even if several of them were co-owned with other Greeks The most well known ship-owning families were the Yianagas, Diakakis, Emiris, Mavroleon,

Nikolaou, Papadakis, Pnevmatikos, Rethymnis, Chatziliias and most importantly Kulukundis.

Conclusion

In conclusion we need to say that their innovative and adaptive business strategy, the correct estimation of opportunities and the heeding of the teachings of "mother" sea were the main elements of the meteoric rise and establishment of the Kulukundis family as an exemplary shipping and commercial business of the 20th century. This was accomplished through two main business philosophies that while being in contrast also complemented each other in many ways. The Kulukundis family, while they continued to function as a family business over which they retained absolute responsibility for management, also held the belief that shipping is not simply a profit-making activity but a profession.

As such they quickly overcame the "prejudices" of the older familial networks and cooperated with anybody who would trust them earning their reputation through efficiency, professionalism and integrity. This gave them flexibility and adaptability as ship-owners on the one hand and on the other added competitive advantage to the firm. It is then natural for us to consider their shipping house and others that followed their example, as the "fathers" of the Greek fleet, its position at the top of the "world shipping league" and its ability to spread its influence over the globe to this very day.